[Translation]

Annual Securities Report

(The 134th Business Term)
From January 1, 2023 to December 31, 2023

2-47, Shikitsuhigashi 1-chome, Naniwa-ku, Osaka, JAPAN
Kubota Corporation

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[Company Name]	Kabushiki Kaisha Kubota
[Company Name in English]	Kubota Corporation
[Title and Name of Representative]	Yuichi Kitao, President and Representative Director
[Address of Head Office]	2-47, Shikitsuhigashi 1-chome, Naniwa-ku, Osaka, JAPAN
[Phone Number]	+81-6-6648-2111
[Contact Person]	Kaori Sato, General Manager of Accounting Dept.
[Contact Address]	Kubota Corporation, Tokyo Head Office 1-3, Kyobashi 2-chome, Chuo-ku, Tokyo, JAPAN
[Phone Number]	+81-3-3245-3111
[Contact Person]	Jun Sano, General Manager of Tokyo Administration Dept.
[Place Where Available for Public Inspection]	Kubota Corporation, Tokyo Head Office (1-3, Kyobashi 2-chome, Chuo-ku, Tokyo, JAPAN) Tokyo Stock Exchange, Inc. (2-1, Nihombashi Kabuto-cho, Chuo-ku, Tokyo, JAPAN)

This is an English translation of the original Annual Securities Report ("Yukashoken Hokokusho") filed with the Director of the Kanto Local Finance Bureau via Electronic Disclosure for Investors' NETwork (EDINET) pursuant to the Financial Instruments and Exchange Act of Japan.

The translations of the Independent Auditor's Report (filed under the Financial Instruments and Exchange Act of Japan), the Confirmation Letter, and the Management's Report on Internal Control over Financial Reporting for the original Annual Securities Report are included at the end of this document.

For the purposes of this Annual Securities Report, the "Company" refers to Kubota Corporation and its subsidiaries unless context indicates otherwise.

References in this document to the *Financial Instruments and Exchange Act of Japan* are to the Financial Instruments and Exchange Act of Japan and other laws and regulations amending and/or supplementing the Financial Instruments and Exchange Act of Japan.

Cautionary Statement with Respect to Forward-Looking Statements

This document may contain forward-looking statements that are based on management's expectations, estimates, projections, and assumptions. These statements are not guarantees of future performance and involve certain risks and uncertainties which are difficult to predict. Therefore, actual future results may differ materially from what is forecasted in forward-looking statements due to a variety of factors, including, without limitation: general economic conditions in the Company's markets, particularly government agricultural policies; levels of capital expenditures both in public and private sectors; foreign currency exchange rates; the occurrence of natural disasters; continued competitive pricing pressures in the marketplace; and the Company's ability to continue to gain acceptance regarding its products.

1. Overview of the Company

1. Key Financial Data

Business term		134th Business term	133rd Business term	132nd Business term	131st Business term	130th Business term
Fiscal year		December 2023	December 2022	December 2021	December 2020	December 2019
Revenue	(millions of yen)	3,020,711	2,676,980	2,196,766	1,853,234	1,920,042
Profit before income taxes	(millions of yen)	342,289	231,150	250,917	185,899	209,022
Profit attributable to owners of the parent	(millions of yen)	238,455	156,472	174,765	128,524	149,061
Comprehensive income attributable to owners of the parent	(millions of yen)	367,470	283,262	269,162	96,656	167,048
Equity attributable to owners of the parent	(millions of yen)	2,175,773	1,874,490	1,678,035	1,476,039	1,442,837
Total equity	(millions of yen)	2,416,067	2,102,488	1,785,109	1,574,185	1,537,214
Total assets	(millions of yen)	5,359,247	4,765,053	3,773,656	3,189,317	3,139,318
Equity attributable to owners of the parent per share	(yen)	1,851.75	1,576.30	1,398.47	1,221.95	1,182.72
Earnings per share attributable to owners of the parent: Basic	(yen)	201.74	131.06	144.80	105.85	121.59
Diluted	(yen)	—	—	—	—	—
Ratio of equity attributable to owners of the parent to total assets	(%)	40.6	39.3	44.5	46.3	46.0
Ratio of profit attributable to owners of the parent to equity attributable to owners of the parent	(%)	11.8	8.8	11.1	8.8	10.7
Price earnings ratio	(times)	10.52	13.89	17.55	21.27	14.20
Net cash (used in) provided by operating activities	(millions of yen)	(17,273)	(7,680)	92,511	142,919	82,410
Net cash used in investing activities	(millions of yen)	(173,441)	(318,499)	(127,370)	(47,133)	(91,470)
Net cash provided by (used in) financing activities	(millions of yen)	178,404	282,557	60,586	(68,354)	(21,515)
Cash and cash equivalents, at the end of the year	(millions of yen)	222,118	225,799	258,639	222,919	199,665
Number of employees	(number of persons)	52,608	50,352	43,293	41,605	41,027
(Average number of part-time employees)		(12,924)	(12,213)	(3,356)	(2,699)	(2,880)

(Notes)

1. Consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).
2. Amounts less than presentation units are rounded.
3. *Earnings per share attributable to owners of the parent - Diluted* are not stated as Kubota Corporation did not have potentially dilutive common shares that were outstanding.
4. In the year ended December 31, 2022, the Company has changed the measurement method of allowance for doubtful accounts for lease receivables, and the key financial data for the year ended December 31, 2021, has been retrospectively adjusted to reflect this change in the accounting policy.
5. In the year ended December 31, 2023, the Company has adopted IFRS 17 *Insurance Contracts*. In addition, the provisional accounting for the acquisition of Escorts Limited (currently, Escorts Kubota Limited) in the year ended December 31, 2022, has been finalized. The key financial data for the year ended December 31, 2022, has been retrospectively adjusted for these effects.

2. History

Month / Year	History
Feb. 1890	Founder Gonshiro Kubota established Kubota Tekko-jo in Okuraato-cho, Minami-ku, Osaka, Japan and started manufacturing and sales of various cast metal products.
Jul. 1893	Started production of cast iron pipes for water supply.
Feb. 1922	Started production of compact engines for agro-industrial purposes.
Feb. 1927	Acquired Sumidagawa Seitetsuzyo K.K. and expanded the cast iron pipes business.
Dec. 1930	Established K.K. Kubota Tekko-jo and K.K. Kubota Tekko-jo Machinery Department.
Mar. 1937	Consolidated K.K. Kubota Tekko-jo Machinery Department with K.K. Kubota Tekko-jo.
Nov. 1937	Established Sakai Plant and started mass production of engines for agro-industrial purposes.
Oct. 1940	Established Mukogawa Plant and expanded the industrial machinery business, and started production of casting of centrifugal cast iron pipes the following October.
May 1949	Listed on the Tokyo Stock Exchange and Osaka Securities Exchange (integrated with Tokyo Stock Exchange in July 2013).
Aug. 1950	Adopted divisionalized organization by product.
Dec. 1952	Started production of pumps in Mukogawa Machinery Plant.
Jun. 1953	Changed corporate name to Kubota Tekko K.K.
Apr. 1954	Established a plant for vinyl pipes and started full production of plastic pipes.
Nov. 1957	Established Kubota Kenzai Kogyo K.K. and advanced into the housing materials business.
Dec. 1960	Established Funabashi Plant (relocated from Sumidagawa Plant) and completed a mass production system of cast iron pipes.
May 1961	Established Water Laboratory. Also established the Water Treatment Division for full-scale entry into the environmental improvement business the following December.
May 1962	Established Hirakata machinery Plant and Hirakata steel casting Plant and completed building an integrated system for industrial machinery and steel casting products.
Jan. 1967	Established Odawara Plant. Absorbed manufacturing sector of Kubota Kenzai Kogyo K.K. for full-scale entry into the housing materials business in June of the same year.
May 1969	Established Utsunomiya Plant and completed a mass production system of rice transplanters and reaper binders.
Jun. 1972	Absorbed Kanto Daikei Koukan K.K. Changed its name to Ichikawa Plant and continued to manufacture spiral welded steel pipes.
Sep. 1972	Established KUBOTA TRACTOR CORPORATION in the United States and strengthened the selling system of tractors in North America.
Sep. 1973	Established Kyuhoji Plant as a plant for precision equipment by relocating manufacturing facilities from Funademachi Plant.
Mar. 1974	Established Kubota Tractor Europe S.A. (currently, Kubota Europe S.A.S.) in France and strengthened the selling system for farm equipment in Europe.
Aug. 1975	Established Tsukuba Plant as a specialized mass production factory for tractors.
Nov. 1976	Listed on the New York Stock Exchange (delisted in July 2013).
Apr. 1980	Established Kashima Plant as a specialized factory for siding materials.
Jan. 1985	Established Sakai-Rinkai Plant in Sakai Plant as a specialized factory for engines.
Apr. 1990	Changed its corporate name to Kubota Corporation.
Oct. 2002	Established Hanshin Office as a hub for environmental engineering in the Kansai area.
Dec. 2003	Separated the housing materials business and Kubota Matsushitadenko Exterior Works, Ltd. (currently, KMEW Co., Ltd.), took over its business.
Aug. 2004	Acquired additional shares of The Siam Kubota Industry Co., Ltd. (currently, SIAM KUBOTA Corporation Co., Ltd.), which had been an affiliate in Thailand, to make it a consolidated subsidiary and strengthened development, manufacturing, and sales of farm equipment in Southeast Asia.
Apr. 2005	Established Kubota-C.I. Co., Ltd. by business integration of plastic pipes with C.I. Kasei Co., Ltd. (currently, Kubota ChemiX Co., Ltd.).

Month / Year	History
Sep. 2007	Established Siam Kubota Tractor Co., Ltd. (currently, SIAM KUBOTA Corporation Co., Ltd.) as a manufacturing base for tractors in Thailand.
Mar. 2012	Acquired ownership interest in Kverneland ASA (currently, Kverneland AS), a manufacturer of upland farming implements in Norway, and made it a consolidated subsidiary.
Dec. 2013	Established Kubota Farm Machinery Europe S.A.S. in France as a manufacturing base for upland farming tractors.
Jul. 2016	Acquired ownership interest in Great Plains Manufacturing, Inc., a manufacturer of implements in the United States, and made it a consolidated subsidiary.
Apr. 2022	Acquired ownership interest in Escorts Ltd. (currently, Escorts Kubota Ltd.), a manufacturer of tractors in India, and made it a consolidated subsidiary.
Sep. 2022	Established Kubota Global Institute of Technology aimed at promoting cooperation between research and development (R&D) bases worldwide and strengthening its R&D network.

3. Description of Business

The Company consists of Kubota Corporation and 218 affiliates (199 subsidiaries and 19 equity method affiliates) as of December 31, 2023, and provides a wide variety of products and services in the three reportable segments of Farm & Industrial Machinery, Water & Environment, and Other.

The Company prepares its consolidated financial statements in accordance with IFRS, and subsidiaries and equity method affiliates included in the scope of consolidation are determined in accordance with IFRS. The same applies to the scope of affiliates in sections *2. Business Overview,* and *3. Property, Plant, and Equipment*.

The businesses and roles of the Company by reportable segment are as follows:

(1) Farm & Industrial Machinery

Farm & Industrial Machinery mainly manufactures and sells products such as farm equipment, agricultural-related products, engines, and construction machinery.

1) Main Products

Farm equipment and agricultural-related products	Tractors, Power tillers, Combine harvesters, Rice transplanters, Turf equipment, Utility vehicles, Other agricultural machineries, Implements, Attachments, Post-harvest machineries, Vegetable production equipment, Intermediate management machines, Other equipment for agricultural use, Cooperative drying facilities, Rice seedling facilities, Rice mill plants, Gardening facilities, Scales, Weighing and measuring control systems, and Air purifier with humidification function
Engines	Engines for farm equipment, construction machinery, industrial machinery, and generators
Construction machinery	Mini excavators, Wheel loaders, Compact track loaders, Skid steer loaders, and Other construction machinery-related products

2) Main Affiliates

Manufacturing and Sales

(Overseas) Kubota Manufacturing of America Corporation (Note)
Kubota Industrial Equipment Corporation (Note)
Great Plains Manufacturing, Inc. and 18 subsidiaries
Kubota Farm Machinery Europe S.A.S.
Kubota Baumaschinen GmbH
Kverneland AS and 37 affiliates
Kubota Agricultural Machinery (SUZHOU) Co., Ltd.
SIAM KUBOTA Corporation Co., Ltd.
KUBOTA Engine (Thailand) Co., Ltd.
Escorts Kubota Ltd. and 7 affiliates

Sales and Services, etc.

(Domestic) 13 farm equipment sales companies, including Hokkaido Kubota Corporation
KUBOTA Construction Machinery Japan Corporation

(Overseas) Kubota North America Corporation
KUBOTA TRACTOR CORPORATION
Kubota Engine America Corporation
Kubota Canada Ltd.
Kubota Holdings Europe B.V.
Kubota Europe S.A.S.
Kubota (Deutschland) GmbH
Kubota (U.K.) Ltd.
Kubota Australia Pty Ltd.

Financial Leasing

(Domestic) Kubota Credit Co., Ltd.

(Overseas) Kubota Credit Corporation, U.S.A.

Siam Kubota Leasing Co., Ltd.

Kubota China Financial Leasing Ltd.

(Note)

Kubota Manufacturing of America Corporation merged with Kubota Industrial Equipment Corporation on January 1, 2024, with Kubota Manufacturing of America Corporation as the surviving company.

(2) Water & Environment

Water & Environment mainly manufactures and sells products related to pipe systems (ductile iron pipes, plastic pipes and other products), industrial products (reformer and cracking tubes, spiral welded steel pipes, air-conditioning equipment, and other products), and environment (environmental control plants, pumps, and other products).

1) Main Products

Pipe system	Ductile iron pipes, Plastic pipes, Valves for public sector, Single stack drain fittings, and Design and construction of construction works
Industrial products	Reformer and cracking tubes, Hearth rolls, TXAX (friction materials), Spiral welded steel pipes (steel pipe piles, steel pipe sheet piles), and Air-conditioning equipment
Environment	Wastewater treatment equipment and plants, Pumps and plants, Membrane solutions, Water purification plants, Night-soil treatment plants, Waste incinerating and melting plants, Waste shredding and sorting plants, Flue gas desulfurization apparatus, Membrane methane fermentation plants, Wastewater treatment plant (Johkasou), and Valves for private sector

2) Main Affiliates

Manufacturing and Sales

(Domestic) Kubota ChemiX Co., Ltd.

NIPPON PLASTIC INDUSTRY CO., LTD.

Kubota Air Conditioner, Ltd.

(Overseas) Kubota Materials Canada Corporation

Kubota Saudi Arabia Company, LLC

Operation, Maintenance, and Repair

(Domestic) KUBOTA Environmental Engineering Corporation

Design and Construction

(Domestic) Kubota Construction Co., Ltd.

(3) Other

Other mainly offers a variety of services.

1) Main Products

Other	Various services including logistics, and roofing and siding materials

2) Main Affiliates

Manufacturing and Sales

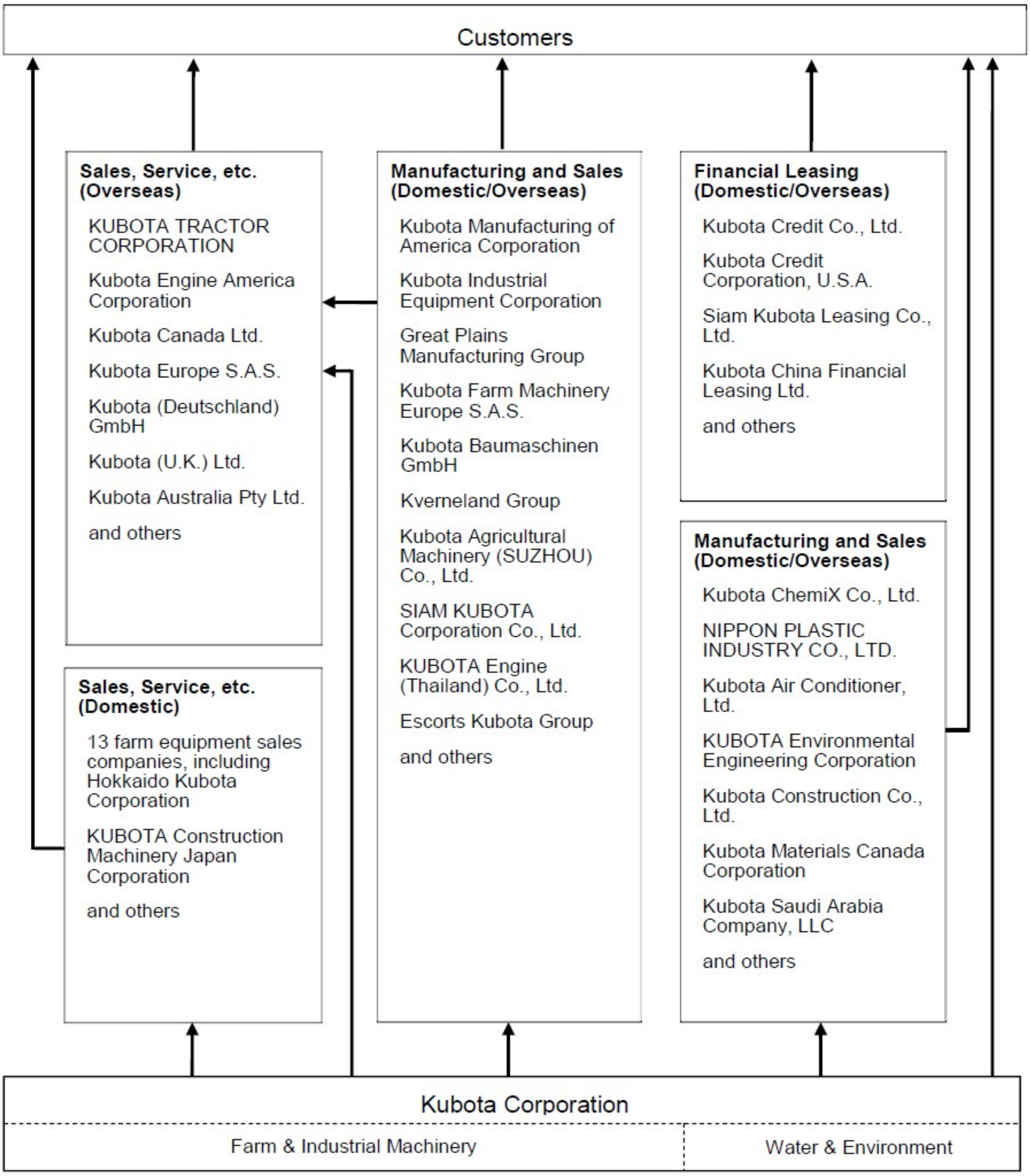
(Domestic) KMEW Co., Ltd.

Services

(Domestic) KUBOTA LOGISTICS Corporation

(Overseas) Kubota China Holdings Co., Ltd.

(Business distribution diagram)



4. Information on Affiliates

(As of December 31, 2023)

Company name	Location	Common stock (millions of yen)	Principal business activities	Ownership percentage of voting rights (%)	Relationship: Business transaction, etc.
Subsidiaries					
6 domestic farm equipment sales companies, including Hokkaido Kubota Corporation	Nishi-ku, Sapporo, JAPAN, etc.	100	Sales of farm equipment, etc.	80.8	Lease of facilities from Kubota Corporation, and sales of Kubota Corporation’s products
KUBOTA Construction Machinery Japan Corporation	Naniwa-ku, Osaka, JAPAN	300	Sales of construction machinery, etc.	100.0	Lease of facilities from Kubota Corporation, sales of Kubota Corporation’s products, and interlocking directors
Kubota Credit Co., Ltd.	Naniwa-ku, Osaka, JAPAN	500	Retail financing to purchasers of farm equipment and related products	(22.9) 77.8	Loans from Kubota Corporation, lease of facilities from Kubota Corporation, credit guarantees, and interlocking directors
Kubota Machinery Trading Co., Ltd.	Naniwa-ku, Osaka, JAPAN	30	Export and import of components for farm equipment, engines, and construction machinery	100.0	Loans from Kubota Corporation, lease of facilities from Kubota Corporation, and material supplies to Kubota Corporation
Kubota Engine Japan Corporation	Naniwa-ku, Osaka, JAPAN	310	Sales, service, and engineering of industrial engines	100.0	Lease of facilities from Kubota Corporation and sales of Kubota Corporation’s products
Kubota North America Corporation (Note 2)	Delaware, USA	(thousands of USD) 597,100	Administration of North American Farm & Industrial Machinery business	100.0	Interlocking directors
KUBOTA TRACTOR CORPORATION (Note 2) (Note 3)	Texas, USA	(thousands of USD) 37,000	Sales of tractors, outdoor power equipment, construction machinery, and implements	(100.0) 100.0	Sales of Kubota Corporation’s products and interlocking directors
Kubota Credit Corporation, U.S.A.	Texas, USA	(thousands of USD) 8,000	Retail financing to purchasers of tractors, outdoor power equipment, construction machinery, and implements	(90.0) 100.0	Interlocking directors
Kubota Manufacturing of America Corporation (Note 4)	Georgia, USA	(thousands of USD) 10,900	Manufacturing of tractors and outdoor power equipment	(100.0) 100.0	Interlocking directors
Kubota Industrial Equipment Corporation (Note 4)	Georgia, USA	(thousands of USD) 70,000	Manufacturing of implements, tractors, and construction machinery	(100.0) 100.0	Interlocking directors
Kubota Engine America Corporation	Illinois, USA	(thousands of USD) 10,000	Sales, engineering, and after-sales service of engines, engine parts, and engine accessories	(100.0) 100.0	Sales of Kubota Corporation’s products and interlocking directors
Kubota Insurance Corporation	Hawaii, USA	(thousands of USD) 2,000	Underwriting non-life insurance in the United States	(100.0) 100.0	Interlocking directors
Great Plains Manufacturing, Inc. and 18 subsidiaries	Kansas, USA	(thousands of USD) 90	Manufacturing and sales of implements and construction machinery	(100.0) 100.0	Interlocking directors
Kubota Research & Development North America Corporation (Note 2)	Georgia, USA	(thousands of USD) 90,000	Development of outdoor power equipment and implements	(100.0) 100.0	Commissioned research services from Kubota Corporation and interlocking directors
Kubota Canada Ltd.	Ontario, CANADA	(thousands of CAD) 6,000	Sales of tractors, outdoor power equipment, construction machinery, and implements	100.0	Sales of Kubota Corporation’s products and interlocking directors
Kubota Holdings Europe B.V. (Note 2)	Noord-Holland, NETHERLANDS	(thousands of EUR) 532,788	Administration of European Farm & Industrial Machinery business	100.0	Loans from Kubota Corporation and interlocking directors
Kubota Europe S.A.S.	Val-d’Oise, FRANCE	(thousands of EUR) 11,167	Sales of construction machinery, tractors, outdoor power equipment, and engines	(100.0) 100.0	Sales of Kubota Corporation’s products and interlocking directors

(As of December 31, 2023)

Company name	Location	Common stock (millions of yen)	Principal business activities	Ownership percentage of voting rights (%)	Relationship Business transaction, etc.
Kubota Farm Machinery Europe S.A.S.	Nord, FRANCE	(thousands of EUR) 57,000	Manufacturing of upland farming tractors	(100.0) 100.0	
Kubota Baumaschinen GmbH	Rhineland-Palatinate, GERMANY	(thousands of EUR) 14,316	Manufacturing and sales of construction machinery	(100.0) 100.0	Purchase of Kubota Corporation’s products
Kubota (Deutschland) GmbH	Hessen, GERMANY	(thousands of EUR) 3,579	Sales of tractors, outdoor power equipment, and engines	(100.0) 100.0	Sales of Kubota Corporation’s products and interlocking directors
Kubota (U.K.) Ltd.	Oxfordshire, UNITED KINGDOM	(thousands of GBP) 2,000	Sales of construction machinery, tractors, outdoor power equipment, and engines	(100.0) 100.0	Sales of Kubota Corporation’s products
Kverneland AS and 36 subsidiaries	Rogaland, NORWAY	(thousands of EUR) 53,090	Manufacturing and sales of implements	(100.0) 100.0	Interlocking directors
Kubota Brabender Technologie GmbH and 2 subsidiaries	North Rhine-Westphalia, GERMANY	(thousands of EUR) 26	Manufacturing and sales of gravimetric feeders	(100.0) 100.0	
SIAM KUBOTA Corporation Co., Ltd. (Note 2)	Pathumthani, THAILAND	(thousands of THB) 2,739,000	Manufacturing and sales of tractors, combine harvesters, implements, and horizontal type diesel engines. Sales of construction machinery	60.0	Purchase of Kubota Corporation’s products and interlocking directors
Siam Kubota Leasing Co., Ltd.	Pathumthani, THAILAND	(thousands of THB) 2,625,000	Retail financing to purchasers of tractors and combine harvesters, etc.	(100.0) 100.0	Interlocking directors
KUBOTA Engine (Thailand) Co., Ltd.	Chachoengsao, THAILAND	(thousands of THB) 1,400,000	Manufacturing of vertical type diesel engines	100.0	Interlocking directors
Escorts Kubota Ltd. and 5 subsidiaries	Haryana, INDIA	(thousands of INR) 1,104,983	Manufacturing and sales of tractors, construction machinery, and other products	54.5	Interlocking directors
Kubota Agricultural Machinery (SUZHOU) Co., Ltd.	Jiangsu, CHINA	(thousands of CNY) 170,999	Manufacturing and sales of combine harvesters, rice transplanters, and tractors	(100.0) 100.0	Interlocking directors
Kubota Construction Machinery (Wuxi) Co., Ltd.	Jiangsu, CHINA	(thousands of CNY) 289,035	Manufacturing of construction machinery	(100.0) 100.0	Interlocking directors
Kubota China Financial Leasing Ltd.	Shanghai, CHINA	(thousands of CNY) 527,092	Finance leasing of construction machinery and farm equipment, and factoring service	(100.0) 100.0	Interlocking directors
Kubota Korea Co., Ltd.	Seoul, KOREA	(thousands of KRW) 200,000	Sales of tractors, combine harvesters, rice transplanters, construction machinery, and engines	100.0	Sales of Kubota Corporation’s products and interlocking directors
Kubota Myanmar Co., Ltd.	Yangon, MYANMAR	(thousands of USD) 23,800	Sales of combine harvesters and tractors	(20.0) 100.0	Sales of Kubota Corporation’s products and interlocking directors
Kubota Australia Pty Ltd.	Victoria, AUSTRALIA	(thousands of AUD) 21,000	Sales of tractors, outdoor power equipment, construction machinery, and engines	100.0	Sales of Kubota Corporation’s products
Kubota ChemiX Co., Ltd.	Amagasaki-shi, Hyogo, JAPAN	3,198	Manufacturing and sales of plastic pipes and fittings	100.0	Loans from Kubota Corporation, lease of facilities from Kubota Corporation, and interlocking directors
KUBOTA Environmental Engineering Corporation	Chuo-ku, Tokyo, JAPAN	400	Design, manufacturing, construction, repair, operation, and maintenance of various environmental equipment and plants	100.0	Lease of facilities from Kubota Corporation; maintenance, remodeling and repair of facilities constructed by Kubota Corporation; and interlocking directors
NIPPON PLASTIC INDUSTRY CO., LTD.	Komaki-shi, Aichi, JAPAN	175	Manufacturing and sales of plastic products	(67.0) 67.0	Lease of facilities from Kubota Corporation

(As of December 31, 2023)

Company name	Location	Common stock (millions of yen)	Principal business activities	Ownership percentage of voting rights (%)	Relationship
					Business transaction, etc.
Kubota Construction Co., Ltd.	Naniwa-ku, Osaka, JAPAN	400	Design and construction of water and sewage, civil engineering	100.0	Lease of facilities from Kubota Corporation, contracting and construction of Kubota Corporation's works, and interlocking directors
Kubota Air Conditioner, Ltd.	Chuo-ku, Tokyo, JAPAN	400	Manufacturing, sales, and maintenance of air conditioning equipment for industrial use	100.0	Lease of facilities from Kubota Corporation
Kubota Materials Canada Corporation	Ontario, CANADA	(thousands of CAD) 15,000	Manufacturing and sales of cast steel products and TXAX products	100.0	Purchase of Kubota Corporation's products and interlocking directors
Kubota Saudi Arabia Company, LLC	Ash Sharqiyah, SAUDI ARABIA	(thousands of SAR) 56,250	Manufacturing and sales of steel casting products, sales and maintenance of valves	100.0	Purchase of Kubota Corporation's products, debt guarantees, and interlocking directors
KUBOTA LOGISTICS Corporation	Naniwa-ku, Osaka, JAPAN	75	Management of logistics and logistics information service related to transportation, storage, cargo handling, and distribution processing	100.0	Lease of facilities from Kubota Corporation, transportation and storage of Kubota Corporation's products, and interlocking directors
Heiwa Kanzai CO., LTD.	Chuo-ku, Tokyo, JAPAN	50	Building maintenance, security guarding, and facility management	60.0	Lease of facilities from Kubota Corporation and contracting on building maintenance of Kubota Corporation
Kubota China Holdings Co., Ltd. (Note 2)	Shanghai, CHINA	(thousands of CNY) 1,709,442	Administration of subsidiaries in China	100.0	Interlocking directors
90 other companies					

Equity method affiliates

7 domestic farm equipment sales companies, including Akita Kubota Corporation	Akita-shi, Akita, JAPAN, etc.	60	Sales of farm equipment, etc.	35.7	Lease of facilities from Kubota Corporation and sales of Kubota Corporation's products
KMEW Co., Ltd.	Chuo-ku, Osaka, JAPAN	8,000	Manufacturing and sales of roofing, siding materials, and rain gutters	50.0	Lease of facilities from Kubota Corporation and interlocking directors
11 other companies					

(Notes)

1. Figures in parentheses in *Ownership percentage of voting rights* column represent the indirect ownership included in the total.
2. Specified companies under the Financial Instruments and Exchange Act of Japan.
3. Revenue of KUBOTA TRACTOR CORPORATION (excluding intercompany transfers) exceeded 10% of total consolidated revenue of the Company. Its key financial information is as follows: revenue, income before income taxes and net income of ¥834,540 million, ¥47,686 million and ¥35,649 million, respectively, for the year ended December 31, 2023, and total equity and total assets of ¥254,540 million and ¥611,530 million, respectively, as of December 31, 2023.
4. Kubota Manufacturing of America Corporation merged with Kubota Industrial Equipment Corporation on January 1, 2024, with Kubota Manufacturing of America Corporation as the surviving company.

5. Employees

(1) Consolidated basis

(As of December 31, 2023)

Reportable segment	Number of employees	
Farm & Industrial Machinery	40,484	(12,413)
Water & Environment	7,645	(257)
Other	1,359	(254)
Corporate	3,120	(—)
Total	52,608	(12,924)

(Note)

The number of employees refers solely to full-time employees of the Company on a consolidated basis, and the annual average number of part-time employees is shown in parentheses.

(2) Kubota Corporation

(As of December 31, 2023)

Number of employees	Average age	Average length of service	Average annual salary
14,638	40.0	13.8 years	¥ 7,989,530

Reportable segment	Number of employees
Farm & Industrial Machinery	8,844
Water & Environment	2,674
Corporate	3,120
Total	14,638

(Notes)

1. The number of employees refers solely to full-time employees of Kubota Corporation.
   The number of employees increased 2,164 during the year ended December 31, 2023, primarily due to the absorption merger of certain domestic subsidiaries.
2. Average annual salary includes bonuses and extra wages.

(3) Relationship with labor unions

The relationship between management and labor unions is stable, and there are no special matters to be stated.

(4) Percentage of female employees in managerial positions, percentage of male employees taking childcare leave, and wage gap between male and female

a) Kubota Corporation

(As of December 31, 2023)

Percentage of female employees in managerial positions (%) (Note 1)	Percentage of male employees taking childcare leave (%) (Note 2)	Wage gap between male and female employees (%) (Note 1) (Note 3) (Note 4)			Note
		All employees	Permanent employees	Part-time or fixed-term employees	
4.3	75.6	80.3	79.3	75.3	

(Notes)

1. The percentage of female employees in managerial positions is calculated in accordance with the provisions of Japan’s "Act on the Promotion of Women's Active Engagement in Professional Life" (Act No. 64 of 2015).
2. The percentage of employees taking childcare leave, as stipulated in Article 71-4, Item 1 of Japan’s "Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members" (Ordinance of the Ministry of Labor No. 25 of 1991), is calculated in accordance with the provisions of Japan’s "Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members" (Act No. 76 of 1991).
3. There is no wage gap between male and female permanent employees in the same grade since the grade system and wage structure are uniform. Wage gap between male and female is primarily due to the higher proportion of men in managerial positions compared to women.
4. For part-time or fixed-term employees, the wage gap is due to the inclusion of those with specific labor contracts that have higher wage levels and a higher percentage of men. No differentiation by gender is made.

b) Subsidiaries

(As of December 31, 2023)

Company name	Percentage of female employees in managerial positions (%) (Note 1)	Percentage of male employees taking childcare leave (%) (Note 2)	Wage gap between male and female employees (%) (Note 1)			Note
		Employment status: All employees	All employees	Permanent employees	Part-time or fixed-term employees	
Kubota Credit Co., Ltd.	20.4	0.0	62.1	65.1	—	3
Kubota ChemiX Co., Ltd.	0.4	91.7	72.2	70.2	81.7	
Kubota Environmental Engineering Corporation	1.2	38.1	70.2	83.1	38.6	
Hokkaido Kubota Corporation	5.1	0.0	69.0	69.0	—	3
Michinoku Kubota Corporation	1.3	30.0	77.8	77.0	88.1	
Kanto Koushin Kubota Corporation	13.8	0.0	65.9	72.3	109.0	
TokaiKinki Kubota Corporation	1.4	14.3	67.9	68.2	—	3
ChuShikoku Kubota Corporation	1.2	0.0	67.1	68.0	62.7	
Minami Kyushu Okinawa Kubota Corporation	7.0	0.0	66.5	69.2	42.9	
Kubota Design Corporation	30.4	100.0	77.5	77.5	—	3
Kubota Agri Service Corporation	1.0	50.0	78.7	78.7	—	3
KUBOTA Construction Machinery Japan Corporation	0.0	31.3	75.9	76.4	57.5	
Sanko Kubota Kenki Kabushikigaisha	0.0	100.0	69.6	68.4	97.5	
NIPPON PLASTIC INDUSTRY CO., LTD.	0.0	0.0	72.9	83.0	57.5	
Kubota Keiso Corporation	3.5	66.7	82.2	80.3	100.2	
Kubota Construction Co., Ltd.	2.1	0.0	57.7	59.7	47.1	
Kubota Works Co., Ltd.	0.0	—	109.6	113.0	74.2	4
KUBOTA LOGISTICS Corporation	0.0	44.4	62.2	66.0	39.2	
Kubota Eight Corporation	4.2	25.0	63.6	70.4	52.7	
Heiwa Kanzai CO., LTD.	1.9	100.0	49.7	81.4	37.3	
Kubota Air Conditioner, Ltd.	0.0	100.0	70.1	70.8	118.1	

(Notes)

1. The percentage of female employees in managerial positions is calculated in accordance with the provisions of Japan’s "Act on the Promotion of Women's Active Engagement in Professional Life" (Act No. 64 of 2015).
2. The percentage of employees taking childcare leave, as stipulated in Article 71-4, Item 1 of Japan’s "Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members" (Ordinance of the Ministry of Labor No. 25 of 1991), is calculated in accordance with the provisions of Japan’s "Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members" (Act No. 76 of 1991).
3. A dash (-) in the *wage gap between male and female employees* indicates that the percentage cannot be calculated since all applicable employees are male or female, or there are no applicable employees.
4. A dash (-) in the *percentage of male employees taking childcare leave* indicates that there are no eligible employees.

2. Business Overview

1. Business Issues to Address

Business issues of the Company to address are as follows:

Forward-looking statements contained in this section are made based on the assumptions and judgments of the Company as of December 31, 2023.

The Company's long-term goal is to become a Global Major Brand (hereinafter, "GMB"), or in other words, a brand that can make the greatest social contribution as a result of being trusted by the largest number of customers.

In order to accelerate the realization of GMB, the Company is committed to be an "Essentials Innovator for Supporting Life,' Committed to a Prosperous Society and Cycle of Nature" in the long-term vision for 2030, "GMB2030." The Company aims to achieve long-term sustainable development by maximizing the contribution to a sustainable society through solutions to enhance the productivity and safety of food, solutions to promote the circulation of water resources and waste, and solutions to improve urban and living environments.

(1) Promotion of Business Operations That Position ESG at the Core of Management

As corporate social responsibility becomes increasingly important, the Company is promoting its own Environment, Social, and Governance (ESG) conscious initiatives (hereinafter, "K-ESG") in order to continue to be a sustainable company. As a company that operates in the area of food, water and environment, and engages in reducing environmental impact and solving social issues through its business, the Company aims to increase its corporate value by materializing business activities rooted in the corporate philosophy, Kubota Global Identity (KGI), in addition to general ESG initiatives.

(2) Reinforcement of the Management Base and Operation Capabilities

In the ongoing Mid-Term Business Plan 2025, the Company has positioned five years up to 2025 as the period for laying the foundation to realize GMB2030 and work primarily on the following themes:

- Promotion of ESG management
- Establishment of the foundation for realizing GMB2030 that supports the next generation
- Expansion of revenue in existing businesses
- Improvement of profit margin
- Development of infrastructure that supports sustainable growth
- Promotion of digital transformation (DX) to support above five themes

However, constant reform is necessary to adapt to the drastically changing business environment of recent years. Therefore, in addition to the existing themes, the following projects will be launched to promote reforms: a management structure reform project, a development reform project, an operation reform project, and a human resources and global personnel system reform project.

<u>Management structure reform project</u>

With the further expansion of overseas business, it is necessary to globalize the Japan-centered management structure.

Responsibilities and authorities by business, function, and region will be clarified to establish a system that enables speedy decision-making accordingly. Along with the establishment of a global governance structure, an organizational structure capable of formulating clear strategies based on a market-in approach and creating new added value, and a unique global and agile structure based on strengths and weaknesses of the Company will be established.

<u>Development reform project</u>

The Company is in the process of establishing its development system at six bases in Japan, North America, Europe, ASEAN, China, and India. However, it is difficult to survive the global competition, unless the Company improves its development efficiency through a system in which global development teams are connected and stimulate each other's creativity based on a clear market strategy.

The Company will reform development methods such as platform design to improve development efficiency and production costs through commonization, and promote efficiency by adopting the Kubota Production System (KPS), the fundamental concept and perspective of the Company's manufacturing. The Company will also engage in reforms aimed at improving innovation capabilities and development productivity, and build a system to refine technological and product development capabilities, a key strength of the Company.

Operation reform project

In the year ended December 31, 2023, a new enterprise system began operating at plants in Japan. This new system eliminates duplicated operations by connecting the entire process from order receipt to delivery in a single flow. In addition, the Company will simultaneously review the layout of production sites and procurement in order to establish the ideal state of overall operations, taking into account various risks, such as geopolitical risks.

Human resources and global personnel system reform project

Intangible assets are key to value creation of the Company. Intangible assets include organization, intellectual property, and operational skill, but the core is human capital. The Company will enhance its corporate value by establishing a system for the development and training of global human resources, including overseas human resources, that will drive and encourage business growth, and by establishing and expanding a global human resource system while taking advantage of local characteristics.

(3) Promotion of Mid-Term Business Plan 2025

Progress on each theme of the Mid-Term Management Plan 2025 during the year ended December 31, 2023, is as follows:

As to “Establishment of the foundation for realizing GMB2030 that supports the next generation,” Kubota Smart Agri System (KSAS), a system provided by the Company to support farm operations, continues to make steady progress in external collaboration and data accumulation.

As to “Expansion of revenue in existing businesses,” construction machinery and basic tractors are performing well and are beginning to show potential to become important pillars of future growth.

Certain progress has also been made in other themes, contributing to the revenue stream of the Company.

These themes will be steadily promoted in 2024 as well.

2. Sustainability Approach and Initiatives

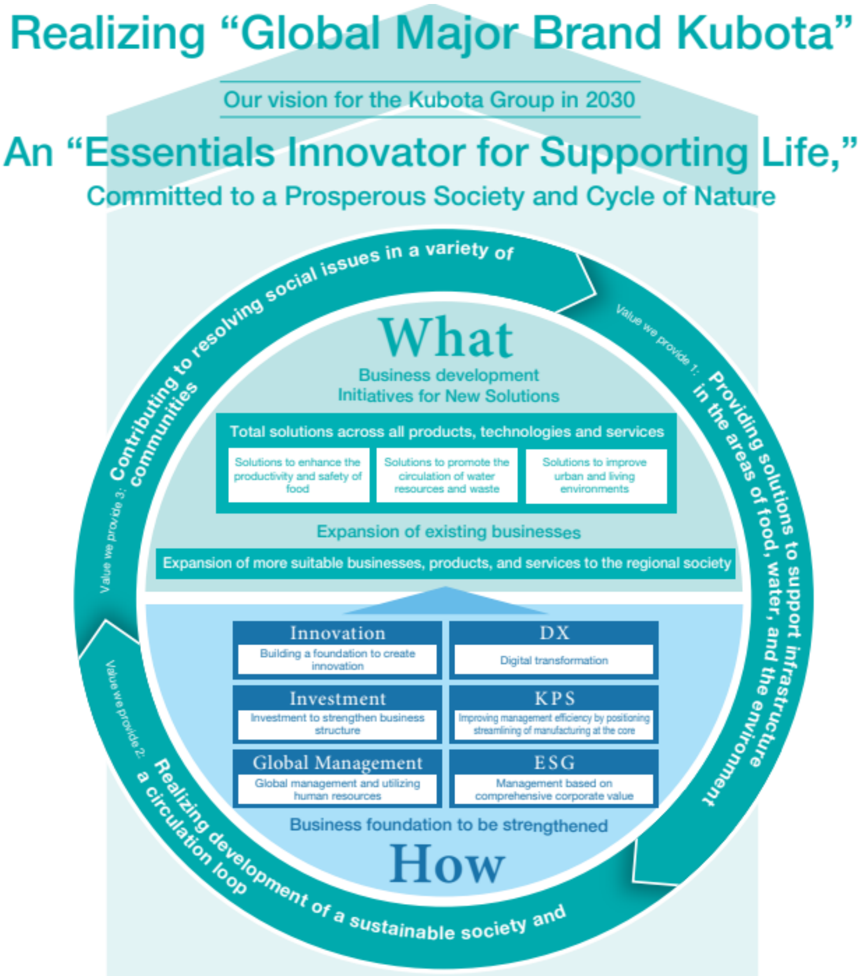
Forward-looking statements contained in this section are made based on the assumptions and judgments of the Company as of December 31, 2023.

(1) Sustainability in General

1) Basic approach and strategies

In the corporate philosophy, KGI, the Company has adopted the brand statement “For Earth, For Life” and promises to continue supporting the prosperous life of humans while protecting the environment of this beautiful earth. In order to realize KGI, the Company aims to become "Global Major Brand Kubota" (hereinafter, "GMB Kubota"), and have set forth the long-term vision GMB2030 as the vision for the year 2030.

Under GMB2030, the Company is committed to becoming an “Essentials Innovator for Supporting Life,” that is, the Company is committed to ensuring both the sustainability of the global environment and human society, as well as the sustainability of the Company; specifically, development of new solutions in the areas of food, water, and environment, as well as expansion of existing businesses and further adaptation to society. In addition, to support such business development, the Company is strengthening its management foundation, including business transformation with ESG at the core of the management.

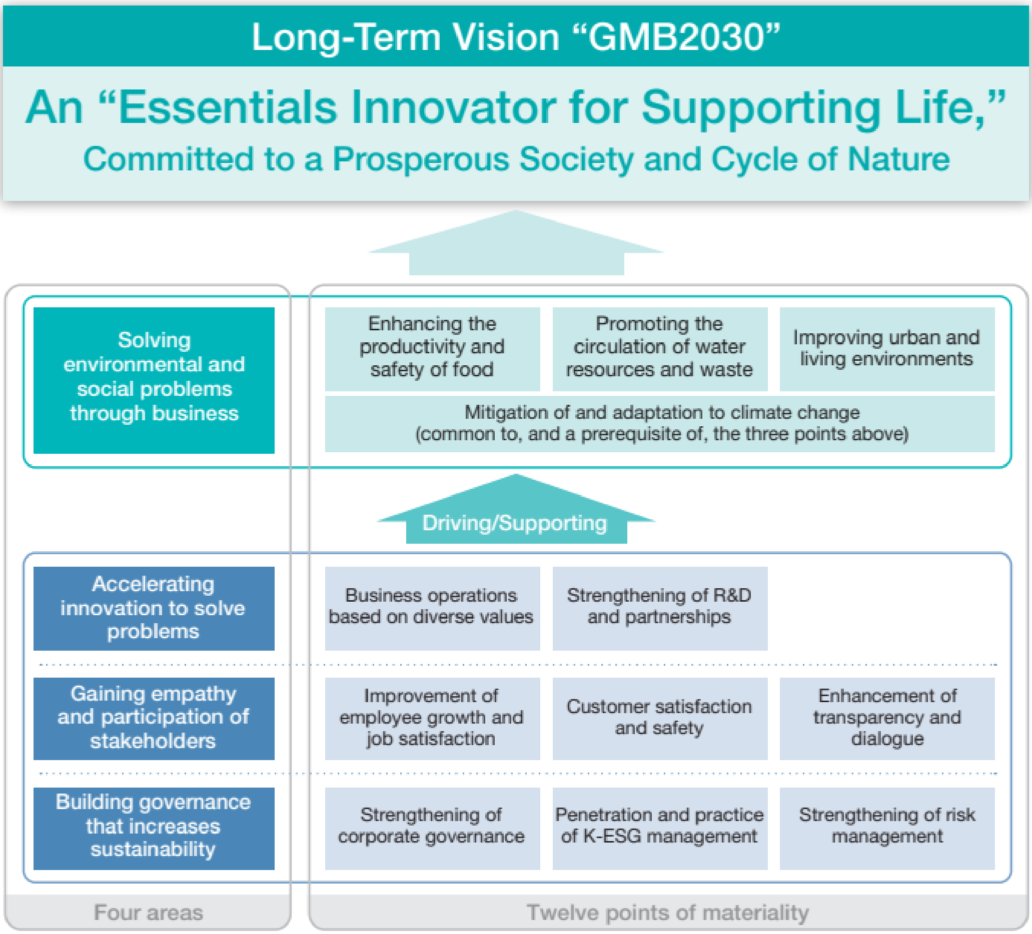


2) Materiality, opportunities and risks, indicators and targets

Under the Company's unique ESG management (hereinafter, "K-ESG management") to realize GMB2030, the Company is engaged in "Solving environmental and social problems through business" and strengthening the business foundation to drive and support these efforts. "Solving environmental and social problems through business" aims to address climate change through implementing new solutions and expanding existing businesses from the following three perspectives to realize GMB2030: "Enhancing the productivity and safety of food," "Promoting the circulation of water resources and waste," and "Improving urban and living environment." Strengthening the business foundation means "Accelerating innovation to solve problems," "Gaining empathy and participation of stakeholders," and "Building governance that increases sustainability." The Company has identified 12 items as materiality in these four areas of business, innovation, stakeholders, and governance. Materialities identified by the Company (perceived as risks and opportunities), as well as indicators and targets for materiality promotion, are shown in the subsequent tables.

Materialities were extracted in consideration of global trends, the four megatrends that are important to the Company (circular economy, carbon neutral, society of zero marginal cost, and formation of new small communities), the role of the Company, other ESG issues, stakeholder trends, and other factors. Materialities were identified based on discussions by management at the ESG Management Strategy Meeting (refer to *3) Governance and risk management* section below) and other management meetings, and opinions and assessments received through dialogues with investors and shareholders, and was reported to and determined by the Board of Directors. Materialities and indicators are not fixed, but are constantly reviewed in light of social conditions and the business situation.

Relationship between materiality of K-ESG management and GMB2030



Materilality Objectives

Materiality		Reason for its importance
Solving environmental and social problems through business	Enhancing the productivity and safety of food Promoting the circulation of water resources and waste Improving urban and living environments Mitigation of and adaptation to climate change	The Company has been striving to provide products and services that are indispensable for people's daily lives. Through more than 130 years, the Company has accumulated a great deal of technology and know-how in solving issues related to food, water, and environment with farm equipment, water pipes, etc., which are deployed several meters above and below the ground surface. On the other hand, as a global movement and direction, there are four megatrends that are important to the Company: circular economy, carbon neutral, society of zero marginal cost, and formation of new small communities. In the midst of this trend, the Company, aiming to realize KGI and GMB Kubota, is committed to play the following three roles, and fulfilling these roles will allow the Company to further expand and develop its business domain, as well as provide opportunities to contribute to society. - providing solutions in the areas of food, water, and environment; - realizing the development of a sustainable society and a circulation loop of nature; and - contributing to resolving social issues in a variety of communities.
Accelerating innovation to solve problems	Business operations based on diverse values	Recognizing diverse values amplifies strengths and compensates for weaknesses, leading to a high competitive advantage. By fully demonstrating the diverse capabilities of the diverse human resources, the Company can create new value and grow its business through innovation and response to change.
	Strengthening of R&D and partnerships	In recent years, issues themselves have become increasingly sophisticated and more complex. In solving these issues, it is necessary to further enhance R&D capabilities of the Company. In addition, collaboration with business partners to incorporate new expertise accelerates the speed of this process.
Gaining empathy and participation of stakeholders	Improvement of employee growth and job satisfaction	In order to achieve sustainable growth, the Company must be a dynamic organization that can flexibly respond to changes in the business environment. This is made possible by employees who are motivated by a sense of job satisfaction, and job satisfaction is realized through a sense of growth, a sense of contribution to society and colleagues, etc.
	Customer satisfaction and safety	By staying close to customers and imagining the future from their perspective, the Company is able to quickly identify issues and provide new value that exceeds their expectations. Continuing to do so will lead to customer satisfaction, and by earning the trust of customers, the Company can make greater contributions to society.
	Enhancement of transparency and dialogue	A high level of transparency and dialogue leads to empathy and participation of employees, suppliers, and other stakeholders, and supports business activities. Furthermore, a deeper understanding of the Company will enhance the corporate value.
Building governance that increases sustainability	Strengthening of corporate governance	The top management priority is to raise overall corporate value while balancing between economic value and social value on a long-term and stable basis. This requires corporate governance that supports transparent, fair, prompt, and decisive management.
	Penetration and practice of K-ESG management	Sharing common values and codes of conduct globally will realize “One Kubota” and support business development and the resolution of environmental and social issues.
	Strengthening of risk management	Changes in social conditions and the business environment are becoming more intense every year, and risks are diversifying. It is essential to create sustainable corporate value by responding to risks in a timely and proactive manner.

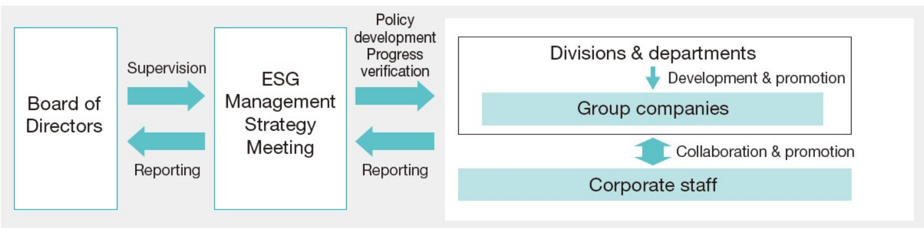
Indicators and targets of materiality

Materiality		Indicators	Medium- and long-term targets
Solving environmental and social problems through business	Enhancing the productivity and safety of food Promoting the circulation of water resources and waste Improving urban and living environments	Progress of new solutions	(To be disclosed)
	Mitigation of and adaptation to climate change	Emissions in Scopes 1, 2, and 3	- Scopes 1 and 2: 50% reduction from 2014 levels by 2030 - Scope 3: (To be disclosed)
Accelerating innovation to solve problems	Business operations based on diverse values	- Progress on diversity among Executive Officers - Proportion of female managers (Nonconsolidated)	- Proportion of foreign Executive Officers: 10% by 2025 - Proportion of female managers: 7% by 2030
	Strengthening of R&D and partnerships	- Progress on R&D system - R&D results	(To be disclosed)
Gaining empathy and participation of stakeholders	Improvement of employee growth and job satisfaction	- Employee engagement score - DX personnel	- Employee engagement score: 70 by 2030 - DX personnel: 1,000 by 2024
	Customer satisfaction and safety	Customer satisfaction	(To be disclosed)
	Enhancement of transparency and dialogue	External institution rating	Acquire the highest possible rating from a major external ratings agency by 2025
Building governance that increases sustainability	Strengthening of corporate governance	Effectiveness of the Board of Directors	(To be disclosed)
	Penetration and practice of K-ESG management	Penetration of the corporate philosophy and vision among employees	Penetration score: 75 by 2025
	Strengthening of risk management	Progress toward the creation of a risk management system	Establish a global risk management system and conduct due diligence by 2025

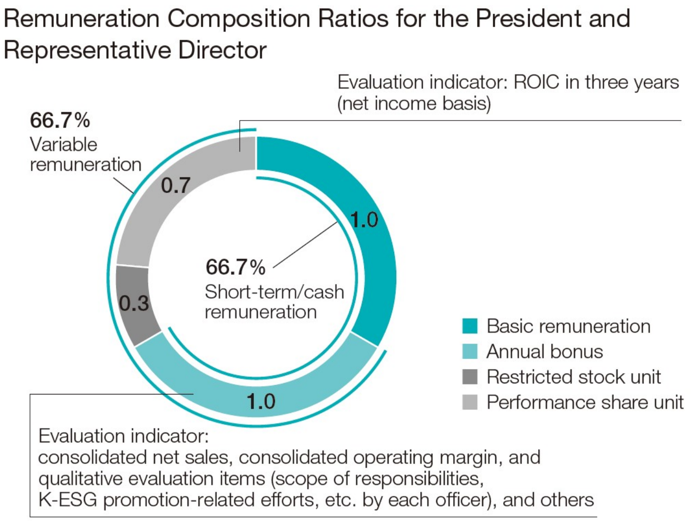
Materiality identification process

3) Governance and risk management

The ESG Management Strategy Meeting has been organized as an executive body for all aspects of sustainability, including the identification and review of materialities, and the setting and progress management of indicators and targets. ESG Promotion Department, which reports directly to the President of Kubota Corporation, is the department in charge of this meeting. The ESG Management Strategy Meeting is held three times in a year, and the membership consists of the President and Directors in charge of business divisions, finance, human resources, R&D, manufacturing, environment, etc. Decisions made at the meeting are then disseminated and promoted to the business and corporate divisions. The results and targets of materiality promotion are reported and reviewed by the ESG Management Strategy Meeting and discussed by the Compensation Advisory Committee before being reported to, and resolved by, the Board of Directors.



In addition, the Company has a remuneration system that links the promotion of materiality (promotion of K-ESG management) and remuneration of Directors. 20% of the annual bonus in remuneration of Directors is a K-ESG evaluation, which varies between 0% and 200% of the standard amount according to the degree of achievement of materiality targets.

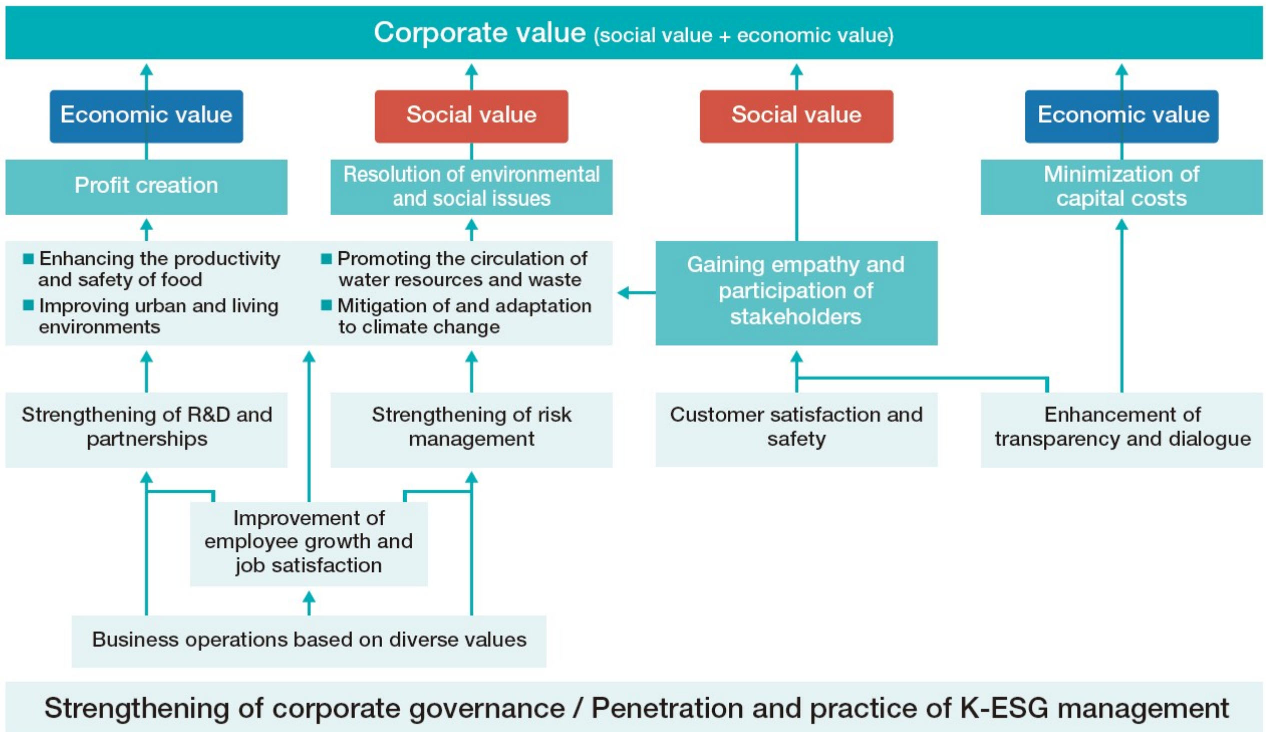


Promotion of each materiality is conducted at the ESG Management Strategy Meeting, “Value Up Discussion Meeting,” a forum for discussion by the Board of Directors and its members, and the Kubota Group Risk Management Committee, and is reported to, and resolved by, the Board of Directors.

4) Interrelationship between materiality and corporate value

The interrelationship between materiality and corporate value is as shown in the diagram below.

The environmental management, especially climate change, is a prerequisite and common denominator for the entire business of the Company, and human capital is a factor that affects other materialities, so these factors are highly important. Details of strategy and governance for these factors are explained in the following sections, *(2) Human Capital* and *(3) Response to Climate Change: Disclosure in Accordance with the TCFD Recommendations*.



(2) Human Capital

1) Basic approach

In order for the Company to realize GMB2030, it is essential to expand existing businesses. At the same time, it is necessary to provide solutions to social issues through collaboration among the three fields of food, water, and environment. The driving force to solve environmental and social issues through expansion of existing businesses and new solutions in the future will be a “strong and flexible organization” and “diverse and autonomous human resources,” and reinforcing them is crucial.

Since the establishment, the Company has been seeking human resources who can take on challenges for the development of society, and has been operating its business based on the important values of “On-Site Needs First Policy” and "On Your Side Spirit.” In order to expand existing businesses and develop new solution businesses, the Company continues to respect these values while focusing on the following three concepts that is necessary to embed in the Company as basic policies: I. Diversity, Equity, and Inclusion (DEI); II. Purpose; III. Promotion of Health Management.

2) Human capital strategy

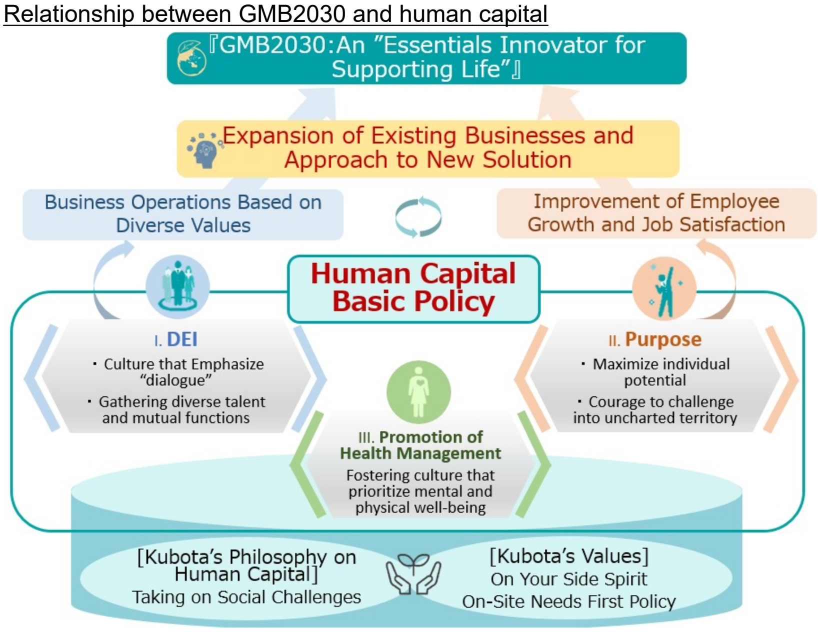
The three basic policies are formulated based on the linkage with the management strategy and the perspective of human resources strategy (acquisition, development, utilization and retention). In addition, by defining approaches to measures of each basic policy, the direction (key performance indicators (KPIs) and specific measures) to be taken by the Company is clarified.

The Company aims to realize GMB2030 by implementing various personnel measures based on the following basic policies and strategies.

a) Human Capital Basic Policy

Basic Policy	Summary
I. DEI (Strengthening the organization)	New value is created by bringing together and connecting diverse human resources, which in turn becomes a source of innovation and sustainability. The Company believes that building a corporate culture that emphasizes "dialogue" and drawing out individual abilities is the key to achieving DEI. The realization thereof will lead to the materiality, "Business operations based on diverse values.”
II. Purpose (Strengthening the individual)	Each individual must take on the challenge of resolving issues in uncharted areas, and to do so, each individual must have a strong "Purpose" and demonstrate his or her individual strengths. This leads to the materiality, "Improvement of employee growth and job satisfaction.”
III. Promotion of Health Management	In order for the Company to continue to create solutions needed by society, the physical and mental health of employees, who are the driving force of the Company’s operations, is essential. The Company's human capital strategy is supported by fostering a culture that values the health of its employees, maintaining the physical and mental health of each individual, and creating a workplace where employees can continue to work with vitality.

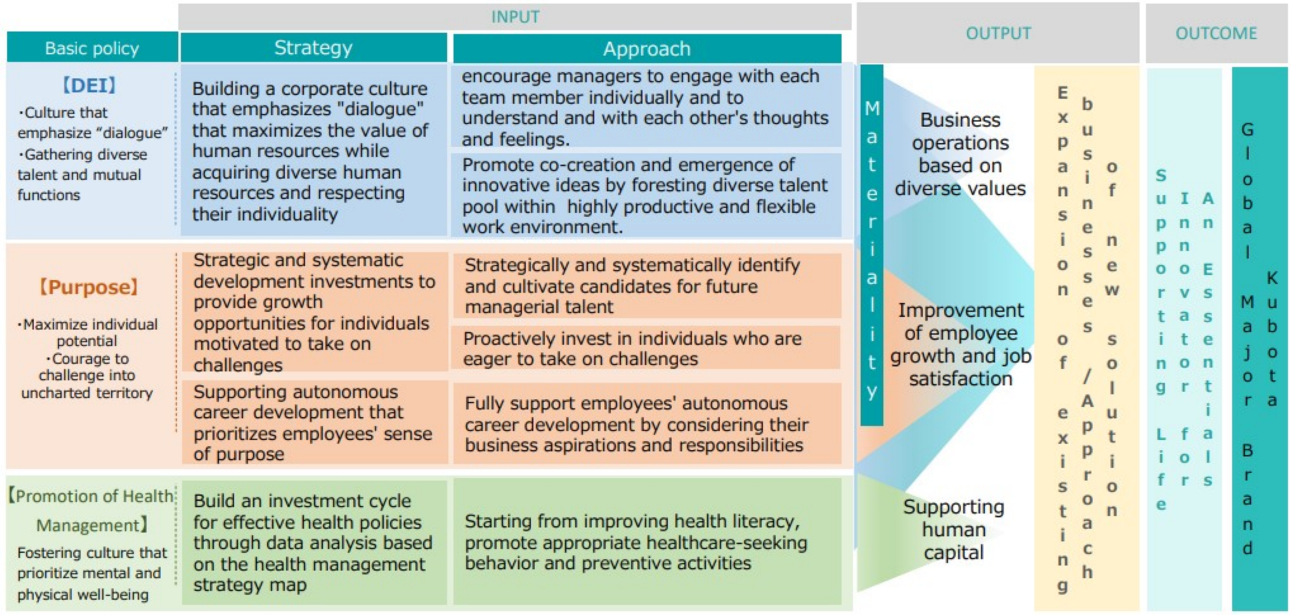
Relationship between GMB2030 and human capital



b) Strategies for basic policy and approaches to measures

The Company has established strategies and approaches to measures for the three basic policies, I. DEI (Strengthening the organization), II. Purpose (Strengthening the individual), and III. Promotion of Health Management, and is promoting efforts in these areas.

Strategies for basic policies and approaches to measures



[Strategy]

I. DEI (Strengthening the Organization)–Business operations based on diverse values (Policy for Internal Environment Development)

- Acquire diverse human resources, respect their individuality, and build a corporate culture that emphasizes "dialogue" to maximize the value of human resources.

The Company promotes "DEI: Diversity, Equity and Inclusion" as a pillar of the human capital strategy. Recognizing different values and ways of thinking, and making the most of diverse personalities leads to innovation. Thus, leveraging diversity is an important perspective for the sustainable global growth of an organization. In addition, the Company is developing DEI strategy with "dialogue" as the key word. Active "dialogue" among employees with diverse personalities and diverse opinions will generate new ideas and find new approaches to existing issues. The organizational culture that emphasizes "dialogue" to maximize the value of human resources creates an environment in which individual abilities, experiences, and ways of thinking are recognized, and in which each individual's strengths can be further demonstrated.

II. Purpose (Strengthening the Individual)–Improvement of employee growth and job satisfaction (Human Resource Development Policy)

- Provide growth opportunities for human resources who are willing to take on challenges through strategic and systematic investment in training.
- Support for autonomous career development, valuing employees' “Purpose (thoughts and aspirations)”

The Company emphasizes "Purpose (thoughts and aspirations)" as a pillar of its human capital strategy. Individual growth of the Company is indispensable for the realization of GMB2030, and the foundation for individual growth is the “Purpose” of each and every individual. The goal is to create an environment in which employees can realize their thoughts and aspirations autonomously, and to create an organization in which each individual's “Purpose” becomes the driving force for the growth of both the individual and the organization.

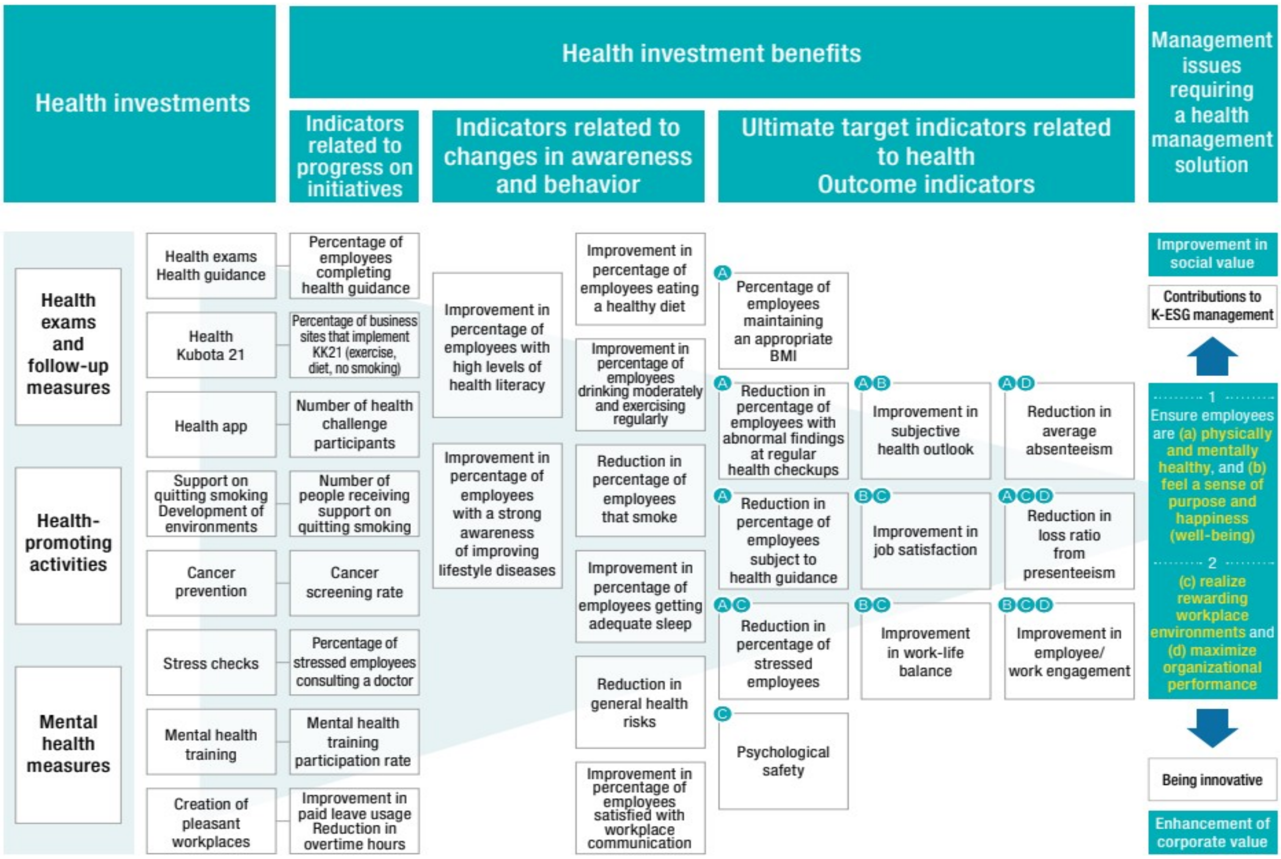
The Company will continue to actively support each employee so that they can face themselves and think about their careers in an autonomous manner. The Company will also focus on investing in the development of employees who are willing to take on challenges to broaden their perspectives and achieve personal growth. Furthermore, the Company will develop human resources who can create value as a team by developing and maximizing their strengths, while increasing the engagement of each individual.

III. Promotion of Health Management–Supporting human capital (Policy for Internal Environment Development)

- Build an investment cycle for effective health measures in human capital through data analysis based on the Health Management Strategy Map.

The Company promotes health management as the foundation of its human capital strategy. The core of the strategy is data analysis based on the "Health Management Strategy Map." Through multivariate analysis of health checkup data, working hour data, and "KPI indicators" obtained from various surveys, the Company is building an investment cycle for effective health measures, while digging deeper into the factors that promote or inhibit physical and mental health and performance. Healthy employees increase the "creativity" and "productivity" of the organization and contribute to overall performance. This approach is closely linked to K-ESG management and leads to sustainable growth of the Company.

Health Management Strategy Map



[Approach to Measures]

I. DEI (Strengthening the Organization)

- Managers confront each member individually and implement measures to understand and sympathize with each other's thoughts and perspectives.
- Promote co-creation and emergence in a diverse group of human resources and highly productive and flexible work styles.

The presence of managers is essential to building a culture that emphasizes "dialogue." Through one-on-one meetings and daily dialogue, understanding and empathizing with aspirations of each member and providing maximum support for those aspirations will increase the engagement of each individual and draw out the value of diverse human resources. In addition, to ensure that each and every employee with various attributes and personalities, including gender, nationality, age, experience, and values, can work with enthusiasm, the Company will provide a place where diverse human resources can play an active role, including the development of systems that facilitate work according to the situation.

II. Purpose (Strengthening the Individual)

- Strategically and systematically identify and develop candidates for future management personnel.
- Actively investment in personnel with a spirit of challenge.
- Support employees' autonomous careers to the fullest extent possible by accepting their aspirations that they wish to realize in their business and duties.

In order for the Company to expand existing businesses and develop new solutions in the future, it is necessary to systematically train management personnel and actively invest in personnel who are willing to take on new challenges, and to develop personnel who are flexible to change and diverse. Additionally, it is important to ensure that each individual's aspirations are acknowledged and to hold extensive dialogue between managers and team members regarding the career they wish to realize in their business and duties. This will lead to maximizing employees' aspirations and linking them to action, which is the shortest way to realize the future vision of the Company.

III. Promotion of Health Management

- Promote appropriate medical treatment behavior and preventive activities, based on the improvement of health literacy

In order to be healthy, "behavior" must be changed, and in order to change "behavior," "awareness" must first be changed. Health literacy is a measure of health awareness and knowledge, and increasing the number of employees with high health literacy will lead to an increase in the number of healthy employees. The Company is continuously investing in health measures to increase the number of "health literate" employees who view health as their “personal matter," and engage in autonomous health promotion.

[Examples of Specific Initiatives]

Improvement of employee engagement

I. DEI (Strengthening the organization)
II. Purpose (Strengthening the individual)

To promote K-ESG management, it is crucial for employees to practice the corporate philosophy and to gain the empathy and participation of internal and external stakeholders. As part of the Company’s efforts to advance the establishment of the organization in which employees, who are the driving force behind K-ESG management promotion, can be proud and happy, and the organization that is rewarding and easy to work for, the Company has been conducting engagement surveys since November 2021. In 2023, the survey was expanded to include approximately 21,500 employees, which is three times as many as in 2021, from domestic and overseas subsidiaries, with the aim of improving the overall engagement of the Company. While the scope of coverage is being expanded, the score is steadily improving. However, the score is still 52% for the General employee on nonconsolidated basis, which is still a challenging level, and the Company needs to strongly promote initiatives to improve engagement with the goal of achieving a score of 70% by 2030.

Since survey results vary by organization, it is necessary to implement actions tailored to each organization. Efforts are being made to engage in thorough dialogue throughout the entire organization and to encourage all members to take ownership of the engagement process. In 2023, workshops for organizational development (for department managers) were held to promote dialogue within the organization and to enhance activation and engagement. Through this workshop the department managers engaged in dialogue with members to create the organization's vision and conveyed it to members. This experience led the managers to develop specific actions to improve engagement. In fact, the engagement score has improved in approximately 70% of participating departments.

Promotion of women’s participation I. DEI (Strengthening the organization)

Considering the active roles played by female will promote innovation and sustainable growth throughout the organization, the Company has been increasing the number of female employees since 2020. The Company will continue to hire nearly 50% of total administrative staff to be women, and is considering raising the percentage of female technical staff hired from the current 12% to 13% to approximately 20%. At the same time, the Company is focusing on creating an environment that makes it easier for women to work and that supports women in playing more active roles.

In addition, the Company has launched the Kubota Women Employee Resource Group to facilitate interaction and mutual support among female employees. By bringing together women leaders from across organizations and forging new connections through autonomous activities, the program aims to deepen their own thinking about their careers and increase their motivation. Also, by sharing their own leadership experiences, opportunities for the next generation of young employees to explore diverse career paths and values are provided, ultimately fostering the development of future female leaders.

The Company also hosts forums aimed at empowering female employees and promoting the advancement of women. The President and other members of the management directly address female employees about the indispensability of women's active involvement to the Company and their thoughts on the promotion of women’s empowerment. Furthermore, the Company provides opportunities for female employees to gain insights into their careers and identify their own leaders through lectures delivered by internal role models with global experience.

The proportion of female employees in managerial positions has been increasing annually. The Company has implemented measures to promote equity, such as changes in the personnel system and other initiatives to ensure that appointments are not based on gender. Additionally, the Company has expanded support to facilitate the active participation of women. Moving forward, the Company will continue to enhance diversity management, establish fair training and promotion practices, develop a work environment where all employees can thrive, and cultivate a culture that fosters sustained motivation.

Training system supporting autonomous careers II. Purpose (Strengthening the individual)

The Company provides generation-specific career design training for employees ranging from young to senior levels in order to stimulate their autonomous careers and motivation to take on challenges, and to help employees retain growth. In addition, due to the extension of the retirement age, the company's expectations for middle-senior employees have increased significantly. In response to high satisfaction and desire for ongoing support with the middle-senior training (employees in 40s and 50s), the Company has also established a new career development training program for individuals around the age of 60.

	20's	30's	40's	50's	60's
Target	Staff position in the third year of graduation	35 year-old Expert / Staff position	Around 45 year-old Expert / Staff position	55 year-old Expert / Staff position	Around 60 year-old Expert / Staff position
Mandatory or Optional	Mandatory	Mandatory	Optional	Mandatory	Optional
Theme	Participants acquire the ability to chart their own career by taking inventory of previous work experience and recognizing own characteristics and values.	Participants to develop self-directed career and drive their growth through "clarifying their career stance," "approaching their own strengths," and "considering what they should do now in light of the future."	Understanding the importance of continued learning. Understanding the importance of considering career options of their own and not leaving their future career up to the company, and making the opportunity to think about it.	Understanding the importance of continued learning. Specifying how participants can contribute to Kubota and society by utilizing his/her own strengths so that they can spend the long life in a meaningful way.	Understanding the importance of continued learning. Using a backcasting approach while focusing on life after retiring from Kubota, participants create a vision for contributing to Kubota as well as society while utilizing his/her strengths.

Raising health awareness III. Promotion of Health Management

Since 2018, the Company has provided "wearable devices" at no cost to all interested employees (achieving a total of 12,309 participants) to enhance each individual's "health literacy." Starting in 2022, the Company has introduced a "health app" to enable employees to access their health checkup results and vital data at any time. Additionally, the Company is supporting employees' autonomous health promotion by offering year-long "Health Challenge" program and providing "Point Incentives" for health-related activities.

3) Indicators and targets

KPIs related to human capital in relation to the materialities, "Business operations based on diverse values" and "Improvement of employee growth and job satisfaction," are "Engagement Survey (hereinafter, "ES") - engagement score (positive response rate)," "Percentage of foreign Senior Executive Officers," and "Percentage of female employees in managerial positions." These indicators and targets are reviewed according to the situation.

KPIs	Scope	Fiscal year 2023 actual (%)	Fiscal year 2025 target (%)
ES - Engagement score	Consolidated	52 (Note)	60
Percentage of foreign Senior Executive Officers	Consolidated	6	10
Percentage of female employees in managerial positions	Nonconsolidated	4.3	5

(Note)
Engagement score of general employees on nonconsolidated basis. (Expanding the scope of the survey.)

4) Governance

ESG Management Strategy Meeting, consisting of the President and Representative Director and representatives for business divisions, finance, human resources, R&D, manufacturing, environment, etc., deliberates on human capital issues. Furthermore, the Human Resource Council, whose members include the President and representatives of business and functional divisions, discusses the optimal training and allocation of human resources for future management candidates. In addition, engagement scores and diversity status are incorporated into the executive remuneration system.

(3) Response to Climate Change: Disclosure in Accordance with the TCFD (*1) Recommendations

The Company has selected "Mitigating and adapting to climate change" as one of the materialities of the ESG management, and has set forth the "Environmental Vision," which sets forth the direction of its business activities from an environmental perspective toward 2050, with the aim of contributing to the realization of a carbon-neutral and resilient society. The Company expressed its support for the TCFD recommendations in 2020 and make every effort to expand the information disclosed.

(Notes)
1. Abbreviation for the Task Force on Climate-Related Financial Disclosures established by the Financial Stability Board
2. Refer to the following for the latest TCFD disclosures: *https://www.kubota.com/sustainability/environment/ghg/index.html*

1) Governance

ESG Management Strategy Meeting, chaired by the President and Representative Director, deliberates on ESG-related issues for the Company, and the "Environmental Manager Conference" is held to communicate environment-related information to domestic and overseas affiliates and to discuss solutions to issues. The status of response to climate change is incorporated into the executive remuneration plan and evaluated.

2) Strategy

Based on population growth and economic development toward 2050, the Company has conducted an assessment of the expected impact on the business in 2030 using climate change scenarios of 1.5°C / 2°C and 4°C.

Analysis results of Farm & Industrial Machinery business

Scenario	Summary of scenario analysis results (changes in market and operating environment)		Evaluation results (2030)	Financial impacts (2030)
1.5°C / 2°C	Risks [Technologies]	**Changes in product design and conditions of use owing mainly to tougher climate change-related regulations.** • Regulations to improve fuel efficiency of internal combustion engines will be tightened in the future.	Need to aggressively pursue R&D to improve fuel efficiency and to respond to diverse power sources to capture future business opportunities.	Medium
	Opportunities [Products]	• The need to reduce CO2 emissions will increase as new regulations are applied to products that use internal combustion engines, such as farm equipment, construction machinery, and utility vehicles, and the need for power sources will diversify, including electrification, fuel cells, low- and zero-carbon fuels (hydrogen engines and synthetic fuel engines). • For large machinery not suited for electrification due to the requirement for long operating hours and higher power products with internal combustion engines will be used. The use of low- and zero-carbon fuels in internal combustion engines will increase.	The impact on revenue of decarbonized products will be limited even though regulations will be adopted in some developed regions by 2030.	Low to medium
	Opportunities [Markets]	**Changes in market needs seeking decarbonized products and services.** • Market needs for new value not found in products with internal combustion engines, such as noise reduction, avoidance of refueling, and indoor use, are increasing for construction machinery, lawnmowers, and utility vehicles. • Growing demand for products that run on low- or zero-carbon fuels, such as hydrogen engines, gas engines, and hybrid engines, depending on local fuel supply infrastructure	The impact on revenue in 2030 will be limited even though there are customers demanding electrified utility vehicles, lawnmowers, and construction machinery, etc., in some leading and existing markets.	Low to medium
	Opportunities [Markets]	**Changes in mode of agriculture owing to the promotion of decarbonization in the industry.** • Crop yields will increase as farming technology advances and the effective use of farming land is further encouraged to mitigate the impacts of climate change. • Decarbonization in agriculture will continue to gather momentum in developed economies and the adoption of sustainable farming methods will become more widespread. • Decarbonization and modernization of agriculture in emerging economies will progress concurrently and demand for smart agriculture, farming solutions, and energy-efficient farm equipment will increase. • Demand for decarbonized agriculture will increase, leading to increased carbon storage in the soil.	Prospects for higher revenue from farm equipment, smart agriculture solutions, and other products that contribute to low- and zero-carbon agriculture.	Medium to high

Scenario	Summary of scenario analysis results (changes in market and operating environment)		Evaluation results (2030)	Financial impacts (2030)
4°C	Opportunities [Resilience]	**Changes in suitable farming land (changes in demand for farm equipment and methods).** • Climate change will affect the relocation of suitable farming land and crop production. • Demand will increase for farming solutions and support for transition to new farm equipment and methods, such as smart farm equipment and precision agriculture. • Changes in demand for farming solutions are emerging in wet climate regions, especially North America, Asia, and some parts of Europe.	Prospects for higher revenue from farm equipment and farming solutions that can adapt to changing weather conditions.	Medium to high

(Note)
Financial impacts shown as low if less than or equal to ¥2.5 billion; medium if greater than ¥2.5 billion but less than or equal to ¥25.0 billion; or high if greater than ¥25.0 billion.

Strategies in the Farm & Industrial Machinery business based on the analysis results

Contributing to the reduction of CO2 emissions at the product use stage through innovation.

- Continue to strengthen R&D to improve fuel efficiency of engines, hybridization, and other measures for which stricter regulations are expected to be implemented in the future.
- Expand product lineup that contribute to carbon neutrality, in keeping with the market needs.
- Accelerate R&D toward the practical application of various power sources, such as electrification, fuel cells, low- and zero-carbon fuels (hydrogen engines and synthetic fuel engines) in response to local energy supply conditions.
- Provide support for reduction of greenhouse gas emissions from agriculture and sustainable food production activities.
- Propel R&D of products and services that can be adapted to low- or zero-carbon agriculture and changing weather conditions, such as recycling of local biomass resources and carbon storage, and realize farm management solutions.
- Expand and popularize farm equipment and services that enable smart agriculture (automated machinery, precision agriculture, etc.), which contributes to more efficient and labor-saving agriculture.
- Contribute to the establishment of sustainable agriculture through the next-generation crop production, such as vegetable factories, that contributes to solving issues in the food value chain.
- Expand applications of KSAS; Kubota Smart Infrastructure System (KSIS (*1)), and Water for Agriculture Remote Actuated System (WATARAS (*2)), which integrate cutting-edge technologies; and Information and Communication Technology to further improve agricultural efficiency and contribute to decarbonization through agriculture.

(Notes)
1. A solution system utilizing the internet of things for water environment infrastructure facilities and equipment.
2. A farm water management system of the Company that allows users to remotely and automatically control water flowing in and out of rice paddies while monitoring water levels on a smartphone or a personal computer.

Analysis results of Water & Environment Business

Scenario	Summary of scenario analysis results (changes in market and operating environment)		Evaluation results (2030)	Financial impacts (2030)
1.5°C / 2°C	Opportunities [Markets]	**Changes in social trends toward securing and conserving of water and resources.** • Population growth and economic development will further increase water demand. • Regulations will be enforced on the intake and discharge of water for household and industrial use in developed countries and Asia as a preventive measure against stretched water resources and deteriorating water quality owing to the impacts of climate change. • Demand will increase for solutions that resolve water shortages and deteriorating water quality.	Prospects for higher revenue from products and solutions in connection with the development of water and sewage infrastructure.	Medium to high
	Opportunities [Resource efficiency]	**Changes in social trends toward securing and conserving of water and resources.** • Demand will increase for solutions that facilitate the effective use of energy and resources, such as utilization of rubbish and agricultural residues, and energy recovery from previously unutilized small-scale hydropower. • The compatibility of decarbonization and the circular economy will accelerate, extraction of new resources will be avoided, and circular use of resources will further increase. • Demand will increase for solutions to improve the efficiency of water infrastructure construction due to increasing urbanization construction and decreasing number of workers.	Prospects for higher revenue from solutions related to the reclamation and recovery of resources and energy, as well as to the efficiency of their use.	Medium to high
4°C	Opportunities [Resilience]	**Changes in awareness of weather disasters.** • Climate change is expected to negatively affect the living environment due to increase in typhoons, torrential rains, and other natural disasters, as well as drought and deterioration of water quality. • Demand will increase for stronger resilience of existing water and sewage infrastructure, renewal of aging facilities, and improvement of water quality, as a countermeasure against severe natural disasters. • Demand will grow in Japan for water-related products aimed at bolstering national resilience in response to increasingly severe natural disasters as a consequence of climate change.	Prospects for higher revenue from ongoing demand for products and solutions in connection with the development of more resilient water infrastructure, disaster countermeasures, and water quality improvements.	Low to medium

(Note)

Financial impacts shown as low if less than or equal to ¥2.5 billion; medium if greater than ¥2.5 billion but less than or equal to ¥25.0 billion; or high if greater than ¥25.0 billion.

Strategies in the Water & Environment business based on the analysis results

Contributing to the effective use of various resources (water, energy, minerals, etc.).

• Contribute to the development of water and sewage infrastructure to meet increasing water demand.
• Expand offerings of purification and sewage treatment products and solutions to help improve water quality.
• Manufacture and promote the use of biofuels derived from agricultural residues, household waste, sewage sludge, etc., that contribute to the development of resource recycling schemes in communities.
• Develop deep recycling technology, which recovers useful metals from urban mines, such as waste appliances to reduce landfill waste and utilizes plastic wastes as an energy source.
• Promote effective resource utilization through sewage sludge melting systems to recover heavy metals and phosphorus from sewage sludge.
• Expand the use of “smart waterworks systems” that contribute to energy conservation in water pipeline construction and management.

Contributing to the building of water infrastructure that is resilient to weather disasters.

• Expand offerings of disaster prevention and disaster response products, such as disaster-resistant ductile iron pipes and drainage pump trucks that contribute to disaster recovery efforts, and water level simulation and operation management systems for drainage pump stations that contributes to disaster prevention.
• Expand applications of KSIS to support remote monitoring, diagnosis, and control of water treatment plants and equipment.

Analysis results common to both businesses

Scenario	Summary of scenario analysis results (changes in market and operating environment)		Evaluation results (2030)	Financial impacts (2030)
1.5°C / 2°C	Opportunities [Regulations]	**Changes in decarbonization approach of companies sought after by society.** • Increase in pressure for decarbonization throughout the product life cycle worldwide, including the introduction of carbon pricing schemes and carbon border adjustment mechanisms. • Energy prices will rise as regulations and initiatives to decarbonization accelerate. • Taxes on fossil fuels and CO_2 emissions will increase owing to the introduction of a carbon tax. • Energy costs and expenses associated with energy-saving measures are expected to rise as governments worldwide enforce stricter energy conservation regulations.	Rise in manufacturing costs, driven by increasing capital investment in response to decarbonization and energy conservation, as well as rising energy and raw material prices.	Medium
			An expected carbon tax burden will materialize when emission reduction targets are met as a result of measures taken to save energy and curb CO_2 emissions	Low (Approx. ¥2.5 billion) (Note 2)
4°C	Opportunities [Physical]	**Impacts on the Company and suppliers as a result of more abnormal weather events.** • Weather disasters, such as torrential rains and floods, are becoming more sever and frequent. • Negative impact on business activities at the Company’s own sites and suppliers. • Impact on production and sales activities due to delays in procuring raw materials.	Potential disaster-related losses due to weather disasters.	Medium (Approx. ¥3.0 to 6.0 billion) (Note 3)
			Potential increase in costs associated with business continuity plan (BCP) measures to avoid adverse effects of weather disasters.	Medium

(Notes)

1. *Financial impacts* shown as low if less than or equal to ¥2.5 billion; medium if greater than ¥2.5 billion but less than or equal to ¥25.0 billion; or high if greater than ¥25.0 billion.
2. Calculated by multiplying the projected carbon tax as of 2030.
3. Calculated with reference to losses stemming from previous weather disasters.

Strategies based on the analysis results

Contributing to the reduction of CO2 emissions from business activities.

- Promote initiatives aimed at conserving energy use, installing energy-efficient equipment, electric furnace conversion, switching fuels, installing LED lighting, and expanding the use of renewable energy at production sites.

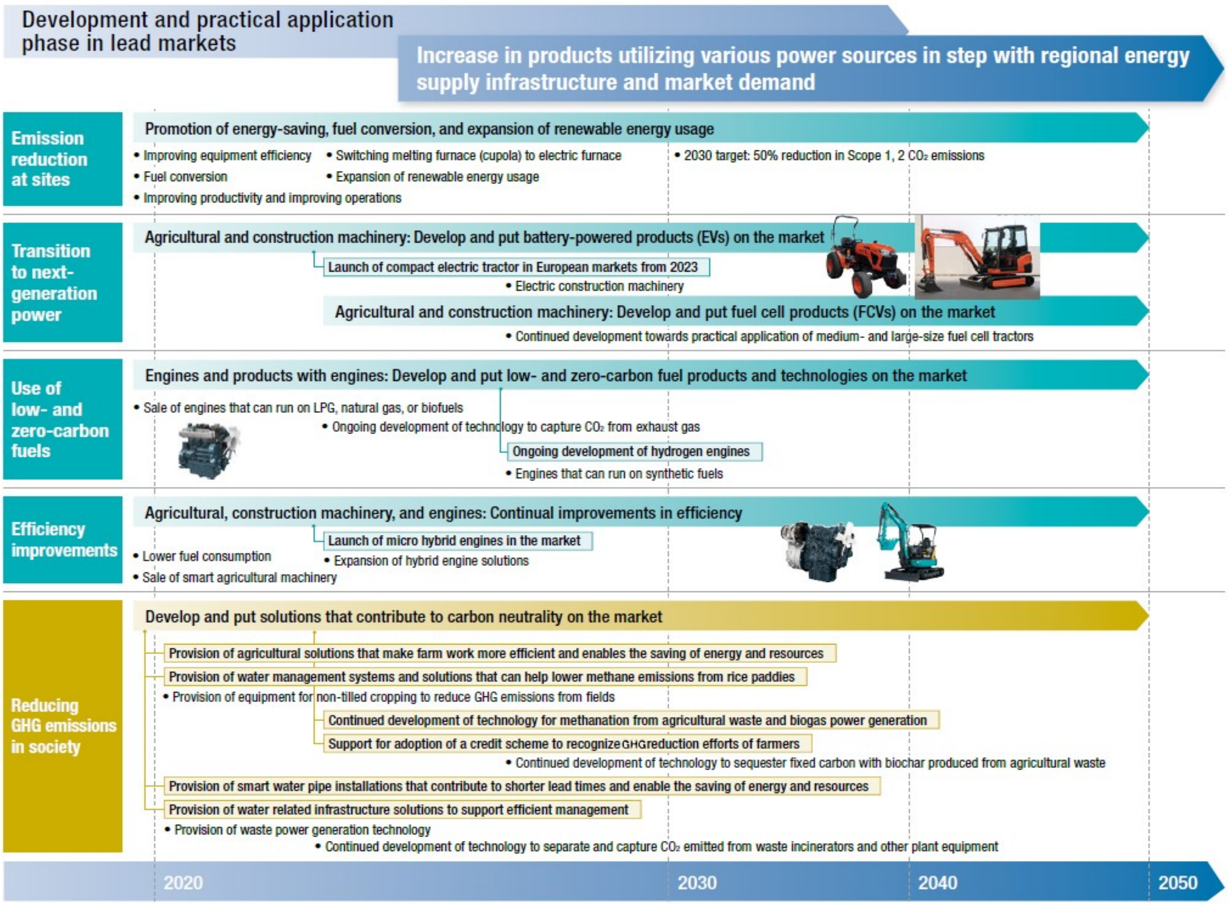
Strengthen climate change risk countermeasures at the Company's sites and at suppliers.

- Use hazard maps to identify sites that are at high risk of suffering damage from torrential rain, flooding, and strong winds and systematically promote reinforcement of buildings and measures to prevent electrical equipment from being inundated by water.
- Decentralize the procurement of parts and materials by diversifying procurement routes.
- Construct a manufacturing system that is resilient to weather disasters based on BCP.

Transition plan to a low-carbon economy

The Company believes that there are many options for power sources in the era of carbon neutrality after 2030 and that measures must be taken in all directions. Below is the transition plan (roadmap) that outlines the Company's response to climate change.

<Roadmap to Carbon Neutrality>



The above roadmap is based on information that can be studied at present. It is subject to major changes, depending on future technological development and market trends.

3) Risk management

The Company identifies materialities involved in environmental conservation activities, including mitigating and adapting to climate change, throughout the value chain (direct operation, including upstream and downstream). The periods covered by the risks and opportunities that emerge are determined from a short-, medium-, and long-term perspective, and identified risks and opportunities are reviewed annually. In addition, the Company identifies materialities related to environmental conservation activities by collecting and analyzing information, identifying issues, examining their importance, identifying risks and opportunities, and formulating priority measures. As an evaluation process, the Company sets medium- to long-term environmental conservation targets and continuously manages its progress. Medium-term (three to five years) and long-term (five to 15 years) targets are discussed at the ESG Management Strategy Meeting. Each production site prepares a plan, and the Environmental Protection Department monitors their progress annually. After analyzing how close the Company is achieving its targets, the Company is considering key measures and the direction of medium- to long-term initiatives. In addition, the Company promotes responses to climate change in accordance with local conditions through the Environmental Manager Conference.

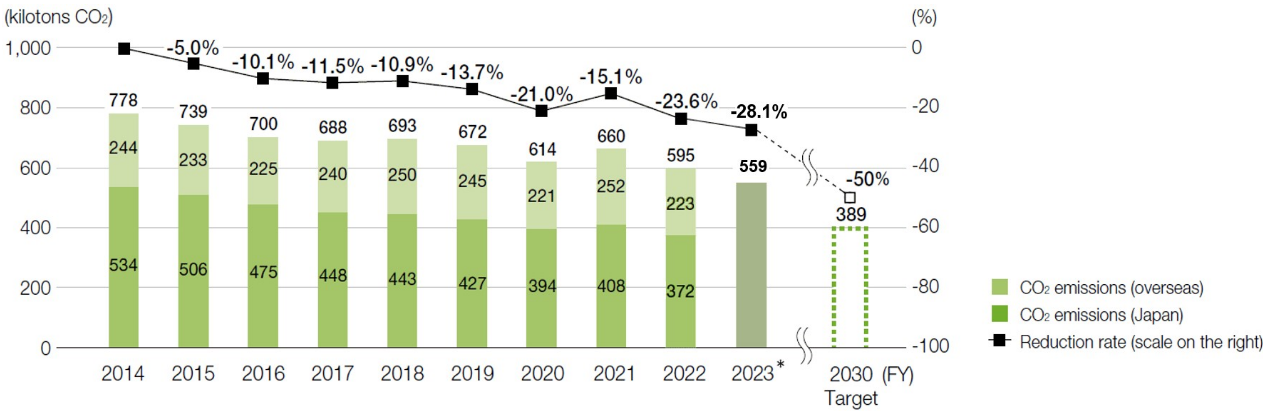
4) Indicators and targets

The Company has set Medium- and Long-Term Environmental Conservation Targets aiming to reduce risks and expand opportunities resulting from climate change, and is working to achieve these targets. Furthermore, the Company calculates and discloses performance data on CO2 emissions (Scopes 1 and 2) at the Company's global sites and upstream and downstream CO2 emissions (Scope 3). The Company has obtained third-party assurance for key disclosed data, and is working to improve its accuracy.

Action item	Management indicator	Base fiscal year	Fiscal year 2023 actual (%) (Note 3) (Note 4)	Fiscal year 2025 target (%) (Note 4)	Fiscal year 2030 target (%) (Note 4)
Reduce CO2 emissions (Scopes 1 and 2)	CO2 emissions (Note 1)	2014	(28.1)	—	(50)
	CO2 emissions per unit of production (Note 2)	2014	(46.6)	(45)	(60)
	Ratio of renewable energy usage (Note 1)	—	15.9	20% or more	60% or more

(Notes)
1. Global business sites are in scope.
2. Global production sites are in scope.
3. *Fiscal year 2023 actual* indicate preliminary figures as of March 8, 2024.
4. Figures in parentheses indicate negative figures.

Trends in CO2 Emissions



(Note)
Figures for the fiscal year 2023 are preliminary as of March 8, 2024.

3. Risk Factors

The Company considers the following risks may adversely affect the Company's financial position, results of operations, and cash flows (hereinafter, the "results of operations"). Forward-looking statements contained in this section are made based on the assumptions and judgments of the Company as of December 31, 2023.

(1) Economic Conditions

Industrial and capital goods make up a substantial portion of the Company's products. Accordingly, the Company may face reduced demand resulting from declines in general economic conditions, including private-sector capital expenditures, construction investment, and domestic public investment. In addition, the agricultural policies set by the government may adversely affect the sales of agricultural-related products. In the overseas markets, especially in North America and Europe, sales of the Company's products, such as utility/compact tractors, may decrease due to declines in general economic conditions, including personal consumption and residential construction investment in those regions. As a result, there is a possibility that the Company's results of operations may be adversely affected significantly.

(2) Soaring Raw Materials Prices and Difficulties in Procurement of Raw Materials

The Company purchases substantial raw materials and parts from third-party suppliers. With the globalization of the business, procurement at overseas production bases is increasing and the Company is promoting procurement at the optimal locations by building a global procurement network. However, if the prices of raw materials and parts substantially increase due to the supply and demand gap and changes in the market conditions, and if such a rise is prolonged, they may have an adverse effect on the Company's profitability. In addition, if the Company has difficulties in procuring adequate supplies of raw materials and parts, there may be a material adverse effect on the Company's results of operations as production and sales activities may be disrupted.

(3) The Risks Associated with International Operations

The Company's businesses that have substantial overseas operations are exposed to the risks inherent in conducting business in those markets. If such risks materialize, the Company may face difficulties in stable production and sales of products, and may decrease revenue and increase procurement and transport costs, which affect the Company's results of operations, and this may hinder growth of the Company. Material risks include:

1) Risks associated with changes in government licensing and subsidy policies in key markets
2) Risks associated with unexpected changes in tariffs and import/export quotas due to changes in international trade policies
3) Risks associated with unforeseen changes in laws and regulations in various countries
4) Geopolitical risks
5) Undeveloped technical standards and unstable industrial relations in developing countries
6) Difficulties in retaining qualified human resources
7) Risks associated with supply chain and logistics disruptions
8) Risks associated with unexpected changes in the taxation systems of countries
9) Risks associated with unanticipated outcomes in the transfer pricing issues

(4) Fluctuations in Foreign Currency Exchange Rates

The Company has a number of overseas manufacturing, sales, and financial leasing subsidiaries that contribute significantly to the Company's results of operations. The financial statements of overseas subsidiaries denominated in its local currency are reflected in the consolidated financial statements of the Company after translation into yen. In addition, Kubota Corporation exports to overseas subsidiaries or external customers that are generally denominated in their local currency, and the foreign currency earned is converted into yen. Therefore, fluctuations in the exchange rate between the local currency and the yen have an impact on the Company's results of operations. In general, the appreciation of the yen against other currencies has a negative impact on the results of operations of the Company. In order to mitigate the negative impact of exchange rate fluctuations, the Company has been transferring its production bases to overseas in accordance with "local production for local consumption" principle. Also, the Company utilizes foreign exchange forward contracts and other derivative instruments. Despite the Company's efforts to mitigate such risks, fluctuations in foreign currency exchange rates may adversely affect the Company's results of operations.

(5) Interest Rate Fluctuation Risk
The Company has interest-bearing liabilities, which are subject to fixed or variable interest rates. If interest rates rise, interest expenses will increase along with incentive costs related to financial leasing business, especially in the United States. The Company utilizes swap contracts and other derivative instruments to mitigate the impact of fluctuations of interest rates. However, despite the Company’s efforts to mitigate such risks, fluctuations in interest rates may adversely affect the Company’s results of operations.

(6) Stock Market Fluctuation Risk
The Company holds marketable securities, most of which are equity securities, and the fair value of these securities may fluctuate significantly depending on stock market. In addition, plan assets related to the retirement benefit plan may decrease due to a decline in stock market. The investment policy for plan assets is to achieve the best possible investment results under acceptable risk. In order to diversify risks, the Company balances its portfolio by carefully considering the industries, types of companies, and regions in which it invests, taking into consideration factors that affect investment returns, such as interest rate fluctuation risk, economic growth rates, and types of currencies. However, changes in the fair value of securities or a decrease in plan assets could have a significant impact on the Company’s results of operations.

(7) Success or Failure of Strategic Alliances, Mergers, Acquisitions, etc., with Third Parties
The Company intends to use strategic alliances, mergers, and acquisitions to generate further growth. The success of these activities depends on factors, such as business environment, the capabilities of its business counterparts, and whether the Company and its counterparts share common goals. If these activities are not successful and returns on investments are lower than expected, the Company’s profitability may be lower than anticipated and could have a significant impact on the Company’s results of operations.

(8) Competition with Other Companies
The Company is exposed to significant competition in each of its businesses. Unless the Company achieves a competitive advantage in areas, such as terms of trade conditions, R&D, and quality of goods and services, the Company’s revenues may decrease and could have a significant impact on the Company’s results of operations.

(9) Products and Services
The Company strives to maintain and improve quality of products and services through education, efforts to prevent quality issues, and internal quality audits. However, if the Company’s products and services are alleged to have serious defects, the Company may incur significant costs related to liability. If such claims are asserted, the Company’s reputation and brand value may be damaged, which could cause a decline in demand for the Company’s products, resulting in decreased revenues, and could have a significant impact on the Company’s results of operations.

(10) Environmental Pollution
In order to ensure compliance with environmental laws and regulations and prevent environmental accidents, the Company has established an environmental management system and is striving to continuously improve rule-based operations and environmental conservation activities. However, despite the Company’s efforts to mitigate such risks, the Company may incur significant costs and expenditures to take corrective measures or face litigation if the Company causes environmental contamination, including the emission of hazardous materials, air pollution, water pollution, and/or soil contamination. These factors may have a significant impact on the Company’s results of operations.

(11) Asbestos-Related Issues
The Company previously manufactured products containing asbestos from 1954 to 2001. The Company may be required to incur additional expenses, including payments to the individuals concerned and expenses arising from litigation of the asbestos-related health hazards. If such expenses become substantial, they may result in a material adverse effect on the Company’s results of operations.

(12) Compliance Risk

The Company has declared its intention to conduct its corporate activities in compliance with legal regulations and ethical principles, and to make efforts to ensure that all management and staff of the Company comply with various legal regulations, ethical standards, and internal regulations. However, in the event that compliance issues arise, there is a possibility that the Company may be subject to disciplinary action by government ministries supervising its activities or to lawsuits, or may suffer a loss of public confidence, which may result in a material adverse effect on the Company’s results of operations.

(13) IT System and Networks

The Company is exposed to certain IT security risks, including threats to the confidentiality, availability, and integrity of its data and systems. In order to manage such risks, the Company has implemented the information security system, an integrated set of policies, processes, methodologies, teams, and technologies aimed at ensuring appropriate protection of the data. Despite such efforts, if the Company’s IT system and networks are disrupted or experience a security breach, the Company may suffer from an opportunity loss due to production downtime, be subject to litigation or threat of litigation for information leakage, or the Company’s intellectual property may be infringed. All of which in turn may cause the Company to incur significant costs. If such security breaches and other disruptions occur, the Company’s reputation and brand value may also be damaged, and may lead to a decline in demand for its products and revenues. As a result, there is a possibility that the Company’s results of operations may be adversely affected significantly.

(14) Environmental Laws and Regulations

The Company is subject to various environmental laws and regulations that apply to its products and activities. If these environmental laws and regulations, such as greenhouse gas emission controls, exhaust emission controls, and usage restrictions for certain materials used in the Company’s products, are strengthened or newly established, the Company may be required to incur considerable expenses in order to comply with such laws and regulations. Such expenses may have a material adverse effect on the Company’s results of operations.

(15) Damages Caused by Natural Disasters and Other Unpredictable Events

The Company conducts business activities in Japan, North America, Europe, Asia, and other regions. If unpredictable events, such as earthquakes, tsunamis, floods, typhoons, droughts, pandemics, wars, terrorist attacks, fires, information system or communication network breakdowns, and power outage or shortage, occur in countries and regions in which the Company operates, the Company’s production, distribution, and sales activities may be disrupted. Global warming and climate change have increased the risk of disasters around the world recently. Furthermore, Japan is one of the most earthquake-prone countries in the world and can be subject to severe earthquakes or tsunamis.

4. Analysis of Consolidated Financial Position, Results of Operations, and Cash Flows by Management

In the year ended December 31, 2023, the Company has adopted IFRS 17 *Insurance Contracts*. In addition, the provisional accounting for the acquisition of Escorts Limited (currently, Escorts Kubota Limited; hereinafter, “EKL”) in the year ended December 31, 2022, has been finalized during the year ended December 31, 2023. The following analysis, consolidated financial position, results of operations, and cash flows for the year ended December 31, 2023, are compared with the figures for the year ended December 31, 2022, that are retrospectively adjusted for these effects.

Forward-looking statements contained in this section are made based on the assumptions and judgments of the Company as of December 31, 2023.

(1) Analysis and Consideration of Results of Operations from Management’s Point of View

The analysis and consideration of the Company’s results of operations for the year ended December 31, 2023, are as follows:

1) Results of Operations

For the year ended December 31, 2023, revenue of the Company increased by ¥343.7 billion [12.8%] from the prior year to ¥3,020.7 billion.

Domestic revenue increased by ¥40.8 billion (6.8%) from the prior year to ¥643.1 billion because of increased revenue from Farm & Industrial Machinery and Water & Environment.

Overseas revenue also increased by ¥303.0 billion (14.6%) from the prior year to ¥2,377.6 billion because of increased revenue from Farm & Industrial Machinery and Water & Environment. As a result, overseas revenue accounted for 78.7% of consolidated revenue, which increased by 1.2 percentage points from the prior year.

Operating profit increased by ¥114.4 billion [53.4%] from the prior year to ¥328.8 billion mainly due to sales price increase and favorable impact from foreign exchange rates, although there were some negative effects, such as an increase in sales incentive cost caused by an interest rate hike, a rise in material prices, and an increase in various expenses mainly due to inflation. Profit before income taxes increased by ¥111.1 billion [48.1%] from the prior year to ¥342.3 billion due to increased operating profit. Profit for the year increased by ¥85.6 billion [49.0%] to ¥260.0 billion, reflecting income tax expenses of ¥84.4 billion and share of profits of investments accounted for using the equity method was ¥2.1 billion. Profit attributable to owners of the parent increased by ¥82.0 billion [52.4%] from the prior year to ¥238.5 billion.

Revenues from external customers and operating income by each reportable segment were as follows:

<u>Farm & Industrial Machinery</u>

Farm & Industrial Machinery segment mainly manufactures and sells farm equipment, agricultural-related products, engines, and construction machinery.

Revenue in this segment increased by 13.3% from the prior year to ¥2,636.7 billion, which accounted for 87.3% of the consolidated revenue.

Domestic revenue increased by 4.4% from the prior year to ¥315.8 billion mainly due to increased sales of construction machinery and engines.

Overseas revenue increased by 14.7% from the prior year to ¥2,321.0 billion. In North America, revenue increased from the prior year. Sales of construction machinery increased thanks to firm demand for housing construction and infrastructure development by the government, although the Company struggled with the tractor business due to the weak residential market. In Europe, revenue increased from the prior year. Sales of construction machinery were solid, supported by public construction demand. Sales of tractors also increased thanks to replenishment of dealer inventory. Sales in Thailand continued suffering purchase postponement caused by unfavorable weather, such as drought. Sales in India increased due to consolidation of EKL since the second quarter of the prior year and firm sales development in dryland farming.

Operating profit in this segment increased by 53.0% from the prior year to ¥355.8 billion mainly due to favorable effects mainly of sales price increase and fluctuation of exchange rates, although there were some negative effects from an increase in sales incentive cost caused by an interest rate hike, a rise in material prices, and an increase in various expenses caused by inflation mainly.

Water & Environment

Water & Environment segment mainly manufactures and sells products related to pipe systems (ductile iron pipes, plastic pipes, and other products), industrial products (reformer and cracking tubes, spiral welded steel pipes, air-conditioning equipment, and other products), and environment (environmental control plants, pumps, and other products).

Revenue in this segment increased by 11.3% from the prior year to ¥364.5 billion, which accounted for 12.1% of the consolidated revenue.

Domestic revenue increased by 11.3% from the prior year to ¥307.9 billion due to increased sales of environment business and pipe system business.

Overseas revenue increased by 11.0% from the prior year to ¥56.6 billion mainly due to firm sales of the industrial products business, such as cracking tubes, supported by demand for overseas plant constructions and increased sales of the environment business, especially the Membrane Bioreactor system.

Operating profit in this segment increased by 77.1% from the prior year to ¥30.5 billion due to the compensation of negative effect from a rise in material prices by sales price increase.

Other

Other segment mainly offers a variety of services.

Revenue in this segment decreased by 15.8% from the prior year to ¥19.5 billion and accounted for 0.6% of consolidated revenue.

Operating profit in this segment decreased by 51.1% from the prior year to ¥1.5 billion.

The year ended December 31, 2023, was a year in which supply constraints in the supply chain that had been in place since 2020, soaring logistics costs, and the rapid increase in demand due to fiscal measures taken by various countries had eased and the situation was returning to normal. Although the Company has achieved record-high revenue and operating profit in the year ended December 31, 2023, due to product price increases and the depreciation of yen, the Company recognizes the need to further strengthen its business structure. In order to achieve the goals of the Mid-Term Business Plan 2025, the Company aims to strengthen its business structure by continuing to promote growth drivers and review its product and business portfolios. The Company also recognizes that constant reform is necessary to adapt to the drastically changing business environment in recent years, and the Company will further strengthen its management base and operation capabilities as described in the section, *1. Business Issues to Address (2) Reinforcement of the Management Base and Operation Capabilities*.

2) Assets, Liabilities, and Equity

Assets

Total assets as of December 31, 2023, were ¥5,359.2 billion, an increase of ¥594.2 billion from the prior fiscal year end. This increase was attributable to increases in trade receivables and financial receivables as a result of an increase in revenue in North America.

Liabilities

Total liabilities also increased from the prior fiscal year end due to an increase in bonds and borrowings as a result of an increase in working capital mainly along with the change in payment terms with business partners in Japan.

Equity

Equity attributable to owners of the parent increased due to the accumulation of retained earnings and an improvement in other components of equity along with fluctuations mainly in foreign exchange rates. The ratio of equity attributable to owners of the parent to total assets stood at 40.6%, 1.3 percentage points higher than the prior fiscal year end.

3) Analysis of Cash Flows

Net cash used in operating activities during the year ended December 31, 2023, was ¥17.3 billion, an increase of ¥9.6 billion in net cash outflow compared with the prior year. This increase of expenditure was due to decrease in trade payables mainly resulting from the change in payment terms with business partners in Japan, despite profit for the year increased.

Net cash used in investing activities was ¥173.4 billion, a decrease of ¥145.1 billion in net cash outflow compared with the prior year. This decrease resulted from the acquisition of shares of a subsidiary in the prior year mainly.

Net cash provided by financing activities was ¥178.4 billion, a decrease of ¥104.2 billion in net cash inflow compared with the prior year, due to an increase in repayments of short-term borrowings.

As a result of the above and after taking into account the effects of exchange rate changes, cash and cash equivalents as of December 31, 2023, were ¥222.1 billion, a decrease of ¥3.7 billion from the beginning of the fiscal year.

In the Mid-Term Business Plan 2025, cash flows from operating activities and free cash flows have been designated as key indicators, and efforts will be made to improve these indicators.

(2) Liquidity and Capital Resources

The Company's financial policy is to ensure adequate financing and liquidity for its operations and to strengthen the health of its consolidated statements of financial position.

Through efficient management of working capital, the Company intends to optimize the efficiency of capital utilization throughout its business operations. The Company seeks to improve its group cash management by centralizing cash management among Kubota Corporation and its overseas financing subsidiaries.

The Company's internal sources of funds include cash flows generated by operating activities and cash and cash equivalents. In addition, the Company raises funds by borrowings from financial institutions, financing by securitization of receivables, and issuance of bonds and commercial paper (CP) in capital markets, if necessary. The Company's policy is to finance working capitals and capital expenditures primarily by internally generated funds and, to a lesser extent, by funds raised through borrowings from financial institutions, etc. Bonds and borrowings were primarily used for sales financing, capital investment, and working capital in the year ended December 31, 2023. Regarding bonds and borrowings, refer to Notes to Consolidated Financial Statements, Note 15. BONDS AND BORROWINGS.

All things considered, the Company believes that it can support its current and anticipated capital and operating requirements for the foreseeable future.

(3) Production, Orders Received, and Revenue

1) Production Results

Consolidated production results by reportable segment for the year ended December 31, 2023, were as follows:

Reportable segment		Amount (millions of yen)	Change from the prior year (%)
Farm & Industrial Machinery	¥	2,541,587	8.2
Water & Environment		384,624	13.1
Other		19,052	(16.1)
Total	¥	2,945,263	8.6

(Notes)

1. Intersegment transfers are eliminated.
2. Amounts are recorded at sales price.

2) Orders Received

Consolidated orders received by reportable segment for the year ended December 31, 2023, were as follows:

Except for certain products, Farm & Industrial Machinery products and some Water & Environment and Other products are not made-to-order.

Reportable segment		Amount (millions of yen)	Change from the prior year (%)		Balance (millions of yen)	Change from the prior year (%)
Farm & Industrial Machinery	¥	6,942	116.7	¥	4,551	(15.0)
Water & Environment		295,614	0.5		320,585	6.5
Other		1,813	(63.0)		1,602	(46.9)
Total	¥	304,369	0.7	¥	326,738	5.6

(Note)

Intersegment transfers are eliminated.

3) Revenue

Consolidated revenue by reportable segment for the year ended December 31, 2023, were as follows:

Reportable segment		Amount (millions of yen)	Change from the prior year (%)
Farm & Industrial Machinery	¥	2,636,727	13.3
Water & Environment		364,469	11.3
Other		19,515	(15.8)
Total	¥	3,020,711	12.8

(Notes)

1. Intersegment transfers are eliminated.
2. There were no customers whose revenue exceeded 10% or more of the Company's total consolidated revenue for the years ended December 31, 2023 and 2022.

(4) Significant Accounting Estimates and Assumptions

The Company prepares its consolidated financial statements in accordance with IFRS, which requires the application of accounting policies and the use of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses. Actual results could differ from those accounting estimates and assumptions. Estimates and assumptions are continually reviewed. The effects of a change in accounting estimates, if any, are recognized in the reporting period in which the change is made and in the future periods.

With regard to significant accounting estimates and assumptions, refer to Note 2. BASIS OF FINANCIAL STATEMENTS, Significant Accounting Judgments, Estimates, and Assumptions; and Note 3. MATERIAL ACCOUNTING POLICIES of the Notes to Consolidated Financial Statements.

5. Material Contracts

Not applicable.

6. Research and Development (R&D) Activities

The Company considers food, water, and the environment as a singular theme, and aims to realize a sustainable society through a proper cycle of these elements utilizing technology and solutions. The Company aims to contribute to the society by envisioning the social issues that could arise in the near future and developing products, services, and businesses in anticipation of these issues. Being motivated by this mission, the Company's R&D department takes the initiative to develop products and technologies that are directly linked to each business, while pursuing medium- to long-term R&D that supports the Company's sustainable growth.

As one of the main themes for Mid-Term Business Plan 2025, the Company has taken up "initiatives to secure candidates of growth drivers for the next generation." The Company is establishing the foundation for realizing GMB2030 and is actively investing resources in R&D to succeed in global competition and realize sustainable growth.

The total R&D expenses for the year ended December 31, 2023, were ¥100.7 billion, and the R&D expenses and major achievements by reportable segment are as follows. The R&D expenses for "Other" segment and basic research expenses that are difficult to link to a particular reportable segment are collectively reported in "Other and Corporate" section.

(1) Farm & Industrial Machinery

R&D departments in this segment are engaged in product development of farm equipment, agricultural-related products, engines and construction machinery, as well as related advanced research. Major achievements are as follows:

<u>Development of new functions for KSAS agricultural management support system</u>

The Company has developed the following new functions for KSAS agricultural management support system: "KSAS Water Management Map (PC version)" with a function to check the water management status of WATARAS, a farm water management system, with KSAS; a function that enables KSAS to import aerial images of farm fields taken by remote sensing drones and view growth maps on KSAS; and "Variable Fertilizer Download Confirmation Function" for users of rice transplanters with variable fertilizer specification (PF specification) to confirm which field the rice transplanter is currently receiving fertilizer application data. The main features are as follows:

Water Management Map (PC version)

(Feature 1) In addition to fields where WATARAS has been installed, the water management status (water inflow, outflow, inflow and outflow, and water stoppage) for fields where WATARAS has not been installed can also be displayed at once.

(Feature 2) The water management map can display gradations according to water level and temperature, and color-coded displays according to water supply status.

Remote Sensing (Growth Map Function)

(Feature 3) A growth map can be created by downloading the dedicated application from KSAS. This reduces the time required to inspect fields and check growth conditions, etc., which was previously done manually.

(Feature 4) The growth map enables "visualization" of growth differences within a field, which can be used to improve variable fertilizer application and cultivation management.

Variable Fertilizer Download Confirmation Function

(Feature 5) Variable fertilizer application can be used to improve uneven growth and as an efficient fertilizer application technique. Variable fertilization can contribute to the business stability and to the "Strategy for Sustainable Food Systems, MIDORI (*1)."

(Note)

1. The policy developed by the Ministry of Agriculture, Forestry and Fisheries of Japan in 2021 to achieve both productivity improvement and sustainability in the food, agriculture, forestry, and fisheries industries through innovation.

Development of a serf-detachable seven-reaping row combine harvester, “DR7130”

The Company has developed the DR7130, a self-detachable seven-reaping row combine harvester, which contributes to improved efficiency in harvesting operations. The main features are as follows:

(Feature 1) The newly developed reaping unit widens the reaping width, which reduces the number of turns in the field. This contributes to improved work efficiency and "field-friendly" harvesting that do not damage the sleepers. Compared to a six-reaping row combine harvester of the same horsepower, the reaping width has been widened mainly on the right side of the combine harvester, which prevents from stepping on a levee when reaping the surrounding area and reduces mud accumulation on the unmowed stubble; thus, enabling harvesting with less stress.

(Feature 2) The optimal design of the reaping unit allows the combine harvester to be loaded on large trucks with cargo bed internal dimensions of 2,340 mm or more without removing any parts; thus, enabling smooth transportation from warehouse to field and from field to field.

(Feature 3) The space above the top of the puller in the reaping unit has been enlarged by 50 mm compared to six-reaping row combine harvester, which reduces the catching of ears of long culms and high-volume crops in the puller. This is effective in reducing head loss in the puller and in reducing the threshing load by smooth transfer to the threshing cylinder.

(Feature 4) The 1300 mm long threshing cylinder and the large rocking plate with sorting area of 800 mm x 1,930 mm allow for generous threshing and sorting of even seven reaping rows of crops.

(Feature 5) In addition to the popular features of combine harvester of the Company, "electric full up threshing cylinder" and "opening of reaping unit and pulling section," high maintenance functions, such as the "opening of the side plate of the Glen tank” and "opening of straw discharging chain," which are installed in the Company’s DIONITH series combine harvester, and the "opening of a cover at the rear of the cutter" are also equipped. These features not only improve efficiency in daily cleaning operations, but also reduce down time in case of clogging.

(Feature 6) The standard "direct communication unit" automatically uploads machine location, work records, and operation information to the KSAS Cloud by simply turning on the combine harvester's key. Based on this information, KSAS automatically creates a work logbook, which reduces the operator's logbook creation labor. The "My Farm Machinery" service allows customers to easily check machine location and operation information with their PCs and smartphones, which makes it possible to "visualize" machine information. The "PF (taste and yield sensors) Specification" enables to check the protein and moisture content, and yield for each field. In addition, the optional "Taste and Yield Mesh Map Kit" divides the field into three levels (10-meter, 15-meter, and 20-meter plots) and displays the protein content level and yield level in different shades of color, making it possible to "visualize the field." This option can be used to understand the variation within a field and to improve the field, soil preparation, and fertilizer design for the following year, especially for large plots.

Development of the compact electric tractor,“LXe-261”

As one of the Company’s efforts to achieve carbon neutrality, the Company has developed the “LXe-261,” a compact electric tractor, for Europe. The main features are as follows:

(Feature 1) Equipped with a high-capacity battery capable of three to four hours of continuous operation on a one-hour quick charge, which allows the battery consumed by morning work to be quickly recharged during the lunch break so that work can continue in the afternoon.

(Feature 2) The size of the LXe-261 is almost as compact as a tractor equipped with a diesel engine in the same power range.

(Feature 3) The Company will advance development of eco-friendly products and further expand its product lineup by gaining insights from customer feedbacks and issues that arise in actual use, etc., through long-term rental services to local municipalities and public bodies.

The R&D expenses in this segment totaled ¥65.4 billion.

(2) Water & Environment

R&D departments in this segment are engaged in product development related to pipe system (ductile iron pipes, plastic pipes, and other products), industrial products (reformer and cracking tubes, spiral welded steel pipes, air-conditioning equipment and other products), and environment (environmental control plants, pumps, and other products), as well as related advanced research. Major achievements are as follows:

Development of the aging assessment method using AI for water pipelines

The Company has been using an artificial intelligence (AI) technology-based corrosion prediction formula to accurately assess the aging of steel pipes, and AI models for steel and plastic pipes that can accurately predict leakage accident rates based on accident history data, map information, etc., have now been developed. The main features are as follows:

(Feature 1) Highly accurate quantitative indication of pipeline renewal priorities for all pipe types can be provided without field surveys.

(Feature 2) Developed the technology that automatically groups pipelines into certain aggregations. Pipeline renewal requires efficiency under various constraints, such as pipeline extension and construction cost. Determining priorities by pipeline group equivalent to the construction section, not by pipeline unit, enable more efficient renewal planning.

(Feature 3) The aging assessment method and the grouping technology enable long-term and quantitative evaluation of the effects of pipeline renewal, reduce the workload of water utility staff, and can be utilized to efficiently formulate a renewal plan.

Development of the coagulation sensor for industrial wastewater treatment

The Company has developed the "coagulation sensor" using diagnostic imaging technology for industrial wastewater treatment. The main features are as follows:

(Feature 1) The structure of the observation window, which does not come into contact with wastewater, and the unique device structure, which is not affected by water surface reflection, enable diagnosis using camera images, while at the same time facilitating easy maintenance.

(Feature 2) By quantifying floc diameter and turbidity through image analysis, a sensing device close to human senses can be realized, enabling detection of abnormalities in wastewater treatment, safe operation, reduction of operation and management costs, and labor savings.

The R&D expenses in this segment totaled ¥5.7 billion.

(3) Other and Corporate

The Company is promoting K-ESG management, and in the area of R&D, the Company is accelerating its effort to create innovations that contribute to solving environmental and social issues. In terms of carbon neutrality, BEV (*2) tractors for farm equipment and construction machinery were launched during the year ended December 31, 2023. In addition, the Company is working to commercialize BEV mini excavators and BEV zero-turn mowers (riding lawnmowers), and to realize new power sources, such as fuel cells and hydrogen.

The Company continues to focus on R&D efforts to improve combustion efficiency and other aspects of fuel efficiency and to increase the content of biodiesel. Furthermore, the Company will achieve carbon neutrality by bringing together various initiatives, such as work loss reduction and optimal energy-saving operation through the autonomous driving technology and the application of biomass (agricultural and food residues).

With regard to smart agriculture, the Company has already established, ahead of competitors, the autonomous driving technology for tractors, combine harvesters, and rice transplanters. In order to make the equipment even easier to use, the Company is advancing initiatives, such as research on the use of AI and advanced sensors. The Company is also progressing systematically with field demonstrations of data-driven agriculture initiatives, including the use of weather information, growth models, and remote sensing.

The Company is also continuing to advance R&D related to the collaboration of KSAS agricultural support system; WATARAS farm water management system; and KSIS water environment platform, including research on a smart rice paddy dam.

(Note)

2. Abbreviation for Battery Electric Vehicle.

The R&D expenses in this segment totaled ¥29.6 billion.

3. Property, Plant, and Equipment

1. Summary of Capital Investment

The Company’s capital investment focuses on investment to increase manufacturing to meet growing demand, rationalization investment to strengthen competitiveness, IT investment to promote DX, and investments to strengthen R&D capabilities for business expansion. The Company also invests in environmental conservation, safety and health, and BCP measures.

The capital investment for the year ended December 31, 2023, totaled ¥146,976 million. The breakdown is as follows:

	For the year ended December 31, 2023 (millions of yen)	For the year ended December 31, 2022 (millions of yen)	Change from the prior year (%)
Farm & Industrial Machinery	¥ 117,530	¥ 124,043	94.7
Water & Environment	12,271	11,066	110.9
Other	1,015	567	179.0
Corporate	16,160	33,748	47.9
Total	¥ 146,976	¥ 169,424	86.8

(Note)

The amounts do not include consumption taxes.

The details of major investments are as follows:

Farm & Industrial Machinery

Investments were made to respond to BCP in Japan and increase manufacturing capacity in Japan and North America.

Water & Environment

Investments were made for environmental protection and rationalization.

Corporate

Investments were made to strengthen the IT infrastructure in Japan.

For the year ended December 31, 2023, no property, plant, and equipment were sold, disposed, or damaged that would have a material impact on manufacturing capacity.

Losses on sale and disposal of property, plant, and equipment for routine upgrades amounted to ¥6,307 million and ¥3,594 million for the years ended December 31, 2023 and 2022, respectively.

2. Major Property, Plant, and Equipment

The Company's major property, plant, and equipment as of December 31, 2023, are as follows:

The *Machinery and equipment and others* column includes *machinery, equipment, tools, furniture, fixtures, motor vehicles, and transport equipment*.

Carrying amounts are amounts presented in the statement of financial position of each company.

(1) Kubota Corporation

(As of December 31, 2023)

Facility (Main location)	Reportable segment	Details of production item or business contents	Carrying amount (millions of yen)						Number of employees
			Buildings and structures	Machinery and equipment and others	Land		Construction in progress	Total	
					Area (㎡ in thousands)	Amount			
Hanshin Plant (Amagasaki-shi, Hyogo, JAPAN)	Water & Environment	Ductile iron pipes	2,947	5,765	(2) 365	1,930	972	11,614	576
Keiyo Plant (Funabashi-shi, Chiba, JAPAN)	Water & Environment	Ductile iron pipes	2,951	2,611	445	10,664	1,085	17,311	358
Ichikawa Plant (Ichikawa-shi, Chiba, JAPAN)	Water & Environment	Spiral welded steel pipes	592	1,762	(19) 62	513	137	3,004	125
Okajima Business Center (Taisho-ku, Osaka, JAPAN)	Farm & Industrial Machinery and Water & Environment	Casting parts	6,462	2,743	(1) 90	42	4,457	13,704	379
Kubota Global Institute of Technology (Sakai-shi, Osaka, JAPAN)	Farm & Industrial Machinery and Corporate	R&D	61,060	14,432	(7) 657	23,479	1,314	100,285	2,783
Sakai Plant (Sakai-shi, Osaka, JAPAN)	Farm & Industrial Machinery	Farm equipment, engines and construction machinery	26,165	32,027	(22) 393	8,401	11,256	77,849	2,911
Utsunomiya Plant (Utsunomiya-shi, Tochigi, JAPAN)	Farm & Industrial Machinery	Farm equipment	1,483	2,560	146	188	198	4,429	442
Tsukuba Plant (Tsukubamirai-shi, Ibaraki, JAPAN)	Farm & Industrial Machinery	Farm equipment and engines	10,890	20,597	(22) 396	3,282	4,700	39,469	2,221
Hirakata Plant (Hirakata-shi, Osaka, JAPAN)	Farm & Industrial Machinery and Water & Environment	Construction machinery, pumps, valves and steel castings	8,503	7,188	304	672	1,615	17,978	1,645
Shiga Plant (Konan-shi, Shiga, JAPAN)	Water & Environment	Wastewater treatment plant (Johkasou)	798	141	178	1,032	52	2,023	61
Kyuhoji Business Center (Yao-shi, Osaka, JAPAN)	Farm & Industrial Machinery	Precision equipment	389	302	38	1,521	151	2,363	221
Head Office, Tokyo Head Office, Other regional offices, etc. (Naniwa-ku, Osaka, JAPAN, etc.) (Note 2)	Farm & Industrial Machinery and Water & Environment, Corporate	Administration, sales, R&D, etc.	16,803	3,320	1,632	25,586	1,547	47,256	2,916

(Notes)

1. Kubota Corporation leases part of its land and buildings. The related rental expenses for such assets were ¥1.3 billion for the year ended December 31, 2023. Figures in parentheses are the areas of leased land. Leased land and buildings are mainly used for storage yards and sales bases.
2. Land is used for factories, distribution and sales bases, recreation facilities, and other purposes.

(2) Domestic subsidiaries

(As of December 31, 2023)

Company name	Facility (Main location)	Reportable segment	Details of production item or business contents	Carrying amount (millions of yen)						Number of employees
				Buildings and structures	Machinery and equipment and others	Land		Construction in progress	Total	
						Area (㎡ in thousands)	Amount			
Kubota ChemiX Co., Ltd.	Head office, regional offices, factories (Amagasaki-shi, Hyogo, JAPAN, etc.)	Water & Environment	Plastic pipes and fittings	360	6,146	(95) —	—	838	7,344	645

(Note)

The figure in parentheses is the area of leased land. Leased land and buildings are mainly used for the head office, regional offices, and manufacturing bases.

(3) Overseas subsidiaries

(As of December 31, 2023)

Company name	Facility (Main location)	Reportable segment	Details of production item or business contents	Carrying amount (millions of yen)						Number of employees
				Buildings and structures	Machinery and equipment and others	Land		Construction in progress	Total	
						Area (㎡ in thousands)	Amount			
Kubota North America Corporation	Head office (Delaware, USA)	Farm & Industrial Machinery	Administration	13,760	52	3,003	5,277	29	19,118	119
KUBOTA TRACTOR CORPORATION	Head office and regional offices (Texas, etc., USA)	Farm & Industrial Machinery	Administration, sales, etc.	23,090	2,748	853	2,573	3,139	31,550	1,170
Kubota Manufacturing of America Corporation (Note)	Head Factory (Georgia, USA)	Farm & Industrial Machinery	Tractors and outdoor power equipment	6,088	4,338	154	67	2,087	12,580	1,885
Kubota Industrial Equipment Corporation (Note)	Head Factory (Georgia, USA)	Farm & Industrial Machinery	Implements, tractors, and construction machinery	4,243	3,148	356	421	4,279	12,091	1,598
Great Plains Manufacturing Inc. and 18 subsidiaries	Head office and factory (Kansas, USA)	Farm & Industrial Machinery	Implements and construction machinery	8,344	10,796	1,790	818	7,259	27,217	2,275
SIAM KUBOTA Corporation Co., Ltd.	Head office and factories (Pathumthani, etc., THAILAND)	Farm & Industrial Machinery	Tractors, combine harvesters, implements, and horizontal type diesel engines	8,094	7,186	496	3,211	1,604	20,095	2,796
Escorts Kubota Ltd. and 5 subsidiaries	Head office and factories (Haryana, India, etc.)	Farm & Industrial Machinery	Tractors and construction machinery	2,741	8,896	(365) 522	18,655	1,396	31,688	3,849

(Note)

Kubota Manufacturing of America Corporation merged with Kubota Industrial Equipment Corporation on January 1, 2024, with Kubota Manufacturing of America Corporation as the surviving company.

3. Plans for Capital Investment and Disposals of Property, Plant, and Equipment

The Company develops capital investment plans based on comprehensive consideration of future business demand, cash flows, and other factors.

Planned capital investment for the year ending December 31, 2024, is approximately ¥190.0 billion. The Company intends to fund its capital investment primarily through internally generated funds and partially through borrowings from financial institutions.

The following are plans for material capital investments:

(As of December 31, 2023)

Company name (Location)	Reportable segment	Description	Estimated amount of expenditures		Schedule	
			Total amount of expenditures	Amount already paid	Commenced	To be completed
Kubota Corporation Okajima Business Center (Taisho-ku, Osaka, JAPAN)	Farm & Industrial Machinery	Improving productivity of high value-added casting and establishing BCP	(millions of JPY) 22,820	(millions of JPY) 6,770	October 2019	December 2027
Kubota Corporation Head Office (Naniwa-ku, Osaka, JAPAN)	Farm & Industrial Machinery	Establishing enterprise resource planning system	(millions of JPY) 37,020	(millions of JPY) 26,200	December 2019	December 2026
Kubota Corporation Sakai Plant (Sakai-shi, Osaka, JAPAN)	Farm & Industrial Machinery	Establishing BCP	(millions of JPY) 29,200	(millions of JPY) 10,526	January 2021	October 2026
Kubota Corporation Tsukuba Plant (Tsukubamirai-shi, Ibaraki, JAPAN)	Farm & Industrial Machinery	Establishing BCP and constructing training facilities	(millions of JPY) 15,000	(millions of JPY) 6,658	March 2021	December 2025
Great Plains Manufacturing, Inc. (Kansas, USA)	Farm & Industrial Machinery	Equipment to expand production of compact construction machinery	(millions of USD) 124	(millions of USD) 39	April 2022	June 2025
Kubota Corporation Tsukuba Plant (Tsukubamirai-shi, Ibaraki, JAPAN)	Farm & Industrial Machinery	Restructuring of the Eastern Parts Center in Japan	(millions of JPY) 13,000	(millions of JPY) 69	May 2022	April 2024
Kubota Industrial Equipment Corporation (Note) (Georgia, USA)	Farm & Industrial Machinery	Equipment to expand production of implements	(millions of USD) 190	(millions of USD) 26	June 2022	April 2025
Kubota Corporation Hirakata Plant (Hirakata-shi, Osaka, JAPAN)	Farm & Industrial Machinery	Equipment to expand production of compact construction machinery	(millions of JPY) 16,950	(millions of JPY) 297	July 2022	December 2026

(Note)
Kubota Industrial Equipment Corporation has been merged into Kubota Manufacturing of America Corporation on January 1, 2024.

There are no material plans for disposals, etc., of property, plant, and equipment.

4. Information on Kubota Corporation

1. Information on the Shares of Kubota Corporation

(1) Total Number of Shares

1) Total Number of Shares

Class	Total number of shares authorized to be issued (shares)
Common shares	1,874,700,000
Total	1,874,700,000

2) Issued Shares

Class	Number of shares issued as of end of period (shares) (December 31, 2023)	Number of shares issued as of filing date (shares) (March 22, 2024)	Stock exchange on which Kubota Corporation is listed	Description
Common shares	1,176,666,846	1,176,666,846	Tokyo Stock Exchange (the Prime Market)	The number of shares per unit is 100 shares.
Total	1,176,666,846	1,176,666,846	—	—

(2) Information on Stock Option Plans

1) Details of Stock Option Plans

Not applicable.

2) Information on Shareholder Right Plans

Not applicable.

3) Information on other Stock Option Plans

Not applicable.

(3) Information on Moving Strike Convertible Bonds

Not applicable.

(4) Changes in the Total Number of Issued Shares, the Amount of Common Shares, and Other

Date	Changes in the total number of issued shares (thousands of shares)	Balance of the total number of issued shares (thousands of shares)	Changes in common shares (millions of yen)	Balance of common shares (millions of yen)	Changes in capital reserve (millions of yen)	Balance of capital reserve (millions of yen)
September 30, 2019 (Note)	(11,980)	1,220,576	¥ —	¥ 84,130	¥ —	¥ 73,117
October 30, 2020 (Note)	(12,000)	1,208,576	¥ —	¥ 84,130	¥ —	¥ 73,117
December 30, 2021 (Note)	(8,330)	1,200,246	¥ —	¥ 84,130	¥ —	¥ 73,117
September 30, 2022 (Note)	(9,240)	1,191,006	¥ —	¥ 84,130	¥ —	¥ 73,117
July 31, 2023 (Note)	(9,930)	1,181,076	¥ —	¥ 84,130	¥ —	¥ 73,117
December 28, 2023 (Note)	(4,410)	1,176,666	¥ —	¥ 84,130	¥ —	¥ 73,117

(Note)
The decrease is due to the retirement of treasury shares.

(5) Shareholders Composition

(As of December 31, 2023)

Class of shareholders	Status of shares (one unit of shares: 100 shares)								Number of shares less than one unit (shares)
	Government and municipality	Financial institution	Financial instruments business operator	Other institution	Overseas shareholders: Corporations	Overseas shareholders: Individuals	Individuals and others	Total	
Number of shareholders	—	140	65	1,058	895	352	109,480	111,990	—
Share Ownership (units)	—	5,577,640	594,288	403,528	4,102,886	1,209	1,081,466	11,761,017	565,146
Ownership percentage of shares (%)	—	47.42	5.05	3.43	34.89	0.01	9.20	100.00	—

(Notes)

1. Of 23,636 treasury shares, 236 units are included in the *Individuals and others* column, while 36 shares are included in the *Number of shares less than one unit* column. Treasury shares do not include 1,324,314 shares (13,243 units) of Kubota Corporation held by the trust in connection with the stock compensation plan. The same applies hereinafter in *4. Information on Kubota Corporation* section.
2. The *Other institution* column includes 10 units registered in the name of Japan Securities Depository Center, Incorporated.

(6) Major Shareholders

(As of December 31, 2023)

Name	Address	Share ownership (thousands of shares)	Ownership percentage to the total number of issued shares (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	11-3, Hamamatsu-cho 2-chome, Minato-ku, Tokyo, JAPAN	189,908	16.14
Custody Bank of Japan, Ltd. (Trust account)	8-12, Harumi 1-chome, Chuo-ku, Tokyo, JAPAN	65,222	5.54
Nippon Life Insurance Company	6-6, Marunouchi 1-chome, Chiyoda-ku, Tokyo, JAPAN	62,542	5.32
Meiji Yasuda Life Insurance Company	1-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo, JAPAN	59,929	5.09
Sumitomo Mitsui Banking Corporation	1-2, Marunouchi 1-chome, Chiyoda-ku, Tokyo, JAPAN	36,006	3.06
Mizuho Bank, Ltd.	5-5, Otemachi 1-chome, Chiyoda-ku, Tokyo, JAPAN	31,506	2.68
Moxley & Co. LLC (Standing proxy: Mizuho Bank, Ltd.)	270 Park Avenue, New York, NY, 10017, USA (15-1, Konan 2-chome, Minato-ku, Tokyo, JAPAN)	21,332	1.81
BNYM TREATY DTT 15 (Standing proxy: MUFG Bank, Ltd.)	240 Greenwich Street, New York, NY, 10286, USA (7-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo, JAPAN)	20,379	1.73
STATE STREET BANK WEST CLIENT-TREATY 505234 (Standing proxy: Mizuho Bank, Ltd.)	1776 Heritage Drive, North Quincy, MA, 02171, USA (15-1, Konan 2-chome, Minato-ku, Tokyo, JAPAN)	19,842	1.69
MUFG Bank, Ltd.	7-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo, JAPAN	18,156	1.54
Total	—	524,827	44.60

(Notes)

1. Treasury shares, which are deducted when calculating the ownership percentage to the total number of issued shares, do not include 1,324 thousand shares of Kubota Corporation held by the trust in connection with the stock compensation plan.
2. The shares held by The Master Trust Bank of Japan, Ltd. (Trust account) and Custody Bank of Japan, Ltd. (Trust account) are invested as their fiduciary services.
3. The large shareholding report by Sumitomo Mitsui DS Asset Management Company, Ltd. dated June 5, 2020, is available for public inspection. However, the information in the report is not stated in the preceding table, except for Sumitomo Mitsui Banking Corporation, since Kubota Corporation has not confirmed the actual status of shareholdings as of the record date for the exercise of voting rights. A summary of the report as of May 29, 2020, is as follows:

Name	Share ownership (thousands of shares)	Ownership percentage to the total number of issued shares (%)
Sumitomo Mitsui DS Asset Management Company, Ltd.	3,743	0.31
Sumitomo Mitsui Banking Corporation	36,006	2.95
SMBC Nikko Securities Inc.	33,620	2.75
Total	73,370	6.01

4. The change report pertaining to the large shareholding report by Mizuho Bank, Ltd. dated April 22, 2022, is available for public inspection. However, the information in the report is not stated in the preceding table, except for Mizuho Bank, Ltd., since Kubota Corporation has not confirmed the actual status of shareholdings as of the record date for the exercise of voting rights. A summary of the report as of April 15, 2022, is as follows:

Name	Share ownership (thousands of shares)	Ownership percentage to the total number of issued shares (%)
Mizuho Bank, Ltd.	31,506	2.62
Mizuho Securities Co., Ltd.	2,014	0.17
Asset Management One Co., Ltd.	31,855	2.65
Total	65,376	5.45

5. The change report pertaining to the large shareholding report by BlackRock Japan Co., Ltd. dated November 4, 2022, is available for public inspection. However, the information in the report is not stated in the preceding table since Kubota Corporation has not confirmed the actual status of shareholdings as of the record date for the exercise of voting rights. A summary of the report as of October 31, 2022, is as follows:

Name	Share ownership (thousands of shares)	Ownership percentage to the total number of issued shares (%)
BlackRock Japan Co., Ltd.	20,655	1.73
Aperio Group, LLC	1,371	0.12
BlackRock (Netherlands) B.V.	2,885	0.24
BlackRock Fund Managers Ltd.	3,705	0.31
BlackRock Asset Management Ireland Ltd.	10,445	0.88
BlackRock Fund Advisors	17,612	1.48
BlackRock Institutional Trust Company, N.A.	13,938	1.17
BlackRock Investment Management (UK) Ltd.	1,900	0.16
Total	72,515	6.09

6. The change report pertaining to the large shareholding report by Massachusetts Financial Services Company dated December 22, 2022, is available for public inspection. However, the information in the report is not stated in the preceding table since Kubota Corporation has not confirmed the actual status of shareholdings as of the record date for the exercise of voting rights. A summary of the report as of December 15, 2022, is as follows:

Name	Share ownership (thousands of shares)	Ownership percentage to the total number of issued shares (%)
Massachusetts Financial Services Company	44,811	3.76
MFS Investment Management K.K.	1,570	0.13
Total	46,382	3.89

7. The change report pertaining to the large shareholding report by Mitsubishi UFJ Financial Group dated November 7, 2023, is available for public inspection. However, the information in the report is not stated in the preceding table, except for MUFG Bank, Ltd., since Kubota Corporation has not confirmed the actual status of shareholdings as of the record date for the exercise of voting rights. A summary of the report as of October 30, 2023, is as follows:

Name	Share ownership (thousands of shares)	Ownership percentage to the total number of issued shares (%)
MUFG Bank, Ltd.	18,156	1.54
Mitsubishi UFJ Trust and Banking Corporation	36,770	3.11
Mitsubishi UFJ Kokusai Asset Management Co., Ltd.	11,205	0.95
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	1,236	0.10
Total	67,369	5.70

8. The change report pertaining to the large shareholding report by Sumitomo Mitsui Trust Bank, Ltd. dated December 21, 2023, is available for public inspection. However, the information in the report is not stated in the preceding table since Kubota Corporation has not confirmed the actual status of shareholdings as of the record date for the exercise of voting rights. A summary of the report as of December 15, 2023, is as follows:

Name	Share ownership (thousands of shares)	Ownership percentage to the total number of issued shares (%)
Sumitomo Mitsui Trust Bank, Ltd.	19,572	1.66
Sumitomo Mitsui Trust Asset Management Co., Ltd.	31,708	2.68
Nikko Asset Management Co., Ltd.	27,662	2.34
Total	78,942	6.68

(7) Information on Voting Rights

1) Issued Shares

(As of December 31, 2023)

Classification		Number of shares (shares)	Number of voting rights	Description
Shares without voting rights		—	—	—
Shares with restricted voting rights (treasury shares, etc.)		—	—	—
Shares with restricted voting rights (others)		—	—	—
Shares with full voting rights (treasury shares, etc.)	(Treasury shares) Common shares: (Crossholding shares) Common shares:	23,600 718,400	—	—
Shares with full voting rights (others)	Common shares:	1,175,359,700	11,753,597	—
Shares less than one unit	Common shares:	565,146	—	Shares less than one unit (100 shares)
Number of issued shares		1,176,666,846	—	—
Total number of voting rights		—	11,753,597	—

(Note)

Shares with full voting rights (others) column includes 1,000 shares (10 voting rights) registered under the name of Japan Securities Depository Center, Incorporated, as well as 1,324,314 shares (13,243 voting rights) of Kubota Corporation held by the trust in connection with the stock compensation plan.

2) Treasury Shares

(As of December 31, 2023)

Name of shareholder	Address	Number of shares held under own name (shares)	Number of shares held under the names of others (shares)	Total shares held (shares)	Ownership percentage to the total number of issued shares (%)
(Treasury shares)					
Kubota Corporation	2-47, Shikitsuhigashi 1-chome, Naniwa-ku, Osaka, JAPAN	23,600	—	23,600	0.00
(Crossholding shares)					
Akita Kubota Corporation	295-38, Terauchikamiyashiki, Akita-shi, Akita, JAPAN	41,400	—	41,400	0.00
Minami Tohoku Kubota Corporation	16-1, Takakura Sugishita, Hiwadamachi, Koriyama-shi, Fukushima, JAPAN	102,000	—	102,000	0.01
Hokuriku Kinki Kubota Corporation	956-1, Shimokashiwanomachi, Hakusan-shi, Ishikawa, JAPAN	9,000	—	9,000	0.00
Fukuoka Kyushu Kubota Corporation	11-36, Noma 1-chome, Minami-ku, Fukuoka-shi, Fukuoka, JAPAN	566,000	—	566,000	0.05
Total crossholding shares	—	718,400	—	718,400	0.06
Total	—	742,000	—	742,000	0.06

(Note)

Treasury shares do not include shares of Kubota Corporation held by the trust in connection with the stock compensation plan.

(8) Director and Employee Stock Ownership Plan

Kubota Corporation has introduced the performance-linked stock compensation plan using a trust for the Directors (excluding Outside Directors, the same applies below) in accordance with a resolution of the 132nd General Meeting of Shareholders held on March 18, 2022.

Kubota Corporation has also introduced a performance-linked stock compensation plan for Senior Executive Officers and Executive Officers.

Under these plans, a trust established by the Company acquires shares of Kubota Corporation's common stock (the "Company shares"), and the Company shares equivalent to the number of points granted by Kubota Corporation to its Directors, Senior Executive Officers, and Executive Officers (collectively, the "Target") are delivered to the Target through this trust. By concluding a transfer restriction agreement between Kubota Corporation and the Target, shares concerned are transfer restricted until their retirement.

A summary of each trust under the Plan is as follows:

	RS Trust for Directors and Senior Management	RS Trust for Executive Officers
Trustor	Kubota Corporation	
Trustee	Sumitomo Mitsui Trust Bank, Limited (Re-trust trustee: Custody Bank of Japan, Ltd.)	
Beneficiaries	Directors and Senior Executive Officers who satisfy the beneficiary requirements	Executive Officers who satisfy the beneficiary requirements
Trust administrator	Akasaka International Accounting Co., Ltd.	
Exercise of voting rights	No voting rights pertaining to the shares in the trust shall be exercised throughout the term of the trust	
Type of the trust	Cash in trust other than money trusts (with third-party beneficiaries)	
Trust agreement date	May 19, 2022	
Date entrusted	May 19, 2022	
Number of shares held by the trust (as of submission date of Annual Securities Report)	1,235,436 shares	88,878 shares
Trust termination date	April 30, 2027 (planned)	April 30, 2025 (planned)

2. Information on Acquisition of Treasury Shares

Class of Shares: Acquisition of common shares under Article 155, Items 3 and 7 of the Companies Act of Japan (hereinafter, the "Act").

(1) Acquisition of Treasury Shares Resolved at the General Meeting of Shareholders

Not applicable.

(2) Acquisition of Treasury Shares Resolved at the Meetings of the Board of Directors

Acquisition of common shares under Article 155, Item 3 of the Act

Classification	Number of shares (shares)		Total amount (Yen)
Details on resolution at the Meeting of the Board of Directors held on April 19, 2023 (Term of validity: from April 20, 2023, to December 18, 2023)	13,000,000	¥	20,000,000,000
Treasury shares acquired before the year ended December 31, 2023	—		—
Treasury shares acquired in the year ended December 31, 2023	9,931,300		19,999,906,250
Treasury shares not acquired in the year ended December 31, 2023	3,068,700		93,750
Percentage of remaining treasury shares not acquired as of December 31, 2023 (%)	23.6		0.0
Treasury shares acquired during the current period	—		—
Percentage of remaining treasury shares not acquired as of filing date (%)	23.6		0.0

Classification	Number of shares (shares)		Total amount (Yen)
Details on resolution at the Meeting of the Board of Directors held on August 4, 2023 (Term of validity: from August 5, 2023, to December 18, 2023)	6,000,000	¥	10,000,000,000
Treasury shares acquired before the year ended December 31, 2023	—		—
Treasury shares acquired in the year ended December 31, 2023	4,422,400		9,999,883,750
Treasury shares not acquired in the year ended December 31, 2023	1,577,600		116,250
Percentage of remaining treasury shares not acquired as of December 31, 2023 (%)	26.3		0.0
Treasury shares acquired during the current period	—		—
Percentage of remaining treasury shares not acquired as of filing date (%)	26.3		0.0

(3) Details of Acquisition of Treasury Shares Not Based on the Resolutions of the General Meeting of Shareholders or the Meetings of the Board of Directors

Acquisition of common shares under Article 155, Item 7 of the Act

Classification	Number of shares (shares)		Total amount (Yen)
Treasury shares acquired in the year ended December 31, 2023	1,481	¥	2,991,003
Treasury shares acquired during the current period	267		570,254

(Note)

Treasury shares acquired during the current period do not include shares consisting of less than one unit purchased during the period from March 1, 2024, to the filing date of this Annual Securities Report.

(4) Status of the Disposition and Holding of Acquired Treasury Shares

Classification	Year ended December 31, 2023 Number of shares (shares)	Year ended December 31, 2023 Total disposition amount (Yen)	Current period Number of shares (shares)	Current period Total disposition amount (Yen)
Acquired treasury shares for which subscribers were solicited	—	¥ —	—	¥ —
Acquired treasury shares which were retired	14,340,000	29,967,593,100	—	—
Acquired treasury shares which were transferred due to merger, share exchange, or company split	—	—	—	—
Others (sold shares consisting of less than one unit)	119	257,966	76	171,750
Total number of treasury shares held	23,636	—	23,827	—

(Note)

Number of shares and *Total disposition amount* during the current period do not include shares consisting of less than one unit acquired or sold during the period from March 1, 2024, to the filing date of this Annual Securities Report.

3. Dividend Policy

Kubota Corporation considers the appropriate return of profits to shareholders to be one of its most important management issue and strive to enhance such returns, while maintaining sound management and responding to the future business environment.

Kubota Corporation’s basic dividend policy is to maintain and enhance stable dividends, and flexibly purchase and retire treasury shares. Kubota Corporation has set a target of 40% or more for the total return ratio (the ratio of the total amount of dividends paid and the amount of treasury shares retired divided by the profit for the year attributable to owners of the parent) and aims to further improve this ratio. The amount of dividends is determined based on comprehensive consideration of business performance trends, financial position, total return ratio, and other factors. Kubota Corporation has adopted a policy of determining the use of surplus in consideration of maintaining sound management and responding to the future business environment.

Based on the above policy, ¥24 per share was declared as the year-end dividend for the year ended December 31, 2023. As a result, the total annual dividend, including the interim dividend of ¥24 per share, will be ¥48 per share.

The Company's basic policy is to pay dividends from surplus twice a year, an interim dividend and a year-end dividend, and the Board of Directors is the decision-making body for these dividends.

Kubota Corporation stipulates in its Articles of Incorporation the possibility of resolution of interim dividends, which is defined under Article 454, paragraph 5 of the Act. For further details, refer to *5. Stock-Related Administration of Kubota Corporation*.

Dividends whose record dates belong to the current fiscal year are as follows:

Date of resolution	Cash dividends (millions of yen)	Cash dividends per share (Yen)
The Meeting of the Board of Directors on August 4, 2023	¥ 28,346	¥ 24.00
The Meeting of the Board of Directors on February 14, 2024	¥ 28,239	¥ 24.00

The amount of dividends based on the Meeting of the Board of Directors on August 4, 2023, and February 14, 2024, includes dividends of ¥32 million with respect to shares of Kubota Corporation held by the trust in connection with the stock compensation plan.

4. Corporate Governance

(1) Corporate Governance

1) Basic Policy on Corporate Governance

Kubota Corporation considers the long-term and stable growth of corporate value to be the highest management priority, and to achieve this, Kubota Corporation considers it is important to satisfy the stakeholders surrounding the company and enhance the overall value of the company while balancing economic and social values. Especially, in order to achieve the long-term objectives of establishing the Company's brand as GMB Kubota on the basis of the corporate philosophy KGI, Kubota Corporation must be an enterprise that is trusted not just in Japan but also worldwide. In order to further enhance the soundness, efficiency, and transparency of the management, which are essential to be trusted, Kubota Corporation is striving to strengthen the corporate governance.

2) Corporate Governance Structure

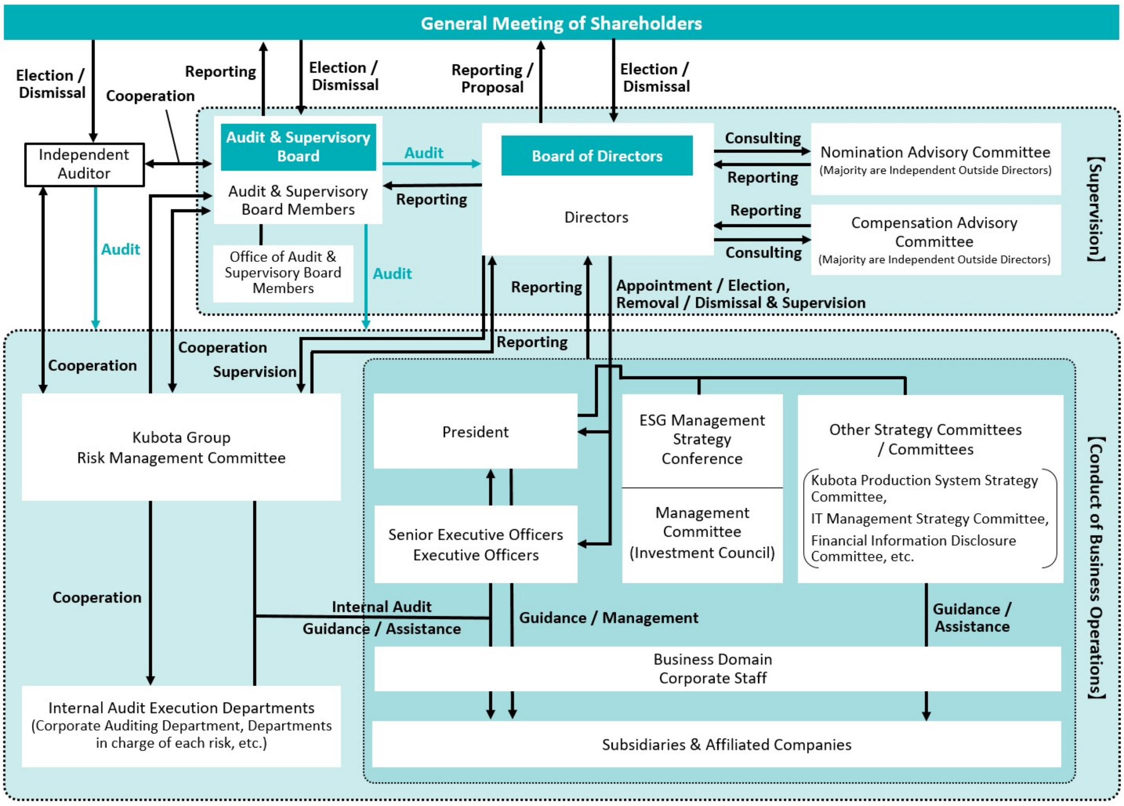
a) Outline of Corporate Governance Structure and Reasons for Such Structure

Kubota Corporation is a company with the Audit & Supervisory Board and established a voluntary Nomination Advisory Committee and Compensation Advisory Committee.

In addition, Kubota Corporation has adopted the Senior Executive Officers and Executive Officers System to strengthen management and supervisory functions, and accelerate decision-making through clarification of responsibility for business execution and the transfer of authority. The Company ensures the separation of supervision and execution by delegating an appropriate range of decision-making authority to Senior Executive Officers and other management personnel at the Management Committee, etc.

Kubota Corporation has a wide range of business domain that includes the areas of food, water, and environment. The Board of Directors, based on the perspectives of internal Directors who are well versed in their respective businesses and the objective viewpoints and wide-ranging knowledge of Outside Directors, makes decisions on major fundamental management policies, and monitors and supervises the execution of duties by Senior Executive Officers and Executive Officers. Audit & Supervisory Board Members, who are legally independent, perform monitoring functions with high audit capabilities. Kubota Corporation has determined that the establishment of the voluntary Nomination Advisory Committee and Compensation Advisory Committee, where a majority of members are Outside Directors, will ensure objectivity and transparency in the personnel affairs and remuneration of the Directors and Senior Management, and promote sustainable growth and enhance its corporate value in the medium to long term, while ensuring sound, efficient, and effective management.

In order to realize aforementioned management structure, Kubota Corporation has adopted the following corporate governance structure as of the submission date of the Annual Securities Report.



The Board of Directors makes strategic decisions and oversees the execution of duties by Senior Executive Officers and Executive Officers. The Board of Directors meets monthly as a regular meeting and as needed to discuss and make decisions on important management issues such as management planning, financial planning, investment, business restructuring, and governance. In principle, the Board of Directors meets once a year at a site in Japan or overseas that are important for management strategy. In addition to the Board of Directors, Directors also conduct site visits to enhance deliberations by the Board of Directors.

The number of Board of Directors held during the year ended December 31, 2023, was 13, and the attendance of Directors was as follows:

Position	Name	Number of attendances	Attendance rate
President and Representative Director	Yuichi Kitao	13	100%
Representative Director and Executive Vice President	Masato Yoshikawa	13	100%
Director and Executive Vice President	Dai Watanabe	13	100%
Director and Senior Managing Executive Officer	Hiroto Kimura	13	100%
Director and Senior Managing Executive Officer	Eiji Yoshioka	10	100% (Note)
Director and Senior Managing Executive Officer	Shingo Hanada	10	100% (Note)
Outside Director	Yuzuru Matsuda	13	100%
Outside Director	Koichi Ina	13	100%
Outside Director	Yutaro Shintaku	13	100%
Outside Director	Kumi Arakane	13	100%
Outside Director	Koichi Kawana	10	100% (Note)

(Note)
The attendance rate is calculated for the Board of Directors held after assuming office on March 24, 2023.

The following is a summary of specific considerations at the Board of Directors in the year ended December 31, 2023, excluding those required by laws and regulations.

Themes	Specific considerations
Management plan	Progress of the Mid-Term Business Plan 2025, Management Policy
Investment and business restructuring	Business plan, capital expenditure plan, other important investments, and business restructuring
Governance	Evaluation of the effectiveness of the Board of Directors, risk management, assignment of Directors and Audit & Supervisory Board Members, assignment of Senior Executive Officers and Executive Officers, and remuneration of Directors and Senior Management

In addition, the Company regularly holds "Value Up Discussion Meetings” (hereinafter, the “VUDM”), where members of the Board of Directors discuss topics that contribute to the sustainable growth of the Company and the enhancement of its corporate value over the medium to long term. The Company does not position the VUDM as a decision-making body, but rather for the purpose of exchanging views and sharing information, and the content of discussions is communicated to the execution side as appropriate.

During the year ended December 31, 2023, the ideal state of the Board of Directors to realize the long-term vision of GMB2030 was discussed in the VUDM, in order to promote the “structuring of board succession to support high effectiveness,” which was raised as an issue in the evaluation of the effectiveness of the Board of Directors in the previous year.

Specifically, the members of the Board of Directors first discussed the current status of the Company and the future direction of the Board of Directors, and through case studies and discussions with outside experts, the ideal state of the Board of Directors was clarified. Based on the results, targets for "strengthening of corporate governance," one of the materialities of K-ESG management, were set and established a roadmap for strengthening of corporate governance.

Activities at the VUDM during the year ended December 31, 2023, were as follows:

Timing	Topics of meetings
April and May 2023	Confirm current position of the Company and future direction of the Board of Directors
June 2023	Case study (business strategy for the engine business)
September 2023	Review of the agenda to be discussed at the Board of Directors
October 2023	Discussion with outside experts (ideal state of the Board of Directors)
December 2023	Set targets for K-ESG management materiality, “strengthening of corporate governance”

Audit & Supervisory Board supervises and audits the execution of business by the Directors. The activities of the Audit & Supervisory Board are described in the section, *(3) Status of Audit 1) Status of Audit by Audit & Supervisory Board Members*.

The Nomination Advisory Committee deliberates on the selection of candidates for the Directors and the Advisors, and discusses the composition and diversity of Board of Directors’ members using a skills matrix. Since the year ended December 31, 2022, the Nomination Advisory Committee has added "matters related to the selection and dismissal of the President and the succession plan" to its deliberation agenda, and actively discusses the qualities and abilities required for the Company's top management as well as training methods.

The Nomination Advisory Committee met three times during the year ended December 31, 2023, and its activities were as follows:

Timing	Topics of meetings
April 2023	Deliberation on the operation of the Nominating Advisory Committee for 2023
August 2023	Deliberation on the status of the President's Succession Plan and progress report on the President's Evaluation Sheet.
October 2023	Deliberation on candidates for the Directors and the Advisors

The Compensation Advisory Committee deliberates on the consistency of remuneration levels for Directors, Executive Officers, and Advisors, as well as the appropriateness of the remuneration system. Under the current remuneration system, in order to realize the ideal state of the Company as set forth in the long-term vision GMB2030, a competitive remuneration level appropriate for a GMB company has been set, and an evaluation system that is strongly linked to growth of the Company in the short, medium, and long term has been incorporated.

The Compensation Advisory Committee met seven times during the year ended December 31, 2023, and its activities were as follows:

Timing	Topics of meetings
January 2023	Deliberation on the evaluation of the President for the year ended December 31, 2022, and the setting of goals for the President for the year ending December 31, 2023.
February 2023	Deliberation on annual bonus for the year ended December 31, 2022.
March 2023	Deliberation on setting target for each evaluation indicator for the year ending December 31, 2023.
April 2023	Deliberation on the operation of the Compensation Advisory Committee for the year ending December 31, 2023.
October 2023	Deliberations on the selection of a group of comparative companies for remuneration benchmarking.
November 2023	Reexamination of the current remuneration system and deliberation on setting remuneration levels for the year ending December 31, 2024.
December 2023	Deliberation on the policy for determining the remuneration of the Directors and Senior Management, and the amount of remuneration for the year ending December 31, 2024.

In order to incorporate an independent and objective perspective, the Nomination Advisory Committee and the Compensation Advisory Committee, which are advisory bodies to the Board of Directors regarding the selection of candidates for Directors and the remuneration system for Directors and Senior Management, are chaired by the Outside Director and more than half of their members are Outside Directors.

The membership and attendance of the Nominating Advisory Committee and the Compensation Advisory Committee during the year ended December 31, 2023, were as follows. (◎: chairman; ○: member; △: observer)

		Nomination Advisory Committee			Compensation Advisory Committee		
Position	Name	Member	Number of attendances	Attendance rate	Member	Number of attendances	Attendance rate
Outside Director	Yuzuru Matsuda	◎	3	100%	◎	7	100%
Outside Director	Koichi Ina	○	3	100%	○	7	100%
Outside Director	Yutaro Shintaku	○	3	100%	○	7	100%
Outside Director	Kumi Arakane	○	3	100%	○	7	100%
Outside Director	Koichi Kawana	○	3	100%	○	4	100% (Note)
President and Representative Director	Yuichi Kitao	○	3	100%			
Representative Director and Executive Vice President	Masato Yoshikawa	○	3	100%	○	7	100%
Senior Managing Executive Officer	Kazuhiro Kimura	○	3	100%	○	7	100%
Outside Audit & Supervisory Board Member	Yuichi Yamada				△	7	100%

(Note)
The attendance rate is calculated for the Compensation Advisory Committees held after assuming office on March 24, 2023.

In addition, the Company has established the ESG Management Strategy Conference, the Management Committee, and the Investment Council to make decisions and deliberate on specific important issues. The ESG Management Strategy Conference formulates policies and evaluates major measures for the realization of the long-term vision of the Company, GMB2030, and the creation of medium- to long-term corporate value. The Management Committee deliberates and make decisions on important management issues, such as investments and loans, in accordance with the mid-term business plan. Of the management issues deliberated by the Management Committee, important issues are reported to the Board of Directors. The Investment Council serves as an advisory body to the President on issues which requires authorization of the President and on certain special issues, excluding items deliberated by the Management Committee.

The following table presents members of each meeting, committee, conference and council as of the filing date of the Annual Securities Report (◎: chairman; ○: member; □: attendee; △: observer).

Position	Name	Board of Directors	Nomination Advisory Committee	Compensation Advisory Committee	Audit & Supervisory Board	ESG Management Strategy Conference	Management Committee	Investment Council
President and Representative Director	Yuichi Kitao	◎	○			◎	◎	
Representative Director and Executive Vice President	Masato Yoshikawa	○	○	○		○	○	◎
Director and Executive Vice President	Dai Watanabe	○				○	○	
Director	Hiroto Kimura	○				○	○	○
Director	Eiji Yoshioka	○				○	○	
Director	Shingo Hanada	○		○		○	○	
Outside Director (Independent Executive)	Yuzuru Matsuda	○	◎	◎				
Outside Director (Independent Executive)	Yutaro Shintaku	○	○	○				
Outside Director (Independent Executive)	Kumi Arakane	○	○	○				
Outside Director (Independent Executive)	Koichi Kawana	○	○	○				
Audit & Supervisory Board Member	Yasuhiko Hiyama	□			◎		△	
Audit & Supervisory Board Member	Masashi Tsunematsu	□			○		△	
Audit & Supervisory Board Member	Kazushi Ito	□			○		△	△
Outside Audit & Supervisory Board Member (Independent Executive)	Yuichi Yamada	□		△	○			
Outside Audit & Supervisory Board Member (Independent Executive)	Yuri Furusawa	□			○			
Outside Audit & Supervisory Board Member (Independent Executive)	Keijiro Kimura	□			○			
Senior Executive Officer	Koichi Yamamoto					○	○	○
Executive Officer	Hideo Takigawa						○	○
Executive Officer	Koji Wada					○		○

b) Status of the Development of Internal Control System

As a basis for ensuring the Directors, Senior Executive Officers, Executive Officers, and employees to execute their duties in compliance with laws, regulations, and the Articles of Incorporation, Kubota Corporation established the Kubota Group Charter for Action & Code of Conduct to be followed by all Directors, Senior Executive Officers, Executive Officers, and employees of the Kubota Group.

Under the Kubota Group Risk Management Committee, a department in charge of management risks (hereinafter, “Department in Charge”), which is designated for each risk category, undertakes education and training to ensure compliance with laws, regulations, and ethics and conducts audits. In addition, Kubota Corporation has established the “Kubota Hot Line” as a contact point for whistle-blower and consultation, based on the “Whistleblowing System Operation Rules” of the Business Rules, which stipulates whistle-blower protection, to ensure early detection and prevention of inappropriate actions, such as violations of laws and regulations.

Kubota Corporation has the Financial Information Disclosure Committee in place in order to review and assess the adequacy of important disclosure documents, such as the Annual Securities Report, and the effectiveness of internal controls over financial reporting.

c) Status of Risk Control Structure and Development of Information Risk Control Structure

Under the Kubota Group Risk Management Committee, the Department in Charge or relevant committees are responsible for Group-wide risk management activities by preparing internal rules, regulations, manuals, and other guidelines to deal with business and operational risks of the entire Kubota Group, such as compliance, environment, health and safety, disasters, and quality. In addition, the Kubota Group Risk Management Committee designates a Department in Charge to respond to new risks that arise in Kubota Corporation, and this department is responsible for risk management.

Kubota Corporation properly stores and manages information on the execution of duties by the Directors, Senior Executive Officers and the Executive Officers in accordance with its in-house rules and regulations, such as the regulations on custody of documents. These documents are available for examination as necessary.

d) Status of System to Ensure Appropriateness of Subsidiaries’ Business Performance

To create a Group-wide control environment, Kubota Corporation has established the “Kubota Group Charter for Action” and “Kubota Group Code of Conduct,” and the philosophies contained in this charter and code of conduct are shared throughout the Kubota Group. To ensure proper business operations of the Kubota Group, Kubota Corporation sets its in-house rules and regulations and establishes proper internal control systems. The status of the design and operation of internal control systems related to management risks, including the internal control systems over financial reporting, is audited by the internal auditing department and departments in charge, after self-audits performed by each department of Kubota Corporation and its subsidiaries. The results of audits are reported to the Directors in charge, the Kubota Group Risk Management Committee, the President and Representative Director, the Board of Directors, and the Audit & Supervisory Board Members.

Subsidiaries are managed in accordance with Kubota Corporation’s subsidiary and affiliate management regulations to ensure the appropriateness of their operations. Subsidiaries report their operations and the status of execution of duties by their Directors to the Department in Charge at Kubota Corporation. Kubota Corporation places importance on the business ties between subsidiaries and operating divisions of Kubota Corporation, and ensures the efficiency of the execution of duties of their Directors by designating primary management departments of subsidiaries, receiving reports on management plans and other matters from subsidiaries, and discussing them at the management review committees and other means.

e) Overview of Agreements on Limitation of Liabilities

Pursuant to Article 427, paragraph 1 of the Act, Kubota Corporation enters into agreements with each of the Outside Directors and the Outside Audit & Supervisory Board Members to limit their liabilities for damages. The maximum amount of their liabilities under these agreements is the amount provided for in laws and regulations.

f) Overview of Directors and Officers Liability Insurance

Kubota Corporation has a Directors and Officers Liability Insurance policy, as stipulated in Article 430-3, paragraph 1 of the Act, insuring all Directors (including Outside Directors) and Audit & Supervisory Board Members (including Outside Audit & Supervisory Board Members). The insurance cover liability of Directors and Audit & Supervisory Board Members arising in the performance of their duties and damage claims received pertaining to the pursuit of said liability. However, there are certain exemptions, such as no coverage for liability arising from actions taken with the knowledge that they were in violation of laws and regulations. All insurance premiums are paid by Kubota Corporation.

Kubota Corporation has also entered into similar contracts with its Executive Officers as insured persons.

3) Others

a) Quorum of Directors

As of the submission date of this Annual Securities Report, the Articles of Incorporation of Kubota Corporation state that the number of Directors is to be 13 or less.

b) Requirement for the Adoption of Resolutions for Electing Directors

Kubota Corporation stipulates, in its Articles of Incorporation, that the election of a Director shall be made by a majority of the voting rights of the shareholders present at the meeting where the shareholders holding at least one-third of the voting rights of the shareholders entitled to exercise their voting rights at such meetings are present.

c) Acquisition of Treasury Shares

Kubota Corporation stipulates, in its Articles of Incorporation, that the resolutions at the Meetings of the Board of Directors enable Kubota Corporation to acquire its treasury shares under Article 165, paragraph 2 of the Act, which facilitates Kubota Corporation to exercise the acquisition of treasury shares flexibly.

d) Dividend Appropriated from Surplus

Kubota Corporation stipulates, in its Articles of Incorporation, that unless otherwise provided for by laws and regulations, Kubota Corporation, by resolution of Meetings of the Board of Directors, determines dividends of surplus and other matters set forth in Article 459, paragraph 1 of the Act, as to return profits to shareholders in a flexible manner.

e) Interim Dividends

Kubota Corporation stipulates, in its Articles of Incorporation, that interim dividends shall be paid to shareholders of record on June 30 upon resolution of Meetings of the Board of Directors.

f) Requirement for the Adoption of Special Resolution of General Meeting of Shareholders

Kubota Corporation stipulates, in its Articles of Incorporation, that resolutions of a General Meeting of Shareholders as prescribed in Article 309, paragraph 2 of the Act shall be made by at least two-thirds of the voting rights of the shareholders present at the meeting where the shareholders holding at least one-third of the voting rights of the shareholders entitled to exercise their voting rights at such meetings are present. By relaxing the requirements for a quorum for special resolutions of General Meetings of Shareholders, deliberations for those resolutions can be made in a quick and efficient manner.

(2) Directors and Senior Management

1) List of Directors and Senior Management

Male: 14, Female: 2 (percentage of females among Directors and Audit & Supervisory Board Members: 13%)

Position	Responsibility	Name	Date of birth		Business experience	Term of office	Share ownership (thousands of shares)
President and Representative Director of Kubota Corporation		Yuichi Kitao	Jul. 15, 1956	Apr. 1979	Joined Kubota Corporation	Note 3	133
				Apr. 2005	General Manager of Tractor Engineering Dept. of Kubota Corporation		
				Apr. 2009	Senior Executive Officer, General Manager of Tractor Division of Kubota Corporation		
				Jan. 2011	President of KUBOTA TRACTOR CORPORATION		
				Apr. 2013	Managing Executive Officer of Kubota Corporation		
				Oct. 2013	General Manager of Farm and Utility Machinery Division, General Manager of Farm and Utility Machinery International Operations Headquarters of Kubota Corporation		
				Jun. 2014	Director and Managing Executive Officer of Kubota Corporation		
				Apr. 2015	Director and Senior Managing Executive Officer, General Manager of Farm and Industrial Machinery Domain of Kubota Corporation		
				Jan. 2019	Representative Director and Executive Vice President, General Manager of Farm and Industrial Machinery Consolidated Division of Kubota Corporation		
				Jun. 2019	General Manager of Innovation Center of Kubota Corporation		
				Jan. 2020	President and Representative Director of Kubota Corporation (to present)		
Representative Director and Executive Vice President of Kubota Corporation	General Manager of Planning and Control Headquarters, General Manager of Human Resources and General Affairs Headquarters, In charge of ESG Promotion, General Manager of Head Office, General Manager of Kubota Technical Training Center	Masato Yoshikawa	Jan. 27, 1959	Apr. 1981	Joined Kubota Corporation	Note 3	75
				Feb. 2008	General Manager of Ductile Iron Pipe Planning Dept. of Kubota Corporation		
				Oct. 2009	General Manager of Pipe Systems Planning Dept. of Kubota Corporation		
				Oct. 2010	General Manager of Corporate Planning and Control Dept. of Kubota Corporation		
				Apr. 2012	Senior Executive Officer of Kubota Corporation		
				Oct. 2013	President of KUBOTA TRACTOR CORPORATION		
				Apr. 2015	Managing Executive Officer of Kubota Corporation		
				Mar. 2017	Director and Managing Executive Officer of Kubota Corporation		
				Jan. 2018	Director and Senior Managing Executive Officer of Kubota Corporation		
				Jan. 2019	General Manager of Planning and Control Headquarters (to present), General Manager of Global IT Management Dept. of Kubota Corporation		
				Apr. 2019	General Manager of Global ICT Headquarters of Kubota Corporation		
				Jan. 2020	Director and Executive Vice President of Kubota Corporation		
				Jan. 2022	Representative Director and Executive Vice President of Kubota Corporation (to present)		
				Jan. 2024	General Manager of Human Resources and General Affairs Headquarters (to present), In charge of ESG Promotion (to present), General Manager of Head Office (to present), General Manager of Kubota Technical Training Center (to present) of Kubota Corporation		

Position	Responsibility	Name	Date of birth		Business experience	Term of office	Share ownership (thousands of shares)
Director and Executive Vice President of Kubota Corporation	General Manager of Farm and Industrial Machinery Consolidated Division, General Manager of Innovation Center	Dai Watanabe	Oct. 2, 1958	Apr. 1984	Joined Kubota Corporation	Note 3	91
				Jun. 2008	General Manager of Farm and Industrial Machinery International Planning and Control Dept. of Kubota Corporation		
				Jan. 2012	President of Kubota Europe S.A.S.		
				Apr. 2013	Senior Executive Officer of Kubota Corporation		
				Feb. 2014	President of Kubota Farm Machinery Europe S.A.S.		
				Dec. 2014	President of Kverneland AS		
				Sep. 2016	General Manager of Agricultural Implement Business Unit of Kubota Corporation		
				Jan. 2017	Managing Executive Officer, General Manager of Agricultural Implement Division of Kubota Corporation		
				Oct. 2017	President of Kubota Holdings Europe B.V.		
				Jan. 2018	General Manager of Agricultural Implement Division of Kubota Corporation		
				Jan. 2019	Senior Managing Executive Officer, General Manager of Farm and Industrial Machinery Strategy and Operations Headquarters of Kubota Corporation		
				Mar. 2019	Director and Senior Managing Executive Officer of Kubota Corporation		
				Jun. 2019	Deputy General Manager of Innovation Center of Kubota Corporation		
				Jan. 2020	General Manager of Farm and Industrial Machinery Consolidated Division (to present), General Manager of Innovation Center (to present) of Kubota Corporation		
				Jan. 2023	Director and Executive Vice President of Kubota Corporation (to present)		
Director and Senior Managing Executive Officer of Kubota Corporation	General Manager of Research and Development Headquarters, General Manager of Kubota Global Institute of Technology, Deputy General Manager of Innovation Center	Hiroto Kimura	May 6, 1961	Apr. 1984	Joined Kubota Corporation	Note 3	32
				Apr. 2007	General Manager of Rice Transplanter Engineering Dept. of Kubota Corporation		
				Apr. 2010	General Manager of Thai Technical Information Center, Farm and Industrial Machinery Research Dept. of Kubota Corporation		
				Aug. 2010	Vice president of SIAM KUBOTA Corporation Co., Ltd.		
				Jan. 2017	Senior Executive Officer of Kubota Corporation, President of SIAM KUBOTA Corporation Co., Ltd.		
				Sep. 2019	President of Kubota Research and Development Asia Co., Ltd.		
				Jan. 2020	Managing Executive Officer, Deputy General Manager of Innovation Center (to present), Deputy General Manager of Research and Development Headquarters, Deputy General Manager of ASEAN Farm and Industrial Machinery Strategy and Operations Headquarters of Kubota Corporation		
				Jan. 2021	General Manager of Research and Development Headquarters (to present), General Manager of Carbon Neutral Promotion Dept. of Kubota Corporation		
				Mar. 2022	Director and Managing Executive Officer of Kubota Corporation		
				Sep. 2022	General Manager of Kubota Global Institute of Technology of Kubota Corporation (to present)		
				Jan. 2023	Director and Senior Managing Executive Officer of Kubota Corporation (to present)		

Position	Responsibility	Name	Date of birth		Business experience	Term of office	Share ownership (thousands of shares)
Director and Senior Managing Executive Officer of Kubota Corporation	General Manager of Water and Environment Infrastructure Consolidated Division, Deputy General Manager of Innovation Center, General Manager of Tokyo Head Office	Eiji Yoshioka	Nov. 17, 1958	Apr. 1981	Joined Kubota Corporation	Note 3	33
				Apr. 2005	General Manager of Quality Assurance and Manufacturing Promotion Dept. of Kubota Corporation		
				Apr. 2010	General Manager of Tsukuba Plant of Kubota Corporation		
				Apr. 2013	General Manager of Air Conditioning Equipment Business Unit of Kubota Corporation, President of Kubota Air Conditioner, Ltd.		
				Jan. 2016	Senior Executive Officer, General Manager of Materials Division of Kubota Corporation		
				Jan. 2019	Responsible for Special Tasks Assigned by President of Kubota Corporation		
				Jan. 2020	Managing Executive Officer, General Manager of Pipe Systems and Infrastructure Division of Kubota Corporation		
				Jan. 2022	Senior Managing Executive Officer, General Manager of Water and Environment Infrastructure Consolidated Division (to present), Deputy General Manager of Innovation Center (to present), General Manager of Tokyo Head Office (to present) of Kubota Corporation		
				Mar. 2023	Director and Senior Managing Executive Officer of Kubota Corporation (to present)		
Director and Senior Managing Executive Officer of Kubota Corporation	General Manager of Farm and Industrial Machinery Strategy and Operations Headquarters, Deputy General Manager of Planning and Control Headquarters, Deputy General Manager of Innovation Center	Shingo Hanada	Nov. 14, 1963	Apr. 1989	Joined Kubota Corporation	Note 3	8
				Apr. 2015	General Manager of Tractor Planning and Sales Promotion Dept. of Kubota Corporation		
				Jan. 2017	General Manager of Agricultural Tractor Planning and Sales Promotion Dept. of Kubota Corporation		
				Jan. 2018	General Manager of Outdoor Power Equipment Business Unit, General Manager of Outdoor Power Equipment Business Planning and Development Dept. of Kubota Corporation		
				Jan. 2019	Senior Executive Officer, General Manager of Outdoor Power Equipment Division of Kubota Corporation		
				Feb. 2020	General Manager of Outdoor Power Equipment Business Planning and Development Dept. of Kubota Corporation		
				Jan. 2021	President of Kubota Holdings Europe B.V., President of Kverneland AS		
				Jan. 2022	Managing Executive Officer of Kubota Corporation, President of Kubota North America Corporation, President of KUBOTA TRACTOR CORPORATION		
				Mar. 2023	Director and Managing Executive Officer of Kubota Corporation		
				Jan. 2024	Director and Senior Managing Executive Officer (to present), General Manager of Farm and Industrial Machinery Strategy and Operations Headquarters (to present), Deputy General Manager of Planning and Control Headquarters (to present), Deputy General Manager of Innovation Center (to present) of Kubota Corporation		

Position	Responsibility	Name	Date of birth	Business experience		Term of office	Share ownership (thousands of shares)
Director of Kubota Corporation		Yuzuru Matsuda	Jun. 25, 1948	Apr. 1977	Joined Kyowa Hakko Kogyo Co., Ltd. (currently, Kyowa Kirin Co., Ltd.)	Note 3	34
				Jun. 1999	Director of Drug Discovery Research Laboratories, Pharmaceutical Research Institute of Fuji Plant of Kyowa Hakko Kogyo Co., Ltd.		
				Jun. 2000	Executive Officer, Executive Director of Pharmaceutical Research Institute of Kyowa Hakko Kogyo Co., Ltd.		
				Jun. 2002	Executive Director, Director of Corporate Planning Department of Kyowa Hakko Kogyo Co., Ltd.		
				Jun. 2003	President and Chief Operating Officer of Kyowa Hakko Kogyo Co., Ltd.		
				Oct. 2008	President and Chief Executive Officer of Kyowa Hakko Kirin Co., Ltd. (currently, Kyowa Kirin Co., Ltd.)		
				Jun. 2012	President of Kato Memorial Bioscience Foundation		
				Jun. 2014	Director of Kubota Corporation (to present), Director of Bandai Namco Holdings, Inc.		
				Jun. 2015	Director of JSR Corporation		
				Jun. 2019	Director Emeritus of Kato Memorial Bioscience Foundation (to present)		
Director of Kubota Corporation		Yutaro Shintaku	Sep. 19, 1955	Apr. 1979	Joined Toa Nenryo Kogyo K.K. (currently, ENEOS Corporation)	Note 3	11
				Jan. 1999	Joined Terumo Corporation		
				Jun. 2005	Executive Officer of Terumo Corporation		
				Jun. 2006	Director and Executive Officer of Terumo Corporation		
				Jun. 2007	Director and Senior Executive Officer, In charge of R&D Center, Intellectual Property Dept. and Legal Dept. of Terumo Corporation		
				Jun. 2009	Director and Managing Executive Officer, General Manager of Strategy Planning Dept., In charge of Human Resources Dept. and Accounting & Finance Dept. of Terumo Corporation		
				Jun. 2010	President and Representative Director of Terumo Corporation		
				Apr. 2017	Director and Advisor of Terumo Corporation		
				Jun. 2017	Director of Santen Pharmaceutical Co., Ltd. (to present), Director of J-Oil Mills, Inc.		
				Mar. 2018	Director of Kubota Corporation (to present)		
				Apr. 2018	Visiting Professor of Hitotsubashi University Business School		
				Apr. 2019	Special Professor of Hitotsubashi University Business School (to present)		
				Sep. 2019	Director of KOZO KEIKAKU ENGINEERING Inc. (to present)		

Position	Responsibility	Name	Date of birth	Business experience		Term of office	Share ownership (thousands of shares)
Director of Kubota Corporation		Kumi Arakane	Jul. 4, 1956	Apr. 1981	Joined KOBAYASHI KOSÉ COMPANY LIMITED (currently, KOSÉ Corporation)	Note 3	9
				Mar. 2002	Senior Chief Researcher of R&D Headquarters Advanced Cosmetic Research Laboratories of KOSÉ Corporation		
				Mar. 2004	General Manager of Product Development Dept. of KOSÉ Corporation		
				Mar. 2006	Executive Officer, Deputy Director-General of Marketing Headquarters of KOSÉ Corporation		
				Mar. 2010	General Manager of R&D Laboratories of KOSÉ Corporation		
				Mar. 2011	General Manager of Quality Assurance Dept., Marketing Supervisor-General of KOSÉ Corporation		
				Jun. 2011	Director, in charge of Quality Assurance Dept., Customer Service Center, Purchasing Dept., Product Designing Dept. of KOSÉ Corporation		
				Jun. 2017	Audit & Supervisory Board Member of KOSÉ Corporation		
				Mar. 2019	Audit & Supervisory Board Member of Kubota Corporation		
				Mar. 2020	Director of Kagome Co., Ltd. (to present)		
				Jun. 2020	Director of TODA CORPORATION (to present)		
				Mar. 2021	Director of Kubota Corporation (to present)		
Director of Kubota Corporation		Koichi Kawana	Apr. 23, 1958	Apr. 1982	Joined JGC CORPORATION (currently, JGC HOLDINGS CORPORATION)	Note 3	2
				Jul. 1997	General Manager, Abu Dhabi Office; General Manager, Kuwait Office of JGC CORPORATION		
				Jul. 2001	General Manager, London Office of JGC CORPORATION		
				May 2004	General Manager, Project Business Investment Promotion Dept. of JGC CORPORATION		
				Jul. 2007	Executive Officer; General Manager, New Business Promotion Division of JGC CORPORATION		
				Aug. 2007	Senior General Manager, New Business Promotion Division of JGC CORPORATION		
				Jul. 2009	Managing Director; Senior General Manager, Global Marketing Division of JGC CORPORATION		
				Jun. 2010	Representative Director, Senior Executive Vice President of JGC CORPORATION		
				Jul. 2011	Representative Director and President (COO) of JGC CORPORATION		
				Jun. 2012	Representative Director and President of JGC CORPORATION		
				Jun. 2017	Director, Vice Chairman of JGC CORPORATION		
				Jun. 2019	Director of TOKYO ELECTRON DEVICE LIMITED (to present), Director of Bandai Namco Holdings Inc. (to present), Director (Audit and Supervisory Committee Member) of COMSYS Holdings Corporation		
				Jun. 2020	Director of RENOVA, Inc.		
				Dec. 2020	Director of ispace, inc. (to present)		
				Mar. 2023	Director of Kubota Corporation (to present)		
				Jun. 2023	Director, Chairman of RENOVA, Inc. (part-time, nonexecutive) (to present)		

Position	Responsibility	Name	Date of birth		Business experience	Term of office	Share ownership (thousands of shares)
Audit & Supervisory Board Member of Kubota Corporation (Full time)		Yasuhiko Hiyama	Dec. 25, 1957	Apr. 1981 Apr. 2008 Apr. 2010 Apr. 2012 Apr. 2014 Apr. 2015 Jan. 2016 Jan. 2017 Jan. 2018 Mar. 2018	Joined Kubota Corporation President of Kubota Industrial Equipment Corporation General Manager of Tractor Planning and Sales Promotion Dept. of Kubota Corporation General Manager of Farm and Utility Machinery Planning and Sales Promotion Dept. of Kubota Corporation General Manager of Farm and Utility Machinery Business Unit I, General Manager of Farm and Utility Machinery Planning and Sales Promotion Dept. I, General Manager of Farm and Utility Machinery Planning and Sales Promotion Dept. II of Kubota Corporation General Manager of Tractor and Utility Machinery Business Unit of Kubota Corporation Executive Officer of Kubota Corporation General Manager of Compact Tractor, Turf and Utility Vehicle Business Unit of Kubota Corporation Deputy General Manager of Tractor Division of Kubota Corporation Audit & Supervisory Board Member of Kubota Corporation (to present)	Note 4	24
Audit & Supervisory Board Member of Kubota Corporation (Full time)		Masashi Tsunematsu	Mar. 10, 1964	Apr. 1986 Jun. 2010 Jan. 2018 Feb. 2019 Mar. 2022	Joined Kubota Corporation General Manager of Water Engineering & Solution Planning Dept. of Kubota Corporation General Manager of Environmental Business Planning and Sales Dept. of Kubota Corporation General Manager of Water and Environment Infrastructure Management Dept. of Kubota Corporation Audit & Supervisory Board Member of Kubota Corporation (to present)	Note 4	7
Audit & Supervisory Board Member of Kubota Corporation (Full time)		Kazushi Ito	Sep. 22, 1963	Apr. 1987 Apr. 2002 Mar. 2007 Oct. 2010 Apr. 2015 Jan. 2018 Jan. 2020 Mar. 2024	Joined Daiwa Securities Co. Ltd. Joined UFJ Capital Markets Securities Co., Ltd., (currently, Mitsubishi UFJ Morgan Stanley Securities Co.,Ltd.) Joined Depfa Bank Plc, Tokyo Branch Joined Kubota Corporation General Manager of Strategic Planning Dept. of Kubota Corporation Senior Executive Officer, Deputy General Manager of Planning and Control Headquarters, General Manager of Global Management Promotion Dept. and General Manager of Strategic Planning Dept. of Kubota Corporation GM of Corporate Planning and Control Dept. of Kubota Corporation Audit & Supervisory Board Member of Kubota Corporation (to present)	Note 5	16

Position	Responsibility	Name	Date of birth	Business experience		Term of office	Share ownership (thousands of shares)
Audit & Supervisory Board Member of Kubota Corporation (Part time)		Yuichi Yamada	Mar. 25, 1954	Oct. 1984 Mar. 1988 Aug. 2003 Jun. 2008 Sep. 2011 Jul. 2015 Jun. 2016 Jul. 2016 Jun. 2017 Mar. 2020	Joined Asahi & Co. (currently, KPMG AZSA LLC) Registered as a Certified Public Accountant of Japan Representative Partner of Asahi & Co. (currently, KPMG AZSA LLC) Board Member of KPMG AZSA & Co. (currently, KPMG AZSA LLC) Deputy Tokyo Office Managing Partner of KPMG AZSA LLC Chairman of Tokyo Partners Meeting of KPMG AZSA LLC Audit & Supervisory Board Member of Japan Finance Corporation (to present) Representative of Yuichi Yamada Certified Public Accountant Firm (to present) Audit & Supervisory Board Member of Sumitomo Metal Mining Co., Ltd. Audit & Supervisory Board Member of Kubota Corporation (to present)	Note 5	5
Audit & Supervisory Board Member of Kubota Corporation (Part time)		Yuri Furusawa	Jul. 22, 1963	Apr. 1986 Dec. 2000 Jul. 2004 Jul. 2006 Jul. 2008 Aug. 2011 Jul. 2014 Sep. 2015 Jun. 2016 Jul. 2019 Mar. 2021 Jun. 2022	Joined Ministry of Transport Administrator, Organisation for Economic Co-operation and Development (OECD) Director for International Policy Planning, Ministry of Land, Infrastructure and Transport Director, International Affairs and Crisis Management Division, Japan Coast Guard Counsellor, Cabinet Secretariat (Office of Assistant Chief Cabinet Secretary) Deputy General Manager, International Sales Department, Shiseido Company, Limited Assistant Vice-Minister for International Affairs, Ministry of Land, Infrastructure, Transport and Tourism Vice-Commissioner, Japan Tourism Agency Councillor, Cabinet Secretariat, Cabinet Bureau of Personnel Affairs Minister's Secretariat, Ministry of Land, Infrastructure, Transport and Tourism Audit & Supervisory Board Member of Kubota Corporation (to present) Audit & Supervisory Board Member of SUBARU CORPORATION (to present)	Note 6	4
Audit & Supervisory Board Member of Kubota Corporation (Part time)		Keijiro Kimura		Apr. 1987 Jan. 1994 May 1998 Jun. 2000 Sep. 2007 Jun. 2009 Jan. 2011 Mar. 2015 Mar. 2022	Registered as an attorney at law of Japan Joined Showa Law Office Registered as an attorney at law of New York State Established Kyoei Law Office Audit & Supervisory Board Member of Okada Aiyon Corporation Audit & Supervisory Board Member of NAGAOKA INTERNATIONAL CORPORATION Audit & Supervisory Board Member of CHARLE CO., LTD. Representative partner of Kyoei Law Office (to present) Audit & Supervisory Board Member of Nippon Electric Glass Co., Ltd. Audit & Supervisory Board Member of Kubota Corporation (to present)	Note 4	3
				Total			496

(Notes)

1. Among the Directors, Yuzuru Matsuda, Yutaro Shintaku, Kumi Arakane, and Koichi Kawana are the Outside Directors.
2. Among the Audit & Supervisory Board Members, Yuichi Yamada, Yuri Furusawa, and Keijiro Kimura are the Outside Audit & Supervisory Board Members.
3. The terms of office of the Directors will expire at the close of the Ordinary General Meeting of Shareholders for the year ending December 31, 2024, and began with the election at the Ordinary General Meeting of Shareholders for the year ended December 31, 2023.
4. The terms of office of the Audit & Supervisory Board Members will expire at the close of the Ordinary General Meeting of Shareholders for the year ending December 31, 2025, and began with the election at the Ordinary General Meeting of Shareholders for the year ended December 31, 2021.
5. The terms of office of the Audit & Supervisory Board Members will expire at the close of the Ordinary General Meeting of Shareholders for the year ending December 31, 2027, and began with the election at the Ordinary General Meeting of Shareholders for the year ended December 31, 2023.
6. The terms of office of the Audit & Supervisory Board Members will expire at the close of the Ordinary General Meeting of Shareholders for the year ending December 31, 2024, and began with the election at the Ordinary General Meeting of Shareholders for the year ended December 31, 2020.
7. Kubota Corporation has appointed the substitute Outside Audit & Supervisory Board Member as stipulated in Article 329, paragraph 3 of the Act in preparation for a shortage in the number of Outside Audit & Supervisory Board Member stipulated in the law. Brief professional background of the substitute Outside Audit & Supervisory Board Member is as follows:

Name	Date of birth	Business experience		Share ownership (thousands of shares)
Hogara Iwamoto	Jun. 22, 1969	Apr. 1995	Registered as an attorney at law of Japan (to present)	—
		May 2008	Joined Asunaro Law Office	
		May 2010	Representative Partner of Asunaro Legal Professional Corporation, Asunaro Law Office (to present)	
		Apr. 2020	Vice Chairperson of the Osaka Bar Association	

8. Kubota Corporation adopted the Executive Officer System. Senior Executive Officers and Executive Officers, excluding persons who also hold the post of the Directors as of the filing date, are as follows:

Position	Name	Responsibility
Senior Managing Executive Officer of Kubota Corporation	Nikhil Nanda	General Manager of Value-Innovative Farm and Industrial Machinery Strategy and Operations Department Chairman and Managing Director of Escorts Kubota Limited
Senior Managing Executive Officer of Kubota Corporation	Nobuyuki Ishii	President of Kubota North America Corporation Chairman of KUBOTA TRACTOR CORPORATION
Senior Managing Executive Officer of Kubota Corporation	Yoshimitsu Ishibashi	Deputy General Manager of Farm and Industrial Machinery Consolidated Division General Manager of ASEAN Farm and Industrial Machinery Strategy and Operations Headquarters
Senior Managing Executive Officer of Kubota Corporation	Katsuhiko Yukawa	General Manager of Construction Machinery Division
Managing Executive Officer of Kubota Corporation	Yasukazu Kamada	President of Kubota Holdings Europe B.V. Chairman of Kverneland AS
Managing Executive Officer of Kubota Corporation	Koichi Yamamoto	General Manager of Manufacturing Engineering Headquarters
Managing Executive Officer of Kubota Corporation	Hirohiko Arai	General Manager of Procurement Headquarters
Managing Executive Officer of Kubota Corporation	Mampei Yamamoto	General Manager of Health and Safety Promotion Headquarters
Managing Executive Officer of Kubota Corporation	Nobushige Ichikawa	General Manager of Tractor Division General Manager of Tractor Engineering Management Unit Deputy General Manager of Research and Development Headquarters
Managing Executive Officer of Kubota Corporation	Shinichi Fukuhara	General Manager of Environmental Solutions Division General Manager of Water Circulation Business Unit
Managing Executive Officer of Kubota Corporation	Takanobu Azuma	Deputy General Manager of Manufacturing Engineering Headquarters Deputy General Manager of Farm and Industrial Machinery Strategy and Operations Headquarters
Senior Executive Officer of Kubota Corporation	Koichiro Kan	General Manager of Quality Assurance Headquarters
Senior Executive Officer of Kubota Corporation	Tomohiro Iitsuka	General Manager of Customer Solutions Division
Senior Executive Officer of Kubota Corporation	Hideki Mori	General Manager of Agricultural Implement Division
Senior Executive Officer of Kubota Corporation	Junji Ota	President of SIAM KUBOTA Corporation Co., Ltd. Deputy General Manager of Human Resources and General Affairs Headquarters

Position	Name	Responsibility
Executive Officer of Kubota Corporation	Hideo Takigawa	Deputy General Manager of Planning and Control Headquarters President of Kubota Data Ground Corporation
Executive Officer of Kubota Corporation	Takashi Ichikawa	General Manager of Pipe Systems Division
Executive Officer of Kubota Corporation	Wataru Kondo	General Manager of Water and Environment Infrastructure Management Headquarters
Executive Officer of Kubota Corporation	Hiroyuki Tanihara	General Manager of Production Control Headquarters General Manager of Global ICT Headquarters
Executive Officer of Kubota Corporation	Toshiyuki Taneda	General Manager of Engine Division
Executive Officer of Kubota Corporation	Shiro Watanabe	Deputy General Manager of Research and Development Headquarters General Manager of Farm and Industrial Machinery Customer First Quality Planning and Promotion Headquarters General Manager of Research and Development Promotion Unit
Executive Officer of Kubota Corporation	Todd Stucke	Senior Vice President of Kubota North America Corporation President of KUBOTA TRACTOR CORPORATION
Executive Officer of Kubota Corporation	Hiroyuki Araki	Deputy General Manager of Research and Development Headquarters General Manager of Technology Innovation Research and Development Unit General Manager of Technology Innovation R&D Department I
Executive Officer of Kubota Corporation	Yoshifumi Makino	General Manager of Water and Environmental Solutions Developing and Sales Dept.
Executive Officer of Kubota Corporation	Tadahito Suzui	Deputy General Manager of Tractor Division
Executive Officer of Kubota Corporation	Koichi Nakagawa	President of Kubota Environmental Engineering Corporation
Executive Officer of Kubota Corporation	Kazunori Tani	General Manager of Harvester and Transplanter Division
Executive Officer of Kubota Corporation	Yuji Kambara	General Manager of Tsukuba Plant General Manager of Tsukuba Training Center
Executive Officer of Kubota Corporation	Shinya Tsuruda	General Manager of Farm Machinery Japan Operation Headquarters President of Kubota Agri Service Corporation
Executive Officer of Kubota Corporation	Sumio Morioka	General Manager of Industrial Products Division
Executive Officer of Kubota Corporation	Shinichi Yamada	General Manager of Corporate Compliance and Risk Management Headquarters
Executive Officer of Kubota Corporation	Hitoshi Sasaki	General Manager of Farm and Industrial Machinery Strategy and Operations Dept.
Executive Officer of Kubota Corporation	Satoshi Suzuki	Vice President of Kubota Holdings Europe B.V.
Executive Officer of Kubota Corporation	Koji Wada	General Manager of Corporate Planning and Control Dept.
Executive Officer of Kubota Corporation	Masaya Nishiyama	Deputy General Manager of Corporate Compliance and Risk Management Headquarters
Executive Officer of Kubota Corporation	Keishiro Nishi	General Manager of Tractor Business Unit I
Executive Officer of Kubota Corporation	Seiji Fukuoka	Deputy Managing Director of Escorts Kubota Limited
Executive Officer of Kubota Corporation	Junji Takeda	General Manager of Sakai Plant General Manager of Sakai Training Center
Executive Officer of Kubota Corporation	Brian Arnold	Vice President of Kubota North America Corporation President of Kubota Manufacturing of America Corporation

2) Outside Directors and Outside Audit & Supervisory Board Members

Kubota Corporation has appointed four Outside Directors and three Outside Audit & Supervisory Board Members.

Outside Directors are responsible for supervision of the management based on their practical and objective viewpoints, and high-level insight in order to achieve sustainable growth of the Company and enhance its corporate value. In addition, through appropriate involvement and advice based on their extensive experience and broad knowledge as managers, Outside Directors deliberate on the selection of candidates for Directors, the remuneration structure for Directors, remuneration levels, and other issues at the Nomination Advisory Committee and the Compensation Advisory Committee.

Outside Audit & Supervisory Board Members are responsible for further enhancing auditing services of the Company from an independent standpoint with their diverse experience, knowledge, expertise, and insights.

With regard to the composition of the Board of Directors, the Company maintains an appropriate number of members to enable effective deliberations, while ensuring diversity in terms of business areas, knowledge, experience, and expertise, as well as transparency and soundness of management. As of the date of submission of the Annual Securities Report, four out of 10 Directors are Outside Directors and seven out of 16 attendees at the Board of Directors Meetings are Outside Directors and Outside Audit & Supervisory Board Members. More than half of the Audit & Supervisory Board Members are appointed from those who meet the requirements for Independent Executives as defined by the Tokyo Stock Exchange (TSE) and the independent criteria of the Company, and one of the members is appointed from those who have advanced and specialized knowledge and experience in accounting and finance, such as a certified public accountant. As of the date of submission of the Annual Securities Report, three of the six Audit & Supervisory Board Members are Outside Audit & Supervisory Board Members.

Outside Directors and Outside Audit & Supervisory Board Members are selected from among those who satisfy the requirements for Independent Executives as defined by the TSE and the independent criteria of the Company. The independent criteria of the Company are posted on the following website.

https://www.kubota.com/sustainability/governance/governance/index.html

Yuzuru Matsuda was in charge of pharmaceutical research at Kyowa Hakko Kogyo Co., Ltd., (at the time), where he made efforts to reform the organization of the research system. After assuming the position of President and Chief Operating Officer there, he led the business integration with Kirin Pharma Company, Limited (at that time). As President and Chief Executive Officer of the integrated company, Kyowa Hakko Kirin Co., Ltd. (at that time), he has demonstrated strong leadership in leading the employees of both companies, and has a wealth of experience and broad knowledge as a manager. He also actively participates in Kubota Corporation's Board of Directors by providing a broad and high-level perspective on the Company's overall management. In addition, as the chairman of Nomination Advisory Committee and Compensation Advisory Committee, he has contributed to improve effectiveness of these committees. He was appointed as the Outside Director as he is judged to be a continuing benefit to the Company’s sustainable growth and to enhancing the corporate value. There is no particular vested interest between Kubota Corporation and him.

Yutaro Shintaku, during the time as President and Representative Director of Terumo Corporation, took a number of measures to survive in the fierce international competition, including global expansion, mergers and acquisitions, and reshuffling of the business portfolio, and has a proven ability and track record as a manager who captures current trends. He also actively speaks at the Board of Directors of Kubota Corporation from his knowledge of capital policy and plays an appropriate role in the supervision of the Company's management. He was appointed as the Outside Director as he is judged to be a continuing benefit to the Company’s sustainable growth and to enhancing the corporate value. There is no particular vested interest between Kubota Corporation and him. Kubota Corporation has business relationships with KOZO KEIKAKU ENGINEERING Inc., at which he currently holds an important post; however, the amount arising from these transactions for the year ended December 31, 2023, was less than 0.01% of the consolidated revenue of each company. There is no special relationship between Kubota Corporation and other companies where he holds important posts.

Kumi Arakane worked as a researcher at KOSÉ Corporation, where she was engaged in basic research on cosmetics, and later held positions of responsibility in a wide range of areas, including product development, R&D, quality assurance, and procurement, as well as participating in management as a Director. She has expertise in auditing the execution of duties as a full-time Audit & Supervisory Board Member, and actively voicing her view from various perspectives at the Board of Directors of Kubota Corporation, playing a proper role with respect to management oversight. She was appointed as the Outside Director as she is judged to be a continuing benefit to the Company’s sustainable growth and to enhancing the corporate value. There is no particular vested interest between Kubota Corporation and her. Kubota Corporation has business relationships with Kagome Co., Ltd., and TODA CORPORATION, at which she currently holds important posts; however, the amount arising from these transactions for the year ended December 31, 2023, was less than 0.01% of the consolidated revenue of each company.

Mr. Koichi Kawana has extensive knowledge of overseas business, having served as the head of overseas offices at JGC HOLDINGS CORPORATION. He was appointed Representative Director and President in 2011, and has extensive knowledge and experience as a manager, including leading the execution of domestic and international megaprojects and business investments in the infrastructure sector. He was appointed as the Outside Director as he is judged to be a continuing benefit to the Company's sustainable growth and to enhancing the corporate value by leveraging his deep insight. There is no particular vested interest between Kubota Corporation and him. Kubota Corporation has business relationships with TOKYO ELECTRON DEVICE LIMITED at which he currently holds an important post; however, the amount arising from these transactions for the year ended December 31, 2023, was less than 0.01% of the consolidated revenue of each company. There is no special relationship between Kubota Corporation and other companies where he holds important posts.

Yuichi Yamada has sufficient knowledge of finance and accounting as a certified public accountant. He has gained extensive experience and accomplishments in corporate auditing during his tenure at a major audit firm, and possesses extensive expertise on auditing in general, including experience as an Outside Audit & Supervisory Board Member at other companies. Although he has no direct experience in corporate management, he was appointed as Outside Audit & Supervisory Board Member based on the judgment that he can contribute to further enhancing auditing processes of Kubota Corporation through his expert viewpoints and from an independent standpoint. There is no particular vested interest between Kubota Corporation and him. Kubota Corporation has business relationships with Japan Finance Corporation at which he currently holds an important post; however, the amount arising from these transactions for the year ended December 31, 2023, was less than 0.01% of the consolidated revenue of each company. There is no special relationship between Kubota Corporation and other companies where he holds important posts.

Yuri Furusawa has a broad perspective and extensive knowledge from her experience in various domestic and international positions in the central governmental agencies. Furthermore, she gained global experience through being involved in overseas business development at a company, and she was involved in the promotion of work styles reform, the empowerment of women, and diversity at the center of the government. She was appointed as Outside Audit & Supervisory Board Member based on the judgment that she can contribute to further enhancing auditing processes of Kubota Corporation through her broad experience and professional perspective and from an independent standpoint. There is no particular vested interest between Kubota Corporation and her. Kubota Corporation also has no business relationships with SUBARU CORPORATION at which she currently holds an important post.

Keijiro Kimura, as an attorney, possesses extensive knowledge of legal affairs. He also has an extensive record of practice in corporate legal affairs at attorney offices and considerable experience and knowledge acquired by assuming office as an Outside Audit & Supervisory Board Member at several companies. Although he has no direct experience in corporate management, he was appointed as Outside Audit & Supervisory Board Member based on the judgment that he can contribute to further enhancement of the Company's audit activities by providing an expert point of view from his wide experience as well as independent standpoint. There is no particular vested interest between Kubota Corporation and him. Kubota Corporation also has no business relationships with Kyoei Law Office at which he currently holds an important post.

Share ownership of Kubota Corporation by the Outside Directors and the Outside Audit & Supervisory Board Members is stated in *1) List of Directors and Senior Management*. There is no material vested interest, which might have a conflict of interest with ordinary shareholders. Kubota Corporation has notified the TSE that all Outside Directors and Audit & Supervisory Board Members are Independent Executives as defined by the TSE.

The Outside Audit & Supervisory Board Members also collaborate with the independent auditor and the internal audit execution departments described in *(3) Status of Audit 2) Status of internal audit*.

(3) Status of Audit

1) Status of Audit by Audit & Supervisory Board Members

As of the submission date of the Annual Securities Report, Kubota Corporation has six Audit & Supervisory Board Members (three are Outside Audit & Supervisory Board Members), and one of the Outside Audit & Supervisory Board Member is a certified public accountant and has adequate knowledge of finance and accounting, including IFRS.

In accordance with the auditing standards for Audit & Supervisory Board Members established by the Audit & Supervisory Board, as well as the auditing policy, assignment of duties, etc., Audit & Supervisory Board Members endeavor to collect information and establish an environment for auditing by communicating with Directors, internal audit execution departments, and other employees.

In addition, Kubota Corporation has a system to ensure that matters that are deemed to have a significant impact on management are reported to Audit & Supervisory Board Members without delay, and a system to ensure smooth payment of expenses incurred in execution of duties by Audit & Supervisory Board Members.

Audit & Supervisory Board Members of Kubota Corporation also serve as Audit & Supervisory Board Members of major domestic subsidiaries and equity method affiliates, and audits the management execution of each subsidiary and equity method affiliate in accordance with the audit policy and plan determined by the Audit & Supervisory Board of Kubota Corporation. In addition, six full-time Audit & Supervisory Board Members are assigned to certain domestic subsidiaries to provide support for Audit & Supervisory Board Members of Kubota Corporation and improve internal control of the Company.

Audit & Supervisory Board Members have also conducted on-site audits of major subsidiaries in North America, Europe, Asia, and Australia and also used a web conference format in some cases.

Kubota Corporation has established the Office of Audit & Supervisory Board Members to support Audit & Supervisory Board Members, and has assigned five employees. Independence of these employees is ensured as the employees' appointment and evaluation require a discussion with and consent from the Audit & Supervisory Board Members.

The Audit & Supervisory Board is held once a month on a regular basis and on an ad hoc basis.

The Company held the Audit & Supervisory Board 18 times for the year ended December 31, 2023, and the attendance of each member is as follows:

Position	Name	Number of attendances	Attendance rate
Audit & Supervisory Board Member of Kubota Corporation (Full time)	Toshikazu Fukuyama	18	100%
Audit & Supervisory Board Member of Kubota Corporation (Full time)	Yasuhiko Hiyama	18	100%
Audit & Supervisory Board Member of Kubota Corporation (Full time)	Masashi Tsunematsu	18	100%
Outside Audit & Supervisory Board Member of Kubota Corporation (Part time)	Yuichi Yamada	18	100%
Outside Audit & Supervisory Board Member of Kubota Corporation (Part time)	Yuri Furusawa	18	100%
Outside Audit & Supervisory Board Member of Kubota Corporation (Part time)	Keijiro Kimura	18	100%

The main matters considered by the Audit & Supervisory Board include, but not limited to, the auditing policies and assignment of duties, status of the design and operation of internal control systems, evaluation, appointment and reappointment of the independent auditor, and the audit report. Activities of the Audit & Supervisory Board are as follows.

The results of audits conducted by full-time Audit & Supervisory Board Members are reported to other members at the Audit & Supervisory Board.

Item	Activities	Executor
Attendance to important meetings	Attend the Board of Directors to confirm management decision-making processes and the status of the internal control.	All Audit & Supervisory Board Members
	Attend Management Committees and Investment Councils to confirm the status of efforts to address key management issues.	Full-time Audit & Supervisory Board Members
Conducts audits by Audit & Supervisory Board Members	Review important documents, such as minutes of the Board of Directors and Executive Committees, reports by departments, and performance-related materials.	All Audit & Supervisory Board Members
	On-site audits on a rotation basis at departments, plants, and offices of Kubota Corporation, as well as subsidiaries and equity method affiliates, to confirm the status of internal controls, asset management, and business activities. (Audited nine locations in Japan, 13 subsidiaries and equity method affiliates in Japan, and 29 overseas subsidiaries, including web meetings.)	Full-time Audit & Supervisory Board Members
	Understand business performance figures at financial results briefings.	All Audit & Supervisory Board Members
	Investigate on the Kubota Audit & Supervisory Board Member hotline system.	Full-time Audit & Supervisory Board Members

Item	Activities	Executor
Cooperation with the independent auditor	Exchange opinions with the independent auditor on the audit plan and key audit matters (KAM).	All Audit & Supervisory Board Members
	Regular meetings with the independent auditor to understand the results of audits and the status of quarterly financial results.	All Audit & Supervisory Board Members
	Verify the independence of the independent auditor and the appropriateness of audits.	All Audit & Supervisory Board Members
Cooperation with Audit & Supervisory Board Member of subsidiaries, internal audit execution departments, etc.	Share issues in internal control and business operations based on the audit results by Corporate Auditing Department.	All Audit & Supervisory Board Members
	Meeting with Audit & Supervisory Members of domestic subsidiaries (annually) and with dedicated Audit & Supervisory Members to share information and confirm the status of internal controls.	All Audit & Supervisory Board Members
	Report from the Department in Charge of risk management.	Full-time Audit & Supervisory Board Members
Exchange of opinions with the Directors	Meetings with the Representative Director (four times a year) to exchange opinions on general management issues.	All Audit & Supervisory Board Members
	Interviews with Directors, etc., regarding the progress of business.	Full-time Audit & Supervisory Board Members

2) Status of internal audit

Internal audit on the Company's internal control over financial reporting is conducted by Corporate Auditing Department, which is independent from all other departments of the Company and made up of 17 employees who have the necessary expertise. Internal audits on other risks are conducted by the relevant Department in Charge, and secondary internal audits are conducted by the independent Corporate Auditing Department in order to ensure the adequacy of preceding internal audits. Internal audits are conducted on site, or remotely, through documentation reviews, based on audit plans approved by the President.

Internal audit execution departments and the independent auditor report their audit plan and audit results to the Audit & Supervisory Board Members periodically. In addition, if required, information is exchanged between internal audit execution departments and the independent auditor to ensure efficient audit activities.

Audit findings are discussed for improvement by relevant business division and the Department in Charge, and audits are reperformed to ensure that the necessary improvements are being implemented. Risk control activities, such as awareness-raising, educational activities, audits, identification of issues, improvements, and reperformed audits, are conducted during these audits by business divisions. The results and countermeasures developed are reported to the Kubota Group Risk Management Committee, which is responsible for internal control. This committee reports the status of Kubota Corporation's internal control to the President and the Board of Directors periodically.

The results of the evaluation of the effectiveness of internal control over financial reporting are compiled by Corporate Auditing Department and reported to the President and the Board of Directors, as well.

Through this cycle, the Company is working to establish and strengthen internal controls and improve the quality of business execution.

3) Status of Accounting Audit

a) Name of Independent Auditor

Deloitte Touche Tohmatsu LLC (DTT)

b) The Number of Consecutive Years Involved in the Audit

Since 1968

c) Certified Public Accountants (CPAs) Executing Audits

Mr. Takashige Ikeda, Mr. Takeshi Io, and Mr. Akira Kimotsuki

d) Composition of Assistants Involved in Audit Work

35 CPAs, 7 junior accountants, and 54 other staff members

e) Policies for Evaluation, Appointment and Reappointment of the Independent Auditor by the Audit & Supervisory Board
The Audit & Supervisory Board confirms and evaluates independency, audit quality, and appropriateness of accounting fees, and determines the validity of appointment, or reappointment, of the independent auditor. Based on the thorough evaluation, Kubota Corporation has reappointed DTT as its independent auditor for the year ended December 31, 2022.

In the case that the independent auditor falls under any of the items of Article 340, paragraph 1 of the Act, the Audit & Supervisory Board may dismiss the independent auditor by unanimous approval of the Audit & Supervisory Board Members.

In the case that the independent auditor lacks the qualifications to serve as an accounting auditor, such as falling under any of the disqualification grounds pursuant to the Article 337, paragraph 3 of the Act, or in the case that the Audit & Supervisory Board determines that it is appropriate not to reappoint the independent auditor taking into consideration the status of duties executed and other circumstances, the Audit & Supervisory Board may propose to dismiss or not to reappoint the independent auditor by the resolution of the Audit & Supervisory Board.

4) Details of Auditing Fees and Other Matters

a) Details of Fees Paid to the Independent Auditor

	Year ended December 31, 2023		Year ended December 31, 2022	
Company	Fees for auditing services (millions of yen)	Fees for non-auditing services (millions of yen)	Fees for auditing services (millions of yen)	Fees for non-auditing services (millions of yen)
Kubota Corporation	¥ 375	¥ 20	¥ 324	¥ 21
Subsidiaries	39	3	25	2
Total	¥ 414	¥ 23	¥ 349	¥ 23

Non-auditing services in fiscal years 2023 and 2022 include preparation of the comfort letter for bond issuance.

b) Details of Fees Paid to Independent Firms Affiliated with the Same Network (DTT) (not including the above table)

	Year ended December 31, 2023		Year ended December 31, 2022	
Company	Fees for auditing services (millions of yen)	Fees for non-auditing services (millions of yen)	Fees for auditing services (millions of yen)	Fees for non-auditing services (millions of yen)
Kubota Corporation	¥ 5	¥ 20	¥ —	¥ 208
Subsidiaries	897	324	932	321
Total	¥ 902	¥ 344	¥ 932	¥ 529

Non-auditing services in fiscal years 2023 and 2022 include tax-related services and various advisory services.

c) Details of Other Significant Fees for Auditing Services
Not applicable.

d) Policy for Determining Audit Fees
Audit fees are determined based on a number of days required for audit and other factors. In making a decision, independency of certified public accounting firm is carefully considered and obtained consent of the Audit & Supervisory Board.

e) The Reasons to Agree on the Compensation to the Independent Auditor
The Audit & Supervisory Board, after receiving the necessary documents and reports from the Directors, relevant divisions of Kubota Corporation, and the independent auditor, considered audit plans of the independent auditor, considered appropriateness of the status of the duties executed on audit, and confirmed a calculation base of a compensation. Consequently, the Audit & Supervisory Board concluded that the amount is appropriate and agreed on the compensation to the independent auditor.

(4) Remuneration of Directors and Executive Officers

1) Policy for Determination of Remuneration for Directors and Executive Officers and Calculation Method

Kubota Corporation is committed to shift to business operations with ESG positioned at the core of management to realize the long-term vision “GMB2030.” Under these circumstances, Kubota Corporation has established the following basic principles regarding remuneration for the Directors with aim of further strengthening the supervisory function of the Board of Directors.

(Basic policy for determination of remuneration for the Directors)

a) The purpose of the remuneration for the Directors, excluding Outside Directors (hereinafter, the “Inside Directors”), is to encourage the Inside Directors to take the lead for sustainable growth, while fulfilling social responsibilities as a company aiming to become a GMB.

- Motivate the Directors to achieve performance targets by reflecting in their remuneration quantitative and objective evaluation based on financial performance indicators.
- Accelerate K-ESG management initiatives by reflecting evaluation results of the progress of the K-ESG in remuneration of the Directors.
- Encourage the Directors to continuously hold shares of Kubota Corporation during their tenure and make them aware of the need to sustainably improve corporate value through a remuneration system that is closely linked to shareholder value.
- Set the remuneration level and performance linkage so that the Directors receive remuneration that is equivalent to, or higher than, the standard remuneration at other GMB companies defined by Kubota Corporation, in line with the achievement of the performance and K-ESG targets, and improvement of corporate value.

b) To achieve the purpose of the remuneration, transparency and objectivity must be ensured in the administration of the remuneration plan.

- Decisions on the development and administration of remuneration policies shall be made by resolution of the Board of Directors after deliberation by the Compensation Advisory Committee, where the majority of members are Outside Directors.
- Disclosures shall be made to promote shareholders’ understanding and dialogue with shareholders, not limiting to the scope required by laws and regulations, in order to fulfill accountability to shareholder precisely.

(Remuneration structure)

a) Inside Directors

The remuneration for the Inside Directors consists of basic remuneration, which is fixed remuneration, and performance-linked remuneration.

The composition ratio of basic remuneration to performance-linked remuneration for the President and Representative Director is generally set at 1:2, to secure a high level of performance linkage suitable for a competitive remuneration level. As for the remuneration structure for the Directors, other than the President and Representative Director, the Directors at a higher corporate rank earn a greater portion of performance-linked remuneration, given the level of responsibilities, etc., of each corporate rank. The performance-linked remuneration consists of annual bonuses intended to encourage the Directors to achieve the business size and profitability targets of each fiscal year, and stock compensation (restricted stock unit and performance share unit) intended to share shareholder value and promote the maximization of medium- to long-term corporate value. The ratio of annual bonuses to stock compensation is generally set at 1:1.

Following is an overview of the elements of remuneration:

Type of remuneration	Overview
Basic remuneration	[Fixed remuneration set according to the level of responsibilities of each corporate rank, etc.] - The individual amount of basic remuneration shall be decided at the Board of Directors after confirmation and deliberation by the Compensation Advisory Committee. The total amount of basic remuneration divided by 12 is paid monthly on the same pay day as employees' salary.
Annual bonus	[Cash remuneration intended to encourage the achievement of business size and profitability targets set for each fiscal year and accelerate K-ESG management efforts] - Consists of a portion linked to company-wide performance (50-70% of the annual bonus depending on a corporate rank), a portion of individual evaluation (10-30%), and a portion of K-ESG evaluation (20%). - The portion linked to company-wide performance changes between 0% and 200% of the base amount depending on the degree of achievement of consolidated revenue and consolidated operating profit margin, which are key indicators under the Mid-Term Business Plan 2025. - The portion of individual evaluation changes between 0% and 200% of the base amount depending on the degree of achievement of targets, such as company-wide strategic target set at the beginning of the fiscal year, specific targets under the Mid-Term Business Plan 2025, and financial targets for the area(s) target person is in charge of. - The portion of K-ESG evaluation changes between 0% and 200% of the base amount depending on the degree of achievement in K-ESG promotion targets set at the beginning of the fiscal year. - The target and the evaluation result of each evaluation category shall be decided at the Board of Directors after confirmation and deliberation by the Compensation Advisory Committee. Annual bonus is paid annually in March, in principle.
Restricted stock unit	[Stock compensation intended to encourage continued shareholding during the tenure and share and improve shareholder value] - The trust that sets Kubota Corporation as the entruster delivers a certain number of restricted stocks as determined by corporate rank, generally after the closing of each fiscal year. In principle, transfer restriction of shares delivered shall be lifted at the time of retirement (which means the point of time when they are no longer Directors or Senior Executive Officers of Kubota Corporation; the same applies hereinafter).
Performance share unit	[Stock compensation intended to encourage improvement of the shareholder value by achieving the medium- to long-term performance target] - The trust that sets Kubota Corporation as the entruster delivers restricted stocks after the end of each performance evaluation period, depending on the financial evaluation results of the three-year performance evaluation period. In principle, the transfer restriction of shares delivered shall be lifted at the time of retirement. - Return on invested capital (ROIC) based on a profit of the year attributable to owners of the parent is used as a financial evaluation indicator to encourage maximization of corporate value over the medium to long term through efficient profit generation on invested capital. The number of shares to be delivered in proportion to the degree of achievement changes between 0% and 200%.

(Note)

The policies regarding evaluation indicators and targets for annual bonuses and performance share units are continuously reviewed through deliberations by the Compensation Advisory Committee in response to changes in the management environment, etc.

b) Outside Directors

The only remuneration for the Outside Directors is basic remuneration, which is a fixed remuneration, as the role of the Outside Directors is to supervise the Board of Directors and provide objective advice on management from positions independent from the conduct of business.

(Remuneration level)

In order to properly secure competitiveness in terms of remuneration suitable for a GMB company, Kubota Corporation sets remuneration level for the Inside Directors according to their corporate ranks and duties, using an objective data on executive remuneration surveys conducted by the external professional institution (“Executive Compensation Database” by Willis Towers Watson (WTW)), etc., to identify a group of companies whose size, profitability, type of business, overseas networks, etc., are comparable to Kubota Corporation for comparison.

(Shareholding guideline)

For the purpose of deepening the level of value sharing with shareholders, Kubota Corporation encourages the Inside Directors to hold shares of Kubota Corporation as follows:

- President and Representative Director: Shares worth three times the basic remuneration by five years from taking office
- Other Directors: Shares worth 2.4 to 2.7 times the basic remuneration by five years from taking office

(Clawback / recovery of remuneration, etc. (malus and clawback clauses))

Kubota Corporation has compensation clawback clauses (i.e., malus and clawback clauses) for the restricted stock unit and the performance share unit granted to the Directors. If an incident of misconduct, etc., involving the Directors (including those retired) of Kubota Corporation arises or such a fact comes to light, Kubota Corporation may claim the return of all, or part, of preissued points to receive shares, delivered restricted shares, and shares after the transfer restriction is lifted. The decision on claims for return and their details shall be deliberated by the Compensation Advisory Committee before being determined by the Board of Directors’ resolution.

(Remuneration determination process)

Kubota Corporation’s policy on the decision of the details of remunerations for the Directors and the details of individual remuneration, etc., shall be decided by the resolution of the Board of Directors based on the result of objective deliberation by the Compensation Advisory Committee, of which a majority of members are Outside Directors. The deliberation by the Compensation Advisory Committee may be, if necessary, attended, or observed, by a remuneration advisor from WTW, an external specialized institution, for the purpose of providing an objective point of view as well as expert knowledge and information concerning remuneration plans.

Activities of the Compensation Advisory Committee during the year ended December 31, 2022, are described in *(1) Corporate Governance 2) Corporate Governance Structure*.

(Determination of individual remuneration)

Remuneration of the individual Director for the current fiscal year was determined by a resolution of the Board of Directors based on the objective deliberations of the Compensation Advisory Committee. Therefore, the Board of Directors has determined that the details of remuneration of the individual Directors are in line with the policy.

(Maximum remuneration amount of the Directors)

In accordance with the resolution of the 132nd General Meeting of Shareholders held on March 18, 2022, the maximum amount of monetary remuneration payable to the Directors is ¥900 million or less for the basic remuneration (¥160 million or less for the Outside Directors) and ¥1,060 million or less for the annual bonus. The number of the Directors subject to the remuneration as of the close of the same General Meeting of Shareholders was 10, including four Outside Directors for basic remuneration and six (no Outside Directors included) for the annual bonuses.

The maximum amount of stock compensation for the Inside Directors resolved at the same General Meeting of Shareholders is ¥160 million (140 thousand shares or less) for the restricted stock unit, which is the fixed portion of the stock compensation, and ¥740 million (630 thousand shares or less) for the performance share unit, which is linked to business performance. The number of the Directors subject to stock compensation as of the close of the same General Meeting of Shareholders was six (no Outside Directors included).

(Remuneration of Audit & Supervisory Board Members)
The remuneration for the Audit & Supervisory Board Members consists solely of the basic remuneration due to the roles they play and the need to preserve their independence. Within the range of the maximum amount of remuneration approved at the General Meeting of Shareholders, remuneration is determined through consultation among Audit & Supervisory Board Members, taking into consideration their roles and duties.

The maximum amount of remuneration for the Audit & Supervisory Board Members resolved at the 132nd General Meeting of Shareholders held on March 18, 2022, is ¥250 million or less per year. The number of the Audit & Supervisory Board Members subject to remuneration as of the close of the same General Meeting of Shareholders was six, including three Outside Audit & Supervisory Board Members.

2) Compensation by Position
The total amount of compensation paid by Kubota Corporation for the year ended December 31, 2023, to the Directors and the Audit & Supervisory Board Members was as follows:

Position	Number of persons	Total amount of compensation (millions of yen)	Total amount by type (millions of yen)			
			Basic remuneration	Bonus	Restricted stock unit	Performance share unit
Directors (excluding Outside Directors)	8	¥ 905	¥ 373	¥ 363	¥ 99	¥ 70
Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members)	3	131	131	—	—	—
Outside Directors	5	95	95	—	—	—
Outside Audit & Supervisory Board Members	3	50	50	—	—	—

(Notes)
1. The amounts of the restricted stock unit and the performance share unit are the amounts recognized as expenses during the year ended December 31, 2023, and they are non-monetary compensation.
2. The above amount includes compensation for two Inside Directors who resigned at the conclusion of the 133rd General Meeting of Shareholders held on March 24, 2023.

3) Consolidated Compensation by Directors and Audit & Supervisory Board Members
The total amount of compensation paid by the Company for the year ended December 31, 2023, to the Directors and the Audit & Supervisory Board Members was as follows:

Name	Total amount of consolidated compensation (millions of yen)	Position	Company	Total amount by type (millions of yen)			
				Basic remuneration	Bonus	Restricted stock unit	Performance share unit
Yuichi Kitao	¥ 292	Director	Kubota Corporation	¥ 100	¥ 133	¥ 35	¥ 23
Masato Yoshikawa	145	Director	Kubota Corporation	55	62	16	11
Dai Watanabe	142	Director	Kubota Corporation	52	62	16	10
Shingo Hanada	107	Director	Kubota Corporation	14	29	8	4
		Director	KUBOTA TRACTOR CORPORATION	50 (Note 2)	—	—	—

(Notes)
1. The above includes only Directors and Audit & Supervisory Board Members who received ¥100 million or more as total consolidated compensation.
2. The amount includes various allowances associated with overseas assignments and fringe benefits equivalents.

4) Targets and Results of Performance-Linked Remuneration Evaluation Indicators for the Current Fiscal Year

Type of remuneration (Note 1)	Indicators		Range of payment coefficient	Target (Note 2)	Result	Quota achieved	Payment coefficient
Annual Bonus	Consolidated Revenue		0% to 200%	¥2,900 billion	¥3,021 billion	104%	141%
	Consolidated operating profit margin			9.31%	10.89%	117%	163%
	K-ESG evaluation	(Note 3)		—	—	—	86%
	Individual evaluation	(Note 4)		—	—	—	100% to 125%

(Notes)

1. The determination of the payment coefficient for the performance share unit, which is the stock compensation, will be made after the end of the performance evaluation period.
2. Payment coefficient will be 100% when the target indicated is fully achieved.
3. With regards to the K-ESG evaluation for the current fiscal year, an evaluation sheet was prepared covering all materiality, and the Compensation Advisory Committee evaluated the progress made as of the end of the fiscal year against the medium- to long-term targets. As a result of the deliberations, the payment coefficient was set at 86% in light of the delay in progress on some items.
4. The Compensation Advisory Committee assessed the degree of achievement of company-wide strategic targets set at the beginning of the fiscal year, specific targets for initiatives in the medium-term business plan, and financial targets for the areas under their responsibility.

(5) Information on Shareholdings

1) Criteria for Classification of Investment Securities

Kubota Corporation classifies investment securities into the following two categories. The investment securities that are held for the purpose of being benefited exclusively through share price fluctuations and dividends are classified as investment securities for pure investment purpose. The rest of investment securities are classified as investment securities held for purposes other than pure investment.

2) Investment Securities Held for Purposes Other than Pure Investment

a) Policy for Holding Shares, Examination Methods to Verify the Rationality of Holding Shares, and Details of Verification at the Board of Directors Concerning Appropriateness of Holding Each Shares

Kubota Corporation believes it is necessary to cooperate with various companies in every business process, such as product development, manufacturing, distribution, sales, service, and funding to succeed in global competition, realize its sustainable growth, and achieve medium- to long-term improvement in corporate value. From this perspective, Kubota Corporation maintains cross-shareholdings based on comprehensive consideration of business relationships and the business strategies.

Each individual share of cross-shareholdings is examined annually at the Board of Directors in order to verify appropriateness of holding these shares, taking into consideration the purpose of holding, benefits and risks associated, and other factors. If it is determined that maintaining certain shares are no longer appropriate, shareholdings are gradually decreased, in light of the market environment and other factors. In the fiscal year ended December 31, 2023, Kubota Corporation has sold ¥11,561 million of cross-shareholdings.

b) Number of Issues and Amount Recorded in the Balance Sheets

	Number of issues (issuers)	Total amount recorded in balance sheets (millions of yen)
Unlisted shares	43	¥ 12,281
Other than unlisted shares	32	72,498

Increase in the number of shares held for the year ended December 31, 2023

	Number of issues (issuers)	Total amount acquired due to increase in number of shares held (millions of yen)	Reasons of increase
Unlisted shares	5	¥ 3,071	Investment to promote open innovation in collaboration with external partners
Other than unlisted shares	—	—	—

(Note)
Increase due to reclassification from investments in affiliates and stock splits are not included.

Decrease in the number of shares held for the year ended December 31, 2023

	Number of issues (issuers)	Total amount sold due to decrease in number of shares held (millions of yen)
Unlisted shares	—	¥ —
Other than unlisted shares	6	11,561

(Note)
Decrease due to reclassification to investments in affiliates is not included.

c) Information on the Issues, the Number of Shares, and the Amount of Specified Investment Securities and Deemed Shareholdings Recorded in the Balance Sheets

Specified Investment Securities

Issue	As of December 31, 2023 Number of shares (thousands of shares) Balance sheet amount (millions of yen)	As of December 31, 2022 Number of shares (thousands of shares) Balance sheet amount (millions of yen)	Purpose of holding, quantitative effect of holding, and reason for increase in the number of shares held	Ownership of Kubota Corporation share: (Y/N)
Shin-Etsu Chemical Co., Ltd.	2,323 13,745	464 7,538	Maintaining and enhancing stable procurement relationships in pipe system	Y
Sumitomo Mitsui Trust Holdings, Inc.	2,261 12,240	2,261 10,377	Maintaining stable funding	N (*)
Sumitomo Mitsui Financial Group, Inc.	1,745 12,011	1,745 9,245	Maintaining stable funding	N (*)
Osaka Gas Co., Ltd.	3,125 9,205	3,125 6,657	Maintaining and enhancing business relationships as a sales partner in pipe system	Y
Mitsubishi UFJ Financial Group, Inc.	6,062 7,345	6,062 5,389	Maintaining stable funding	N (*)
Toho Gas Co., Ltd.	1,439 4,239	1,439 3,622	Maintaining and enhancing business relationships as a sales partner in pipe system	Y

Issue	As of December 31, 2023	As of December 31, 2022	Purpose of holding, quantitative effect of holding, and reason for increase in the number of shares held	Ownership of Kubota Corporation share: (Y/N)
	Number of shares (thousands of shares)	Number of shares (thousands of shares)		
	Balance sheet amount (millions of yen)	Balance sheet amount (millions of yen)		
Mitsubishi Estate Co., Ltd.	1,052	1,052	Maintaining and enhancing business relationships as a sales partner in pipe system	Y
	2,044	1,799		
Yamazen Corporation	1,055	1,055	Maintaining and enhancing business relationships as a sales partner and stable procurement relationships in pipe system	Y
	1,258	1,058		
Denyo Co., Ltd.	500	500	Maintaining and enhancing business relationships as a sales partner in farm equipment and engines	Y
	1,162	779		
FUJITEC CO., LTD.	322	322	Maintaining and enhancing relationships with the local economy	Y
	1,151	965		
SAIBU GAS HOLDINGS CO., LTD.	586	586	Maintaining and enhancing business relationships as a sales partner in pipe system	Y
	1,147	1,002		
Nankai Electric Railway Co., Ltd.	366	366	Maintaining and enhancing relationships with the local economy	Y
	1,049	1,044		
Mizuho Financial Group, Inc.	428	428	Maintaining stable funding	N (*)
	1,034	795		
Keihanshin Building Co., Ltd.	447	447	Maintaining and enhancing relationships with the local economy	Y
	635	571		
Kansai Paint Co., Ltd.	246	246	Maintaining stable procurement relationships in Farm & Industrial Machinery	Y
	592	398		
SHINTOKOGIO, LTD.	485	485	Maintaining stable procurement relationships in farm equipment and engines	Y
	517	317		
Keneka Corporation	138	138	Maintaining stable procurement relationships in pipe system	Y
	496	455		
Wakita & Co., LTD.	300	300	Maintaining and enhancing business relationships as a sales partner in construction machinery	N
	480	358		
NOK CORPORATION	246	246	Maintaining stable procurement relationships in Farm & Industrial Machinery	Y
	463	289		
Takakita Co., Ltd.	660	660	Maintaining stable procurement relationships in farm equipment and engines	Y
	333	265		
MARUYAMA MFG. CO., INC.	95	95	Maintaining stable procurement relationships in farm equipment and engines	Y
	247	144		
YOROZU CORPORATION	250	250	Maintaining stable procurement relationships in farm equipment and engines	Y
	207	173		
DAIICHI JITSUGYO CO., LTD.	72	24	Maintaining stable procurement relationships in Farm & Industrial Machinery and Water & Environment	Y
	141	105		
YUASA TRADING CO., LTD.	27	27	Maintaining and enhancing business relationships as a sales partner in construction machinery	N
	130	99		

Issue	As of December 31, 2023 Number of shares (thousands of shares) Balance sheet amount (millions of yen)	As of December 31, 2022 Number of shares (thousands of shares) Balance sheet amount (millions of yen)	Purpose of holding, quantitative effect of holding, and reason for increase in the number of shares held	Ownership of Kubota Corporation share: (Y/N)
SHIMIZU CORPORATION	138	138	Maintaining and enhancing business relationships as a sales partner in pipe system and industrial products	Y
	129	97		
HOKUETSU INDUSTRIES CO., LTD.	50	50	Maintaining and enhancing business relationships as a sales partner in farm equipment and engines	N
	126	66		
NIKKATO CORPORATION	200	200	Maintaining stable procurement relationships in the environment business	Y
	112	94		
TODA CORPORATION	84	84	Maintaining and enhancing business relationships as a sales partner in pipe system and industrial products	Y
	78	59		
Daido Metal Co., Ltd.	120	120	Maintaining stable procurement relationships in Farm & Industrial Machinery	Y
	66	57		
OKAYA & CO., LTD.	4	4	Maintaining and enhancing business relationships as a sales partner in the environment business	Y
	51	39		
ASIA PILE HOLDING CORPORATION	55	55	Maintaining and enhancing business relationships as a sales partner in industrial products	N
	38	29		
Kitagawa Corporation	11	11	Maintaining stable procurement relationships in the Farm & Industrial Machinery	Y
	15	12		
Daikin Industries, Ltd.	—	350	All shares sold as a result of examination	Y
	—	7,082		
Sekisui House, Ltd.	—	324	All shares sold as a result of examination	N
	—	756		
Takasago Thermal Engineering Co., Ltd.	—	411	All shares sold as a result of examination	Y
	—	732		
JTEKT CORPORATION	—	357	All shares sold as a result of examination	N
	—	331		
Yamato Kogyo Co., Ltd.	—	60	All shares sold as a result of examination	N
	—	270		
Obayashi Corporation	—	270	All shares sold as a result of examination	N
	—	269		

(Notes)

1. Although quantitative holding effects are difficult to describe, the appropriateness of holding share is verified for each individual issue in the manner described in the section, *a) Policy for Holding Shares, Examination Methods to Verify the Rationality of Holding Shares, and Details of Verification at the Board of Directors Concerning Appropriateness of Holding Each Shares*.
2. "N (*)" in *Ownership of Kubota Corporation share* indicates that the issuer does not hold shares of Kubota Corporation, but its subsidiary does.
3. The number of shares of Shin-Etsu Chemical Co., Ltd. and DAIICHI JITSUGYO CO., LTD. increased due to a stock split in the year ended December 31, 2023.

Deemed Shareholdings

Issue	As of December 31, 2023 Number of shares (thousands of shares) Balance sheet amount (millions of yen)	As of December 31, 2022 Number of shares (thousands of shares) Balance sheet amount (millions of yen)	Purpose of holding, quantitative effect of holding, and reason for increase in the number of shares held	Ownership of Kubota Corporation share: (Y/N)
Shin-Etsu Chemical Co., Ltd.	3,100	620	Restriction on exercising its voting rights	Y
	18,342	10,059		
Sumitomo Mitsui Financial Group, Inc.	641	641	Restriction on exercising its voting rights	N (*)
	4,416	3,399		
Mizuho Financial Group, Inc.	1,720	1,720	Restriction on exercising its voting rights	N (*)
	4,149	3,192		
Mitsubishi UFJ Financial Group, Inc.	3,344	3,344	Restriction on exercising its voting rights	N (*)
	4,051	2,973		
Kaneka Corporation	207	207	Restriction on exercising its voting rights	Y
	744	683		
SCSK Corporation	—	102	All shares sold as a result of examination	N
	—	205		

(Notes)

1. Although quantitative holding effects are difficult to describe, the appropriateness of holding share is verified for each individual issue in the manner described in the section, *a) Policy for Holding Shares, Examination Methods to Verify the Rationality of Holding Shares, and Details of Verification at the Board of Directors Concerning Appropriateness of Holding Each Shares*.
2. Deemed shareholdings are held through a retirement benefit trust. The amounts stated in the *Balance sheet amount* column are calculated by multiplying market price as of the balance sheet date by the number of shares of related securities. The details of rights that Kubota Corporation holds to related securities are stated in the Purpose of holding column.
3. "N (*)" in *Ownership of Kubota Corporation share* indicates that the issuer does not hold shares of Kubota Corporation, but its subsidiary does.
4. The number of shares of Shin-Etsu Chemical Co., Ltd. increased due to a stock split in the year ended December 31, 2023.

3) Equity Securities Held for Pure Investment

Not applicable.

5. Stock-Related Administration of Kubota Corporation

Fiscal year:	From January 1 to December 31
Ordinary General Meeting of Shareholders:	During March
Record date:	December 31
Record date for dividend distribution of surplus:	June 30 and December 31
Number of shares per unit of shares:	100 shares
Purchase and sale of shares less than one unit:	
Handling office:	(Special account) 5-33, Kitahama 4-chome, Chuo-ku, Osaka, Japan Sumitomo Mitsui Trust Bank, Limited, Stock Transfer Agency Business Planning Dept.
Transfer agent:	(Special account) 4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo, Japan Sumitomo Mitsui Trust Bank, Limited
Forward office:	—
Purchasing and selling fee:	Amount equivalent to fees for entrusting sale or purchase of stock
Method of public notice:	Kubota Corporation carries out its public notifications through electronic public notice. However, if the Company cannot use the above-mentioned method of public notice due to an accident or other inevitable reasons, public notification shall be posted in the Nihon Keizai Shimbun (the Nikkei Newspaper). The electronic public notice is posted on the website of Kubota Corporation at the following URL: *http://www.kubota.co.jp*
Special benefit for shareholders:	Not applicable

(Note)

A holder of shares of Kubota Corporation representing less than one unit can only execute the following rights:

1) Rights under each item of Article 189, paragraph 2 of the Act,

2) Rights to claim under Article 166, paragraph 1 of the Act,

3) Rights to receive an allocation of share offerings and stock acquisition rights in proportion to the number of shares held, and

4) Rights to claim for the sale of shares by combining a share representing less than one unit.

6. Reference Information on Kubota Corporation

1. Information on Parent Company of Kubota Corporation

Kubota Corporation has no parent company.

2. Other Reference Information

The following documents were filed between the beginning of the year ended December 31, 2023, and the filing date of the Annual Securities Report.

(1) Annual Securities Report and the attachments thereto, and Confirmation Letter	Fiscal Year (the 133rd business term)	From January 1, 2022, to December 31, 2022	Filed with the Director of the Kanto Local Finance Bureau on March 24, 2023
(2) Internal Control Report and the attachments thereto	Fiscal Year (the 133rd business term)	From January 1, 2022, to December 31, 2022	Filed with the Director of the Kanto Local Finance Bureau on March 24, 2023
(3) Quarterly Reports and Confirmation Letters	(First Quarter of the 134th business term)	From January 1, 2023, to March 31, 2023	Filed with the Director of the Kanto Local Finance Bureau on May 15, 2023
	(Second Quarter of the 134th business term)	From April 1, 2023, to June 30, 2023	Filed with the Director of the Kanto Local Finance Bureau on August 9, 2023
	(Third Quarter of the 134th business term)	From July 1, 2023, to September 30, 2023	Filed with the Director of the Kanto Local Finance Bureau on November 10, 2023
(4) Extra Ordinary Report	Pursuant to Article 19, Paragraph 2, Item 9 of the Cabinet Office Ordinance Concerning Disclosure of Corporate Affairs (Change to the Representative Director)		Filed with the Director of the Kanto Local Finance Bureau on March 27, 2023
(5) Shelf Registration Statement (share certificates, corporate bond certificates, and other) and the attachments thereto			Filed with the Director of the Kanto Local Finance Bureau on March 31, 2023
(6) Supplement to the Shelf Registration Statement (share certificates, corporate bond certificates, and other) and the attachments thereto			Filed with the Director of the Kinki Local Finance Bureau on April 14, 2023
(7) Status Report of Acquisition of Treasury Stock			Filed with the Director of the Kanto Local Finance Bureau on the following dates: May 12, 2023 June 5, 2023 July 4, 2023 August 3, 2023 September 5, 2023 October 4, 2023 November 6, 2023 December 5, 2023 January 19, 2024

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS OF KUBOTA CORPORATION AND ITS SUBSIDIARIES

(1) Consolidated Statement of Financial Position

(Unit: millions of yen)

December 31:	Note		2023		2022
ASSETS					
Current assets:					
Cash and cash equivalents	6	¥	222,118	¥	225,799
Trade receivables	7		945,490		779,385
Finance receivables	8, 14		552,419		480,658
Other financial assets	9		83,018		71,516
Contract assets			47,669		28,018
Inventories	10		668,048		644,471
Income taxes receivable			5,763		2,710
Other current assets	18		55,846		55,223
Total current assets			2,580,371		2,287,780
Noncurrent assets:					
Investments accounted for using the equity method	11		46,523		46,492
Finance receivables	8, 14		1,349,047		1,203,856
Other financial assets	9		188,654		165,438
Property, plant, and equipment	12, 14		727,061		644,245
Goodwill	13		145,715		134,597
Intangible assets	13		187,000		184,291
Deferred tax assets	26		96,091		75,827
Other noncurrent assets	20		38,785		22,527
Total noncurrent assets			2,778,876		2,477,273
Total assets		¥	5,359,247	¥	4,765,053

(Unit: millions of yen)

December 31:	Note		2023		2022
LIABILITIES AND EQUITY					
Current liabilities:					
Bonds and borrowings	15	¥	663,294	¥	640,889
Trade payables	16		300,902		454,780
Other financial liabilities	14, 17		93,270		106,096
Insurance contract liabilities	18		51,333		50,792
Income taxes payable			29,706		24,646
Provisions	19		77,191		65,823
Contract liabilities			33,043		33,509
Other current liabilities	21		244,323		207,040
Total current liabilities			1,493,062		1,583,575
Noncurrent liabilities:					
Bonds and borrowings	15		1,326,913		970,216
Other financial liabilities	14, 17		44,701		41,135
Retirement benefit liabilities	20		15,907		14,293
Deferred tax liabilities	26		55,653		46,673
Other noncurrent liabilities	19, 21		6,944		6,673
Total noncurrent liabilities			1,450,118		1,078,990
Total liabilities			2,943,180		2,662,565
Equity:					
Equity attributable to owners of the parent:	22				
Share capital			84,130		84,130
Share premium			97,377		79,247
Retained earnings			1,693,681		1,529,248
Other components of equity			303,794		185,422
Treasury shares			(3,209)		(3,557)
Total equity attributable to owners of the parent			2,175,773		1,874,490
Noncontrolling interests			240,294		227,998
Total equity			2,416,067		2,102,488
Total liabilities and equity		¥	5,359,247	¥	4,765,053

See notes to consolidated financial statements.

(2) Consolidated Statement of Profit or Loss and
Consolidated Statement of Comprehensive Income

Consolidated Statement of Profit or Loss

(Unit: millions of yen, except earnings per share)

Years ended December 31:	Note		**2023**	%		**2022**	%
Revenue	23	¥	3,020,711	100.0	¥	2,676,980	100.0
Cost of sales	10, 12, 13, 20		(2,144,242)			(1,991,301)	
Selling, general, and administrative expenses	12, 13, 20		(538,621)			(479,354)	
Other income	24		22,174			15,488	
Other expenses	24		(31,193)			(7,426)	
Operating profit			328,829	10.9		214,387	8.0
Finance income	25		18,713			18,760	
Finance costs	25		(5,253)			(1,997)	
Profit before income taxes			342,289	11.3		231,150	8.6
Income tax expenses	26		(84,402)			(58,352)	
Share of profits of investments accounted for using the equity method	11		2,111			1,642	
Profit for the year		¥	259,998	8.6	¥	174,440	6.5

Profit attributable to:							
Owners of the parent		¥	238,455	7.9	¥	156,472	5.8
Noncontrolling interests		¥	21,543	0.7	¥	17,968	0.7

Earnings per share attributable to owners of the parent:	27						
Basic		¥	201.74		¥	131.06	
Diluted		¥	—		¥	—	

Consolidated Statement of Comprehensive Income

(Unit: millions of yen)

Years ended December 31:	Note		**2023**		**2022**
Profit for the year		¥	259,998	¥	174,440
Other comprehensive income, net of income tax:	22				
Items that will not be reclassified subsequently to profit or loss:					
Remeasurement of defined benefit pension plans			4,244		(8,642)
Net change in fair value of financial assets measured at fair value through other comprehensive income			15,925		8,108
Items that may be reclassified subsequently to profit or loss:					
Exchange rate differences on translating foreign operations			126,890		134,499
Total other comprehensive income, net of income tax			147,059		133,965
Comprehensive income for the year		¥	407,057	¥	308,405

Comprehensive income attributable to:					
Owners of the parent		¥	367,470	¥	283,262
Noncontrolling interests		¥	39,587	¥	25,143

See notes to consolidated financial statements.

(3) Consolidated Statement of Changes in Equity

(Unit: millions of yen)

		Equity attributable to owners of the parent							
	Note	Share capital	Share premium	Retained earnings	Other components of equity	Treasury shares	Total equity attributable to owners of the parent	Noncontrolling interests	Total equity
Balance as of January 1, 2022		¥ 84,130	¥ 84,886	¥ 1,439,631	¥ 69,522	¥ (134)	¥ 1,678,035	¥ 107,074	¥ 1,785,109
Cumulative effect of change in accounting policies				(6,157)	(279)		(6,436)		(6,436)
Profit for the year				156,472			156,472	17,968	174,440
Total other comprehensive income, net of income tax	22				126,790		126,790	7,175	133,965
Comprehensive income for the year				156,472	126,790		283,262	25,143	308,405
Transfer to retained earnings				10,757	(10,757)		—		—
Dividends paid	22			(51,466)			(51,466)	(6,673)	(58,139)
Purchases and sales of treasury shares						(23,412)	(23,412)		(23,412)
Retirement of treasury shares				(19,989)		19,989	—		—
Share-based payments transactions			552				552		552
Written put options over noncontrolling interests			(3,138)				(3,138)		(3,138)
Changes associate with business combinations							—	105,190	105,190
Changes in ownership interests in subsidiaries			(3,053)		146		(2,907)	(2,736)	(5,643)
Balance as of December 31, 2022		¥ 84,130	¥ 79,247	¥ 1,529,248	¥ 185,422	¥ (3,557)	¥ 1,874,490	¥ 227,998	¥ 2,102,488
Profit for the year				238,455			238,455	21,543	259,998
Total other comprehensive income, net of income tax	22				129,015		129,015	18,044	147,059
Comprehensive income for the year				238,455	129,015		367,470	39,587	407,057
Transfer to retained earnings				10,429	(10,429)		—		—
Dividends paid	22			(54,483)			(54,483)	(9,610)	(64,093)
Purchases and sales of treasury shares						(29,620)	(29,620)		(29,620)
Retirement of treasury shares				(29,968)		29,968	—		—
Share-based payment transactions			96				96		96
Changes in ownership interests in subsidiaries			18,034		(214)		17,820	(17,681)	139
Balance as of December 31, 2023		¥ 84,130	¥ 97,377	¥ 1,693,681	¥ 303,794	¥ (3,209)	¥ 2,175,773	¥ 240,294	¥ 2,416,067

See notes to consolidated financial statements.

(4) Consolidated Statement of Cash Flows

(Unit: millions of yen)

Years ended December 31:	Note	2023	2022
Cash flows from operating activities:			
Profit for the year		¥ 259,998	¥ 174,440
Depreciation and amortization		107,270	89,249
Finance income and costs		(11,068)	(12,040)
Income tax expenses		84,402	58,352
Share of profits of investments accounted for using the equity method		(2,111)	(1,642)
Increase in trade receivables		(135,656)	(174,720)
Increase in finance receivables		(92,461)	(77,218)
Decrease (increase) in inventories		21,952	(62,683)
Increase in other assets		(20,608)	(7,356)
(Decrease) increase in trade payables		(168,591)	31,844
Increase in other liabilities		35,320	50,700
Net changes in retirement benefit assets and liabilities		(6,855)	3,142
Other, net		2,970	(649)
Interest received		13,231	5,100
Dividends received		2,549	2,255
Interest paid		(4,218)	(2,205)
Income taxes paid, net		(103,397)	(84,249)
Net cash used in operating activities		(17,273)	(7,680)
Cash flows from investing activities:			
Payments for acquisition of property, plant, and equipment		(149,882)	(134,569)
Payments for acquisition of intangible assets		(22,598)	(35,082)
Proceeds from sales of property, plant, and equipment		5,417	4,246
Payments for acquisition of securities		(6,816)	(8,763)
Proceeds from sales and redemptions of securities		11,637	1,844
Payments for acquisition of subsidiaries		(1,626)	(135,039)
Payments for acquisition of investments accounted for using the equity method		(339)	(28,856)
Payments for loans receivable to associates		(20,650)	(16,900)
Collection of loans receivable from associates		20,050	16,300
Payments for time deposits		(18,486)	(17,304)
Proceeds from withdrawal of time deposits		12,851	13,930
Net decrease in restricted cash		200	638
Payments for acquisition of short-term investments		(10,371)	(97,563)
Proceeds from sales and redemptions of short-term investments		8,293	109,390
Other, net		(1,121)	9,229
Net cash used in investing activities		(173,441)	(318,499)
Cash flows from financing activities:			
Funding from bonds and long-term borrowings	28	777,403	703,003
Redemptions of bonds and repayments of long-term borrowings	28	(449,942)	(373,832)
Net (decrease) increase in short-term borrowings	28	(36,813)	55,973
Repayments of lease liabilities	28	(17,379)	(20,731)
Net increase (decrease) in deposits from Group financing (within three months)	28	989	(3,192)
Deposits from Group financing received (over three months)	28	18,981	19,320
Repayments of deposits from Group financing (over three months)	28	(18,202)	(16,433)
Dividends paid	22	(54,483)	(51,466)
Purchases of treasury shares		(30,003)	(23,412)
Other, net		(12,147)	(6,673)
Net cash provided by financing activities		178,404	282,557
Effect of exchange rate changes on cash and cash equivalents		8,629	10,782
Net decrease in cash and cash equivalents		(3,681)	(32,840)
Cash and cash equivalents, at the beginning of the year	6	225,799	258,639
Cash and cash equivalents, at the end of the year	6	¥ 222,118	¥ 225,799

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Kubota Corporation and Its Subsidiaries

1. REPORTING ENTITY

Kubota Corporation (the “Parent Company”) is an entity located in Japan. The Parent Company and its subsidiaries (the “Company”) are manufacturing and sales companies, with a comprehensive range of products related to farm equipment, engines, construction machinery, pipe system, industrial products, environment and other.

The Company’s products are manufactured not only in Japan, but also in overseas countries, including the United States, France, Germany, China, Thailand, and India, and sold in Japan, North America, Europe, Asia, and other area.

2. BASIS OF FINANCIAL STATEMENTS

Compliance with International Financial Reporting Standards (IFRS)

The consolidated financial statements of the Company are prepared in accordance with IFRS, as permitted by the provision of Article 93 of the Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (the “Ordinance”), since the Company is fully qualified as a *Specified Company under Designated International Financial Reporting Standards* pursuant to the provision of Article 1-2 of the Ordinance.

Functional Currency and Presentation Currency

The consolidated financial statements of the Company are presented in Japanese yen, the functional currency of the Parent Company, and figures are rounded to the nearest million yen.

Significant Accounting Judgments, Estimates, and Assumptions

The consolidated financial statements of the Company are prepared by using judgments, estimates, and assumptions relating to the application of accounting policies and reporting of assets, liabilities, revenue, and expenses. Actual results could differ from those accounting estimates and assumptions.

The estimates and assumptions are continually reviewed. The effects of a change in accounting estimates, if any, are recognized in the reporting period in which the change is made and in the future periods.

The judgments made in applying accounting policies, which could have a material impact on the Company’s consolidated financial statements, are as follows:

(a) Scope of consolidated subsidiaries, associates, and joint ventures (refer to Note 3. MATERIAL ACCOUNTING POLICIES, Basis of Consolidation)
(b) Classification of financial instruments (refer to Note 3. MATERIAL ACCOUNTING POLICIES, Financial Instruments)
(c) Timing of satisfaction of performance obligations (refer to Note 3. MATERIAL ACCOUNTING POLICIES, Revenue Recognition)

The information related to risks and uncertainties arising from assumptions and estimates that could result in material adjustments after the financial statement date is as follows:

(a) Measurement of intangible assets and goodwill acquired through business combination (refer to Note 3. MATERIAL ACCOUNTING POLICIES, Business Combination, Goodwill and Intangible Assets; Note 5. BUSINESS COMBINATION; and Note 13. GOODWILL AND INTANGIBLE ASSETS)
(b) Impairment of financial assets measured at amortized cost (refer to Note 3. MATERIAL ACCOUNTING POLICIES, Financial Instruments and Note 29. FINANCIAL INSTRUMENTS)
(c) Impairment of nonfinancial assets (refer to Note 3. MATERIAL ACCOUNTING POLICIES, Impairment of Nonfinancial Assets; Note 12. PROPERTY, PLANT, AND EQUIPMENT; and Note 13. GOODWILL AND INTANGIBLE ASSETS)
(d) Measurement of insurance contracts (refer to Note 3. MATERIAL ACCOUNTING POLICIES, Insurance Contracts and Note 18. INSURANCE CONTRACTS)
(e) Measurement of provisions (refer to Note 3. MATERIAL ACCOUNTING POLICIES, Provisions and Note 19. PROVISIONS)
(f) Measurement of defined benefit liabilities (refer to Note 3. MATERIAL ACCOUNTING POLICIES, Postemployment Benefits and Note 20. EMPLOYEE BENEFITS)
(g) Contingent liabilities (refer to Note 32. COMMITMENTS AND CONTINGENT LIABILITIES)

Changes in Presentation

Consolidated Statement of Cash Flows

“Net increase (decrease) in deposits from Group financing (within three months),” “Deposits from Group financing received (over three months),” and “Repayments of deposits from Group financing (over three months)” previously included in “Other, net” in cash flows from financing activities are presented separately from the year ended December 31, 2023, to improve clarity. To reflect this change in presentation, the comparative information has been retrospectively adjusted. As a result, net cash outflow of ¥6,978 million presented as “Other, net” in cash flows from financing activities in the year ended December 31, 2022, is separately presented as net cash outflow of ¥3,192 million for “Net increase (decrease) in deposits from Group financing (within three months),” net cash inflow of ¥19,320 million for “Deposits from Group financing received (over three months),” net cash outflow of ¥16,433 million for “Repayments of deposits from Group financing (over three months),” and net cash outflow of 6,673 million for “Other, net.”

3. MATERIAL ACCOUNTING POLICIES

Basis of Consolidation

(1) Subsidiaries and structured entities

Subsidiaries are entities that are controlled by the Company. The Company controls an entity when the Company has power over the entity, is exposed or has rights to variable returns from its involvement with the entity, and has the ability to affect those returns through its power over the entity. To determine whether or not the Company controls an entity, the Company considers all relevant factors indicating that it may have power over the entity such as the status of voting rights or similar rights, contractual agreements, whether the directors and/or employees dispatched from the Company account for a majority of the board of directors of the entity.

The financial statements of subsidiaries are included in the consolidated financial statements from the date when the Company obtains control over the subsidiary until the date when it loses control of the subsidiary. Necessary adjustments are made to the financial statements of subsidiaries if their accounting policies differ from those of the Company. Balances of receivables and payables, and unrealized profit or loss arising from intercompany transactions are eliminated in the preparation of the consolidated financial statements. Any change in ownership interests in a subsidiary that does not result in a loss of control of the subsidiary is accounted for as an equity transaction. When control over a subsidiary is lost, the investment retained after the loss of control is remeasured at fair value as of the date of the loss of control, and any gains or losses arising from such remeasurement are recognized in profit or loss.

Structured entities are entities designed so that voting or similar rights are not the dominant factor in deciding who controls the entity. For fundraising purposes, the Company enters into securitization transactions by transferring a pool of certain finance receivables into newly formed structured entities. After the transfer, the Company has both the power to direct the activities that most significantly affect those structured entities’ economic performance through its role in managing and controlling its past due or default receivables and the obligation to absorb losses or receive benefits that could potentially be significant to them through the Company’s retention of the residual interest in them. Accordingly, the Company consolidates such structured entities.

(2) Associates and joint ventures

Associates are entities over which the Company has a significant influence over the decisions on financial and operating policy decisions, but does not have control or joint control of those policies. If the Company holds, directly or indirectly, 20% or more and less than 50% of the voting rights of the entity, it is presumed that the Company has significant influence over the entity, unless it can be clearly demonstrated that this is not the case.

Joint ventures are joint arrangements, whereby the parties, including the Company, that have joint control of the arrangements have rights to the net assets of the arrangements. Joint arrangements are arrangements in which two or more parties have joint control, and joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Investments in associates and joint ventures are accounted for using the equity method from the date when the investees are determined as associates or joint ventures until the date that they cease to be classified as associates or joint ventures. When an entity no longer meets the criteria for an associate or joint venture and the application of the equity method is discontinued, the investment retained after the discontinuation of the equity method is remeasured at fair value, and any gains or losses arising from such remeasurement are recognized in profit or loss, unless the entity meets the criteria for a subsidiary.

If there is any objective evidence of impairment on investments in associates or joint ventures, the Company conducts impairment tests on those investments as one asset group.

Business Combination

Business combinations are accounted for by the acquisition method and acquisition-related costs that are attributable to a business combination are expensed as incurred. Consideration for acquisition is measured as the sum of the acquisition date fair values of the assets transferred, liabilities assumed, and equity instruments issued by the Company in exchange of control over the acquired company. If consideration for acquisition exceeds the fair value of identifiable assets and liabilities, such excess is recorded as goodwill in the consolidated statement of financial position. Conversely, if the consideration turns out to be less than the fair value, the difference is immediately recognized in profit or loss in the consolidated statement of profit or loss.

For each business combination, the Company chooses whether noncontrolling interests are measured at fair value or at the proportion of the fair value of the identifiable assets and liabilities of the acquiree.

Acquisition of additional noncontrolling interests after control is obtained is accounted for as an equity transaction and no goodwill arising from such a transaction is recognized.

Business combinations under common control (i.e., transactions in which all of the combining entities and/or businesses are ultimately controlled by the same party or parties both before and after the business combination and the common control is not transitory) are accounted for at carrying amount.

If the initial accounting for the business combination is incomplete by the end of the fiscal year in which the business combination occurs, the business combination is accounted for using the provisional amounts. Provisional amounts are retrospectively adjusted when new information about facts and circumstances that existed at the acquisition date becomes available during the measurement period which shall not exceed one year from the acquisition date.

When a business combination is achieved in stages, previously held interest in the acquiree by the Company is remeasured at fair value as of the date of obtaining control and resulting gains or losses are recognized in profit or loss, or other comprehensive income.

Foreign Currency Translation

(1) Foreign currency transactions

Foreign currency transactions are translated into the functional currency of each company using the exchange rate at the date of the transactions or a rate that approximates such rate.

At the end of each reporting period, monetary items denominated in foreign currencies are translated into the functional currency using the closing rate, and nonmonetary items denominated in foreign currencies measured at fair value are translated into the functional currency using the exchange rate at the date when the fair value is measured. Exchange differences arising from the translation or settlement are recognized in profit or loss.

(2) Translation of foreign operations

Assets and liabilities of foreign operations are translated at the closing rate, while their income and expenses are translated at the average rate during the period. Exchange differences arising from translation are recognized in other comprehensive income.

When control or significant influence of foreign operations is lost due to the disposal of those operations, cumulative translation differences arising from those operations are reclassified to profit or loss at the time of disposal as part of gain or loss on the disposal of foreign operations.

Financial Instruments

(1) Financial assets (excluding derivatives)

<u>Initial recognition</u>

The Company initially recognizes trade receivables and other receivables on the date such receivables arise and recognizes other financial assets as of the transaction date, on which the Company becomes a party to the agreement, at the fair value, plus transaction costs that are directly attributable to the acquisition. However, trade receivables that do not include significant financial components are measured at the transaction price.

<u>Classification and subsequent measurement</u>

Financial assets are classified as financial assets measured at amortized cost, debt financial assets measured at fair value through other comprehensive income, equity financial assets measured at fair value through other comprehensive income, or financial assets measured at fair value through profit or loss.

Financial assets measured at amortized cost

Financial assets are subsequently measured at amortized cost using the effective interest method if both of the following conditions are met. Specifically, the amount measured at initial recognition is reduced by repayment of principal by adjusting for the accumulated amortized amount, which is calculated by the effective interest method on the differences between initially recognized amount and maturity amount. This amount is also adjusted by an allowance for doubtful accounts for related financial assets.

(a) The financial assets are held within a business model with the objective of collecting contractual cash flows, and

(b) The contractual terms of the financial assets provide cash flows on specified dates that are solely payments of principal and interest on the principal amount outstanding.

Debt financial assets measured at fair value through other comprehensive income

Financial assets are classified as debt financial assets measured at fair value through other comprehensive income if both of the following conditions are met:

(a) The financial assets are held within a business model with the objective of both collecting contractual cash flows and selling financial assets, and

(b) The contractual terms of the financial assets provide cash flows on specified dates that are solely payments of principal and interest on the principal amount outstanding.

Equity financial assets measured at fair value through other comprehensive income

With regard to equity financial assets, the Company has elected to recognize changes in fair value in other comprehensive income.

The accumulated amounts of net changes in the fair value of the equity financial assets are transferred to retained earnings, not to profit or loss, when the equity financial assets are derecognized or the fair value of equity financial assets declines from the acquisition cost and its decline is deemed to be more than temporary.

Dividends on equity financial assets measured at fair value through other comprehensive income are recognized in profit or loss as finance income, unless the dividend clearly represents a recovery of part of the cost of the investment.

Financial assets measured at fair value through profit or loss

Financial assets that are not classified as financial assets measured at amortized cost, debt financial assets measured at fair value through other comprehensive income, or equity financial assets measured at fair value through other comprehensive income are classified as financial assets measured at fair value through profit or loss. Subsequent changes in fair value related to financial assets measured at fair value through profit or loss are recognized in profit or loss.

Derecognition

Financial assets are derecognized when contractual rights to cash flows from the financial assets expire or when contractual rights to receive the cash flows are transferred and, substantially, all risks and rewards of ownership of the financial assets are transferred.

Impairment of financial assets measured at amortized cost

The Company evaluates and recognizes an allowance for doubtful accounts for expected credit losses on financial assets measured at amortized cost at the end of each reporting period, reflecting the collection status of these financial assets, historical credit loss experience, economic trends, customers' ability to repay, collateral values, and other factors. If the credit risk on financial assets is determined to be low at the end of the reporting period, such credit risk is deemed not to have significantly increased since initial recognition, and an allowance for doubtful accounts is recognized for the 12-month expected credit losses. The Company considers that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due and recognizes an allowance for doubtful accounts for the lifetime expected credit losses, unless there is reasonable contradictory evidence. With regard to trade receivables, contract assets, and long-term trade accounts receivables, an allowance for doubtful accounts is always recognized for the lifetime expected credit losses. The provision of an allowance for doubtful accounts or reversal of a previously recognized allowance is recognized in profit or loss, and included within selling, general, and administrative expenses. The Company directly writes off the gross carrying amount of receivables when the Company has no reasonable expectation of recovering the contractual cash flows. The Company defines a default on financial assets as a loss of the debtor's ability to repay.

(2) Financial liabilities (excluding derivatives)

Initial recognition

The Company initially recognizes financial liabilities on the transaction date, which is when the Company becomes party to an agreement, at fair value, less directly attributable transaction costs.

Classification and subsequent measurement

Financial liabilities are classified as financial liabilities measured at amortized cost. They are subsequently measured at amortized cost using the effective interest method. Amortization is calculated using the effective interest method and gains or losses arising from derecognition are recognized in profit or loss.

Derecognition

Financial liabilities are derecognized when they are extinguished due to satisfaction of contractual obligations related to the financial liabilities.

(3) Derivatives and hedge accounting

In order to hedge foreign currency risk and interest rate risk, the Company uses derivative financial instruments, such as foreign exchange forward contracts and interest rate swap contracts. Since these derivatives do not meet the requirements for hedge accounting, hedge accounting is not applied. The Company initially recognizes these derivatives at fair value at the date the contracts are entered into and subsequently remeasures them at fair value. Changes to the fair value of these derivatives are recognized in profit or loss.

(4) Fair value measurements

Fair value measurements are classified into the following three levels by inputs used for measurements:

- Level 1 - Quoted prices in active markets for identical assets or liabilities
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly
- Level 3 - Unobservable inputs for the assets or liabilities. These are measured using the entity's own assumptions and inputs that are reasonably available or inputs many market participants use with reasonable confidence

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, demand deposits withdrawable at any time, and short-term investments with a maturity of three months or less from the acquisition date that are readily convertible to cash and are subject to insignificant risk of changes in value.

Inventories

Inventories are stated at the lower of cost or net realizable value. Costs include purchase costs, direct labor costs, other direct costs, related production overheads based on the normal capacity of the production facilities, and all expenses required to bring the inventories to the present location and condition, principally determined by the moving average method. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and those necessary to sell the inventories.

Property, Plant, and Equipment

Property, plant, and equipment are measured based on the cost model and are stated at cost, less accumulated depreciation and accumulated impairment losses. Costs include the costs directly attributable to the acquisition of assets; costs of dismantling, removing, and restoration of assets; and borrowing costs that meet certain criteria for capitalization.

Property, plant, and equipment, except land and construction in progress, are principally depreciated using the straight-line method based on the estimated useful lives of the assets. The estimated useful lives range from 10 to 50 years for buildings and structures, and from two to 14 years for machinery and other equipment. Estimated useful lives, the depreciation method, and residual value of the assets are reviewed at least at each fiscal year end. Any changes in the useful life, depreciation method, and residual value are accounted for prospectively as a change in estimates.

Goodwill and Intangible Assets

(1) Goodwill

Goodwill is not amortized and is carried at cost less accumulated impairment losses. Goodwill is allocated to cash-generating unit (CGU), or groups of CGUs, that are expected to benefit from the synergies of a business combination. Goodwill is tested for impairment annually, regardless of whether there is any indication of impairment, or whenever there is an indication of impairment or circumstances change. Impairment losses on goodwill are recognized in profit or loss and are not subsequently reversed.

The measurement of goodwill on initial recognition is described in *Business Combination* section.

(2) Intangible assets

Intangible assets are measured based on the cost model and are stated at cost, less accumulated amortization and accumulated impairment losses. Intangible assets with indefinite useful lives are stated at cost, less accumulated impairment losses.

Intangible assets acquired separately are measured at cost on initial recognition. Intangible assets acquired in a business combination, such as customer relationships, trademarks, and technology know-how, are measured at fair value at the acquisition date based on assumptions, such as estimated future cash flows and discount rates.

Intangible assets with definite useful lives are amortized by the straight-line method over the estimated useful lives of the assets. The estimated useful lives of the main intangible assets are as follows: primarily 5-10 years for software for internal use, 5 years for capitalized development costs, 8-20 years for customer relationships, 10-20 years for trademarks, and 8-14 years for technology know-how. Estimated useful lives and the amortization method are reviewed at least at each fiscal year end. Any changes in the useful life and amortization method are accounted for prospectively as a change in estimates.

Intangible assets with indefinite useful lives are not amortized. They are tested for impairment annually or whenever there is an indication that the asset may be impaired or circumstances change.

Expenditures on development activities are recognized as intangible assets only if they meet all of the following requirements:

(a) technical feasibility of completing the intangible asset so that it will be available for use or sale;
(b) the Company’s intention to complete the intangible asset and use or sell it;
(c) the Company’s ability to use or sell the intangible asset;
(d) how the intangible asset will generate probable future economic benefits;
(e) the availability of adequate technical, financial, and other resources to complete development and to use or sell the intangible asset; and
(f) the Company’s ability to measure reliably the expenditures attributable to the intangible asset during its development.

Expenditures on development activities that do not meet the above conditions are expensed as incurred.

Leases

(1) As lessee

The Company recognizes a right-of-use asset and a lease liability at the commencement date of lease contract.

As for short-term leases (with a lease term of 12 months or less) and leases of low-value assets, the Company does not recognize a right-of-use asset and a lease liability. Instead, the Company elects to recognize related expenses in profit or loss by using the straight-line method over the lease term.

The Company applies a cost model and measures the right-of-use asset at cost, less any accumulated depreciation and any accumulated impairment losses, and the amounts are included in property, plant, and equipment in the consolidated statement of financial position. The cost of the right-of-use asset comprises the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date, any initial direct costs incurred by the lessee, and an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset. The Company depreciates the right-of-use assets using the straight-line method from the commencement date to the shorter of the end of lease term or the end of estimated useful life of the underlying asset.

The Company measures the lease liability at the present value of the lease payments that are not paid by discounting with the lessee's incremental borrowing rate at the commencement date. At the commencement date, the lease payments included in the measurement of the lease liability comprise fixed payments, variable lease payments that depend on an index or a rate, the exercise price of a purchase option, and payments of penalties for terminating the lease term. After the commencement date, the Company recognizes a constant periodic rate of interest on the lease liability in profit or loss and measures the lease liability by reducing the carrying amount to reflect the lease payments made. Lease liabilities are included in other financial liabilities (current) and other financial liabilities (noncurrent) in the consolidated statement of financial position.

The lease term is determined as the noncancelable period of a lease together with both periods covered by an option to extend the lease if the Company is reasonably certain to exercise that option; and periods covered by an option to terminate the lease if the Company is reasonably certain not to exercise that option.

After the commencement date, the Company remeasures the lease liability by discounting the revised lease payments using a revised discount rate. Remeasurement takes place when there has been either a change in the lease term or a change in the Company's assessment of an option to purchase the underlying asset.

As a practical expedient, the Company elects, by class of underlying asset, not to separate nonlease components from lease components, and instead accounts for each lease component and any associated nonlease components as a single-lease component.

(2) As lessor

The Company classifies a lease as a finance lease if it transfers, substantially, all the risks and rewards of ownership of an underlying asset. All other leases are classified as operating leases.

The Company recognizes assets held under a finance lease and present them as a receivable at an amount equal to the net investment in the lease. The Company recognizes finance income over the lease term in the consolidated statement of profit or loss based on a pattern that reflects the contractual periodic rate of return on the lessor's net investment in the lease.

Impairment of Nonfinancial Assets

The carrying amounts of nonfinancial assets other than inventories and deferred tax assets are assessed whether or not there is any indication of impairment at the level of individual asset or CGU to which the asset belongs at the end of each reporting period. If such an indication exists, a recoverable amount of the asset or CGU is estimated.

Goodwill, intangible assets with indefinite useful lives, and intangible assets that are not yet available for use are tested for impairment annually, regardless of whether there is any indication of impairment, or whenever there is an indication of impairment or circumstances change.

The recoverable amount of an individual asset or a CGU is the higher of the fair value, less costs of disposal and value in use. The fair value, less costs of disposal is calculated based on the quoted price in the active market, with the control premium estimated based on market transactions and other factors. In allocating the fair value to each CGU, the projected earnings before interest, taxes, depreciation, and amortization (EBITDA) composition by business is considered. Value in use is determined by discounting the estimated future cash flows expected to be derived from an individual asset or CGU to its present value, using a pretax discount rate that reflects the time value of money and risks specific to that individual asset or CGU.

A CGU is determined as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the CGU to which the asset belongs is determined.

Since corporate assets do not generate separate cash inflows, if there are any indications of impairment, they are tested for impairment based on the recoverable amount of the CGU to which the corporate assets belong.

If the recoverable amount of the asset or CGU is less than its carrying amount, the carrying amount is reduced to the recoverable amount, and the difference between the recoverable amount and the carrying amount is recognized as an impairment loss in profit or loss. Impairment losses recognized in relation to the CGU are allocated first to reduce the carrying amount of goodwill allocated to such CGU, and then to each asset, pro-rated across the respective carrying amounts of each asset within that CGU.

Individual assets other than goodwill or CGUs for which impairment losses were recognized in prior periods are assessed to determine whether or not there is any indication that such impairment losses may no longer exist or may have decreased at the end of each reporting period. If such an indication exists, the recoverable amount of the asset or the CGU is estimated, and if the recoverable amount exceeds the carrying amount of the asset or CGU, the impairment loss is reversed. In such cases, the impairment loss is reversed up to the carrying amount of the asset or CGU, net of amortization or depreciation, as if there had been no impairment loss recognized for the asset or CGU in prior periods.

Insurance Contracts

(1) Classification and Level of Aggregation

Contracts under which the Company assumes significant insurance risks are classified as insurance contracts.

The Company recognizes portfolios consisting of multiple insurance contracts that are exposed to similar risks and are managed together, and aggregates as the group of insurance contracts by dividing each annual cohort into groups based on the profitability of the contracts.

(2) Recognition

Groups of insurance contracts issued by the Company are recognized from the earliest of the following:

- the beginning of the period for which insurance contract services are provided;
- the date when the first payment from a policyholder in the group becomes due, or if there is no contractual due date, the first payment from the policyholder is received; and
- for a group of onerous contracts, when the group becomes onerous.

(3) Measurement

The Company, on initial recognition, measures a group of insurance contracts at the total of the fulfillment cash flows and contractual service margin. The fulfillment cash flows are an explicit, unbiased, and probability-weighted estimate of the present value of the future cash outflows, minus the present value of the future cash inflows that will arise as the Company fulfills insurance contracts, including a risk adjustment for non-financial risk. Estimates of future cash flows include all the future cash flows within the boundary of each group of insurance contracts, and all reasonable and supportable information available without undue cost or effort about the amount, timing, and uncertainty of those future cash flows are utilized. In calculating the present value of future cash flows, the discount rates that reflect the time value of money, the characteristics of the cash flows, and the liquidity characteristics of the insurance contracts are used. The contractual service margin is the excess of the consideration charged for a group of insurance contracts over the risk-adjusted expected present value of the cash outflows expected to fulfill the group and the insurance earned cash flows incurred prior to the recognition of the group.

The carrying amount of a group of insurance contracts at the end of the reporting period is measured at the total of the liability for remaining coverage and the liability for incurred claims. The liability for remaining coverage is composed of the fulfillment cash flows for future services allocated to the group and the contractual service margin that are estimated to reflect conditions as of the end of the reporting period. Changes in such liability are recognized in profit or loss as follows: reduction in the liability resulting from the insurance services provided during the reporting period as insurance revenue; and changes in the liability resulting from the effect of the time value of money and the effect of financial risks as insurance finance income or expenses. The liability for incurred claims is composed of the fulfillment cash flows related to past service allocated to the group at the end of the reporting period. Changes in such liability are recognized in profit or loss as follows: increase in the liability resulting from claims and expenses incurred during the reporting period, and any subsequent changes in fulfillment cash flows relating to incurred claims and expenses as insurance service expenses; changes in the liability resulting from the effect of the time value of money and the effect of financial risks as insurance finance income or expenses.

Cash flows arising from the costs of selling, underwriting, and starting a group of insurance contacts that are directly attributable to the portfolio of insurance contracts to which the group belongs are included in the measurement of the group of contracts on initial recognition as insurance acquisition cash flows. Insurance acquisition cash flows are allocated to each reporting period in a systematic way on the basis of the passage of time, and the same amount is recognized as insurance service expenses.

Insurance revenue, insurance service expenses and insurance finance income or expenses are included in “Revenue,” “Cost of sales,” and “Finance income” or “Finance costs,” respectively, in the consolidated statement of profit or loss.

In addition, the Company applies the premium allocation approach to simplify the measurement of the liability for remaining coverage for certain group of insurance contracts since the coverage period of each contract in such group at the inception is one year or less. The carrying amount of the liability for remaining coverage at the end of reporting period is measured based on the premiums received, insurance acquisition cash flows and the amortization relating to such cash flows, and the insurance revenue recognized for services provided. For this group of insurance contracts, the carrying amount of the liability for remaining coverage is not adjusted to reflect the time value of money and the effect of financial risk since the Company expects, at initial recognition, that the time between providing each part of the services and the related premium due date is no more than a year.

Since this group does not cover customers of the Company, insurance revenue and insurance service expenses are included in “Other income” and “Other expenses,” respectively, in the consolidated statement of profit or loss.

(4) Derecognition

Insurance contract is derecognized when a contract is extinguished or when a contract is modified in a way that would have significantly changed the accounting of a contract. When derecognized, the fulfillment cash flows are adjusted to eliminate the present value of the future cash flows and risk adjustment for non-financial risk relating to the rights and obligations that have been derecognized. The contractual service margin of the group is adjusted for the change in fulfillment cash flows, and the number of coverage units for expected remaining insurance contract services, which is the basis of the amount recognized in profit or loss for the reporting period is also adjusted to reflect the derecognition.

Provisions

Provisions are recognized when the Company has present legal or constructive obligations as a result of past events, it is probable that outflows of resources embodying economic benefits will be required to settle the obligations, and reliable estimates can be made of the amount of obligations.

Provisions are measured based on the best estimate of expenditure required to settle the present obligation at the end of the reporting period. When the effect of the time value of money is material, a provision is measured at the present value of the expenditures required to settle the obligation.

Postemployment Benefits

The Company has defined benefit pension plans and defined contribution pension plans as postemployment benefits for employees.

(1) Defined benefit pension plans

The Parent Company and most subsidiaries mainly located in Japan have defined benefit corporate pension plans and/or lump-sum severance indemnity plans. The net defined benefit liability and asset in the consolidated statement of financial position is measured as the difference between the present value of the defined benefit obligation and the fair value of plan assets.

If the defined benefit pension plan has a surplus, the asset ceiling is the present value of any future economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

Defined benefit obligations are calculated using the projected unit credit method, and the present value is calculated by discounting future estimated cash outflows. The discount rate is determined based on market yields on high-quality corporate bonds as of the end of the reporting period, reflecting the estimated timing and amount of benefit payment.

Prior service costs resulting from plan amendments are recognized in profit or loss when the plan is amended.

Remeasurement of the net defined liability and asset is recognized in other comprehensive income when such remeasurement is made and transferred immediately to retained earnings.

(2) Defined contribution pension plans

The Parent Company and certain subsidiaries have defined contribution plans. Contributions to defined contribution plans for the period when employees render the related services are recognized as employee benefit expenses in profit or loss.

Revenue Recognition

(1) Revenue from contracts with customers

The Company recognizes revenue, excluding income from retail finance and finance leases, and insurance revenue, from contracts with customers based on the following five steps:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when the entity satisfies a performance obligation

The Company engages in various fields of businesses and industries by providing products and services as described in Note 1. REPORTING ENTITY.

The Company has determined that control over the products is transferred to customers and that the performance obligation is satisfied when the products are delivered to customers, considering indicators of the transfer of control, such as the transfer of significant risks and rewards of physical possession and ownership of products. Accordingly, revenue from sales of products is recognized at that point in time.

The Company has construction contracts with customers. The Company considers that its satisfaction of performance obligations under the contracts does not create an asset with an alternative use to the Company, the Company has an enforceable right to payment for performance completed to date, and it transfers the control over the assets to customers over time. Accordingly, revenue is recognized over the construction period based on its progress toward complete satisfaction of performance obligations measured at the end of the reporting period. Since the Company considers that it is possible to develop reasonable estimates of the total contract cost and to reasonably estimate the extent of progress toward complete satisfaction of performance obligations under the contracts, the Company uses the input method to measure the extent of progress toward completion based on the costs incurred relative to the total expected costs by contract.

Revenue is measured at the consideration promised in contracts with customers, less discounts, rebates depending on sales volume, and other items. Variable consideration, including discounts, rebates, and other payments, is estimated considering all the information (historical, current, and forecast) that is reasonably available to the Company, and revenue is recognized only to the extent that it is highly probable that a significant reversal of recognized revenue will not occur.

When two or more performance obligations are identified in the contract, the transaction price is primarily allocated to each of the performance obligations on a relative observable stand-alone selling price basis.

(2) Income from retail finance and finance leases

The Company provides retail finance and finance leases to end users who purchase the Company's products, such as farm equipment, etc., through dealers.

With regard to finance receivables arising from retail finance operations, interest income is recognized using the effective interest method over the contractual period and included in revenue in the consolidated statement of profit or loss.

(3) Insurance revenue

The Company provides insurance contract services.

The insurance revenue from the group of insurance contracts represents the total changes of the liability for the remaining coverage that relate to services for which the Company expects to receive consideration. Insurance revenue consists of the release of the contractual service margins measured based on coverage units provided during the reporting period, changes in the risk adjustment for non-financial risk relating to current services, insurance service expenses (measured at the amount expected at the beginning of the reporting period) incurred during the reporting period, and allocation of the insurance acquisition cash flows in a systematic way based on the passage of time. Insurance revenue is included in "Revenue" in the consolidated statement of profit or loss.

The Company applies the premium allocation approach for certain insurance contracts with a coverage period of one year or less at initial recognition. Insurance revenue from such group of insurance contracts is the amount of expected premium receipts allocated to each reporting period of the insurance contract services provided on the basis of the passage of time. Since this group does not cover customers of the Company, insurance revenue is included in "Other income" in the consolidated statement of profit or loss.

Income Taxes

Income taxes, which is composed of current taxes and deferred taxes, are recognized in profit or loss, except to the extent that they relate to business combinations or items recognized in other comprehensive income or directly in equity.

Current taxes are measured at the expected amount of income taxes payable to, or recoverable from, the tax authorities, using the tax rates and tax laws and regulations that have been enacted, or substantively enacted, by the end of the reporting period.

Deferred taxes are recognized based on temporary differences between the carrying amount of assets or liabilities in the consolidated statement of financial position and the tax bases of the assets or liabilities, and carryforwards of unused tax losses and tax credits.

Deferred tax assets are recognized only to the extent that it is probable that taxable profits will be available against the deductible temporary differences, unused tax losses, and unused tax credits. Deferred tax liabilities are recognized essentially for all taxable temporary differences.

However, deferred tax liabilities for taxable temporary differences related to investments in subsidiaries, associates, and joint ventures are not recognized if the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future. Deferred tax assets for deductible temporary differences related to investments in subsidiaries, associates, and joint ventures are recognized to the extent that it is probable that taxable profits will be available against which the temporary differences can be utilized, and the differences will reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the assets are realized or the liabilities are settled, based on the tax rates and tax laws and regulations that have been enacted, or substantively enacted, by the end of the reporting period.

The Company reviews the carrying amount of deferred tax assets at the end of the reporting period and does not recognize the deferred tax assets to the extent that it is no longer probable that taxable profits will be sufficient to allow the benefit of part or all of those deferred tax assets to be realized.

Deferred tax assets and deferred tax liabilities are offset only when the Company has a legally enforceable right to offset current tax assets against current liabilities, and the same taxation authority levies income taxes either on the same taxable entity or on different taxable entity, which intends either to settle current tax liabilities and assets on a net basis or to realize the assets and settle the liabilities simultaneously.

The Company reflects the effect of uncertainty in determining the related taxable profit, etc., if the Company concludes it is not probable that the taxation authority will accept an uncertain tax treatment.

The Company has adopted the exceptions to the recognition and disclosure of deferred tax assets and deferred tax liabilities for income taxes arising from tax laws enacted, or substantively enacted, to implement the Pillar Two Model Rules released by the Organization for Economic Cooperation and Development (OECD).

Earnings per Share

Basic earnings per share attributable to owners of the parent are calculated based on profit attributable to common shareholders of the parent by the weighted average number of issued common shares during the period. Diluted earnings per share attributable to owners of the parent are calculated by adjusting the effects of all dilutive potential common share.

Changes in Accounting Policies

(1) Adoption of IFRS 17 *Insurance Contracts*

Effective from the year ended December 31, 2023, the Company has adopted IFRS 17 *Insurance Contracts*.

IFRS 17 replaces the former IFRS 4 *Insurance Contracts*, which permitted the use of a wide variety of accounting practices for insurance contracts. IFRS 17 provides principles for the recognition, measurement, presentation, and disclosure of insurance contracts included in its scope, and prescribes a single accounting model of measuring insurance contracts using current estimates.

The Company has retrospectively adopted IFRS 17 with a transition date of January 1, 2022. The retrospective adoption of IFRS 17 is in accordance with the following transitional provisions stipulated in the standard:

- Identify, recognize, and measure each group of insurance contracts as if IFRS 17 had always adopted
- Identify, recognize, and measure any assets for insurance acquisition cash flows as if IFRS 17 had always adopted (recoverability assessment before the transition date is not required)
- Derecognize any existing balances that would not exist had IFRS 17 always adopted
- Recognize any resulting net difference in equity

In accordance with the adoption of IFRS 17, liabilities related to insurance contracts are presented separately as "Insurance contract liabilities" in the consolidated statement of financial position.

(2) Adoption of amendments to International Accounting Standard (IAS) 12 *Income Taxes*

Effective from the year ended December 31, 2023, the Company has adopted "International Tax Reform - Pillar Two Model Rules (Amendments to IAS 12)"

The Amendments provide mandatory temporary exceptions to the existing IAS 12 Income Taxes requirements that deferred tax assets and deferred tax liabilities shall not be recognized or disclosed for income taxes arising from the Pillar Two Model Rules released by the OECD, and the Company has adopted exceptions retrospectively. The impact of adoption of exceptions in the consolidated financial statements of the Company is immaterial.

In addition, effective from the year ended December 31, 2023, the Company has adopted "Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)." This change in the accounting policy has been adopted retrospectively, and therefore, the comparable information in the consolidated financial statements has been retrospectively adjusted. The impact of change in the accounting policy on the Company's consolidated financial statements is immaterial.

New Accounting Standards and Interpretations Not Yet Adopted

The Company does not expect to have a material impact on its consolidated financial statements from any of the accounting standards and interpretations that were newly issued or amended by the date of approval of the consolidated financial statements, but have not been early adopted in the current fiscal year.

4. SEGMENT INFORMATION

The Company provides a wide variety of products and services across its three reportable segments: Farm & Industrial Machinery, Water & Environment, and Other. Farm & Industrial Machinery mainly manufactures and sells farm equipment, agricultural-related products, engines, and construction machinery. Water & Environment mainly manufactures and sells products related to pipe systems (ductile iron pipes, plastic pipes, and other products), industrial products (reformer and cracking tubes, spiral welded steel pipes, air-conditioning equipment, and other products), and environment (environmental control plants, pumps, and other products). Other segment mainly offers a variety of services.

These three reportable segments represent the Company’s organizational structure, which is principally based on the nature of products and services, and the financial information by reportable segment is reviewed periodically by the chief operating decision-maker in determining allocation of resources and evaluating performance. The accounting policies for the reportable segments are consistent with the accounting policies used in the Company’s consolidated financial statements.

Information by Reportable Segment

Information by reportable segment is summarized as follows:

(Unit: millions of yen)

	Farm & Industrial Machinery	Water & Environment	Other	Adjustments	Consolidated
Year ended December 31, 2023:					
Revenue:					
External customers	¥ 2,636,727	¥ 364,469	¥ 19,515	¥ —	¥ 3,020,711
Intersegment	205	48	31,044	(31,297)	—
Total	¥ 2,636,932	¥ 364,517	¥ 50,559	¥ (31,297)	¥ 3,020,711
Operating profit	¥ 355,788	¥ 30,547	¥ 1,512	¥ (59,018)	¥ 328,829
Depreciation and amortization	80,530	8,112	6,208	12,420	107,270
Addition to noncurrent assets	139,948	13,581	10,733	18,416	182,678
December 31, 2023:					
Assets	¥ 4,669,912	¥ 318,553	¥ 83,745	¥ 287,037	¥ 5,359,247
Investments accounted for using the equity method	14,361	5,568	26,594	—	46,523
Year ended December 31, 2022:					
Revenue:					
External customers	¥ 2,326,198	¥ 327,602	¥ 23,180	¥ —	¥ 2,676,980
Intersegment	257	184	34,787	(35,228)	—
Total	¥ 2,326,455	¥ 327,786	¥ 57,967	¥ (35,228)	¥ 2,676,980
Operating profit	¥ 232,579	¥ 17,250	¥ 3,089	¥ (38,531)	¥ 214,387
Depreciation and amortization	70,169	7,748	4,635	6,697	89,249
Addition to noncurrent assets	135,964	11,809	9,492	36,874	194,139
December 31, 2022:					
Assets	¥ 4,098,091	¥ 307,759	¥ 96,782	¥ 262,421	¥ 4,765,053
Investments accounted for using the equity method	13,577	5,030	27,885	—	46,492

(Notes)

1. *Adjustments* include items, such as the elimination of intersegment transfers, corporate expenses, and corporate assets, which are not allocated to any particular reportable segment. The corporate expenses included in *Adjustments* amounted to ¥59,018 million and ¥38,531 million for the years ended December 31, 2023 and 2022, respectively, which consist mainly of administration department expenses, basic research expenses, and foreign exchange gains or losses incurred by the Parent Company. The corporate assets included in *Adjustments* amounted to ¥321,286 million and ¥294,761 million as of December 31, 2023 and 2022, respectively, which consist mainly of cash and cash equivalents, securities, and corporate properties held or used by the administration department of the Parent Company.
2. The aggregated amounts of operating profit are equal to those presented in the consolidated statement of profit or loss. Refer to the consolidated statement of profit or loss for the reconciliation of operating profit to profit before income taxes.
3. Intersegment transfers are recorded at values that approximate market prices.
4. Noncurrent assets do not include financial instruments, deferred tax assets, nor net defined benefit assets.

Revenue from External Customers by Product Group

Information about revenue from external customers by product group is summarized as follows:

(Unit: millions of yen)

Years ended December 31:	2023	2022
Farm & Industrial Machinery:		
Farm equipment and engines	¥ 1,995,603	¥ 1,819,740
Construction machinery	641,124	506,458
Subtotal	2,636,727	2,326,198
Water & Environment:		
Pipe system	145,756	134,628
Industrial products	73,129	68,958
Environment	145,584	124,016
Subtotal	364,469	327,602
Other	19,515	23,180
Total	¥ 3,020,711	¥ 2,676,980

(Note)

Effective from the current consolidated fiscal year, in conformity with changes in the internal organization of the Company, the product group name has been changed from “Materials and urban infrastructure-related products” to “Industrial products.”

Geographic Information

Information about revenue from external customers by location is summarized as follows:

(Unit: millions of yen)

Years ended December 31:	2023	2022
Japan	¥ 643,144	¥ 602,376
North America	1,252,213	1,100,168
Europe	418,302	337,976
Asia outside Japan	600,598	532,989
Other areas	106,454	103,471
Total	¥ 3,020,711	¥ 2,676,980

(Notes)

1. Revenue from North America includes that from the United States of ¥1,115,337 million and ¥969,683 million for the years ended December 31, 2023 and 2022, respectively.
2. There were no sales to specific customers that exceed 10% of consolidated revenue of the Company.

Information about noncurrent assets based on physical location is summarized as follows:

(Unit: millions of yen)

December 31:	2023	2022
Japan	¥ 499,525	¥ 461,777
North America	177,116	150,621
Europe	93,094	82,829
Asia outside Japan	308,815	285,791
Other areas	3,018	2,355
Total	¥ 1,081,568	¥ 983,373

(Notes)

1. Noncurrent assets do not include financial instruments, deferred tax assets, and net defined benefit assets.
2. Noncurrent assets of North America include those in the United States of ¥165,004 million and ¥139,895 million at December 31, 2023 and 2022, respectively. Noncurrent assets of Asia outside Japan include those in India of ¥235,445 million and ¥223,246 million at December 31, 2023 and 2022, respectively.

5. BUSINESS COMBINATION

Year ended December 31, 2023

Finalization of the provisional accounting for the business combination

The allocation of acquisition cost of Escorts Limited (currently, Escorts Kubota Limited), which the Company acquired on April 11, 2022, was not completed as of December 31, 2022, and therefore, the provisional accounting for the business combination was applied. However, the allocation of acquisition cost has been completed during the three months ended March 31, 2023, and the amount of goodwill has been adjusted as follows based on the determined allocation of acquisition cost.

Assets Acquired, Liabilities Assumed, Noncontrolling Interests, and Goodwill as of the Acquisition Date

(Unit: millions of yen)

Adjusted accounts	Amount of goodwill adjusted	
Goodwill (before adjustments)	¥	139,000
Inventories		(1,434)
Property, plant, and equipment		(10,037)
Intangible assets		(72,328)
Other noncurrent assets		(1,313)
Deferred tax liabilities		21,422
Noncontrolling interests		35,156
Goodwill (after adjustments)	¥	110,466

(Notes)

1. Goodwill reflects the future excess earning power expected from the business development and synergies between the Company and EKL.
2. Noncontrolling interests are recognized at the proportion of the fair value of the identifiable assets and liabilities of the acquiree.

In accordance with the finalization of the provisional accounting, the corresponding figures as of December 31, 2022, of the consolidated statement of financial position have been retrospectively adjusted. As a result, property, plant, and equipment; intangible assets; deferred tax liabilities; and noncontrolling interests increased by ¥8,545 million, ¥67,956 million, ¥19,577 million, and ¥33,989 million, respectively, while retained earnings and goodwill decreased by ¥1,843 million and ¥27,842 million, respectively, compared with those before retrospective adjustments.

There were no material impacts on the consolidated statement of profit or loss and the consolidated statement of comprehensive income for the year ended December 31, 2022.

Year ended December 31, 2022

Acquisition of Escorts Limited

(1) Outline of the Business Combination

1) Name and nature of business of the acquiree

Name: Escorts Limited (Corporate name has been changed to Escorts Kubota Limited on June 9, 2022.)

Business: Manufacture and sales of farm equipment, construction machinery, etc.

2) Primary reason for business combination

The market of tractors that are designed to be highly durable with limited functions and at affordable prices (hereinafter, “basic tractors”) are expected to expand primarily in the emerging countries. The Parent Company aims to provide basic tractors of good quality at an affordable price in this market by combining expertise of EKL in the development and manufacturing of basic tractors with accumulated product development knowledge and capabilities to improve quality and productivity of the Parent Company.

3) Acquisition date

April 11, 2022

4) Shareholding ratio acquired

44.8%

5) Method by which control of the acquiree was obtained

The Company acquired additional shares of EKL in cash, and the shareholding ratio of the Parent Company in EKL has increased to 44.8%. EKL is considered substantially controlled by the Parent Company as officers from the Parent Company were appointed as members of EKL's Board of Directors, and became a subsidiary of the Parent Company during the three months ended June 30, 2022.

(2) Acquisition Cost

(Unit: millions of yen)

Fair value of acquisition cost		Amount
Cash	¥	123,722
Equity interests held immediately prior to the acquisition date		71,351
Total	¥	195,073

(3) Assets Acquired, Liabilities Assumed, Noncontrolling Interests, and Goodwill as of the Acquisition Date

(Unit: millions of yen)

Fair value of assets acquired and liabilities assumed		Amount
Current assets:		
Trade receivables	¥	13,078
Other financial assets		42,533
Inventories		13,969
Others		6,237
Noncurrent assets:		
Other financial assets		37,868
Property, plant, and equipment		29,699
Others		6,710
Current liabilities:		
Trade payables		14,748
Others		7,606
Noncurrent liabilities:		2,576
Fair value of assets acquired and liabilities assumed, net	¥	125,164
Noncontrolling interests		69,091
Goodwill		139,000
Total	¥	195,073

(Notes)

1. The above amounts are provisional estimates since the allocation of acquisition cost has not been completed as of December 31, 2022.
2. Noncontrolling interests are recognized at the proportion of the fair value of the identifiable assets and liabilities of the acquiree.

(4) Composition of Goodwill Recognized

Goodwill reflects the future excess earning power expected from the business development and synergies between the Company and EKL.

(5) Impact of the Business Combination on Earnings

Revenue and profit for the year of EKL from the acquisition date to December 31, 2022, were ¥104,076 million and ¥7,046 million, respectively.

Assuming that such business combination occurred as of January 1, 2022, revenue and profit for the year of the Company for the year ended December 31, 2022, were ¥2,711,389 million and ¥179,612 million, respectively. Since the allocation of the provisional accounting was not completed as of December 31, 2022, adjustments resulting from the finalization of the provisional accounting are not reflected to these amounts. This pro forma information is not subject to audit certification.

Other business combinations

Business combinations other than the acquisition of Escorts Limited that are individually immaterial but are material collectively are disclosed in aggregate.

Business combinations during the year ended December 31, 2022, took place in the Farm & Industrial Machinery, and the aggregate information of these business combinations is as follows.

(1) Acquisition Cost

(Unit: millions of yen)

Fair value of acquisition cost		Amount
Cash	¥	30,386
Total	¥	30,386

(Note)

The post-acquisition adjustments were completed by December 31, 2022, and the acquisition cost was finalized at the amount shown above.

(2) Assets Acquired, Liabilities Assumed, Noncontrolling Interests, and Goodwill as of the Acquisition Date

(Unit: millions of yen)

Fair value of assets acquired and liabilities assumed		Amount
Current assets	¥	11,910
Noncurrent assets		10,530
Current liabilities		5,889
Noncurrent liabilities		3,445
Fair value of assets acquired and liabilities assumed, net	¥	13,106
Noncontrolling interests		943
Goodwill		18,223
Total	¥	30,386

(Notes)

1. The provisional accounting based on the available information was applied as of September 30, 2022; however, since the allocation of acquisition cost was completed and finalized by December 31, 2022, adjustments resulting from the finalization of the provisional accounting are reflected to the above amounts. The impact of the finalization of the provisional accounting is immaterial.
2. Noncontrolling interests are recognized at the proportion of the fair value of the identifiable assets and liabilities of the acquiree.
3. Written put options are granted to noncontrolling shareholder of the acquiree. In principle, the present value of the redemption amount is recognized as a financial liability (noncurrent) and the same amount is reduced from share premium.

(3) Composition of Goodwill Recognized

Goodwill resulting from these business combinations is recorded in the Farm & Industrial Machinery. Goodwill reflects the future excess earning power from synergies with existing operations expected to arise from acquisitions that do not qualify for separate recognition.

(4) Impact of the Business Combination on Earnings

Revenue and profit for the year of acquirees from the acquisition date to December 31, 2022, as well as revenue and profit for the year of the Company assuming that such business combinations occurred as of January 1, 2022, are not disclosed since the impact on the consolidated financial statements is immaterial.

6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are composed of the following:

Cash and cash equivalents are categorized as financial assets measured at amortized cost.

(Unit: millions of yen)

December 31:		2023		2022
Cash and deposits	¥	168,221	¥	181,421
Short-term investments		53,897		44,378
Total	¥	222,118	¥	225,799

(Note)

The balance of cash and cash equivalents in the consolidated statement of financial position and consolidated statement of cash flows is equal.

7. TRADE RECEIVABLES

Trade receivables are composed of the following:

Trade receivables are categorized as financial assets measured at amortized cost.

(Unit: millions of yen)

December 31:		2023		2022
Trade notes	¥	80,723	¥	91,130
Trade accounts receivable		869,924		693,682
Allowance for doubtful accounts		(5,157)		(5,427)
Total	¥	945,490	¥	779,385

8. FINANCE RECEIVABLES

Finance receivables are composed of the following:

Finance receivables are categorized as financial assets measured at amortized cost.

(Unit: millions of yen)

December 31:		2023		2022
Retail finance receivables	¥	1,460,081	¥	1,294,750
Finance lease receivables		466,029		412,833
Allowance for doubtful accounts		(24,644)		(23,069)
Total	¥	1,901,466	¥	1,684,514
Current assets		552,419		480,658
Noncurrent assets		1,349,047		1,203,856

9. OTHER FINANCIAL ASSETS

Other financial assets are composed of the following:

(Unit: millions of yen)

December 31:		2023		2022
Financial assets measured at amortized cost:				
Long-term trade accounts receivable	¥	36,507	¥	36,555
Time deposits		23,532		16,745
Restricted cash (Note)		5,381		5,878
Debt financial assets		52,201		44,132
Others		23,727		18,582
Financial assets measured at fair value through other comprehensive income:				
Equity financial assets		84,099		68,595
Financial assets measured at fair value through profit or loss:				
Debt financial assets		40,023		35,515
Derivatives		6,202		10,952
Total	¥	271,672	¥	236,954
Current assets		83,018		71,516
Noncurrent assets		188,654		165,438

(Note)
Deposits pledged as collateral that are restricted from withdrawal and advances received for public works that are restricted from usage.

The Company holds equity financial assets mainly for the purpose of maintaining and enhancing business relationships and have been classified as equity financial assets measured at fair value through other comprehensive income. The fair value of equity financial assets measured at fair value through other comprehensive income by issue is as follows:

(Unit: millions of yen)

Issue				
December 31:		2023		2022
Shin-Etsu Chemical Co., Ltd.	¥	13,745	¥	7,538
Sumitomo Mitsui Trust Holdings, Inc.		12,245		10,381
Sumitomo Mitsui Financial Group, Inc.		12,011		9,246
Osaka Gas Co., Ltd.		9,205		6,658
Mitsubishi UFJ Financial Group, Inc.		7,345		5,390
Toho Gas Co., Ltd.		4,239		3,623
Hulic Co., Ltd.		2,953		2,080
XING Technology Inc.		2,902		—
Mitsubishi Estate Co., Ltd.		2,044		1,800
AKTIO Corporation		1,718		1,010
Others	¥	15,692	¥	20,869

The Company sold and derecognized certain equity financial assets measured at fair value through other comprehensive income, primarily as a result of review of its business relationships. Fair values as of derecognition date and the accumulated gains or losses before tax effect adjustments on their disposal are as follows:

(Unit: millions of yen)

Years ended December 31:		2023		2022
Fair value as of derecognition	¥	11,637	¥	1,844
Accumulated gains (losses)		9,003		1,000

10. INVENTORIES

Inventories are composed of the following:

(Unit: millions of yen)

December 31:		2023		2022
Finished products	¥	386,103	¥	358,097
Spare parts		90,187		88,795
Work in process		71,354		76,519
Raw materials and supplies		120,404		121,060
Total	¥	668,048	¥	644,471

Inventories recognized as an expense for the years ended December 31, 2023 and 2022, were ¥1,941,326 million and ¥1,822,976 million, respectively. The write-downs of inventories recognized as an expense for the years ended December 31, 2023 and 2022, were ¥2,897 million and ¥2,482 million, respectively.

The figures as of December 31, 2022, have been retrospectively adjusted as the provisional accounting for the business combination of EKL has been finalized during the years ended December 31, 2023.

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments in and Loans Receivable from Associates and Transactions with Associates

The following table presents trade receivables (trade notes and trade accounts receivable), loans receivable, investments, and deposits received related to transactions with associates:

(Unit: millions of yen)

December 31:		2023		2022
Trade receivables	¥	20,043	¥	19,479
Loans receivable		2,785		2,252
Investments		19,901		20,019
Deposits received		5,911		5,844

Aggregate revenue from associates was ¥53,094 million and ¥49,725 million for the years ended December 31, 2023 and 2022, respectively.

There are no associates that are individually material to the Company. The Company’s share of profit of associates that are not individually material was ¥1,078 million and ¥876 million for the years ended December 31, 2023 and 2022, respectively.

Investments in and Loans Receivable from Joint Ventures and Transactions with Joint Ventures

The following table presents trade receivables (trade notes and trade accounts receivable), loans receivable, investments, and deposits received related to transactions with joint ventures:

(Unit: millions of yen)

December 31:		2023		2022
Trade receivables	¥	456	¥	474
Loans receivable		—		—
Investments		26,622		26,473
Deposits received		11,353		10,640

Aggregate revenue from joint ventures was ¥4,883 million and ¥5,580 million for the years ended December 31, 2023 and 2022, respectively.

There are no joint ventures that are individually material to the Company. The Company’s share of profit related to joint ventures that are not individually material was ¥1,033 million and ¥766 million for the years ended December 31, 2023 and 2022, respectively.

12. PROPERTY, PLANT, AND EQUIPMENT

Reconciliation

The following table presents reconciliation of acquisition cost, accumulated depreciation and accumulated impairment losses, and balances of the carrying amount of the Company's property, plant, and equipment:

Acquisition Costs

(Unit: millions of yen)

	Land	Buildings and structures	Machinery and equipment	Construction in progress	Total
January 1, 2022	¥ 107,894	¥ 424,142	¥ 617,491	¥ 59,365	¥ 1,208,892
Acquisition	2,168	25,838	22,268	122,780	173,054
Sales or disposal	(463)	(10,939)	(23,666)	(4,756)	(39,824)
Acquisition through business combination	20,108	5,253	13,848	918	40,127
Exchange rate differences on foreign currencies	2,653	14,781	22,782	2,995	43,211
Transfers between accounts	8,028	83,190	47,873	(139,091)	—
Others	(522)	327	(1,219)	157	(1,257)
December 31, 2022	¥ 139,866	¥ 542,592	¥ 699,377	¥ 42,368	¥ 1,424,203
Acquisition	528	26,438	26,204	105,257	158,427
Sales or disposal	(810)	(15,905)	(32,200)	(326)	(49,241)
Acquisition through business combination	—	59	29	19	107
Exchange rate differences on foreign currencies	3,896	14,641	20,400	931	39,868
Transfers between accounts	1,649	36,310	53,247	(91,206)	—
Others	(1)	65	34	(766)	(668)
December 31, 2023	¥ 145,128	¥ 604,200	¥ 767,091	¥ 56,277	¥ 1,572,696

Accumulated Depreciation and Accumulated Impairment Losses

(Unit: millions of yen)

	Land	Buildings and structures	Machinery and equipment	Construction in progress	Total
January 1, 2022	¥ 1,684	¥ 239,632	¥ 471,201	¥ 63	¥ 712,580
Depreciation	421	25,458	43,203	—	69,082
Impairment losses	30	1,318	891	—	2,239
Sales or disposal	(8)	(8,960)	(20,898)	(62)	(29,928)
Exchange rate differences on foreign currencies	2	5,431	16,582	—	22,015
Others	226	1,574	2,170	—	3,970
December 31, 2022	¥ 2,355	¥ 264,453	¥ 513,149	¥ 1	¥ 779,958
Depreciation	499	31,542	50,930	—	82,971
Impairment losses	—	887	1,711	4	2,602
Sales or disposal	(195)	(11,774)	(27,393)	—	(39,362)
Exchange rate differences on foreign currencies	31	5,626	13,696	—	19,353
Others	9	14	91	(1)	113
December 31, 2023	¥ 2,699	¥ 290,748	¥ 552,184	¥ 4	¥ 845,635

Balances of Carrying Amount

(Unit: millions of yen)

	Land	Buildings and structures	Machinery and equipment	Construction in progress	Total
January 1, 2022	¥ 106,210	¥ 184,510	¥ 146,290	¥ 59,302	¥ 496,312
December 31, 2022	¥ 137,511	¥ 278,139	¥ 186,228	¥ 42,367	¥ 644,245
December 31, 2023	¥ 142,429	¥ 313,452	¥ 214,907	¥ 56,273	¥ 727,061

The figures as of December 31, 2022, have been retrospectively adjusted as the provisional accounting for the business combination of EKL has been finalized during the year ended December 31, 2023.

The depreciation expense for property, plant, and equipment is included in cost of sales as well as in selling, general, and administrative expenses in the consolidated statement of profit or loss. Impairment losses on property, plant, and equipment are included in other expenses in the consolidated statement of profit or loss.

13. GOODWILL AND INTANGIBLE ASSETS

The following table presents reconciliation of acquisition cost, accumulated amortization and accumulated impairment losses, and balances of carrying amount of the Company's goodwill and intangible assets:

Acquisition Costs

(Unit: millions of yen)

		Intangible assets				
	Goodwill	Software	Intangible assets recognized in business combination	Capitalized development costs	Other	Total
January 1, 2022	¥ 14,529	¥ 76,420	¥ 33,765	¥ 35,555	¥ 3,508	¥ 149,248
Acquisition	—	22,681	—	—	1,067	23,748
Internal development	—	3,805	—	7,473	—	11,278
Sales and disposal	—	(2,923)	—	(142)	(72)	(3,137)
Acquisition through business combination	128,689	752	80,872	519	234	82,377
Exchange rate differences on foreign currencies	(868)	2,428	2,370	607	469	5,874
Others	(3,188)	(356)	1,209	(306)	(1,164)	(617)
December 31, 2022	¥ 139,162	¥ 102,807	¥ 118,216	¥ 43,706	¥ 4,042	¥ 268,771
Acquisition	—	14,408	—	—	1,130	15,538
Internal development	—	1,972	—	6,784	—	8,756
Sales and disposal	—	(3,747)	—	(173)	(394)	(4,314)
Acquisition through business combination	1,566	2	373	16	—	391
Exchange rate differences on foreign currencies	10,545	3,001	7,574	1,106	1,108	12,789
Others	(523)	(2,650)	—	(1,434)	89	(3,995)
December 31, 2023	¥ 150,750	¥ 115,793	¥ 126,163	¥ 50,005	¥ 5,975	¥ 297,936

Accumulated Amortization and Accumulated Impairment Losses

(Unit: millions of yen)

	Goodwill	Intangible assets: Software	Intangible assets: Intangible assets recognized in business combination	Intangible assets: Capitalized development costs	Intangible assets: Other	Total
January 1, 2022	¥ 4,174	¥ 25,323	¥ 20,610	¥ 14,953	¥ 2,833	¥ 63,719
Amortization	—	8,520	5,043	5,924	680	20,167
Sales and disposal	—	(2,942)	—	(140)	(68)	(3,150)
Exchange rate differences on foreign currencies	391	1,147	2,544	499	138	4,328
Others	—	(291)	—	(170)	(123)	(584)
December 31, 2022	¥ 4,565	¥ 31,757	¥ 28,197	¥ 21,066	¥ 3,460	¥ 84,480
Amortization	—	11,858	5,230	6,203	1,008	24,299
Sales and disposal	—	(2,835)	—	(47)	(648)	(3,530)
Exchange rate differences on foreign currencies	470	1,050	2,518	634	531	4,733
Others	—	(1,534)	—	2,348	140	954
December 31, 2023	¥ 5,035	¥ 40,296	¥ 35,945	¥ 30,204	¥ 4,491	¥ 110,936

Balances of Carrying Amount

(Unit: millions of yen)

	Goodwill	Intangible assets: Software	Intangible assets: Intangible assets recognized in business combination	Intangible assets: Capitalized development costs	Intangible assets: Other	Total
January 1, 2022	¥ 10,355	¥ 51,097	¥ 13,155	¥ 20,602	¥ 675	¥ 85,529
December 31, 2022	¥ 134,597	¥ 71,050	¥ 90,019	¥ 22,640	¥ 582	¥ 184,291
December 31, 2023	¥ 145,715	¥ 75,497	¥ 90,218	¥ 19,801	¥ 1,484	¥ 187,000

Intangible assets acquired through business combination include customer relationships, trademarks, and technology know-how. The figures as of December 31, 2022, have been retrospectively adjusted as the provisional accounting for the business combination of EKL has been finalized during the year ended December 31, 2023.

The amortization expense for intangible assets is included in cost of sales as well as in selling, general, and administrative expenses in the consolidated statement of profit or loss.

The following table presents the expenditures relating to R&D that were expensed:

(Unit: millions of yen)

Years ended December 31:	**2023**	**2022**
Amounts incurred	¥ 100,686	¥ 89,897
Amounts transferred to capitalized development costs	(6,784)	(7,473)
Capitalized development costs amortized	6,203	5,924
Total	¥ 100,105	¥ 88,348

Acquisition through business combination and *Others* in the preceding tables include intangible assets with indefinite useful lives. Intangible assets with indefinite useful lives included in *Acquisition through business combination* are the brand related to farm equipment and other trademarks recognized in connection with the business combination of EKL. Since the trademark will continue to exist as long as the business continues to operate, the Company has determined that the useful life is indefinite. The amount of intangible assets with indefinite useful lives in *Others* is not material.

The following table presents the carrying amount of goodwill allocated to CGUs:

(Unit: millions of yen)

December 31:			**2023**		**2022**
Farm & Industrial Machinery	India	¥	115,152	¥	107,788
	Europe		20,547		17,446
	North America		8,917		8,352
	Others		1,099		1,011
Total		¥	145,715	¥	134,597

(Note)
Figures for the year ended December 31, 2022, have been retrospectively adjusted as the provisional accounting for the business combination of EKL has been finalized during the year ended December 31, 2023.

The following table presents the carrying amount of intangible assets with indefinite useful lives allocated to CGUs:

(Unit: millions of yen)

December 31:			**2023**		**2022**
Farm & Industrial Machinery	India	¥	24,252	¥	22,701
Total		¥	24,252	¥	22,701

(Note)
Figures for the year ended December 31, 2022, have been retrospectively adjusted as the provisional accounting for the business combination of EKL has been finalized during the year ended December 31, 2023.

CGUs to which goodwill and intangible assets with indefinite useful lives are allocated are tested for impairment annually or whenever there is an indication of impairment.

Goodwill and intangible assets with indefinite useful lives for India were recognized in connection with the acquisition of EKL and are allocated to several CGUs of EKL. These includes goodwill of ¥102,254 million and intangible assets with indefinite useful lives of ¥24,252 million allocated to the CGU related to farm equipment, and goodwill of ¥12,898 million allocated to other CGU. The recoverable amount used to test the impairment is measured at the fair value less costs of disposal. The fair value less costs of disposal is calculated based on the quoted price in the active market, with the control premium estimated based on market transactions and other factors. In allocating the fair value to each CGU, the projected EBITDA composition by business was considered. The fair value hierarchy is classified as Level 3 since key unobservable inputs are included in measuring the fair value.

The fair value less costs of disposal is well above the carrying amount, and the Company has determined that reasonably possible changes in the control premium and the projected EBITDA composition used for impairment testing would not result in material impairment.

The recoverable amount used to test the impairment of goodwill for other CGUs to which goodwill is allocated is measured at the value in use. The value in use is calculated by discounting the estimated future cash flows to present value based on the management approved five-year business plan reflecting past performances. The estimated future cash flows for the periods over five years are calculated by using the market growth rate (from 2.0% to 2.3%), taking into consideration the long-term average growth rate in each country or market in which CGUs belong. The discount rate is based on the pretax weighted average cost of capital on each of CGUs (from 11.3% to 15.5%).

The value in use of each CGU is well above its carrying amount, and the Company has determined that reasonably possible changes in the market growth rate and discount rate used for impairment testing would not result in material impairment.

14. LEASES

As Lessee

The Company leases certain office space, manufacturing equipment, and employee housing under the lease contracts.

The following table presents a reconciliation of the carrying amount of right-of-use assets as lessee:

The Company remeasures the lease liability when there is a change in the lease term and recognizes such amount as an adjustment to the right-of-use asset.

(Unit: millions of yen)

	Land	Buildings and structures	Machinery and equipment and others	Total
January 1, 2022	¥ 4,226	¥ 35,732	¥ 17,100	¥ 57,058
Increase	1,411	22,643	2,498	26,552
Depreciation	(409)	(13,240)	(4,706)	(18,355)
Decrease	(147)	(3,208)	(5,443)	(8,798)
December 31, 2022	¥ 5,081	¥ 41,927	¥ 9,449	¥ 56,457
Increase	569	23,257	5,977	29,803
Depreciation	(479)	(16,363)	(3,853)	(20,695)
Decrease	(44)	(2,177)	(432)	(2,653)
December 31, 2023	¥ 5,127	¥ 46,644	¥ 11,141	¥ 62,912

The following table presents the amounts recognized in profit or loss:

(Unit: millions of yen)

Years ended December 31:	**2023**	**2022**
Interest expense related to lease liabilities	¥ 445	¥ 148
Expenses related to short-term leases	265	338
Expenses related to leases of low-value assets	3,699	2,535

Total cash outflows for leases were ¥21,788 million and ¥23,752 million for the years ended December 31, 2023 and 2022, respectively.

The Company depends on each of affiliates' own judgments when it comes to entering into lease contracts. In cases where the lessee is able to exercise an extension option without the lessor's consent, it is considered that the lessee has an extension option. In case where the lessee is able to terminate its lease contract in the middle of the contract, it is considered that the lessee has a termination option. Each affiliate exercises these options as necessary.

The following table presents maturity analyses for lease liabilities as of December 31, 2023 and 2022:

(Unit: millions of yen)

December 31:	**2023**	**2022**
Within 1 year	¥ 21,591	¥ 18,539
Between 1 year and 5 years	34,499	32,994
Later than 5 years	3,248	3,324
Undiscounted lease liabilities	¥ 59,338	¥ 54,857
Less:		
Interest equivalent	(1,329)	(2,481)
Present value of lease liabilities	¥ 58,009	¥ 52,376

As Lessor

The Company leases its farm equipment and others to end users under finance leases.

Risks associated with the underlying assets are mitigated through regular monitoring and by accumulating information on sales in the secondhand market.

The following table presents finance income on the net investment in the lease:

(Unit: millions of yen)

Years ended December 31:		2023		2022
Finance income on the net investment in the lease	¥	39,333	¥	34,090

The following table presents maturity analyses for lease receivables:

(Unit: millions of yen)

Years ended December 31:		2023		2022
Within 1 year	¥	162,085	¥	143,656
Between 1 year and 2 years		138,907		123,720
Between 2 and 3 years		96,518		88,190
Between 3 and 4 years		72,433		63,388
Between 4 and 5 years		47,907		41,502
Later than 5 years		41,549		31,704
Undiscounted lease receivables	¥	559,399	¥	492,160
Less:				
Unearned finance income		(93,370)		(79,327)
Net investment in the lease	¥	466,029	¥	412,833

15. BONDS AND BORROWINGS

Bonds and Borrowings

Bonds and borrowings are composed of the following:

(Unit: millions of yen)

December 31:		2023		2022
Short-term borrowings (Note 1)	¥	330,626	¥	351,030
Bonds and long-term borrowings (Note 2)		1,659,581		1,260,075
Total	¥	1,990,207	¥	1,611,105
Current liabilities		663,294		640,889
Noncurrent liabilities		1,326,913		970,216

(Notes)

1. Short-term borrowings consist of notes payable to banks and CP. The weighted average interest rate on short-term borrowings as of December 31, 2023, was 5.530%.
2. Bonds and long-term borrowings include their current portions.

Bonds and long-term borrowings (including current portions) are composed of the following:

(Unit: millions of yen)

December 31:		2023		2022	Interest rate (%)	Maturity term
Bonds						
14th Unsecured Bonds	¥	99,861	¥	99,821	0.300	Fiscal year 2027
15th Unsecured Bonds		49,815		49,793	0.514	Fiscal year 2032
16th Unsecured Bonds		69,847		—	0.479	Fiscal year 2028
17th Unsecured Bonds		49,842		—	0.950	Fiscal year 2033
USD Unsecured Bonds		70,578		—	4.958	Fiscal year 2026
Long-term borrowings					2.948	Through fiscal year 2034
Secured		381,548		343,623		
Unsecured		938,090		766,838		
Total	¥	1,659,581	¥	1,260,075		
Current portion		332,668		289,859		

(Note)

Interest rate of bonds is that of nominal interest rate and the interest rate of long-term borrowings is that of the weighted average interest rate as of December 31, 2023.

Bonds and borrowings are categorized as financial liabilities measured at amortized cost.

Assets Pledged as Collateral

The following table presents assets pledged as collateral:

(Unit: millions of yen)

December 31:		2023		2022
Trade receivables	¥	—	¥	13
Finance receivables (current) (Note 1)		180,308		148,573
Other financial assets (current) (Note 2)		4,060		3,991
Finance receivables (noncurrent) (Note 1)		293,647		260,925
Property, plant, and equipment		—		404
Total	¥	478,015	¥	413,906

(Notes)

1. Finance receivables (current) and finance receivables (noncurrent) are pledged in accordance with the terms of securitization transactions.
2. Other financial assets (current) represent restricted cash, which is pledged in accordance with the terms of borrowings.

Short-term and long-term bank loans are made under general agreements. Under the terms of these transaction agreements, the Company may be required by the bank to provide collateral or guarantees in the future. The bank also has the right to offset the deposit against all debts that are due or in default. Long-term contracts with lenders other than banks are also subject to the general provision that additional collateral must be provided at the lender's request.

16. TRADE PAYABLES

Trade payables are composed of the following:

Trade payables are categorized as financial liabilities measured at amortized cost.

(Unit: millions of yen)

December 31:		2023		2022
Trade notes payable	¥	131,507	¥	274,855
Trade accounts payable		169,395		179,925
Total	¥	300,902	¥	454,780

17. OTHER FINANCIAL LIABILITIES

Other financial liabilities are composed of the following:

(Unit: millions of yen)

December 31:		2023		2022
Financial liabilities measured at amortized cost:				
Lease liabilities	¥	58,009	¥	52,376
Notes and accounts payable for capital expenditures		22,967		43,054
Deposits from Group financing		29,385		27,617
Others		21,712		21,194
Financial liabilities measured at fair value through profit or loss:				
Derivatives		5,898		2,990
Total	¥	137,971	¥	147,231
Current liabilities		93,270		106,096
Noncurrent liabilities		44,701		41,135

18. INSURANCE CONTRACTS

Insurance Contracts Applying the General Measurement Model

The following table presents changes in liabilities for the remaining coverage and liabilities for incurred claims:

(Unit: millions of yen)

Years ended December 31:	2023			2022		
	Liabilities for the remaining coverage	Liabilities for the incurred claims	Total	Liabilities for the remaining coverage	Liabilities for the incurred claims	Total
Balance as of the beginning of the year (Note)	¥ 44,916	¥ 5,876	¥ 50,792	¥ 39,690	¥ 4,751	¥ 44,441
Insurance revenue	(30,200)	—	(30,200)	(24,519)	—	(24,519)
Insurance service expenses						
Incurred claims and other expenses	—	16,329	16,329	—	15,357	15,357
Amortization of insurance acquisition cash flows	4,830	—	4,830	4,185	—	4,185
Changes that relate to past service	—	(3,559)	(3,559)	—	(1,187)	(1,187)
Cash flows						
Premiums received	34,355	—	34,355	28,396	—	28,396
Insurance acquisition cash flows paid	(8,932)	—	(8,932)	(7,383)	—	(7,383)
Incurred claims and other expenses paid	—	(15,563)	(15,563)	—	(13,668)	(13,668)
Insurance finance (income) or expenses	(297)	161	(136)	(1,651)	(127)	(1,778)
Others	3,036	381	3,417	6,198	750	6,948
Balance as of the end of the year (Note)	¥ 47,708	¥ 3,625	¥ 51,333	¥ 44,916	¥ 5,876	¥ 50,792

(Note)

Amounts in parentheses indicate assets.

The following table presents changes in the estimated present value of future cash flows, the risk adjustments for the non-financial risk, and the contractual service margin:

(Unit: millions of yen)

	Estimates of future cash flows	Risk adjustments for the non-financial risk	Contractual service margin	Total
January 1, 2022 (Note)	¥ 24,953	¥ 3,383	¥ 16,105	¥ 44,441
Changes that relate to future service				
Change in estimate resulting in adjustment to the contractual service margin	(9,710)	1,060	8,650	—
Changes that relate to current service				
Contractual service margin recognized in profit or loss due to the transfer of services	—	—	(7,619)	(7,619)
Change in the risk adjustment for non-financial risk that does not relate to current and past service	—	(913)	—	(913)
Experience adjustments	3,555	—	—	3,555
Changes that relate to past service	(1,088)	(99)	—	(1,187)
Cash flows				
Premiums received	28,396	—	—	28,396
Insurance acquisition cash flows paid	(7,383)	—	—	(7,383)
Incurred claims and other expenses paid	(13,668)	—	—	(13,668)
Insurance finance (income) or expenses	(2,108)	(198)	528	(1,778)
Others	3,877	527	2,544	6,948
December 31, 2022 (Note)	¥ 26,824	¥ 3,760	¥ 20,208	¥ 50,792
Changes that relate to future service				
Change in estimate resulting in adjustment to the contractual service margin	(21,470)	5,004	16,466	—
Changes that relate to current service				
Contractual service margin recognized in profit or loss due to the transfer of services	—	—	(6,609)	(6,609)
Change in the risk adjustment for non-financial risk that does not relate to current and past service	—	(1,240)	—	(1,240)
Experience adjustments	(1,192)	—	—	(1,192)
Changes that relate to past service	(3,027)	(532)	—	(3,559)
Cash flows				
Premiums received	34,355	—	—	34,355
Insurance acquisition cash flows paid	(8,932)	—	—	(8,932)
Incurred claims and other expenses paid	(15,563)	—	—	(15,563)
Insurance finance (income) or expenses	(271)	(378)	513	(136)
Others	1,701	273	1,443	3,417
December 31, 2023 (Note)	¥ 12,425	¥ 6,887	¥ 32,021	¥ 51,333

(Note)
Amounts in parentheses indicate assets.

The following table presents the breakdown of insurance revenue:

(Unit: millions of yen)

Years ended December 31:	**2023**	**2022**
Changes in the liability for remaining coverage		
Insurance service expenses expected at the beginning of the year	¥ 17,200	¥ 11,661
Adjustment for non-financial risk	1,561	1,054
Contractual service margin recognized in profit or loss due to the transfer of services	6,609	7,619
Allocation of the portion related to the recovery of insurance acquisition cash flows	4,830	4,185
Total	¥ 30,200	¥ 24,519

The following is an expected recognition period of the contractual service margin in profit or loss:

(Unit: millions of yen)

December 31:	Within 1 year	From 1 year to 2 years	From 2 to 3 years	From 3 to 4 years	From 4 to 5 years	Over 5 years	Total
2022	¥ 6,163	¥ 5,416	¥ 4,264	¥ 2,667	¥ 1,354	¥ 344	¥ 20,208
2023	¥ 7,877	¥ 8,390	¥ 5,988	¥ 4,419	¥ 2,882	¥ 2,465	¥ 32,021

The measurement of insurance contracts includes all future cash flows within the boundary and is estimated so that historical data on performance reflects current conditions. Loss ratios used to estimate future cash flows are based on the historical ratio of claims paid to premiums received.

In calculating the present value of future cash flows, the Company uses a discount rate calculated using a bottom-up approach, whereby a liquid risk-free yield curve is adjusted to reflect differences between the liquidity characteristics of the financial instruments that underlie the rates observed in the market and the liquidity characteristics of the insurance contract.

The confidence level technique is used to estimate risk adjustments for non-financial risk, which reflects the compensation the Company would require for bearing the non-financial risk arising from the uncertain amount and timing of cash flows. The confidence level used for the years ended December 31, 2023 and 2022, is 75%.

The coverage units used to calculate the release of contractual service margin are determined by considering the quantity of the benefits provided under the insurance contract and its expected coverage period. The Company calculates the coverage units based on the maximum allowable claim amounts expected for each fiscal year within the term of the insurance contract.

A summary of the risks associated with the Company's insurance contracts and their management status is as follows.

(1) Insurance Risk

Insurance contracts of the Company are reinsurance contracts under which the Company assumes significant insurance risk by providing indemnification for insurance claims paid for physical damages incurred in connection with the products of the Company owned by dealers and end-users in North America. The Company is exposed to insurance risk, that is, risk arising from the amount, timing, and uncertainty of insurance claims. The Company manages insurance risk by continuously monitoring new underwriting and claims, analyzing and forecasting income and expenses, and revising premium rates as necessary.

Insurance contracts of the Company are reinsurance contracts relating to a large number of dealers or small end users of the Company’s products, and the Company is not in a situation where it is significantly concentrated in dealing with any one particular customer.

(2) Market Risk

In calculating the present value of the future cash flows, the Company uses discount rates resulting from adjusting a liquid risk-free yield curve to reflect the differences between the liquidity characteristics of the financial instruments that underlie the rates observed in the market and the liquidity characteristics of the insurance contracts. The Company has determined that reasonably possible changes in discounts rates would not result in a material impact.

(3) Liquidity Risk

The Company is exposed to liquidity risk that the Company may have difficulties in satisfying payment obligations.

The Company manages liquidity risk by maintaining adequate levels of share capital, retained earnings, cash and cash equivalents, and investment balances in accordance with legal or regulatory requirements, and by monitoring planned and actual cash flows.

The following is a maturity analyses for the remaining contractual undiscounted net cash flows. Amounts in parentheses indicate cash inflow.

(Unit: millions of yen)

December 31:	Within 1 year	From 1 year to 2 years	From 2 to 3 years	From 3 to 4 years	From 4 to 5 years	Over 5 years	Total
2022	¥ (817)	¥ 12,055	¥ 8,610	¥ 5,353	¥ 3,085	¥ 2,129	¥ 30,415
2023	¥ (11,473)	¥ (12,842)	¥ 16,807	¥ 10,895	¥ 6,925	¥ 6,550	¥ 16,862

Insurance Contracts Applying the Premium Allocation Approach

The following table presents changes in liabilities for the remaining coverage and liabilities for incurred claims:

(Unit: millions of yen)

Years ended December 31:	2023			2022		
	Liabilities for the remaining coverage	Liabilities for the incurred claims	Total	Liabilities for the remaining coverage	Liabilities for the incurred claims	Total
Balance as of the beginning of the year (Note)	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —
Insurance revenue	(15,931)	—	(15,931)	—	—	—
Insurance service expenses						
Incurred claims and other expenses	—	8,397	8,397	—	—	—
Amortization of insurance acquisition cash flows	566	—	566	—	—	—
Cash flows						
Premiums received	12,765	—	12,765	—	—	—
Insurance acquisition cash flows paid	(453)	—	(453)	—	—	—
Incurred claims and other expenses paid	—	(5,821)	(5,821)	—	—	—
Balance as of the end of the year (Note)	¥ (3,053)	¥ 2,576	¥ (477)	¥ —	¥ —	¥ —

(Note)
Amounts in parentheses indicate assets.

The balance of insurance contracts is included in “Other current assets” in the consolidated statement of financial position.

Insurance contracts measured using the premium allocation approach are reinsurance contracts issued by subsidiaries to third parties in connection with an insurance contract with third parties in which the Parent Company is the policyholder. Since such reinsurance contracts do not cover customers of the Company, related insurance revenue and insurance service expenses are included in “Other income” and “Other expenses,” respectively, in the consolidated statement of profit or loss, and approximately the same amounts are included in selling, general, and administrative expenses as premiums paid and claims received for the underlying insurance contracts.

19. PROVISIONS

The following table presents a reconciliation of provisions by items:

(Unit: millions of yen)

	Product warranty	Other provisions	Total
January 1, 2023	¥ 59,699	¥ 8,176	¥ 67,875
Additions	57,694	5,185	62,879
Utilized	(46,064)	(4,778)	(50,842)
Reversal	(3,763)	(48)	(3,811)
Others	3,018	404	3,422
December 31, 2023	¥ 70,584	¥ 8,939	¥ 79,523

The Company provides contractual product warranties under which it generally guarantees the performance of products sold according to a product specification which the Company and its customers have mutually agreed on. The cost of free repairs expected to be incurred in the future is recorded as a provision for product warranties. The provision for product warranties includes expenditures estimated based on historical costs of product warranties, as well as expenditures estimated individually for recalls and voluntary free repairs based on unit repair costs and the number of units to be repaired. The outflow of economic benefits is expected to occur generally within one year to five years.

Other provision includes provisions for loss on orders received and provisions for assets retirement obligation.

The following table presents the breakdown of provision by current and noncurrent categories:

(Unit: millions of yen)

December 31:	**2023**	**2022**
Current liabilities	¥ 77,191	¥ 65,823
Noncurrent liabilities	2,332	2,052
Total	¥ 79,523	¥ 67,875

Provisions categorized as noncurrent liabilities are included in *Other noncurrent liabilities* in the consolidated statement of financial position.

20. EMPLOYEE BENEFITS

Postemployment Benefits

The Parent Company and most subsidiaries mainly in Japan have defined benefit corporate pension plans and/or lump-sum severance indemnity plans covering substantially all of their employees as defined benefit pension plans. At the Parent Company and certain subsidiaries, employees who terminate their employment have the option to receive benefits in the form of a lump-sum payment or annuity payments from defined benefit pension plans. The benefits are mainly calculated based on accumulated *points* under the point-based benefits system. The *points* consist of *service period points*, which are attributed to the length of service, *job title points*, which are attributed to the job title of each employee, and *performance points*, which are attributed to the annual performance evaluation of each employee.

Defined benefit corporate pension plans are run by Kubota Pension Fund, which is a separate legal entity from the Parent Company, in compliance with laws and regulations. Such laws and regulations require the Board of Kubota Pension Fund and the pension investment organization to execute their duties in the best interest for the participants in defined benefit pension plans and to assume responsibility on the management of their plan assets in conformity with predetermined policies.

In addition, the Parent Company and certain domestic subsidiaries employ defined contribution pension plans for most of their employees.

On April 1, 2022, part of the defined benefit corporate pension plans of the Parent Company were terminated and the past funding were transferred to the defined contribution plan.

As a result of the transfer of the plan, defined benefit liabilities and plan assets were decreased by ¥17,933 million and ¥19,211 million, respectively, in the year ended December 31, 2022, and the difference was recognized for the year as loss on settlement. Loss on settlement recognized in the consolidated statement of profit or loss for the year ended December 31, 2022, was ¥1,278 million, of which ¥910 million was included in cost of sales and ¥368 million in selling, general, and administrative expenses.

For certain employees who have joined the Parent Company through merger during the year ended December 31, 2023, the Parent Company continued to apply the retirement benefit plans that had been in effect prior to the merger. However, in November 2023, the Parent Company decided to integrate such plans into its defined benefit corporate pension plan and retirement allowance plan from January 1, 2024.

Also in November 2023, the Parent Company decided to extend the retirement age of certain employees from 60 to 65 years and to revise its defined benefit corporate pension plan and retirement allowance plan on April 1, 2024.

As a result of the revision of plans, the defined benefit plan obligation was reduced and the same amount of past service cost was recognized in profit or loss in the year ended December 31, 2023. Past service cost recognized in profit or loss in the year ended December 31, 2023, amounted to ¥7,832 million, reducing cost of sales and selling, general, and administrative expenses in the consolidated statement of profit or loss by ¥5,711 million and ¥2,121 million, respectively.

(1) Defined benefit liabilities or assets recognized in the consolidated statement of financial position

The following table presents net defined benefit liabilities and assets, and a status of defined benefit obligation and plan assets:

(Unit: millions of yen)

December 31:		**2023**		**2022**
Present value of defined benefit obligation	¥	191,690	¥	193,251
Fair value of plan assets		234,573		210,763
Effect of asset ceiling		41,797		29,518
Net defined benefit liabilities	¥	(1,086)	¥	12,006
Amount recognized in the consolidated statement of financial position:				
Other noncurrent assets	¥	16,993	¥	2,287
Retirement benefit liabilities		15,907		14,293
Net amount recognized in the consolidated statement of financial position	¥	(1,086)	¥	12,006

(2) Present value of defined benefit obligation

The following table presents a reconciliation of the present value of defined benefit obligation:

(Unit: millions of yen)

Years ended December 31:		**2023**		**2022**
Balance at the beginning of the year	¥	193,251	¥	232,588
Service costs		9,012		10,611
Interest costs		3,448		2,075
Past service costs		(7,655)		—
Remeasurement of defined benefit obligation:				
Actuarial gains and losses arising from changes in demographic assumptions		488		4
Actuarial gains and losses arising from changes in financial assumptions		(2,024)		(30,119)
Others		2,138		2,400
Benefits paid (lump-sum payment)		(2,705)		(3,420)
Benefits paid (annuity payment)		(6,338)		(6,252)
Transfer of the plan		—		(17,933)
Changes in scope of consolidation		—		1,803
Exchange rate differences on foreign currencies		2,075		1,494
Balance at the end of the year	¥	191,690	¥	193,251

The weighted average duration of defined benefit obligation as of December 31, 2023 and 2022, was 18 years and 17 years, respectively.

(3) Fair value of plan assets

The following table presents a reconciliation of the fair value of plan assets:

(Unit: millions of yen)

Years ended December 31:		2023		2022
Balance at the beginning of the year	¥	210,763	¥	243,722
Interest income		3,773		4,312
Return from remeasurement of plan assets		19,389		(19,433)
Employer contributions		6,312		6,203
Benefits paid (lump-sum payment)		(645)		(1,295)
Benefits paid (annuity payment)		(6,338)		(6,252)
Transfer of the plan		—		(19,211)
Changes in scope of consolidation		—		1,475
Exchange rate differences on foreign currencies		1,319		1,242
Balance at the end of the year	¥	234,573	¥	210,763

The Company plans to make contributions of ¥6,000 million to the defined benefit corporate pension plan for the year ending December 31, 2024.

(4) Effect of asset ceiling

When the defined benefit pension plan is in surplus, the amount of defined benefit assets recognized in the consolidated statement of financial position is limited to the asset ceiling amount, which is the present value of any future economic benefits available in the form of refunds from the plan and reductions in the future contributions to the plan.

The following table presents a reconciliation of the effect of the asset ceiling:

(Unit: millions of yen)

Years ended December 31:		2023		2022
Balance at the beginning of the year	¥	29,518	¥	6,843
Interest income		36		0
Remeasurement of defined benefit pension plan:				
Changes in effect of asset ceiling		12,243		22,675
Balance at the end of the year	¥	41,797	¥	29,518

(5) Actuarial assumptions

The following table presents significant actuarial assumptions used for calculating the present value of defined benefit obligation:

December 31:	2023	2022
Discount rate	2.0%	1.8%

The rate of compensation increase is not used in the calculations of defined benefit obligation under the point-based benefits system.

(6) Breakdown of plan assets by item

The plan assets are composed of the following:

(Unit: millions of yen)

December 31, 2023:		Assets with quoted price in an active market		Assets with no quoted price in an active market		Total
Equity securities:						
Financial institutions (Japanese equity securities)	¥	12,618	¥	—	¥	12,618
Other industries (Japanese equity securities)		19,087		—		19,087
Pooled funds (Japanese equity securities)		—		17,787		17,787
Pooled funds (Foreign equity securities)		—		33,692		33,692
Debt securities:						
Pooled funds (Japanese debt securities)		—		47,135		47,135
Pooled funds (Foreign debt securities)		—		43,782		43,782
Cash and short-term investments		2,811		2,956		5,767
General accounts of insurance companies		—		29,310		29,310
Other assets (Note)		—		25,395		25,395
Total	¥	34,516	¥	200,057	¥	234,573

(Unit: millions of yen)

December 31, 2022:		Assets with quoted price in an active market		Assets with no quoted price in an active market		Total
Equity securities:						
Financial institutions (Japanese equity securities)	¥	9,565	¥	—	¥	9,565
Other industries (Japanese equity securities)		10,949		—		10,949
Pooled funds (Japanese equity securities)		—		16,514		16,514
Pooled funds (Foreign equity securities)		—		30,394		30,394
Debt securities:						
Pooled funds (Japanese debt securities)		—		43,098		43,098
Pooled funds (Foreign debt securities)		—		41,906		41,906
Cash and short-term investments		1,315		4,047		5,362
General accounts of insurance companies		—		28,773		28,773
Other assets (Note)		—		24,202		24,202
Total	¥	21,829	¥	188,934	¥	210,763

(Note)

Other assets include real estate fund and infrastructure fund.

The Company’s policy and objective for plan asset management is to maximize returns on plan assets to meet future benefit payment requirements under risks which the Company considers permissible. In order to diversify potential risks, careful consideration is given to balancing the portfolio among industry sectors, companies, and geographies, taking into account interest rate sensitivity, dependence on economic growth, currency, and other factors that affect investment returns. The Company’s target allocation is 35% for equity securities and foreign debt securities subject to foreign currency exchange rate risks and 65% for other investment vehicles, primarily Japanese debt securities, foreign debt securities not subject to foreign currency exchange rate risks, cash, short-term investments, and the general accounts of insurance companies.

A large portion of the plan assets is managed by trust banks and investment advisors. Those fund managers are bound by the Company’s plan asset management guidelines, which are established to achieve the optimized asset compositions in terms of long-term overall plan asset management, and the fund managers’ performance is measured against specific benchmarks.

To measure the performance of the plan asset management, the Company establishes benchmark return rates for each individual investment, combines these individual benchmark rates based on the asset composition ratios within each asset category, and compares the combined rates with the corresponding actual return rates on each asset category.

(7) Sensitivity analysis of significant actuarial assumptions

The following table presents a sensitivity analysis of significant actuarial assumptions on defined benefit liabilities:

(Unit: millions of yen)

December 31:	2023	2022
Discount rate (0.5% increase)	¥ 10,308 (decrease)	¥ 9,820 (decrease)
Discount rate (0.5% decrease)	11,571 (increase)	11,013 (increase)

The above sensitivity analysis assumes that assumptions other than discount rate remain unchanged. In practice, the results of this sensitivity analysis do not necessarily accurately represent changes in defined benefit liabilities because of interrelated changes in other actuarial assumptions.

(8) Defined contribution pension plans

Costs recognized for defined contribution pension plans for the years ended December 31, 2023 and 2022, were ¥7,281 million and ¥6,033 million, respectively.

Employee Benefit Expenses

Employee benefit expenses included in the consolidated statement of profit or loss were ¥440,863 million and ¥402,795 million for the years ended December 31, 2023 and 2022, respectively.

Employee benefit expenses include expenses such as salaries, bonus, welfare, and postemployment benefits for employees. Compensation for the Directors is also included in employee benefit expenses (refer to Note 31. RELATED-PARTY TRANSACTIONS).

Employee benefit expenses are included in cost of sales and selling, general, and administrative expenses in the consolidated statement of profit or loss.

21. OTHER LIABILITIES

The following table presents the Company's other liabilities:

(Unit: millions of yen)

December 31:	2023	2022
Employment benefit obligation	¥ 62,011	¥ 55,925
Accrued expenses	52,352	53,012
Refund liabilities	97,728	67,975
Others	39,176	36,801
Total	¥ 251,267	¥ 213,713
Current liabilities	244,323	207,040
Noncurrent liabilities	6,944	6,673

22. EQUITY

Number of Shares Authorized to Be Issued and Number of Issued Shares

The total number of shares authorized to be issued was 1,874,700 thousand shares as of December 31, 2023 and 2022. All shares issued by the Company are common stock without par value and issued shares have been fully paid.

The following table presents a reconciliation of the number of issued shares:

(Unit: thousands of shares)

Years ended December 31:	2023	2022
Number of issued shares:		
Balance at the beginning of the year	1,191,007	1,200,247
Increase during the year	—	—
Decrease during the year (Note)	(14,340)	(9,240)
Balance at the end of the year	1,176,667	1,191,007

(Note)
The decreases in the years ended December 31, 2023 and 2022, were due to retirement of treasury shares.

Treasury shares included in the number of issued shares above are 1,685 thousand shares and 1,838 thousand shares as of December 31, 2023 and 2022, respectively. Treasury shares include 1,324 thousand shares and 1,492 thousand shares of Kubota Corporation held by the trust in connection with stock compensation plan as of December 31, 2023 and 2022, respectively, as well as 337 thousand shares held by affiliates (equivalent to equity interest of the Company) as of December 31, 2023 and 2022.

Share Premium and Retained Earnings

(1) Share premium

Share premium is composed of a surplus, which is derived from equity transactions but is not recorded as share capital, and it is mainly composed of capital reserve. The Act stipulates that no less than 50% of the paid-in amount or proceeds of issuance of shares should be incorporated in share capital and that the remaining should be appropriated as capital reserve within share premium. Capital reserve may be appropriated as share capital with the approval of the General Meeting of Shareholders.

(2) Retained earnings

Retained earnings are composed of legal reserve and other accumulated earnings. The Act stipulates that an amount equal to 10% of cash dividends from retained earnings should be appropriated as a capital reserve or a legal reserve until the aggregated amount of capital reserve and legal reserve equals 25% of share capital. The legal reserve may be used to compensate for deficits or may be reversed with the approval of the General Meeting of Shareholders.

Dividends

(1) Dividends paid

Year ended December 31, 2023

Resolution	Class of shares	Dividends (millions of yen) (Note)	Dividends per common share	Record date	Effective date
The Board of Directors on February 14, 2023	Common shares	¥ 26,202	¥ 22.00	December 31, 2022	March 27, 2023
The Board of Directors on August 4, 2023	Common shares	¥ 28,346	¥ 24.00	June 30, 2023	September 1, 2023

(Note)
The total amount of dividends based on the resolution of the Board of Directors on February 14, 2023, and August 4, 2023, includes dividends of ¥33 million and ¥32 million, respectively, for shares of Kubota Corporation held by the trust in connection with the stock compensation plan.

Year ended December 31, 2022

Resolution	Class of shares	Dividends (millions of yen) (Note)	Dividends per common share	Record date	Effective date
The Board of Directors on February 14, 2022	Common shares	¥ 25,205	¥ 21.00	December 31, 2021	March 22, 2022
The Board of Directors on August 3, 2022	Common shares	¥ 26,294	¥ 22.00	June 30, 2022	September 1, 2022

(Note)

The total amount of dividends based on the resolution of the Board of Directors on August 3, 2022, includes dividends of ¥33 million for shares of Kubota Corporation held by the trust in connection with the stock compensation plan.

(2) Dividends with the record date in the year ended December 31, 2023, but the effective date in the following year

Resolution	Class of shares	Dividends (millions of yen) (Note)	Dividends per common share	Record date	Effective date
The Board of Directors on February 14, 2024	Common shares	¥ 28,239	¥ 24.00	December 31, 2023	March 25, 2024

(Note)

The total amount of dividends includes dividends of ¥32 million for shares of Kubota Corporation held by the trust in connection with the stock compensation plan.

Other Components of Equity

The following table presents a reconciliation of other components of equity by item:

(Unit: millions of yen)

	Remeasurement of defined benefit pension plans	Net change in fair value of financial assets measured at fair value through other comprehensive income	Exchange rate differences on translating foreign operations	Total
January 1, 2022	¥ —	¥ 45,935	¥ 23,587	¥ 69,522
Cumulative effect of changes in accounting policies	—	—	(279)	(279)
Total other comprehensive income, net of income tax	(8,674)	8,133	127,331	126,790
Transfer to retained earnings	8,674	(19,431)	—	(10,757)
Changes in ownership interests in subsidiaries	—	—	146	146
December 31, 2022	¥ —	¥ 34,637	¥ 150,785	¥ 185,422
Total other comprehensive income, net of income tax	4,226	15,694	109,095	129,015
Transfer to retained earnings	(4,182)	(6,247)	—	(10,429)
Changes in ownership interests in subsidiaries	(44)	(1)	(169)	(214)
December 31, 2023	¥ —	¥ 44,083	¥ 259,711	¥ 303,794

The following table presents the breakdown of total other comprehensive income, net of income tax, by item and related tax effects (including noncontrolling interests):

(Unit: millions of yen)

Years ended December 31:	2023			2022		
	Before tax	Tax effect	Net of tax	Before tax	Tax effect	Net of tax
Remeasurement of defined benefit pension plans:						
Increase (decrease) during the year	¥ 6,091	¥ (1,847)	¥ 4,244	¥ (12,679)	¥ 4,037	¥ (8,642)
	6,091	(1,847)	4,244	(12,679)	4,037	(8,642)
Net change in fair value of financial assets measured at fair value through other comprehensive income:						
Increase (decrease) during the year	22,817	(6,892)	15,925	3,208	4,900	8,108
	22,817	(6,892)	15,925	3,208	4,900	8,108
Exchange rate differences on translating foreign operations:						
Increase (decrease) during the year	130,129	(3,239)	126,890	143,056	(3,800)	139,256
Reclassification adjustment	—	—	—	(4,757)	—	(4,757)
	130,129	(3,239)	126,890	138,299	(3,800)	134,499
Total	¥ 159,037	¥ (11,978)	¥ 147,059	¥ 128,828	¥ 5,137	¥ 133,965

The following table presents the breakdown of total other comprehensive income, net of income tax, which is included in noncontrolling interests:

(Unit: millions of yen)

Years ended December 31:	2023	2022
Remeasurement of defined benefit pension plans	¥ 18	¥ 32
Net change in fair value of financial assets measured at fair value through other comprehensive income	231	(25)
Exchange rate differences on translating foreign operations	17,795	7,168
Total	¥ 18,044	¥ 7,175

23. REVENUE

Disaggregation of Revenue

The following table presents the Company's revenue recognized from contracts with customers and other sources of revenue by product group and location.

Effective from the year ended December 31, 2023, in conformity with changes in the internal organization of the Company, the product group name has been changed from "Materials and urban infrastructure-related products" to "Industrial products."

(Unit: millions of yen)

Year ended December 31, 2023:	Japan	North America	Europe	Asia outside Japan	Other areas	Total
Farm equipment and engines	¥ 268,409	¥ 738,501	¥ 275,907	¥ 493,205	¥ 70,946	¥1,846,968
Construction machinery	44,544	387,484	139,857	48,674	20,565	641,124
Farm & Industrial Machinery	312,953	1,125,985	415,764	541,879	91,511	2,488,092
Pipe system	141,688	652	—	3,379	37	145,756
Industrial products	40,186	11,444	1,397	11,367	8,735	73,129
Environment	126,012	6,104	1,134	8,412	3,922	145,584
Water & Environment	307,886	18,200	2,531	23,158	12,694	364,469
Other	19,485	5	7	18	—	19,515
Revenue recognized from:						
Contracts with customers	640,324	1,144,190	418,302	565,055	104,205	2,872,076
Other sources of revenue	2,820	108,023	—	35,543	2,249	148,635
Total	¥ 643,144	¥1,252,213	¥ 418,302	¥ 600,598	¥ 106,454	¥3,020,711

(Unit: millions of yen)

Year ended December 31, 2022:	Japan	North America	Europe	Asia outside Japan	Other areas	Total
Farm equipment and engines	¥ 261,021	¥ 707,211	¥ 223,894	¥ 447,726	¥ 66,559	¥1,706,411
Construction machinery	38,730	301,270	111,306	34,626	20,526	506,458
Farm & Industrial Machinery	299,751	1,008,481	335,200	482,352	87,085	2,212,869
Pipe system	130,275	893	—	3,439	21	134,628
Industrial products	39,829	10,162	2,092	7,485	9,390	68,958
Environment	106,514	3,057	681	8,331	5,433	124,016
Water & Environment	276,618	14,112	2,773	19,255	14,844	327,602
Other	23,154	10	3	13	—	23,180
Revenue recognized from:						
Contracts with customers	599,523	1,022,603	337,976	501,620	101,929	2,563,651
Other sources of revenue	2,853	77,565	—	31,369	1,542	113,329
Total	¥ 602,376	¥1,100,168	¥ 337,976	¥ 532,989	¥ 103,471	¥2,676,980

Interest revenue calculated using effective interest method and insurance revenue, which are included in *revenue recognized from other sources of revenue*, amounted to ¥110,472 million and ¥30,200 million, respectively, in the year ended December 31, 2023, and ¥81,272 million and ¥24,519 million, respectively, in the year ended December 31, 2022.

The Company engages in various fields of business and industries by providing products and services, which are categorized mainly into the Farm & Industrial Machinery business and the Water & Environment business. Performance obligations for each business are as follows:

(1) Farm & Industrial Machinery

In the Farm & Industrial Machinery business, the Company manufactures products such as farm equipment, agricultural-related products, engines, and construction machinery in Japan and various overseas regions and sells products to the corporate dealers and individual and corporate end users in these areas.

The Company has determined that performance obligations are satisfied when the products are delivered to customers, and therefore, revenue from the sale of products is recognized at that time. The Company does not adjust the consideration promised for financial factors by applying the practical expedient method since the consideration is received primarily within one year from the time the performance obligation is satisfied. Revenue is measured at the consideration promised in contracts, net of discounts, rebates based on purchase volume, and other items. Amounts expected to be refunded to customers are recognized as refund liabilities.

There are no material contracts between the Company and customers pertaining to returns.

The Company provides product warranties to cover free replacement and/or repairs on malfunctions resulting from product defects that occur within a certain period after the sale. Warranties generally guarantee to customers the performance of the products sold according to product specifications, which the Company and its customers have mutually agreed on. The Company recognizes provisions for product warranties.

(2) Water & Environment

In the Water & Environment business, the Company manufactures and sells products related to pipe system, industrial products, and environment. The Company also engages in construction contracts of public facilities such as environment-related facilities and water supply facilities. The main customers are national and local governments and other public offices in Japan, as well as corporations in Japan and various overseas regions.

The Company has determined that performance obligations are satisfied when the products are delivered to customers, and therefore, revenue from the sale of products is recognized at that time. For construction contracts, revenue is recognized over a construction period since a performance obligation is satisfied in accordance with the progress of construction. The Company uses the input method, which is based on the costs incurred relative to the total expected costs of individual contracts, as the method to measure the extent of progress toward completion. The Company does not adjust the consideration promised for financial factors by applying the practical expedient method since the consideration is received primarily within one year from the time the performance obligation is satisfied. Revenue is measured at the consideration promised in contracts, net of discounts, rebates based on purchase volume, and other items. Amounts expected to be refunded to customers are recognized as refund liabilities.

There are no material contracts between the Company and customers pertaining to returns.

The Company provides product warranties to cover free replacements and/or repairs on defects found for a certain period after the sale. Warranties generally guarantee to customers the performance of the products sold according to product specifications or services rendered according to an intention of service, which the Company and its customers have mutually agreed on. The Company recognizes provisions for product warranties.

Contract Balances

Receivables are unconditional rights to consideration received in exchange for satisfaction of performance obligations. In addition to those presented as trade receivables in the consolidated statement of financial position, long-term trade account receivables are included in other financial assets (noncurrent).

Contract assets are the Company's rights to consideration received, excluding receivables, in exchange for satisfaction of a portion of the performance obligation that is measured based on the degree of completion as of the end of the reporting period for construction contracts in the Water & Environment business. Contract assets are reclassified into receivables at the time when the Company's right to consideration becomes an unconditional right to payment before its payment due date.

Contract liabilities include advances from customers.

The following table presents the significant changes in the balances of contract assets and contract liabilities:

(Unit: millions of yen)

	2023		2022	
Years ended December 31:	Contract assets	Contract liabilities	Contract assets	Contract liabilities
Increase by revenue recognition	¥ 84,196	¥ —	¥ 70,020	¥ —
Decrease by transfer to receivables	(66,013)	—	(66,709)	—
Increase by receipt of cash	—	121,573	—	100,073
Decrease by recognition of revenue	—	(123,957)	—	(94,818)

Of the beginning balance of contract liabilities, revenue recognized during the reporting periods were ¥24,639 million and ¥16,304 million for the years ended December 31, 2023 and 2022, respectively.

Revenue recognized from performance obligations which had been satisfied or partially satisfied in the past were not material for the years ended December 31, 2023 and 2022.

Transaction Price Allocated to Remaining Performance Obligation

The aggregate amount of the transaction price allocated to the performance obligations that were unsatisfied or partially unsatisfied were ¥191,513 million and ¥178,818 million for the years ended December 31, 2023 and 2022, respectively. These performance obligations are primarily related to construction contracts in the Water & Environment business and are deemed to be recognized as revenue within approximately five years, in accordance with the progress of construction.

As the Company applies the practical expedient method, the above amounts do not include a transaction price for unsatisfied performance obligations with an initial expected contract period of one year or less.

There were no material amounts of consideration arising from contracts with customers that were not included in the transaction price.

24. OTHER INCOME AND OTHER EXPENSES

Other income and other expenses are composed of the following:

(Unit: millions of yen)

Years ended December 31:		**2023**		**2022**
Other income:				
Foreign exchange gains	¥	—	¥	12,016
Insurance revenue		15,931		—
Royalty income		963		961
Profit from disposal of property, plant, and equipment and intangible assets		3,236		430
Others		2,044		2,081
Total	¥	22,174	¥	15,488
Other expenses:				
Foreign exchange losses	¥	(8,739)	¥	—
Insurance service expenses		(8,963)		—
Loss from disposal of property, plant, and equipment and intangible assets		(6,377)		(3,637)
Impairment loss of property, plant, and equipment and intangible assets		(6,282)		(2,354)
Others		(832)		(1,435)
Total	¥	(31,193)	¥	(7,426)

25. FINANCE INCOME AND FINANCE COSTS

Finance income and finance costs are composed of the following:

(Unit: millions of yen)

Years ended December 31:		**2023**		**2022**
Finance income:				
Interest income:				
Financial assets measured at amortized cost	¥	12,925	¥	5,166
Dividend income:				
Equity financial assets measured at fair value through other comprehensive income		2,549		2,255
Others		3,239		11,339
Total	¥	18,713	¥	18,760
Finance costs:				
Interest expenses:				
Financial liabilities measured at amortized cost	¥	(4,406)	¥	(1,602)
Others		(847)		(395)
Total	¥	(5,253)	¥	(1,997)

The amount related to equity financial assets derecognized during the reporting period that is included in *Dividend income* is immaterial.

Finance income - Other include gains from foreign exchange forward contracts entered into in connection with the acquisition of Escorts Ltd. of ¥6,221 million for the year ended December 31, 2022.

26. INCOME TAXES

Income Tax Expenses

Income tax expenses are composed of the following:

(Unit: millions of yen)

Years ended December 31:		2023		2022
Current tax expenses:				
Tax expenses recognized for the current taxable income	¥	104,364	¥	81,138
Subtotal		104,364		81,138
Deferred tax expenses:				
Temporary differences originated and reversed		(17,239)		(23,596)
Changes in unrecognized deferred tax assets		(2,723)		810
Subtotal		(19,962)		(22,786)
Total	¥	84,402	¥	58,352

The Parent Company and domestic affiliates are subject to the Japanese corporate tax, an inhabitant tax, and business tax. The aggregated combined statutory income tax rates for the years ended December 31, 2023 and 2022, were both 30.6%. Subsidiaries located in foreign countries are subject to local taxes.

A reconciliation of the Japanese statutory tax rates and the average effective tax rates is as follows:

Years ended December 31:	2023	2022
Japanese statutory tax rates applied to profit before income taxes	30.6%	30.6%
Increase (decrease) in taxes resulting from:		
Changes in unrecognized deferred tax assets	(0.1)	(0.3)
Permanently nondeductible expenses	0.1	0.3
Tax effect on unremitted earnings of foreign affiliates	0.9	1.6
Extra tax deduction on expenses for R&D	(2.7)	(3.5)
Difference in statutory tax rates of foreign subsidiaries	(4.4)	(1.9)
Effect of a step acquisition of investments in affiliates	—	(1.3)
Other—net	0.3	(0.3)
Effective income tax rates applied to profit before income taxes	24.7%	25.2%

Deferred Tax Assets and Deferred Tax Liabilities

The significant components of deferred tax assets and liabilities are as follows:

(Unit: millions of yen)

December 31:		2023		2022
Deferred tax assets:				
Allowance for doubtful accounts	¥	6,343	¥	5,620
Intercompany profits		27,820		27,069
Financial assets measured at fair value through other comprehensive income		2,712		2,722
Write-downs of inventories; property, plant, and equipment; and intangible assets		2,753		3,022
Depreciation and amortization		7,958		5,861
Accrued bonuses		5,665		5,479
Retirement benefit liabilities		6,274		10,073
Refund liabilities		9,232		6,466
Accrued expenses		12,450		8,386
Provisions for product warranties		17,967		15,993
Deferred income		26,844		17,039
Tax loss and credit carryforwards		1,940		822
Other temporary differences		29,045		20,074
Gross deferred tax assets		157,003		128,626
Deferred tax liabilities:				
Financial assets measured at fair value through other comprehensive income		19,765		13,139
Unremitted earnings of foreign affiliates		49,295		42,902
Assets acquired through business combination		22,602		22,783
Other temporary differences		24,903		20,648
Gross deferred tax liabilities		116,565		99,472
Net deferred tax assets	¥	40,438	¥	29,154

(Note)

As described in *Note 3. MATERIAL ACCOUNTING POLICIES, Changes in Accounting Policies*, effective from the year ended December 31, 2023, the Company has adopted “Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)” and the comparable information has been retrospectively adjusted.

In addition, *Deferred income*, which was previously included in “Other temporary differences” under deferred tax assets, is presented separately from the year ended December 31, 2023, due to its increased materiality in terms of amount. To reflect this change in presentation, the comparative information has been retrospectively adjusted.

The following table presents a reconciliation of deferred tax assets-net:

(Unit: millions of yen)

Years ended December 31:		**2023**		**2022**
Balance as of the beginning of the year	¥	29,154	¥	19,386
Amounts recognized through profit or loss:				
Elimination of intercompany profit included in assets		751		7,685
Depreciation and amortization		605		(1,942)
Refund liabilities		2,766		2,176
Accrued expenses		4,081		5,338
Unremitted earnings of foreign affiliates		(6,393)		(7,585)
Provisions for product warranties		1,974		4,853
Deferred income		9,805		6,344
Other		6,840		11,786
Subtotal		20,429		28,655
Amounts recognized through other comprehensive income:				
Net change in fair value of financial assets measured at fair value through other comprehensive income		(6,895)		4,900
Remeasurement of defined benefit pension plans		(1,825)		4,037
Other		(3,239)		(3,800)
Subtotal		(11,959)		5,137
Business combination		(113)		(24,227)
Other changes		2,927		203
Balance as of the end of the year	¥	40,438	¥	29,154

(Note)

The difference between *Amounts recognized through profit or loss* above and deferred tax expenses is due to exchange rate fluctuations.

The following table presents deductible temporary differences, carryforward of unused tax losses, and carryforward of unused tax credit for which deferred tax assets are not recognized:

(Unit: millions of yen)

December 31:		2023		2022
Deductible temporary differences	¥	14,446	¥	20,731
Carryforward of unused tax losses		27,782		30,890
Carryforward of unused tax credit		—		826

Carryforward of unused tax losses for which deferred tax assets are not recognized will expire as follows:

(Unit: millions of yen)

December 31:		2023		2022
Within 1 year	¥	424	¥	451
Between 1 year and 5 years		1,209		2,449
Later than 5 years		5,251		8,420
Indefinite years		20,898		19,570
Total	¥	27,782	¥	30,890

The aggregate amounts of temporary differences relating to investments in associates for which deferred tax liabilities are not recognized were ¥57,492 million and ¥34,857 million as of December 31, 2023 and 2022, respectively. Deferred tax liabilities are not recognized since the Company may control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not be reversed in foreseeable periods.

The Company reflects the effect of uncertainty in determining the related taxable profit, etc., if the Company concludes it is not probable that the taxation authority will accept an uncertain tax treatment. The amounts of such effect were not material as of December 31, 2023 and 2022.

In addition, legislation pertaining to Pillar Two released by the OECD has been enacted, or substantively enacted, in certain jurisdictions in which the Company operates. In Japan, the Tax Reform Act of 2023 (the "Act for Partial Amendment to the Income Tax Act, etc. (Act No. 3 of 2023)") was enacted on March 28, 2023, which includes provisions related to the establishment of a corporate tax system corresponding to the global minimum taxation. Effective from fiscal years beginning on or after April 1, 2024, the Parent Company, etc., located in Japan will be additionally taxed until the effective tax rate in jurisdictions in which their subsidiaries, etc., are located reaches the minimum tax rate of 15%. The impact of these laws and regulations on the consolidated financial statements of the Company is expected to be immaterial.

27. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT

The numerator and denominator used to calculate basic earnings per share attributable to owners of the parent are presented in the table below.

The Company adopted a restricted stock compensation plan (the "Plan") for the Company's Directors and Executive Officers. Among the new shares granted under the Plan, non-vested shares are classified as common shares as participating equity instruments. Each common share and participating equity instrument have the same right to profit attributable to owners of the parent.

Shares of Kubota Corporation held by the trust in connection with the stock compensation plan are deducted from the weighted average number of common shares issued as treasury shares.

Years ended December 31:	2023	2022
		(Unit: millions of yen)
Profit attributable to owners of the parent	¥ 238,455	¥ 156,472
Profit attributable to participating equity instruments	—	—
Profit attributable to common shareholders	¥ 238,455	¥ 156,472
		(Unit: thousands of shares)
Weighted average number of common shares issued	1,181,975	1,193,855
Weighted average number of participating equity instruments	—	1
Weighted average number of common shares outstanding	1,181,975	1,193,855

Earnings per share attributable to owners of the parent - Diluted are not stated as Kubota Corporation did not have potentially dilutive common shares that were outstanding.

28. SUPPLEMENTAL CASH FLOW INFORMATION

Changes in Liabilities Arising from Financing Activities

The following table presents the reconciliation of liabilities arising from financing activities:

(Unit: millions of yen)

	Short-term borrowings	Long-term borrowings (Note)	Bonds	Lease liabilities	Deposits from Group financing	Total
January 1, 2022	¥ 255,625	¥ 838,884	¥ —	¥ 47,463	¥ 27,922	¥ 1,169,894
Changes arising from cash flows	55,973	179,557	149,614	(20,731)	(305)	364,108
Non-cash changes:	25,982	105,470	—	25,644	—	157,096
Exchange rate differences on foreign currencies	24,562	104,914	—	620	—	130,096
Others	1,420	556	—	25,024	—	27,000
December 31, 2022	¥ 337,580	¥ 1,123,911	¥ 149,614	¥ 52,376	¥ 27,617	¥ 1,691,098
Changes arising from cash flows	(36,813)	137,725	189,736	(17,379)	1,768	275,037
Non-cash changes:	23,360	64,501	593	23,012	—	111,466
Exchange rate differences on foreign currencies	23,141	64,232	497	1,505	—	89,375
Others	219	269	96	21,507	—	22,091
December 31, 2023	¥ 324,127	¥ 1,326,137	¥ 339,943	¥ 58,009	¥ 29,385	¥ 2,077,601

(Note)
Borrowings with a term of more than three months are classified as long-term borrowings.

Noncash Transaction

Noncash transaction is composed of the following:

(Unit: millions of yen)

Years ended December 31:	2023	2022
Retirement of treasury shares	¥ 29,968	¥ 19,989
Acquisition of assets by means of a lease	¥ 29,803	¥ 26,552

29. FINANCIAL INSTRUMENTS

Capital Management

The Company considers equity attributable to owners of the parent to be equity capital.

The Company puts the highest priority on stable and sustainable enhancement of corporate value. In order to sustainably enhance corporate value, the basic capital policy of the Company is to fully utilize its capital to enhance profitability, to maintain sufficient level of capital to support future business expansion, and to further enhance shareholder returns.

Based on this basic policy, the Company determines the use of retained earnings, taking into consideration the maintenance of sound management and response to the future business environment, and the Company is committed to maintaining and improving stable dividends in terms of profit distribution.

Certain subsidiaries of the Company are subject to capital controls imposed by the laws or regulatory authorities of the countries in which they are located and maintain capital, and surplus balances above certain levels.

Credit Risk

The Company is exposed to the credit risk of its customers regarding its trade receivables, contract assets, long-term trade accounts receivable, and finance receivables in cases where customers become unable to satisfy their debt obligations.

With regard to trade receivables and contract assets, the Company determines a maximum credit limit of its customers individually, considering the customer's credit rating, details of transactions, and financial conditions, and monitors them on a regular basis in order to mitigate the credit risk. The Company obtains guarantee deposits, collaterals, and bank guarantees, if necessary. With regard to finance receivables and long-term trade accounts receivables, the Company performs credit research on its customers by referring to information for internal use and external credit reporting services at the time of entering into contracts with them. After the commencement of transactions, the Company manages and monitors due dates and performs collection activities, including reminders through calls, emails, and letters; visits to customers; and repossessions of products sold or leased, depending on the number of days past due.

The carrying amount of these financial assets, net of impairment losses, stated in the consolidated statement of financial position is the Company's maximum exposures of credit risk on financial assets. These receivables arise from sales of the Company's products to a large number of dealers and to retail end users. The Company is not in a situation where the Company is significantly concentrated in transactions with specific customers.

The Company is exposed to the credit risk of issuers of financial assets, which are held by the Company to invest excess funds, and derivatives, which are utilized by the Company to mitigate foreign currency risk.

To prevent these credit risks, the Company raises funds mainly through bonds with low risk and conducts transactions only with financial institutions with high credit ratings.

(1) Measurement of credit risk on trade receivables, contract assets, and long-term trade accounts receivables

Long-term trade accounts receivables are generated mainly from direct sales to individual end users in the farm equipment market in Japan.

The Company always measures an allowance for doubtful accounts for trade receivables, contract assets, and long-term trade accounts receivables at an amount equal to the lifetime expected credit losses. The Company measures the expected credit losses on these financial assets in a group with similar risk characteristics considering historical credit loss experience, current conditions, and forecasts of future economic conditions. The Company also measures the expected credit losses on credit-impaired financial assets individually. The Company determines whether they are credit-impaired based on observable events, such as significant financial difficulty of the debtor, long-term past due, bankruptcy, or other financial reorganization of the debtor. Expected credit losses on contract assets are not material.

The following table presents balances of carrying amounts of trade receivables and long-term trade accounts receivables (before an allowance for doubtful accounts) by risk classification:

(Unit: millions of yen)

December 31:		Financial assets for which an allowance for doubtful accounts is always measured at an amount equal to the lifetime expected credit losses		Credit-impaired financial assets		Total
2022	¥	817,184	¥	4,443	¥	821,627
2023	¥	982,429	¥	5,006	¥	987,435

The following table presents reconciliation of an allowance for doubtful accounts for the above receivables:

(Unit: millions of yen)

	Financial assets for which an allowance for doubtful accounts is always measured at an amount equal to the lifetime expected credit losses	Credit-impaired financial assets	Total
January 1, 2022	¥ 2,475	¥ 1,199	¥ 3,674
Remeasurement	788	269	1,057
Collection	(23)	―	(23)
Write-off	(103)	(286)	(389)
Others	240	1,347	1,587
December 31, 2022	¥ 3,377	¥ 2,529	¥ 5,906
Remeasurement	(118)	399	281
Collection	(16)	(65)	(81)
Write-off	(69)	(815)	(884)
Others	256	162	418
December 31, 2023	¥ 3,430	¥ 2,210	¥ 5,640

(2) Measurement of credit risk on lease receivables

The Company provides finance leases mainly in Thailand. These lease receivables relate to the Company's products, such as farm equipment, leased to individual and corporate end users. These lease receivables are recorded at the aggregate of minimum lease payments receivable, plus the estimated residual value of the leased property, less unearned finance income and an allowance for doubtful accounts.

An allowance for doubtful accounts for lease receivables of which credit risk has not increased significantly since initial recognition is recognized for the 12-month expected credit losses, and an allowance for doubtful accounts of which credit risk has increased significantly since initial recognition is recognized for lifetime expected credit losses. Lease receivables are grouped primarily by past due days, and if the credit risk as of the end of the reporting period has not increased significantly since initial recognition, the 12-month expected credit loss is measured by taking into account the historical credit loss experience, current conditions, and projected future economic conditions.

If the credit risk has increased significantly since initial recognition, the lifetime expected credit loss is measured by taking into account the historical credit loss experience, current conditions, projected future economic conditions, and the recoverable amount from repossession of products of the Company. The Company determines whether lease receivables are credit-impaired based on observable events, such as long-term past due and the debtor's bankruptcy, etc. The Company does not regard past due lease receivables as credit-impaired financial assets when the Company determines that the past due resulted from a temporary shortage in funds of the debtor, the risk of default is considered low, and the debtor has a strong capacity to meet its contractual cash flow obligation in the near term. The Company held ¥5,647 million and ¥5,472 million of its products as of December 31, 2023 and 2022, respectively, for credit enhancements on credit-impaired financial assets.

The following table presents balances of carrying amounts of lease receivables (before an allowance for doubtful accounts) by risk classification:

(Unit: millions of yen)

		Financial assets for which an allowance for doubtful accounts is measured at an amount equal to the lifetime expected credit losses		
December 31:	Financial assets for which an allowance for doubtful accounts is measured at an amount equal to 12-month expected credit losses	Financial assets for which credit risk has increased significantly since initial recognition but are not credit-impaired	Credit-impaired financial assets	Total
2022	¥ 366,249	¥ 27,071	¥ 19,513	¥ 412,833
2023	¥ 418,324	¥ 28,049	¥ 19,656	¥ 466,029

The following table presents an aging analysis of past due lease receivables:

(Unit: millions of yen)

December 31:	Within 30 days past due	From 31 to 60 days past due	From 61 to 90 days past due	Longer than 90 days past due	Total past due	Current	Total
2022	¥ 25,074	¥ 5,627	¥ 2,552	¥ 10,456	¥ 43,709	¥ 369,124	¥ 412,833
2023	¥ 28,159	¥ 6,211	¥ 3,026	¥ 12,293	¥ 49,689	¥ 416,340	¥ 466,029

The following table presents a reconciliation of the allowance for doubtful accounts for the above receivables:

(Unit: millions of yen)

	Financial assets for which an allowance for doubtful accounts is measured at an amount equal to 12-month expected credit losses	Financial assets for which an allowance for doubtful accounts is measured at an amount equal to the lifetime expected credit losses		Total
		Financial assets for which credit risk has increased significantly since initial recognition but are not credit-impaired	Credit-impaired financial assets	
January 1, 2022	¥ 4,530	¥ 3,280	¥ 8,605	¥ 16,415
Remeasurement	487	421	3,394	4,302
Collection	—	—	(631)	(631)
Write-off	(66)	(5)	(3,385)	(3,456)
Others	503	342	921	1,766
December 31, 2022	¥ 5,454	¥ 4,038	¥ 8,904	¥ 18,396
Remeasurement	112	286	5,298	5,696
Collection	—	—	(603)	(603)
Write-off	(69)	(11)	(5,893)	(5,973)
Others	471	317	1,241	2,029
December 31, 2023	¥ 5,968	¥ 4,630	¥ 8,947	¥ 19,545

(3) Measurement of credit risk of retail finance receivables

The Company provides retail finance to customers who purchase the Company’s products, such as farm equipment, from dealers mainly in North America. Retail finance receivables are purchased under agreements between the Company and dealers in relation to the products offered to individual and corporate end users. These receivables are recorded at amortized cost, less any allowance for credit losses.

The Company measures an allowance for doubtful accounts for retail finance receivables at an amount equal to 12-month expected credit losses when the credit risk on these receivables has not significantly increased since initial recognition, and at an amount equal to life-time expected credit losses when the credit risk on these receivables has significantly increased since initial recognition. Retail finance receivables are grouped primarily by past due days, and when the credit risk at the end of the reporting period has not increased significantly since initial recognition, the 12-month expected credit loss is measured by taking into account the historical credit loss experience, current conditions, and projected future economic condition.

When the credit risk has increased significantly since initial recognition, the Company measures the life-time expected credit loss, taking into account the historical credit loss experience, current conditions, projected future economic conditions, and recoverable amounts from repossession of products sold. Determination of whether receivables qualify as credit-impaired financial asset is based primarily on past due information, but other objective evidences such as debtor’s bankruptcy are also considered. The Company’s products held for credit enhancement on credit-impaired financial assets were ¥2,336 million and ¥1,380 million as of December 31, 2023 and 2022, respectively.

The following table presents balances of carrying amounts of retail finance receivables (before an allowance for doubtful accounts) by risk classification:

(Unit: millions of yen)

December 31:	Financial assets for which an allowance for doubtful accounts is measured at an amount equal to 12-month expected credit losses	Financial assets for which an allowance for doubtful accounts is measured at an amount equal to the lifetime expected credit losses		Total
		Financial assets for which credit risk has increased significantly since initial recognition but are not credit-impaired	Credit-impaired financial assets	
2022	¥ 1,289,663	¥ 3,260	¥ 1,827	¥ 1,294,750
2023	¥ 1,452,637	¥ 2,796	¥ 4,648	¥ 1,460,081

The following table presents an aging analysis of past due retail finance receivables:

(Unit: millions of yen)

December 31:	Within 30 days past due	From 31 to 60 days past due	From 61 to 90 days past due	Longer than 90 days past due	Total past due	Current	Total
2022	¥ 65,974	¥ 5,979	¥ 1,951	¥ 1,451	¥ 75,355	¥ 1,219,395	¥ 1,294,750
2023	¥ 89,315	¥ 9,660	¥ 2,990	¥ 2,956	¥ 104,921	¥ 1,355,160	¥ 1,460,081

The following table presents a reconciliation of an allowance for doubtful accounts for the above receivables:

(Unit: millions of yen)

	Financial assets for which an allowance for doubtful accounts is measured at an amount equal to 12-month expected credit losses	Financial assets for which an allowance for doubtful accounts is measured at an amount equal to the lifetime expected credit losses		Total
		Financial assets for which credit risk has increased significantly since initial recognition but are not credit-impaired	Credit-impaired financial assets	
January 1, 2022	¥ 2,964	¥ 860	¥ 286	¥ 4,110
Remeasurement	(35)	(5)	3,170	3,130
Write-off	(39)	(153)	(3,251)	(3,443)
Other	427	291	158	876
December 31, 2022	¥ 3,317	¥ 993	¥ 363	¥ 4,673
Remeasurement	919	(967)	4,563	4,515
Write-off	(75)	(9)	(4,590)	(4,674)
Other	257	62	266	585
December 31, 2023	¥ 4,418	¥ 79	¥ 602	¥ 5,099

Liquidity Risk

The Company is exposed to liquidity risk that the Company may have difficulties in satisfying payment obligations. The Company manages liquidity risk by maintaining retained earnings at an appropriate level and monitoring cash flow plans and actual results.

The following table presents financial liabilities by due date:

(Unit: millions of yen)

December 31, 2023:	Carrying amount	Contractual cash flows	Within 1 year	From 1 year to 5 years	More than 5 years
Trade payables	¥ 300,902	¥ 300,902	¥ 300,902	¥ —	¥ —
Other financial liabilities	132,073	133,550	89,424	40,878	3,248
Bonds and borrowings	1,990,207	2,104,213	702,966	1,185,364	215,883
Derivative liabilities	5,898	5,898	4,236	1,662	—

(Unit: millions of yen)

December 31, 2022:	Carrying amount	Contractual cash flows	Within 1 year	From 1 year to 5 years	More than 5 years
Trade payables	¥ 454,780	¥ 454,780	¥ 454,780	¥ —	¥ —
Other financial liabilities	144,241	146,887	102,093	41,470	3,324
Bonds and borrowings	1,611,105	1,657,484	660,316	905,780	91,388
Derivative liabilities	2,990	2,990	1,699	1,291	—

Market Risk

(1) Foreign currency exchange rate risks

The Company's exposure to foreign currency risk relates primarily to assets and liabilities denominated in foreign currencies associated with international operations. The Company enters into forward foreign exchange contracts, cross-currency swap contracts, and cross-currency interest rate swap contracts, which are designated to mitigate its exposure to foreign currency exchange rate risk.

For financial instruments denominated in foreign currencies held by the Company as of each reporting date, if the Japanese yen appreciates by 1% against the currencies in the following table, impacts to profit before income taxes in the consolidated statement of profit or loss are stated in the table below.

The table below does not include impacts of translating financial instruments denominated in Japanese yen and assets, liabilities, income, and expenses of foreign operations into Japanese yen. In addition, currencies other than those stated in the following table are assumed to remain unchanged.

(Unit: millions of yen)

December 31:	2023	2022
US dollar	¥ (352)	¥ (655)
Euro	(276)	(227)
Thai baht	(69)	(44)
Chinese yuan	(139)	(126)

(2) Interest rate risk

The Company is exposed to interest rate risk mainly inherent in its debt obligations with both fixed and variable rates. In order to hedge interest rate risk, the Company enters into interest rate swap contracts and cross-currency interest rate swap contracts to manage the risk of interest rate exposures, and therefore, the exposure to interest rate risk is not material to the Company's cash flows.

(3) Market price volatility risk management

The Company holds equity and debt financial assets, mainly cross-holdings, which are exposed to market price volatility risk. Each individual share of cross-shareholdings is examined annually at the Board of Directors in order to verify appropriateness of holding these shares, taking into consideration the purpose of holding these shares, benefits associated, market price volatility risk, and other factors. If it is determined that holding the share is not appropriate, the Company gradually reduces the number of policy stock holdings, taking into consideration market conditions and other factors.

Derivative and Hedge Accounting

As stated in Note 3. MATERIAL ACCOUNTING POLICIES, Financial Instruments, (3) Derivatives and hedge accounting, hedge accounting was not applied to derivatives.

Fair Value of Financial Instruments

(1) Financial instruments measured at fair value

The following table presents fair values of financial instruments measured at fair value:

(Unit: millions of yen)

	December 31, 2023			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets measured at fair value through other comprehensive income:				
Equity financial assets	¥ 75,618	¥ —	¥ 8,481	¥ 84,099
Financial assets measured at fair value through profit or loss:				
Debt financial assets	31,469	—	8,554	40,023
Derivatives:				
Foreign exchange contracts	—	4,518	—	4,518
Interest swap contracts	—	130	—	130
Cross-currency interest rate swap contracts	—	1,554	—	1,554
Total	¥ 107,087	¥ 6,202	¥ 17,035	¥ 130,324
Financial liabilities:				
Financial liabilities measured at fair value through profit or loss:				
Derivatives:				
Foreign exchange contracts	¥ —	¥ 2,603	¥ —	¥ 2,603
Cross-currency interest rate swap contracts	—	3,295	—	3,295
Total	¥ —	¥ 5,898	¥ —	¥ 5,898

(Unit: millions of yen)

	December 31, 2022							
		Level 1		Level 2		Level 3		Total
Financial assets:								
Financial assets measured at fair value through other comprehensive income:								
Equity financial assets	¥	65,593	¥	—	¥	3,002	¥	68,595
Financial assets measured at fair value through profit or loss:								
Debt financial assets		27,855		—		7,660		35,515
Derivatives:								
Foreign exchange contracts		—		9,022		—		9,022
Interest swap contracts		—		92		—		92
Cross-currency interest rate swap contracts		—		1,838		—		1,838
Total	¥	93,448	¥	10,952	¥	10,662	¥	115,062
Financial liabilities:								
Financial liabilities measured at fair value through profit or loss:								
Derivatives:								
Foreign exchange contracts	¥	—	¥	736	¥	—	¥	736
Interest swap contracts		—		108		—		108
Cross-currency interest rate swap contracts		—		2,146		—		2,146
Total	¥	—	¥	2,990	¥	—	¥	2,990

Debt financial assets and equity financial assets classified as Level 1 are measured at fair value using quoted prices for identical assets in active markets.

Derivatives are classified as Level 2 since they are measured at fair value using observable market inputs obtained from major international financial institutions.

Equity financial assets and debt financial assets classified as Level 3 are unlisted equity securities, which are measured by the comparable company comparison method, using the earnings before interest and tax (EBIT) ratio (from 1.7 to 20.3) as a multiple, and by other method. If the EBIT ratio increases (decreases), the fair value increase (decrease).

Transfers between levels are recognized at the end of the reporting periods when such transfers occur. There were no significant transfers of financial instruments between levels.

The following table presents the reconciliation of financial instruments classified in Level 3:

(Unit: millions of yen)

Years ended December 31:		**2023**		**2022**
Balance as of the beginning of the year	¥	10,662	¥	10,018
Gains or losses:				
Profit or loss (Note 1)		214		862
Other comprehensive income (Note 2)		1,146		(1,811)
Purchases		3,926		1,682
Sales		(3)		(89)
Others		1,090		—
Balance as of the end of the year	¥	17,035	¥	10,662

(Notes)

1. Gains or losses are recognized as *finance income or finance costs* in the consolidated statement of profit or loss. Of the gains or losses recognized in profit or loss, the amount related to financial instruments held as of December 31, 2023 and 2022, were ¥214 million and ¥966 million, respectively.
2. Gains or losses are recognized as *net change in fair value of financial assets measured at fair value through other comprehensive income* in the consolidated statement of comprehensive income.

(2) Financial instruments measured at amortized cost

The following table summarizes the carrying amount and fair value of financial instruments measured at amortized cost:

(Unit: millions of yen)

December 31:	2023		2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Finance receivables:				
Retail finance receivables	¥ 1,454,982	¥ 1,368,433	¥ 1,290,077	¥ 1,198,251
Finance lease receivables	446,484	504,583	394,437	449,136
Long-term trade accounts receivables	63,572	67,369	65,608	69,441
Debt financial assets	52,201	52,053	44,132	42,892
Written put option liabilities over noncontrolling interests	3,642	3,642	3,238	3,238
Bonds and borrowings	1,990,207	1,956,861	1,611,105	1,556,033

The fair value of finance receivables, long-term trade accounts receivables, and bonds and borrowings are stated at the present value of future cash flows discounted by the current market interest rate and classified as Level 2. Long-term trade accounts receivables above include the current portion included in trade receivables in the consolidated statement of financial position.

The fair value of debt financial assets is measured using quoted prices for identical assets in active markets and classified as Level 1.

The fair value of written put option liabilities over noncontrolling interests is the present value of estimated future cash flows discounted using a discount rate that takes into account inherent risks and classified as Level 3.

The carrying amounts of cash and cash equivalents, trade receivables (excluding the current portion of long-term trade accounts receivables), other financial assets (excluding debt financial assets measured at fair value, equity financial assets, and derivatives), trade payables, and other financial liabilities (excluding lease liabilities, derivatives, and written put option liabilities over noncontrolling interests) approximate their fair values due to their short-term maturity.

Offsetting Financial Assets and Liabilities

The amount of financial assets and liabilities not offset but subject to enforceable master-netting agreements or similar agreements because they do not satisfy part or all of requirements for offsetting of financial assets and financial liabilities was not material.

30. MAJOR SUBSIDIARIES

Major Subsidiaries

The Company's major subsidiaries are stated in *1. Overview of the Company, 4. Information on Affiliates*.

Subsidiary with Material Noncontrolling Interests

The following are the condensed financial statements of subsidiaries in which the Company recognizes significant noncontrolling interests:

Escorts Kubota Ltd. (India)

December 31:	2023	2022
Shareholding ratio of noncontrolling interests	45.5%	55.2%

(Unit: millions of yen)

December 31:	2023	2022
Current assets	¥ 91,508	¥ 75,400
Noncurrent assets	285,137	266,197
Current liabilities	27,254	25,607
Noncurrent liabilities	23,029	21,798
Equity	326,362	294,192
Cumulative amount of noncontrolling interests	99,178	103,220

(Unit: millions of yen)

Years ended December 31:	2023	2022
Revenue	¥ 152,681	¥ 104,076
Profit for the year	13,181	2,933
Comprehensive income for the year	19,186	(699)
Profit attributable to noncontrolling interests	6,429	1,743
Dividends paid to noncontrolling interests	598	708

(Note)

Escorts Kubota Ltd. is a subsidiary acquired through a business combination in the year ended December 31, 2022, and the condensed financial statements reflect the effect of the acquisition method of accounting. Noncontrolling interests are recognized at the proportion of the fair value of the identifiable assets and liabilities of the acquiree. The provisional accounting for the business combination has been finalized during the year ended December 31, 2023, and figures for the year ended December 31, 2022, have been retrospectively adjusted.

SIAM KUBOTA Corporation Co., Ltd. (Thailand)

December 31:	2023	2022
Shareholding ratio of noncontrolling interests	40.0%	40.0%

(Unit: millions of yen)

December 31:		2023		2022
Current assets	¥	129,924	¥	138,231
Noncurrent assets		81,831		65,912
Current liabilities		40,884		43,788
Noncurrent liabilities		3,857		3,171
Equity		167,014		157,184
Cumulative amount of noncontrolling interests		66,287		62,239

(Unit: millions of yen)

Years ended December 31:		2023		2022
Revenue	¥	217,663	¥	218,052
Profit for the year		19,606		21,053
Comprehensive income for the year		19,606		21,053
Profit attributable to noncontrolling interests		7,843		8,745
Dividends paid to noncontrolling interests		8,870		5,868

31. RELATED-PARTY TRANSACTIONS

The aggregate compensation paid by the Parent Company for the year ended December 31, 2023, to the Directors, including the Outside Directors, was as follows:

(Unit: millions of yen)

Years ended December 31:		2023		2022
Basic remunerations and bonuses	¥	831	¥	679
Share-based payments		145		168
Total	¥	976	¥	847

32. COMMITMENTS AND CONTINGENT LIABILITIES

Commitments

Commitments for acquisition of property, plant, and equipment were ¥93,280 million and ¥74,003 million as of December 31, 2023 and 2022, respectively. Commitments for acquisition of intangible assets were ¥5,298 million and ¥1,575 million as of December 31, 2023 and 2022, respectively.

Commitments in the years ended December 31, 2023 and 2022, were primarily related to investments for BCP and the expansion of manufacturing capacity.

Guarantees

The Company is contingently liable as guarantor of the indebtedness of sales companies and business partners for their borrowings from financial institutions. These guarantees obligate the Company to make payments in the event of default by sales companies and business partners. The terms of these guarantees are from one year to four years. Guarantees as of December 31, 2023 and 2022, were ¥4,719 million and ¥4,263 million, respectively. However, the probability of incurrence of a loss is remote.

Legal Proceedings

Since May 2007, the Company has been subject to 66 asbestos-related lawsuits in Japan, which were filed against the Company, the Japanese government, and other asbestos-related companies. With regard to the six lawsuits consolidating 18 cases, the Supreme Court has ruled that the government and certain asbestos-using companies were liable for the compensation. However, all claims against the Company were rejected.

Other 48 lawsuits related to 714 construction workers who suffered from asbestos-related diseases are still ongoing, and the total claim for all the remaining lawsuits aggregated to ¥24,529 million. Of these ongoing lawsuits, five first instance judgments have been rendered in 17 lawsuits, and the Company was ordered to pay compensation damages of ¥2 million in one lawsuit and the other four lawsuits were decided in favor of the Company. Of these five lawsuits, four are being heard on the second instance. The court in the second instance rendered a judgment to support the opinion of the first instance for one of the three lawsuits that were decided in favor of the Company. This lawsuit has been appealed to a higher court.

The Company continues to review the status of lawsuits, including consultation with a third-party legal counsel regarding the progress of lawsuits and the potential final outcome. However, the Company believes that it is currently unable to predict the ultimate outcome of these lawsuits.

The Company does not have any cost-sharing arrangements with other potentially responsible parties, including the government, for all of these lawsuits.

Matters Related to the Health Hazards of Asbestos

The Company’s plant in Amagasaki, Hyogo Prefecture, Japan, previously produced asbestos-related products. The Company decided to make voluntary consolation payments in June 2005 and established a relief payment program in April 2006 as a voluntary consolation payment to patients of asbestos-related diseases near the plant. With regard to the current and former employees who suffered, and are suffering from, asbestos-related diseases, the Company provides compensation that is not required by law, but is made in accordance with the Company’s internal policies.

In an effort to estimate future asbestos-related expenditures, the Company has considered all available data, including a time series data of historical claims and payments, the incidence rate of asbestos-related disease, and other public information related to asbestos-related disease. However, since the health hazards of asbestos tend to have a longer incubation period, reliable statistics to estimate the incidence rate of asbestos-related disease are not available to the Company. Furthermore, there are no cases where final conclusions are made to the cause and the incidence rate of asbestos-related health hazard at other asbestos-related companies. Hence, the Company believes there is no information to determine the range of the final possible outcome in the future. For these reasons, the Company believes it is not possible to reliably estimate the amount of its ultimate liability, and the Company does not accrue on this contingency.

The Law for the Relief of Patients Suffering from Asbestos-Related Diseases (the “New Asbestos Law”) was established by the Japanese government in March 2006. The purpose of this law is to provide prompt relief to persons who sustain asbestos-related diseases, but are not relieved by compensation for accidents under workers’ compensation insurance. Contributions under this law are made by the Japanese government, local authorities, and business entities. Contributions by business entities commenced from the year ended March 31, 2008, and these include special contributions by business entities, which operated a business closely to asbestos.

The Company accrues asbestos-related expenses when the Company receives claims on voluntary consolation payment, relief payment, compensation for current and former employees, and the special contribution in accordance with the New Asbestos Law. The accrued balances for asbestos-related expenses are ¥211 million and ¥138 million as of December 31, 2023 and 2022, respectively. The asbestos-related expenses recognized for the 12 months ended December 31, 2023 and 2022, were ¥798 million and ¥379 million, respectively.

Other Contingent Liabilities

The Company has various outstanding tax matters with the tax authorities, primarily in India. The outstanding matters mostly relate to the interpretation and application of law. The Company is currently unable to predict the outcome of such matters due to the existence of multiple legal issues and various parties being involved.

33. SUBSEQUENT EVENTS

Not applicable.

34. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved on March 22, 2024, by Yuichi Kitao, President and Representative Director of the Parent Company, and Masato Yoshikawa, Representative Director and Executive Vice President, General Manager of Planning and Control Headquarters of the Parent Company.

(TRANSLATION)

INDEPENDENT AUDITOR'S REPORT

NOTES TO READERS:
The following is an English translation of the Independent Auditor's Report filed under the Financial Instruments and Exchange Act of Japan. This report is presented merely as supplemental information.

March 22, 2024

To the Board of Directors of
Kubota Corporation:

Deloitte Touche Tohmatsu LLC
Osaka office

Designated Engagement Partner,
Certified Public Accountant:
Takashige Ikeda

Designated Engagement Partner,
Certified Public Accountant:
Takeshi Io

Designated Engagement Partner,
Certified Public Accountant:
Akira Kimotsuki

Audit of Financial Statements

Opinion

Pursuant to the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited the consolidated financial statements of Kubota Corporation and its consolidated subsidiaries (the "Group") included in the Financial Section, namely, the consolidated statement of financial position as of December 31, 2023, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for the fiscal year from January 1, 2023 to December 31, 2023, and a summary of significant accounting policies and other explanatory information, and the consolidated supplementary schedules.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards pursuant to the provisions of Article 93 of the Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. The matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

Assessment of the allowance for doubtful accounts on finance receivables at the finance subsidiaries
Key Audit Matter Description
As described in Note 8 to the consolidated financial statements, the Group recorded ¥24,644 million of the allowance for doubtful accounts related to retail finance receivables of ¥1,460,081 million and finance lease receivables of ¥466,029 million (collectively, finance receivables) on the consolidated statement of financial position as of December 31, 2023. In addition, as described in Note 29 to the consolidated financial statements, the balance of financial receivables and allowance for doubtful accounts in the consolidated statement of financial position mainly consists of the balances of finance subsidiaries in North America and Thailand. The allowance for doubtful accounts for expected credit losses on finance receivables is measured based on basic information, such as the past due days of finance receivables and historical credit loss experience, the recoverable amount from repossession of products, and assumptions for forward-looking information of the economic conditions, after grouping finance receivables by the past due days and determining whether there is a significant increase in credit risk since initial recognition. If the management estimates for measuring the allowance for doubtful accounts, such as probability of default, loss given default, and assumptions for forward-looking information of the economic conditions, do not appropriately reflect the credit risk of the debtor, there is a risk that the allowance for doubtful accounts is not properly determined. Especially, as the assumptions for forward-looking information of the economic conditions need significant management's judgments due to their high complexity and subjectivity, the careful consideration of the reasonableness of the assumptions is required. As such, we identified management's estimates used in measuring the allowance for doubtful accounts on finance receivables at the finance subsidiaries as a key audit matter.
How the Key Audit Matter Was Addressed in the Audit
With the assistance of auditors of finance subsidiaries in North America and Thailand, we performed the following audit procedures to evaluate the allowance for doubtful accounts on finance receivables, among others: (1) Internal control testing We evaluated the design and operating effectiveness of certain internal controls related to the allowance for doubtful accounts on finance receivables, which included the controls over the following: • Basic information used to estimate expected credit losses • Determining key assumptions used to estimate expected credit losses (2) Assessment of the reasonableness of estimates in allowance for doubtful accounts on finance receivables We performed the following audit procedures for assessment of the reasonableness of estimates in allowance for doubtful accounts on finance receivables. • Evaluation of the appropriateness of finance receivables grouping • Test of the accuracy of the past due days of finance receivables • Test of the accuracy and completeness of the finance receivables grouped by the past due days • Trend analysis of the outstanding finance receivables balance to the allowance for doubtful accounts by each group • Evaluation of the reasonableness of management's judgment on whether there is a significant increase in credit risk since initial recognition • Test of the accuracy of the historical credit loss amounts used to calculate probability of default • Evaluation of the reasonableness of management's estimates of the exposure at default • Test of the accuracy of the actual recoverable amounts including repossession of products used to calculate loss given default • Retrospective review for the historical amounts of the allowance for doubtful accounts • With the assistance of component auditor's credit specialists, evaluation of the reasonableness of the assumptions of future economic conditions used by management

Valuation of Escorts Kubota Ltd.'s goodwill and intangible assets with indefinite useful lives allocated to a cash-generating unit for the Farm Equipment
Key Audit Matter Description
As described in Note 5 to the consolidated financial statements, the Group acquired Escorts Kubota Ltd. ("EKL") on April 11, 2022 as a consolidated subsidiary in India in anticipation of synergies such as business development in the basic tractor market expected to expand primarily in the emerging countries and combining expertise in the product development and manufacturing. As described in Note 13 to the consolidated financial statements, the Group recorded goodwill of ¥145,715 million and intangible assets recognized through business combinations of ¥90,218 million for the year ended December 31, 2023. These include goodwill of ¥102,254 million and intangible assets with indefinite useful lives of ¥24,252 million which arose from the acquisition of EKL and were allocated to the cash-generating unit ("CGU") for the Farm Equipment. These accounted for 70% of goodwill and 27% of intangible assets recognized through business combinations, respectively. As described in Note 3 to the consolidated financial statements, goodwill and intangible assets with indefinite useful lives are required to be tested for impairment annually or whenever there is an indication that the asset may be impaired. The recoverable amount used in the impairment test is the higher of the value in use and the fair value less cost of disposal of the CGUs to which goodwill and intangible assets with indefinite useful lives are allocated and if the recoverable amount of the CGUs is less than their carrying amount, the impairment loss shall be recognized. As described in Note 13 to the consolidated financial statements, the Group calculates the recoverable amount of the CGUs to which goodwill and intangible assets with indefinite useful lives were allocated, arising from the acquisition of EKL, at the fair value less costs of disposal. Also, the Group compares the recoverable amount with the carrying amount of the CGUs to determine whether an impairment is required to be recognized. The fair value less costs of disposal is calculated by allocating the fair value of EKL as a whole, which was computed based on the quoted price of EKL shares in the active market with an adjustment for the control premium, to several CGUs including the Farm Equipment, based on the projected EBITDA composition ratio by business based on management's future business plans. The control premium estimate requires the analysis of market transactions using advanced knowledge and expertise, and involves management's subjective judgment. In addition, estimates of the projected EBITDA by business are affected by management's subjective judgments and assumptions regarding the future business plans and require careful considerations for reasonableness. In consideration of the above, we identified the valuation of EKL's goodwill and intangible assets with indefinite useful lives allocated to the CGU for the Farm Equipment as a key audit matter because of the following reasons; (i) In the consolidated statement of financial position as of December 31, 2023, the amounts of goodwill and intangible assets with indefinite useful lives allocated to the CGU for the Farm Equipment are material. (ii) In estimating the recoverable amount, advanced knowledge and expertise are required, and subjective judgments and assumptions by management are involved for the matters such as: • Analysis of market transactions to estimate the control premium • Determination of an indicator to allocate the fair value less costs of disposal to several CGUs • Estimate of EKL's future business plan, including assumptions about expected market growth and inflation trends
How the Key Audit Matter Was Addressed in the Audit
Our audit procedures related to the valuation of EKL's goodwill and intangible assets with indefinite useful lives allocated to the CGU for the Farm Equipment included the following, among others: (1) Internal control testing We evaluated the design and operating effectiveness of internal controls related to the valuation of goodwill and intangible assets with indefinite useful lives, including controls over the following: • Aggregation of the carrying amounts of the CGUs to which goodwill and intangible assets with indefinite useful lives are allocated • Determination of valuation techniques, assumptions and data to be used in the calculation of the recoverable amount of the CGUs to which goodwill and intangible assets with indefinite useful lives are allocated

(2) Evaluation of the reasonableness of the recoverable amount estimate

Our audit procedures related to the evaluation of the reasonableness of the recoverable amount (fair value less costs of disposal) estimate which were calculated in the impairment test of EKL's goodwill and intangible assets with indefinite useful lives allocated to the CGU for the Farm Equipment included the following, among others:

(i) With the assistance of our valuation specialists, we performed the following procedures:

- Evaluation of the reasonableness of estimate of the control premium to be adjusted in the calculation of the fair value less costs of disposal based on the quoted price of EKL shares in the active market
- Evaluation of the reasonableness of adopting the projected EBITDA composition ratio by business as an indicator to allocate the fair value less costs of disposal to several CGUs, including the Farm Equipment

(ii) We performed the following procedures on sales and profits in EKL's future business plan as the basis for the projected EBITDA composition ratio by business, which was used as an allocated indicator.

- Inquiries to management about the basis for the estimates
- Trend analysis of expected market growth and inflation trends
- Comparative analysis with historical sales and profits

Other Information

Management is responsible for the other information. Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the other information. The other information comprises the information included in the Annual Securities Report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Audit & Supervisory Board Members, and the Audit & Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with International Financial Reporting Standards.

Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process.

Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

• Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

• Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

• Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

• Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

• Evaluate whether the overall presentation and disclosures of the consolidated financial statements are in accordance with International Financial Reporting Standards, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

• Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit & Supervisory Board members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with Audit & Supervisory Board members and the Audit & Supervisory Board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Audit of Internal Control

Opinion

Pursuant to the second paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited management's report on internal control over financial reporting of Kubota Corporation as of December 31, 2023.

In our opinion, management's report on internal control over financial reporting referred to above, which represents that the internal control over financial reporting of Kubota Corporation as of December 31, 2023, is effectively maintained, presents fairly, in all material respects, the results of the assessment of internal control over financial reporting in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

Basis for Opinion

We conducted our internal control audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Internal Control Audit section of our report. We are independent of the Group in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board for Report on Internal Control

Management is responsible for designing and operating effective internal control over financial reporting and for the preparation and fair presentation of its report on internal control in accordance with assessment standards for internal control over financial reporting generally accepted in Japan. Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing and verifying the design and operating effectiveness of internal control over financial reporting. There is a possibility that misstatements may not be completely prevented or detected by internal control over financial reporting.

Auditor’s Responsibilities for the Internal Control Audit

Our objectives are to obtain reasonable assurance about whether management's report on internal control over financial reporting is free from material misstatement and to issue an auditor's report that includes our opinion.

As part of an audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Perform audit procedures to obtain audit evidence regarding the results of the assessment of internal control over financial reporting in management’s report on internal control. The procedures selected depend on the auditor's judgment, including the significance of effects on reliability of financial reporting.

- Examine representations on the scope, procedures and results of the assessment of internal control over financial reporting made by management, as well as evaluating the overall presentation of management's report on internal control.

- Obtain sufficient appropriate audit evidence regarding the results of the assessment of internal control over financial reporting. We are responsible for the direction, supervision and performance of the internal control audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the internal control audit, result of the internal control audit, including any identified material weakness which should be disclosed and the result of remediation.

We also provide Audit & Supervisory Board members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Fee-related Information

Fees for audit and other services for the year ended December 31, 2023, which were charged by us and our network firms to Kubota Corporation and its consolidated subsidiaries are disclosed in (3) Status of Audit of Corporate Governance, which is included in the Information on Kubota Corporation of the Annual Securities Report.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Notes to the Readers of Independent Auditor’s Report
This is an English translation of the independent auditor's report as required by the Financial Instruments and Exchange Act of Japan for the convenience of the reader.

COVER

[Document Filed]	Confirmation Letter
[Applicable Law]	Article 24-4-2, Paragraph 1 of the Financial Instruments and Exchange Act of Japan
[Filed to]	Director, Kanto Local Finance Bureau
[Filing Date]	March 22, 2024
[Company Name]	Kabushiki Kaisha Kubota
[Company Name in English]	Kubota Corporation
[Title and Name of Representative]	Yuichi Kitao, President and Representative Director
[Title and Name of CFO]	Masato Yoshikawa, Representative Director and Executive Vice President, General Manager of Planning and Control Headquarters
[Address of Head Office]	2-47, Shikitsuhigashi 1-chome, Naniwa-ku, Osaka, JAPAN
[Place Where Available for Public Inspection]	Kubota Corporation, Tokyo Head Office (1-3, Kyobashi 2-chome, Chuo-ku, Tokyo, JAPAN) Tokyo Stock Exchange, Inc. (2-1, Nihombashi Kabuto-cho, Chuo-ku, Tokyo, JAPAN)

1. Matters Related to Adequacy of Statements Contained in the Annual Securities Report

Yuichi Kitao, President and Representative Director, and Masato Yoshikawa, Representative Director and Executive Vice President, General Manager of Planning and Control Headquarters, confirmed that statements contained in the Annual Securities Report for the 134th fiscal year (from January 1, 2023 to December 31, 2023) were adequate under the Financial Instruments and Exchange Act of Japan.

2. Special Notes

Not applicable.

COVER

[Document Filed]	Internal Control Report
[Applicable Law]	Article 24-4-4, Paragraph 1 of the Financial Instruments and Exchange Act of Japan
[Filed to]	Director, Kanto Local Finance Bureau
[Filing Date]	March 22, 2024
[Company Name]	Kabushiki Kaisha Kubota
[Company Name in English]	Kubota Corporation
[Title and Name of Representative]	Yuichi Kitao, President and Representative Director
[Title and Name of CFO]	Masato Yoshikawa, Representative Director and Executive Vice President, General Manager of Planning and Control Headquarters
[Address of Head Office]	2-47, Shikitsuhigashi 1-chome, Naniwa-ku, Osaka, JAPAN
[Place Where Available for Public Inspection]	Kubota Corporation, Tokyo Head Office (1-3, Kyobashi 2-chome, Chuo-ku, Tokyo, JAPAN) Tokyo Stock Exchange, Inc. (2-1, Nihombashi Kabuto-cho, Chuo-ku, Tokyo, JAPAN)

(TRANSLATION)

Management's Report on Internal Control over Financial Reporting

NOTES TO READERS:
The following is an English translation of management's report on internal control over financial reporting filed under the Financial Instruments and Exchange Act of Japan. This report is presented merely as supplemental information.

1. Matters Relating to the Basic Framework for Internal Control over Financial Reporting

Yuichi Kitao, President and Representative Director, and Masato Yoshikawa, Representative Director and Executive Vice President, General Manager of Planning and Control Headquarters, are responsible for designing and operating effective internal control over financial reporting of Kubota Corporation and its subsidiaries (collectively, the "Company"), and have designed and operated internal control over financial reporting of the consolidated financial statements in accordance with the basic framework for internal control set forth in "the Standards and Practice Standards for Management Assessment and Audit of Internal Control Over Financial Reporting" published by the Business Accounting Council.

The internal control is designed to achieve its objectives to the extent reasonable through the effective function and combination of its basic elements. Therefore, there is a possibility that misstatements may not be completely prevented or detected by internal control over financial reporting.

2. Matters Relating to Scope of Assessment, the Assessment Date, and Assessment Procedures

The assessment of internal control over financial reporting was performed as of December 31, 2023, which is the end of this fiscal year. The assessment was performed in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

In conducting this assessment, we evaluated internal controls, which may have a material effect on the entire financial reporting in a consolidation ("company-level controls") and based on the result of this assessment, we appropriately selected business processes to be tested. We analyzed these selected business processes, identified key controls that may have a material impact on the reliability of the Company's financial reporting, and assessed the design and operation of these key controls. These procedures have allowed us to evaluate the effectiveness of the Company's internal control.

We determined the required scope of assessment of internal control over financial reporting for Kubota Corporation, as well as its subsidiaries and affiliated companies, from the perspective of materiality that may affect the reliability of our financial reporting. This materiality that may affect the reliability of financial reporting is determined taking into account the materiality of quantitative and qualitative impacts. We confirmed that we had reasonably determined the scope of assessment of internal controls over business processes in light of the results of assessment of company-level controls conducted for Kubota Corporation, as well as its subsidiaries and affiliated companies. We did not include those subsidiaries and affiliated companies, which do not have any quantitatively or qualitatively material impact on the consolidated financial statements in the scope of assessment of company-level controls.

Regarding the scope of assessment of internal control over business processes, we selected business units to be tested, and the business units whose combined revenues (after elimination of intercompany transfers) reached approximately two-thirds of total consolidated revenues for the prior fiscal year were selected as "significant business units."

At the selected significant business units, we included, in the scope of assessment, those business processes leading to revenue, accounts receivable, finance receivables, and inventories as significant accounts that may have a material impact on the business objectives of the Company. Further, we added certain business processes included in business units other than the significant business units to our scope of assessment, as the business processes have greater materiality considering their impact on the financial reporting, those business processes relating to a greater likelihood of material misstatements and significant accounts involving estimates and management's judgment, and those business processes relating to businesses or operations dealing with high-risk transactions.

3. Matters Related to the Results of the Assessment

As a result of the preceding assessment, we concluded that our internal control over financial reporting was effective as of December 31, 2023.

4. Supplementary Matters

Not applicable.

5. Special Information

Not applicable.