Environmental Report

Environmental Management Basic Policy

<SDGs related to this section>

Today we face various environmental problems. Many environmental problems, from those unique to each region to those on a global scale, exist around the world. As they are complexly intertwined and continuing to deteriorate, achieving a sustainable society is a global common challenge. Companies are expected to play an increasingly larger role in tackling this challenge.

Since the time of its foundation, the Kubota Group has pursued a mission of solving social problems in developing its businesses. Toward the realization of "For Earth, For Life," the Kubota Group will contribute to the realization of a sustainable society through its environmental management initiatives.

Environmental Charter / Action Guidelines

The Kubota Group Environmental Charter

- The Kubota Group aspires to create a society where sustainable development is possible on a global scale.
- The Kubota Group contributes to the conservation of global and local environments through its environmentally friendly operations, products, technologies, services, and corporate activities.

The Kubota Group Environmental Action Guidelines

1. Environmental Conservation Efforts in All Business Activities
   (1) We promote environmental conservation measures in all stages of our corporate activities, including product development, production, sales, physical distribution, and service.
   (2) We also request that our suppliers understand the importance of environmental conservation efforts and cooperate in this regard.

2. Global Environmental Conservation
   (1) We promote global environmental conservation measures intended for dealing with climate change, creating a recycling-based society, conserving water resources, and controlling chemical substances.
   (2) We promote global environmental conservation by providing products, technologies, and services that contribute to solving environmental problems.
   (3) We strive to ensure our corporate activities are friendly to the natural environment and biodiversity.

3. Environmental Protection to Create a Symbiotic Relationship with Local Societies
   (1) We make efforts in the reduction of environmental risks and promote our business activities with proper consideration for the protection of local environments, including pollution prevention.
   (2) We actively participate in environmental beautification/education activities in local communities.

4. Our Voluntary and Organized Efforts in Environmental Conservation
   (1) By introducing the environmental management system and establishing voluntary targets and action plans, we work on our daily business operations.
   (2) We endeavor to enhance environmental awareness through active environmental education/enlightenment activities.
   (3) We actively provide stakeholders with environment-related information.
   (4) We collect stakeholders' opinions broadly through environmental communication, and reflect the findings in our environmental activities.

Environmental Management Approach

Concepts of Environmental Management

Having established the “For Earth, For Life” Brand Statement as its concept for environmental management, the Kubota Group balances its business growth and contribution to environmental conservation through its environment-friendly products, technologies, services and corporate activities and aims for ongoing synergistic development with society in order to continue supporting the prosperous life of humans while protecting the environment of this beautiful earth.

The Group has set five basic items for its environmental conservation, namely, “Tackling Climate Change,” “Working towards a Recycling-based Society,” “Conserving Water Resources,” “Controlling Chemical Substances,” and “Conserving Biodiversity.” Based on these items, the Group is committed to the development of society and the conservation of the global environment through the delivery of products, technologies and services that help solve the social problems in the fields of food, water, and the living environment and through the reduction of the environmental loads and environmental risks of its corporate activities.

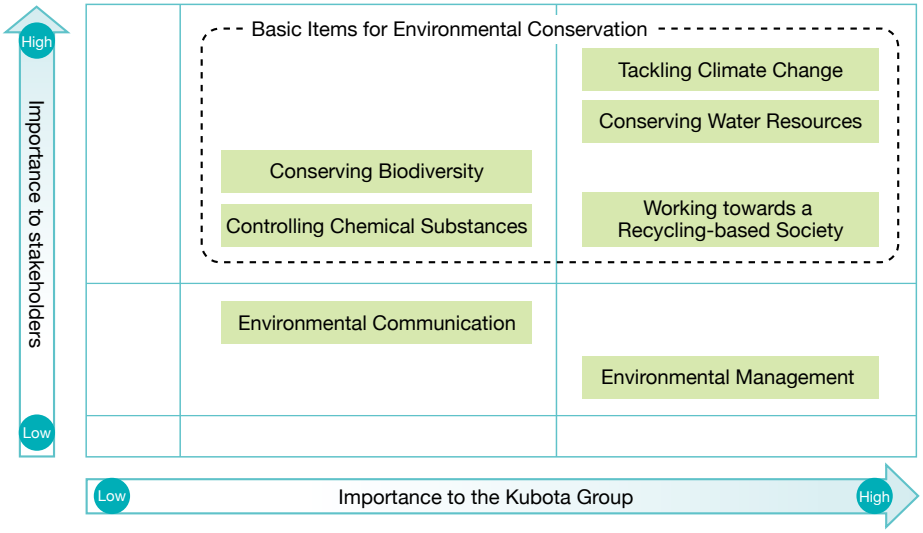
Materiality

The Kubota Group has identified material issues (priority issues) in its environmental conservation activities, taking into consideration their importance in business, requests and expectations from stakeholders, and social trends.

Process for Identifying Materiality

Step 1	**Gathering and analyzing information** We gathered and analyzed information on international frameworks and policy trends, key external evaluation indicators, global trends in the Kubota Group's business fields, etc.
Step 2	**Listing material issues** Through discussions at the Environmental Management Strategy Committee and interviews with relevant internal departments, and dialogues with ESG (environment, society, governance) investment institutions and external experts, we listed issues relating to environmental conservation.
Step 3	**Identifying materiality** We examined the identified issues from the perspectives of both the importance to stakeholders and the importance to the Kubota Group, and plotted the identified priority issues on a matrix.
Step 4	**Formulating and implementing key measures** After identifying the impacts (risks and opportunities) related to issues with a high degree of importance for both stakeholders and the Kubota Group, we formulate key measures and promote the steady implementation thereof.

Materiality Matrix



Materiality Awareness

Tackling Climate Change	Against a backdrop of more frequently occurring natural disasters caused by abnormal weather and other factors believed to be linked to climate change, tackling this challenge has become an issue of global proportions. As a corporate group that conducts business activities throughout the globe, the Kubota Group believes in the importance of working to reduce the emissions of greenhouse gases in the corporate value chain as well as undertaking adaptive measures designed to reduce the impact of climate change.
Conserving Water Resources	Access to safe drinking water is a critical part of life-supporting infrastructure. Despite this, there are many people throughout the world that cannot access safe drinking water. The Kubota Group has defined "Water" as one of its business areas, and believes in the importance of becoming more deeply committed to the supply of safe, secure water through the construction of water infrastructure, as well as conserving local water resources, which includes saving water, recycling wastewater, and applying water quality-related risk management at its business sites.
Working towards a Recycling-based Society	Mineral resources are used widely throughout modern society, but there is a limit to the amount existing on the planet. More recently, increasing amounts of waste and marine plastic pollution have become global issues. Likewise, the Kubota Group believes in the importance of providing waste processing services and related equipment, for example, as solutions for issues related to the garbage generated from human lifestyles and economic activities, as well as effectively utilizing resources and reducing waste in the business value chain.
Conserving Biodiversity	As part of agriculture, living things are the resource that is subject to harvest, where ecosystems denote the interrelation between the environments that produce living resources and other living things. Meanwhile, biodiversity is an essential factor for abundant, stable food production. The Kubota Group defines "Food" as one of its business areas, and in addition to addressing greater efficiency in agriculture and a diverse range of needs, we believe in the importance of delivering products and services that contribute to the conservation of biodiversity, as well as undertaking business activities that consider biodiversity and protecting the natural environment around its business sites.
Controlling Chemical Substances	Chemical substances have become an essential part of our lifestyles. On the other hand, chemical substances hold the potential to significantly impact humans and ecosystems, a fact that has led to stringent laws and regulations related to their appropriate use and control. The Kubota Group believes in the importance of appropriately controlling the chemical substances contained in its products and handled at its business sites in order to minimize the impact on customers, those who live and work near its business sites, employees, and ecosystems.

Risks and Opportunities

The Task Force on Climate-related Financial Disclosures (TCFD) set up by the Financial Stability Board (FSB) released its final report in June 2017 to provide companies with recommendations for assessing and disclosing the financial implications of climate change.

In light of the climate change-related risks (transitional risk, physical risk) and opportunities recommended for disclosure by the TCFD and other organizations, the Kubota Group endeavors to continuously assess the implications related to materiality (basic items for environmental conservation) considered to have a high degree of importance for stakeholders and the Kubota Group from the perspective of risks and opportunities. Moreover, we make efforts towards reducing risks and creating value from opportunities.

		Anticipated Risks and Opportunities
Tackling Climate Change	Risks	Higher costs coinciding with compliance to stricter energy saving-related regulations, etc.
		Higher manufacturing costs due to soaring energy prices
		Negative impacts on Kubota and supplier operations due to climate change-triggered natural disasters
		Changes in agricultural style due to more pests, lower crop yields, and relocation of suitable farming land, etc.
		Removal of low energy-saving products as a result of greater interest in climate change among the market and customers
	Opportunities	Contribution to greenhouse gas emissions control through the launch of products and services, etc., that enable energy savings and energy creation
		Improve energy efficiency through energy-saving measures, such as upgrading to high-efficiency equipment at business sites
		Expand climate change adaptation business based on the delivery of agricultural solutions that correspond to changes in agricultural styles
Working towards a Recycling-based Society	Risks	Higher costs coinciding with compliance to import and export regulations on discarded plastic and stricter waste-related regulations, etc.
		Higher manufacturing costs due to resource depletion and soaring resource prices
		Higher costs coinciding with the development and production of resource recycling-based products made from recycled materials, etc.
	Opportunities	Contribution to the effective use of resources through the launch of products that consider resource recycling, including the use of recycled materials, and through the deployment of environmental and waste-disposal services
		Improve resource efficiency through resource conservation measures at business sites
		Improve product sustainability through easier maintenance and the promotion of used product recycling
Conserving Water Resources	Risks	Fines and shutdowns due to non-compliance with wastewater standards, etc., and lower social credibility, higher costs coinciding with stricter water-related regulations, etc.
		Negative impacts on production activities due to higher manufacturing costs resulting from soaring water prices and water-use restrictions, etc.
		Negative impacts on Kubota and supplier operations due to flooding, droughts, and other disasters
		Lower crop yields due to shortage of water resource, changes in agricultural styles due to relocation of suitable farming land
		Higher costs coinciding with the design and development of products and services suited to the needs of regions with high water risk
	Opportunities	Contribution to social infrastructure through the delivery of water environment-related products that ensure access to safe and secure water, wastewater treatment and recycling treatment facilities that comply with stricter regulations, and solutions that help solve water-environment issues, etc.
		Improve water use efficiency through water conservation and wastewater reuse at business sites, etc.
		Expand climate change adaptation business based on the supply of water infrastructure that is highly resistant to flooding, droughts, and other disasters
Controlling Chemical Substances	Risks	Fines and shutdowns, etc., due to non-compliance with chemical substance-related environmental standards, etc., and lower social credibility, and higher costs coinciding with stricter chemical substance-related regulations, etc.
	Opportunities	Contribution to reduced environmental loads through the launch of products compliant with emissions gas regulation and toxic substance use regulation
		Reduce exposure risk through the decreased use of potentially toxic substances at business sites
		Improve painting efficiency through the reduced use of paints and improved yields, etc., at business sites
Conserving Biodiversity	Risks	Fines and litigation due to violation of biodiversity-related regulations
		Shortages and higher procurement costs of raw materials due to declining natural capital
		Litigation raised by local communities and lower social credibility due to inappropriate land use, pollutant emissions, and excessive resource consumption, etc.
	Opportunities	Contribution to the conservation of biodiversity through the launch of products that assist soil and water area conservation and products that control gas emissions, noise, and vibration, etc.
		Improve brand image through activities that consider biodiversity and environmental communication with local communities, etc.

Key Measures

In order to address the issues identified as materiality, the Kubota Group promotes the following key measures from the perspective of the value chain.

	Value chain of business (Expanding Environment-friendly Products and Services P57-70)		
	Design and development, procurement	Manufacturing and distribution	Use and disposal
Tackling Climate Change (P38-42)	• Optimal regional procurement	• Reduce waste and loss in the use of energy based on the Kubota Production System concept • Recover and reuse waste energy • Expand use of renewable energy • Improve distribution efficiency • Promote modal shift	• Lower fuel consumption • Improve efficiency and save labor for work and management • Conserve energy during construction
Working towards a Recycling-based Society (P43-46)	• Use recycled materials • Reduce the number of parts	• Conserve resources • Promote the 3Rs for waste and convert waste into functional materials • Reduce plastic • Reduce packing material • Ensure proper waste management	• Extend product life • Improve ease of maintenance • Promote product recycling • Ensure proper disposal
Conserving Water Resources (P47-49)	• Assess water risks	• Promote the 3Rs for water resources • Ensure proper wastewater management • Promote BCP measures	• Save water consumption • Promote purification or recycling of wastewater
Controlling Chemical Substances (P50-53)	• Reduce the use of substances of concern	• Reduce VOC emissions • Substitute for organic solvents • Ensure proper chemical substance management	• Make exhaust gas cleaner • Reduce environmental loads on soil and water areas
Conserving Biodiversity (P54-56)	• Assess the impact on natural capital	• Manage and reduce the environmental loads • Beautification and greening of business sites and neighborhoods	• Conserve soil and water areas • Reduce noise and vibration
Environmental Management (P71-75)	• Promote global environmental management led by the members at the management class level • Systematically reduce environmental loads toward achieving the Medium and Long-Term Environmental Conservation Targets • Reduce environmental risks through environmental risk assessment • Ensure environment-friendly design through product environmental assessment • Promote green procurement • Develop products that contribute to global environmental protection and solving social problems • Enforce compliance in accordance with globally systemized environmental conservation rules • Promote environmental training and environmental awareness-raising activities		
Environmental Communication (P76-80)	• Strengthen information dissemination through the environmental report and website • Promote environmental communication tailored to each target • Enhance two-way communication with stakeholders • Participate in regional environmental conservation activities		

Relationships Between Environmental Conservation Activities and the SDGs

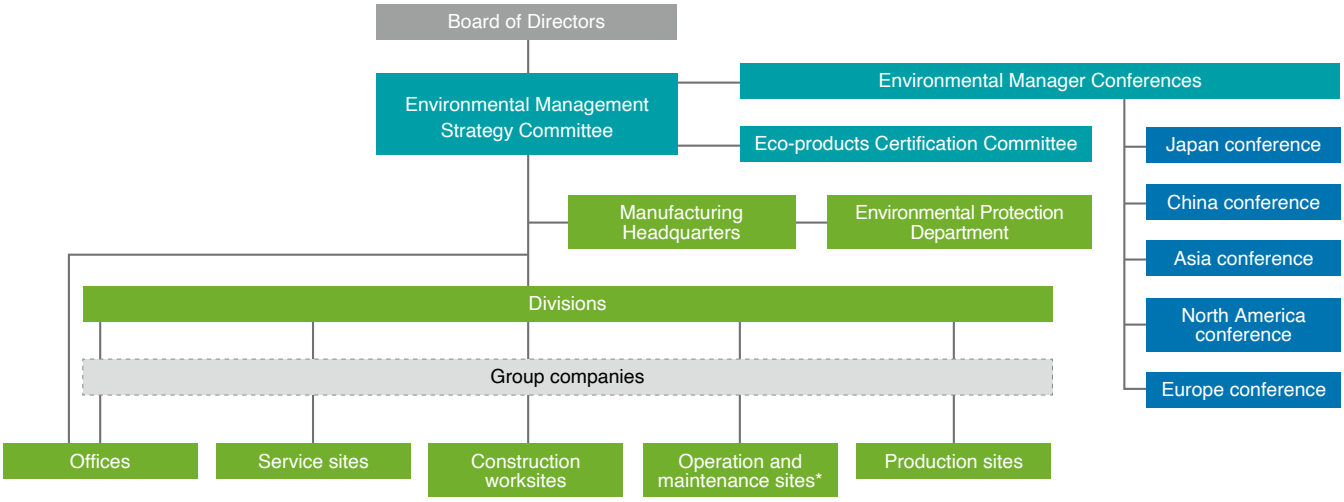
The Kubota Group environmental conservation activities are deeply related to the SDGs. In order to illustrate the relationship between our environmental conservation activities and the SDGs, we have organized their connections with the SDG targets.

View the list of related SDGs and targets
www.kubota.com/company/environment/sdgs/img/SDGs_target_list.pdf

Environmental Management Promotion System

Organization Structure

In 2014, the Environmental Management Strategy Committee was newly established to take a more strategic and innovative approach to environmental management by management-led promotion. In addition, Environmental Manager Conferences are held for each region—Japan, China, Asia, North America and Europe—to globally advance environmental management across the Kubota Group.



* Sites engaged in the business of operation or maintenance of environmental plants

Environmental Management Strategy Committee

The Environmental Management Strategy Committee is comprised of the President and all inside Directors, the General Manager of Planning and Control Headquarters, the General Manager of Manufacturing Headquarters, the General Manager of Research and Development Headquarters, the General Manager of Procurement Headquarters, and the General Manager of CSR Planning and Coordination Headquarters.* The Committee discusses the medium- and long-term direction of the Kubota Group's environmental management, such as medium- and long-term targets and key measures in light of global environmental issues such as climate change and the business environment. It determines priority items and plans that should be carried out in order to reduce environmental impacts and risks, and to enhance the lineup of environment-friendly products. In 2019, the Environmental Management Strategy Committee was held in May and November.

Environmental Management Strategy Committee

The results of the committee meetings are reported to the Board of Directors and the Executive Officers' Meeting, and are distributed throughout the Group. It also promotes management based on the plan-do-check-action (PDCA) cycle by assessing and analyzing the progress of the entire Group's environmental conservation activities and reflecting the results when formulating new plans and policies. We will continue to promote swift environmental management led by members at the management level.

* General managers are either directors or executive officers.

Environmental Manager Conferences

The Kubota Group holds Environmental Manager Conferences for each region aimed at strengthening the environment management system and reducing environmental loads and environmental risks on a global basis.

In 2019, conferences for North America, Asia, Europe and Japan were held. Environmental managers and staff members of six companies with business sites in the US and Canada gathered for the North America Conference, the same from seven companies with sites in Thailand, Indonesia, Vietnam and India gathered for the Asia Conference, and representatives from eight companies with sites in Germany, France, the Netherlands and Norway attended the Europe Conference. Environmental managers from relevant mother plants in Japan also attended the respective conferences. The Japan Conference brought together environmental managers and staff members from 24 sites across Japan, including Group companies.

The focus of the conferences was on communicating the Kubota Group's policies and initiatives, as well as sharing progress on the Medium-Term Environmental Conservation Targets. Participants also presented case studies on mainly energy-saving measures and identified areas where improvements should be made at plants.

As for conferences held overseas, since 2017 the Kubota Group has encouraged local business sites to host their own conferences in order to efficiently promote governance, strengthen collaboration, and raise the level of activities within their own region. A conference of five companies in Thailand was launched in December 2017, another with three companies in China's Jiangsu Province in December 2018, and another with six companies in North America in August 2019. Each of these conferences is addressing regional-specific topics by setting targets, regularly inspecting each other's plants, strengthening legal and regulatory compliance, and sharing good practices.

In Japan, two subcommittees have been established under the Environmental Manager Conference. In 2019, the Antipollution Subcommittee discussed and drafted measures regarding the Group's environmental risk assessment of wastewater treatment facilities, while the Waste Subcommittee did the same in order to further accelerate the Group's efforts on addressing the global issue of plastic waste.

The Group will continue to work diligently to further raise its level of environmental conservation activities across the entire Group by drawing on the contributions of the Environmental Manager Conferences and its subcommittees.

* Overseas, the conference is held as the Safety and Health / Environmental Manager Conference, and is also aimed at strengthening the safety and health aspects.

North America Conference
Kubota Manufacturing of America Corporation (US)

Europe Conference
Kubota Farm Machinery Europe S.A.S (France)

Asia Conference
SIAM KUBOTA Metal Technology Co., Ltd. (Thailand)

Japan Conference
Kubota Head Office