[Translation]

Annual Securities Report

(The 130th Business Term)
From January 1, 2019 to December 31, 2019

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

Kubota Corporation

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[Document Filed]	Annual Securities Report (“Yukashoken Hokokusho”)
[Applicable Law]	Article 24, Paragraph 1 of the Financial Instruments and Exchange Act of Japan
[Filed to]	Director, Kanto Local Finance Bureau
[Filing Date]	March 19, 2020
[Fiscal Year]	130th Business Term (from January 1, 2019 to December 31, 2019)
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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 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

		IFRS			
Business term		130th Business term	129th Business term	128th Business term	Transition date
Fiscal year		December 2019	December 2018	December 2017	January 1, 2017
Revenue	(millions of yen)	1,920,042	1,850,316	1,751,038	—
Profit before income taxes	(millions of yen)	209,022	197,230	214,007	—
Profit attributable to owners of the parent	(millions of yen)	149,061	138,595	134,160	—
Comprehensive income attributable to owners of the parent	(millions of yen)	167,048	87,544	148,460	—
Equity attributable to owners of the parent	(millions of yen)	1,442,837	1,339,850	1,291,094	1,193,765
Total equity	(millions of yen)	1,537,214	1,426,433	1,375,568	1,267,074
Total assets	(millions of yen)	3,139,318	2,895,655	2,832,364	2,633,780
Equity attributable to owners of the parent per share	(yen)	1,182.72	1,087.44	1,046.55	962.17
Earnings per share attributable to owners of the parent:					
Basic	(yen)	121.59	112.44	108.45	—
Diluted	(yen)	—	112.44	—	—
Ratio of equity attributable to owners of the parent to total assets	(%)	46.0	46.3	45.6	45.3
Ratio of profit attributable to owners of the parent to equity attributable to owners of the parent	(%)	10.7	10.5	10.8	—
Price earnings ratio	(times)	14.20	13.89	20.37	—
Net cash provided by operating activities	(millions of yen)	82,410	89,148	137,185	—
Net cash used in investing activities	(millions of yen)	(91,470)	(58,756)	(45,984)	—
Net cash used in financing activities	(millions of yen)	(21,515)	(27,816)	(32,575)	—
Cash and cash equivalents, at the end of the year	(millions of yen)	199,665	229,123	230,720	169,416
Number of employees (Average number of part-time employees)	(number of persons)	41,027 (2,880)	40,202 (3,004)	39,410 (3,031)	38,291 (—)

(Notes)

1. Beginning with the 129th business term, the consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").
2. Revenues do not include consumption taxes.
3. Amounts less than presentation units are rounded.
4. *Earnings per share attributable to owners of the parent—Diluted* for the years ended December 31, 2017 and 2019 are not stated because Kubota Corporation did not have potentially dilutive common shares that were outstanding during those years.

Business term		U.S. GAAP 128th Business term	127th Business term	126th Business term	125th Business term
Fiscal year		December 2017	December 2016	December 2015	March 2015
Revenues	(millions of yen)	1,751,535	1,596,091	1,244,775	1,584,265
Income before income taxes and equity in net income of affiliated companies	(millions of yen)	212,901	196,971	169,504	210,709
Net income attributable to Kubota Corporation	(millions of yen)	136,445	132,485	110,107	139,534
Comprehensive income	(millions of yen)	166,441	112,599	82,060	228,886
Kubota Corporation shareholders’ equity	(millions of yen)	1,301,345	1,198,761	1,140,310	1,100,079
Total equity	(millions of yen)	1,385,435	1,271,925	1,218,558	1,178,466
Total assets	(millions of yen)	2,853,930	2,670,582	2,532,926	2,472,163
Kubota Corporation shareholders’ equity per common share	(yen)	1,054.86	966.19	916.28	883.10
Net income attributable to Kubota Corporation per common share:					
Basic	(yen)	110.30	106.58	88.47	111.68
Diluted	(yen)	—	—	—	—
Kubota Corporation shareholders’ equity ratio	(%)	45.6	44.9	45.0	44.5
Return on equity	(%)	10.9	11.3	9.8	13.7
Price earnings ratio	(times)	20.03	15.65	21.34	17.04
Net cash provided by operating activities	(millions of yen)	222,288	184,978	197,040	85,880
Net cash used in investing activities	(millions of yen)	(130,339)	(167,525)	(130,307)	(117,227)
Net cash provided by (used in) financing activities	(millions of yen)	(32,575)	11,364	(27,671)	47,994
Cash and cash equivalents, end of period	(millions of yen)	230,720	169,416	146,286	112,428
Number of employees (Average number of part-time employees)	(number of persons)	39,410 (3,031)	38,291 (3,280)	36,233 (3,650)	35,487 (3,981)

(Notes)

1. The consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) until the 128th business term.
2. Revenues do not include consumption taxes.
3. Amounts less than presentation units are rounded.
4. *Net income attributable to Kubota Corporation per common share—Diluted* is not stated because Kubota Corporation did not have potentially dilutive common shares that were outstanding during the period.
5. Kubota Corporation changed its fiscal year-end from March 31 to December 31 from the 126th business term. The same changes in the fiscal year ends were made to subsidiaries in Japan that had fiscal year ends other than December 31. Accordingly, the 126th business term, the transitional period for the change in the fiscal year end, was the nine-month period that commenced on April 1, 2015 and ended on December 31, 2015. In addition, certain subsidiaries and an affiliate aligned their reporting periods, which were previously consolidated using their own reporting periods, to that of Kubota Corporation. To reflect the impact of these changes, the Company has retrospectively adjusted the consolidated financial statements for all periods presented.
6. The Company adopted a new accounting standard related to debt issuance costs on January 1, 2016. To reflect the impact of the adoption, the Company has retrospectively adjusted the consolidated financial statements for all periods presented.

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 Jul. 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 U.S. 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 from it in Jul. 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.).
Sep. 2007	Established Siam Kubota Tractor Co., Ltd. (currently SIAM KUBOTA Corporation Co., Ltd.) as a manufacturing base for tractors in Thailand.
Dec. 2009	Established Kubota Saudi Arabia Company, LLC as a hub for the steel casting business in Saudi Arabia.
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 U.S., and made it a consolidated subsidiary.

3. Description of Business

The Company is comprised of Kubota Corporation and 187 affiliates (as of December 31, 2019, 174 subsidiaries and 13 equity method affiliates) and engages in various fields of business and industry by providing products and services which are categorized into three segments: Farm & Industrial Machinery, Water & Environment, and Other as of December 31, 2019.

The Company's consolidated financial statements are prepared in accordance with IFRS. Subsidiaries and equity method affiliates included in the scope of consolidation are defined in accordance with these accounting principles. The same applies to *2. Business Overview,* and *3. Property, Plant, and Equipment.*

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

(1) Farm & Industrial Machinery

Farm & Industrial Machinery mainly engages in manufacturing and sales of products which are comprised of 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, Other equipment for agricultural use, Cooperative drying facilities, Rice seedling facilities, Rice mill plants, Gardening facilities, Scales, Weighing and measuring control systems, Air-conditioning equipment, and Air purifier with humidification function
Engines	Engines (for farming, construction, 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)

(Domestic) Kubota Air Conditioner, Ltd.

(Overseas) Kubota Manufacturing of America Corporation
Kubota Industrial Equipment Corporation
Great Plains Manufacturing, Inc. and its 18 affiliates
Kubota Farm Machinery Europe S.A.S.
Kubota Baumaschinen GmbH
Kverneland AS and its 35 affiliates
Kubota Agricultural Machinery (SUZHOU) Co., Ltd.
Kubota Construction Machinery (Wuxi) Co., Ltd.
SIAM KUBOTA Corporation Co., Ltd.
KUBOTA Engine (Thailand) Co., Ltd.

(Sales and Other Services)

(Domestic) 12 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.

(2) Water & Environment

Water & Environment mainly engages in manufacturing and sales of pipe- and infrastructure-related products (ductile iron pipes, plastic pipes, valves, industrial casting, ceramics, spiral welded steel pipes, and other products) and environment-related products (environmental control plants, pumps, and other products).

1) Main Products

Pipe- and Infrastructure-related products	Ductile iron pipes, Plastic pipes, Valves, Single stack drain fittings, Design and construction of construction works, Reformer and cracking tubes, Hearth rolls, Rolls for steel mills, Ceramics, TXAX (friction materials), and Spiral welded steel pipes (steel pipe piles, steel pipe sheet piles)
Environment-related products	Waste water 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 Bathtubs

2) Main Affiliates
(Manufacturing and Sales)
(Domestic) Kubota ChemiX Co., Ltd.
NIPPON PLASTIC INDUSTRY CO., LTD.
(Overseas) Kubota Materials Canada Corporation
Kubota Saudi Arabia Company, LLC
(Maintenance and Repair)
(Domestic) Kubota Environmental Service Co., Ltd.
(Design and Construction)
(Domestic) Kubota Construction Co., Ltd.

(3) Other

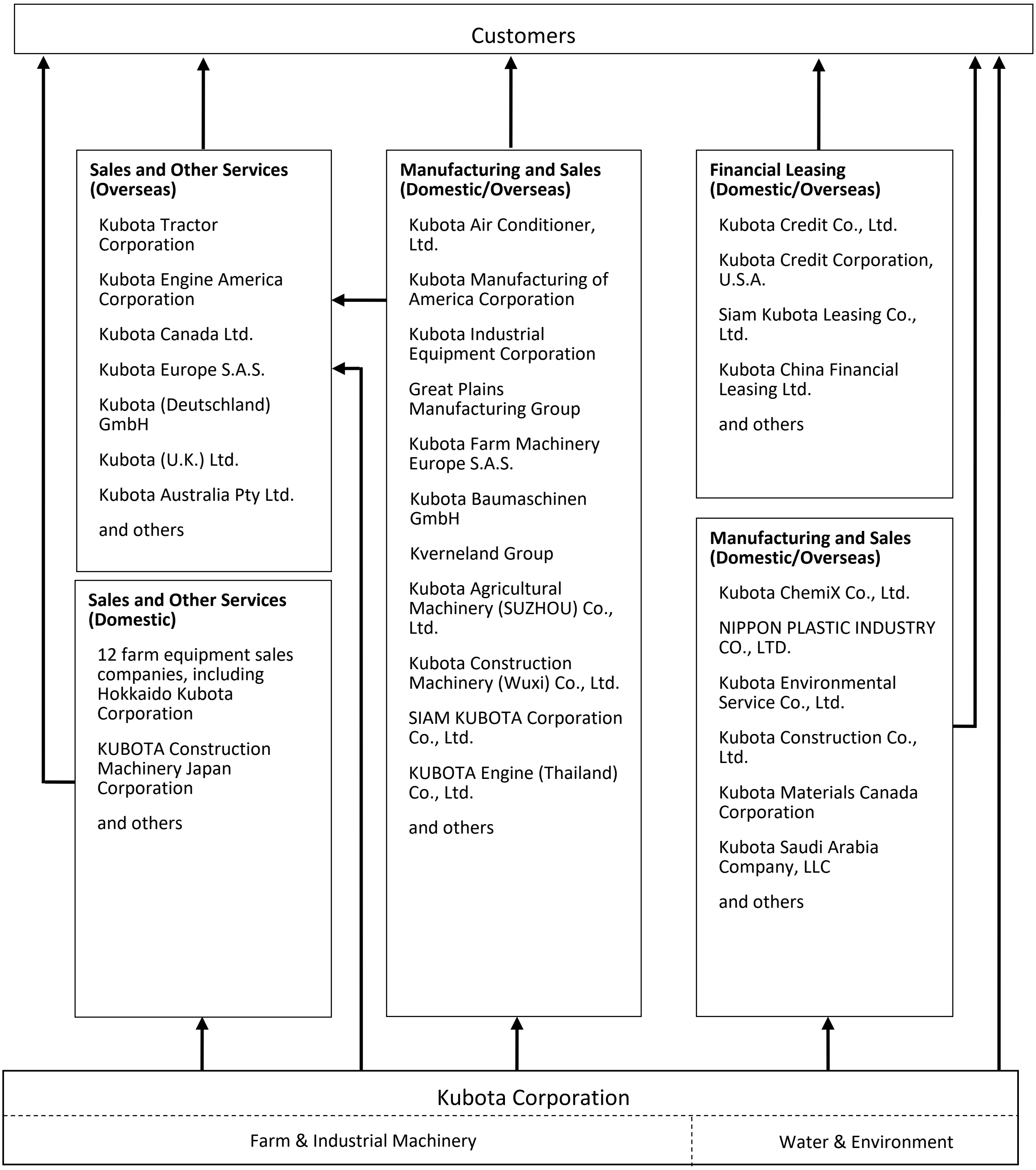
Other mainly engages in offering a variety of other services.

1) Main Products

Other	Services, such as logistics, financing, and roofing and siding materials

2) Main Affiliates
(Manufacturing and Sales)
(Domestic) KMEW Co., Ltd.
(Other Services)
(Domestic) KUBOTA LOGISTICS Corporation
(Overseas) Kubota China Holdings Co., Ltd.,
Kubota China Financial Leasing Ltd.

(Business distribution diagram)



4. Information on Affiliates

(As of December 31, 2019)

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.	81.9	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 and sales of Kubota Corporation's products
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 Seiki Co., Ltd.	Mihara-ku, Sakai, JAPAN	480	Manufacturing and sales of hydraulic equipment	100.0	Material supplies to Kubota Corporation
Kubota Machinery Trading Co., Ltd.	Naniwa-ku, Osaka, JAPAN	30	Export and import of repair parts related to farm equipment, engines, and construction machinery	100.0	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 Air Conditioner, Ltd.	Chuo-ku, Tokyo, JAPAN	400	Manufacturing, sales, and maintenance of air conditioning equipment for business use	100.0	Loans from Kubota Corporation and lease of facilities from Kubota Corporation
Kubota North America Corporation (Note 3)	Delaware, U.S.A.	(thousands of USD) 597,100	Administration of subsidiaries in North America	100.0	Interlocking Directors
Kubota Tractor Corporation (Note 3) (Note 4)	Texas, U.S.A.	(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, U.S.A.	(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	Georgia, U.S.A.	(thousands of USD) 10,900	Manufacturing of tractors and outdoor power equipment	(100.0) 100.0	Interlocking Directors
Kubota Industrial Equipment Corporation	Georgia, U.S.A.	(thousands of USD) 70,000	Manufacturing of implements, tractors, and construction machinery	(100.0) 100.0	Interlocking Directors
Kubota Engine America Corporation	Illinois, U.S.A.	(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, U.S.A.	(thousands of USD) 2,000	Underwriting non-life insurance in the U.S.	(100.0) 100.0	Interlocking Directors
Great Plains Manufacturing, Inc. and its 18 subsidiaries	Kansas, U.S.A.	(thousands of USD) 90	Manufacturing and sales of implements	(100.0) 100.0	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 3)	Noord-Holland, NETHERLANDS	(thousands of EUR) 532,788	Administration of subsidiaries in Europe	100.0	Interlocking Directors
Kubota Europe S.A.S.	Val-d'Oise, FRANCE	(thousands of EUR) 56,767	Sales of construction machinery, tractors, outdoor power equipment, and engines	(100.0) 100.0	Sales of Kubota Corporation's products and interlocking Directors
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, U.K.	(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 its 34 subsidiaries	Rogaland, NORWAY	(thousands of EUR) 53,090	Manufacturing and sales of agricultural implements	(100.0) 100.0	Loans from Kubota Corporation, Interlocking Directors
SIAM KUBOTA Corporation Co., Ltd. (Note 3)	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) 2,000,000	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
Kubota Agricultural Machinery (SUZHOU) Co., Ltd.	Jiangsu, CHINA	(thousands of RMB) 170,999	Manufacturing and sales of combine harvesters, rice transplanters, and tractors	(100.0) 100.0	Purchase of Kubota Corporation's products and interlocking Directors
Kubota Construction Machinery (Wuxi) Co., Ltd.	Jiangsu, CHINA	(thousands of RMB) 289,035	Manufacturing of construction machinery	(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
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.	Naniwa-ku, Osaka, JAPAN	3,198	Manufacturing and sales of plastic pipes and fittings	(0.2) 100.0	Loans from Kubota Corporation, lease of facilities from Kubota Corporation, and interlocking Directors

Kubota Environmental Service Co., Ltd.	Chuo-ku, Tokyo, JAPAN	90	Operation, maintenance, design, construction, remodeling, repair, and modifying of water treatment facilities, sanitation facilities, and waste treatment facilities	100.0	Lease of facilities from Kubota Corporation, maintenance, and 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	
Kubota Construction Co., Ltd.	Naniwa-ku, Osaka, JAPAN	400	Design and construction of water and sewage, civil engineering	100.0	Loans from Kubota Corporation, lease of facilities from Kubota Corporation, contracting and construction of Kubota Corporation's works, and interlocking Directors
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
Kubota Saudi Arabia Company, LLC	Ash Sharqiyah, SAUDI ARABIA	(thousands of SAR) 56,250	Manufacturing and sales of steel casting products, sales of pumps and valves, and maintenance of valves	51.0	Purchase of Kubota Corporation's products and debt guarantees
KUBOTA SYSTEMS INC.	Naniwa-ku, Osaka, JAPAN	400	Development of system, data processing service, and sales of hardware	100.0	Lease of facilities from Kubota Corporation, and development of system and data processing service
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, and transportation and storage of Kubota Corporation's products
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 3)	Shanghai, CHINA	(thousands of RMB) 1,701,861	Administration of subsidiaries in China	100.0	Interlocking Directors
Kubota China Financial Leasing Ltd.	Shanghai, CHINA	(thousands of RMB) 527,092	Finance leasing of construction machinery and farm equipment, and factoring service	(100.0) 100.0	Interlocking Directors
75 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
5 other companies					

(Notes)

1. There is no company which files an annual securities report.
2. The amounts in parentheses in the upper row of the *Ownership percentage of voting right*s column represent the percentage of voting rights owned by subsidiaries out of the total ownership percentage.
3. Specified companies under the Financial Instruments and Exchange Act of Japan

4. Revenues of Kubota Tractor Corporation (excluding intercompany transfers) exceeded 10% of total consolidated revenue of the Company. Its major financial data for the year ended December 31, 2019 were: revenue, ¥454,727 million; income before income taxes, ¥35,841 million; and net income, ¥26,324 million; and at December 31, 2019 were: total equity, ¥207,625 million; and total assets, ¥372,379 million.

5. Employees

(1) Consolidated basis

(As of December 31, 2019)

Reporting segment	Number of employees	
Farm & Industrial Machinery	30,622	(2,376)
Water & Environment	6,993	(282)
Other	1,662	(222)
Corporate	1,750	(—)
Total	41,027	(2,880)

(Note)

The number of employees refers solely to full-time employees of the Company on a consolidated basis. In addition, the number in parentheses in the *Number of employees* column is the average number of part-time employees for the fiscal year.

(2) Kubota Corporation

(As of December 31, 2019)

Number of employees	Average age	Average length of service	Average annual salary
11,396	40.5	15.2 years	¥ 8,011,646

Reporting segment	Number of employees
Farm & Industrial Machinery	7,098
Water & Environment	2,548
Corporate	1,750
Total	11,396

(Notes)

1. The number of employees refers solely to full-time employees of Kubota Corporation.
2. Average annual salary includes bonuses and extra wages.

(3) Relationship with labor unions

The relationship between management and labor unions is quite stable and smooth.

2. Business Overview

1. Business Issues to Address

The Company’s long-term goal is to become a Global Major Brand, 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. The Company aims to establish the Global Major Brand Kubota, to make the greatest possible contribution to the success of the Sustainable Development Goals (SDGs) promoted by the United Nations, and to achieve sustainable development over the long term. To achieve these ends, the Company will team up and work together with various players across its business domains encompassing the areas of food, water and the environment, and will provide society with holistic solutions created through those synergies.

(1) More Flexible and Proactive Task Setting

As our planet and social environment undergo increasingly serious changes, the Company will use a lens with wider perspective and more angles to discover the looming issues a few steps ahead of society and our customers, and proactively set ourselves tasks which only the Company can tackle. To achieve this, the Company will focus on the spirit of “On Your Side,” which is an approach to create new innovation through being on our customers’ side, picking up their issues ahead of the rest of the world, and solving them. As a result, the Company will be able to provide value not only in our traditional business domains, but also through solutions that extend from the upstream to the downstream of the value chain of its customers’ businesses.

(2) Development of Open and Innovative Technologies and Business Schemes

The Company will proactively develop innovative technologies and business schemes by adopting a more open attitude to utilize ideas from other business fields and sometimes collaborating with external partners based on the foundation of advanced R&D. As a first step, the Company has started establishing the new Sakai R&D Center, which will serve as a core base for controlling R&D worldwide, including the integration of IoT and ICT technologies and the development of key components to be supplied to overseas sites. The Company will improve the quality and efficiency of R&D significantly by incorporating new initiatives such as Design Process Innovation in order to win the global development competition for the future. In addition to its existing R&D centers in North America, Europe, Thailand, and China, the Company is also considering establishing a new R&D center in India. The Company will establish a global R&D structure in six regions around the world including Japan, so that engineers around the world can engage in efficient and creative development sharing the same Kubota values.

Moreover, the Company has established innovation centers in Japan and Europe aimed at creating new value that exceeds customers’ expectations through planning businesses, products and services all beyond the existing business domains, while promoting open innovation. Going forward, the Company will expand this initiative into more regions and actively invest in products and services which the Company cannot provide on its own, with an eye toward building necessary businesses in the future. Through these initiatives, the Company will create new value not only by itself, but also with its business partners who possess elemental technologies that will have a major impact on society in the future (Deep Tech). The Company will also strive to form alliances with industry, government, academia, and startups to promote projects that cannot bring success to customers by the effort of a single company alone, such as technological research required for next-generation farm equipment and the establishment of smart food value chains involving the sixth industry and distribution.

(3) Creation and Provision of Total Solutions through Promotion of DX by Utilizing New IT

The cloud, AI, 5G, and other fundamental technologies for DX (Digital Transformation) are evolving continuously. By transforming the Company’s behavior, knowledge, experience, and products through this greater access to data and digital technologies, the Company aims to contribute to society through creating and providing holistic solutions. In order to achieve this, the Company will utilize ICT technologies such as IoT and AI to revolutionize its business structure itself in addition to maximizing the efficiency of its operations. The Company will strive to provide not only products, repairs, and services, but also total solutions by engaging in its customers’ businesses from the beginning to the end in order to deliver success to their businesses.

2. Risk Factors

The Company considers that the following risks may adversely affect the Company's results of operations and financial position. Forward-looking statements contained in this section are made based on the assumptions as of the current fiscal year end.

(1) Declines in economic conditions in the Company's major markets, including private-sector capital expenditures, construction investment, and domestic public investment, may adversely impact the results of operations of the Company.

Industrial and capital goods make up a substantial portion of the Company's products. Accordingly, the Company may see 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 national government may adversely affect domestic sales of agriculture-related products. In the overseas markets, especially those of 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 private consumption and residential construction investment in those regions.

(2) If the prices of raw materials increase or the Company has difficulties in procuring adequate supplies of raw materials, there may be a material adverse effect on the Company's results of operations.

The Company purchases substantial raw materials and parts from outside suppliers. If the prices of raw materials substantially increase due to the supply and demand gap and changes in the market conditions and stay at high levels for a long time, they may have an adverse effect on the Company's profitability. Also, 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 due to difficulties in production and sales activities.

(3) The risks associated with international operations may adversely affect the Company's results of operations.

In some businesses of the Company, substantial overseas operations are conducted. Accordingly, the Company is subject to a number of risks inherent in conducting business in those markets. Such risks may cause the Company to face difficulties in stable production and sales of products in the overseas markets that may affect the Company's results of operations or which may hinder growth of the Company in specific countries. The following risks are serious concerns for the Company:

1) Unexpected changes in international or an individual country's tax regulations;
2) Unexpected legal or regulatory changes in a country;
3) Unexpected results of transfer pricing issues or negotiation for an advanced pricing agreement;
4) Unexpected changes in government policies for approvals and licenses or subsidy program in certain significant markets;
5) Unexpected changes in import and export duties and quotas over international trade following negotiation by governments;
6) Difficulties in retaining qualified personnel;
7) Lack of qualified technological skills in the workforce and instability between management and employee unions in developing countries; and
8) Political instability in those countries.

(4) Fluctuations in foreign currency exchange rates, in particular a stronger yen, may adversely affect the Company's results of operations and financial position.

The Company has overseas revenues and sales, manufacturing, and finance subsidiaries located in foreign countries which significantly contribute to the Company's results of operations and impact the Company's financial position. Since the transactions between Kubota Corporation and foreign subsidiaries and customers are generally denominated in local currency and also since the foreign subsidiaries' results of operations are prepared in local currency, fluctuations in foreign currency exchange rates, in particular a stronger yen against other currencies, may adversely affect the Company's results of operations and financial position. In order to minimize adverse effects from fluctuations in foreign currency exchange rates, the Company has been transferring its production bases to those countries and regions where its products are actually sold. Also, the Company enters into foreign exchange forward contracts, cross-currency swap contracts, and cross-currency interest rate swap contracts to mitigate its exposure to these risks. Despite the Company's efforts to mitigate such risks, fluctuations in foreign currency exchange rates may adversely affect the Company's consolidated results of operations and financial position.

(5) Interest rate hikes may have material adverse effects on the Company's results of operations.

Interest rate hikes may increase the Company's interest expenses, which could have a material adverse effect on the Company's results of operations.

(6) Stock market fluctuations may have a material adverse effect on the Company's results of operations and financial position.

Stock market declines may cause impairment losses on the Company's investments in marketable securities or cause an increase in actuarial losses on the Company's retirement and pension plans as a result of a decline in the fair value of plan assets. This could have a material adverse effect on the Company's results of operations and financial position.

(7) If strategic alliances, mergers, and acquisitions do not generate successful results as planned, then the Company's profitability may deteriorate.

The Company intends to use strategic alliances, mergers, and acquisitions to generate further growth. The success of these activities depends on factors such as the Company's 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 related investments are lower than expected, the Company's profitability may be lower than anticipated.

(8) The Company is subject to intensifying competitive pressures. Unless the Company outperforms other companies in each of its businesses, the Company's results of operations may decrease in the future.

The Company is exposed to significant competition in each of its businesses. Unless the Company outperforms its competitors in areas such as terms of trade conditions, R&D, and quality of goods or services, the Company's results of operations may decrease in the future.

(9) If the Company's products and services are alleged to have serious defects, such allegations may have a material adverse effect on the Company's results of operations and financial position.

If the Company's products and services are alleged to have serious defects, the Company may be liable for significant damages, and there could be a material adverse effect on the Company's results of operations and financial position. If such claims are asserted, the Company's reputation and brand value may be damaged, which could cause a decline in demand for its products, resulting in decreased revenues.

(10) The Company may be required to incur significant expenses in connection with environmental damage that its activities may allegedly cause. Such expenses may have a material adverse effect on the Company's results of operations and financial position.

Claims may arise that the Company's activities have caused environmental contamination, including the emission of hazardous materials, air pollution, water pollution, and/or soil contamination. In such an event, the Company may elect or be required to implement costly corrective actions to resolve any issues associated with the emission or presence of such hazardous materials or contamination and may face associated litigation. These factors may have a material adverse effect on the Company's results of operations and financial position.

(11) If the Company is required to incur significant expenses relevant to asbestos-related issues, then there may be a material adverse effect on the Company's results of operations, financial position, and liquidity.

The Company previously manufactured products containing asbestos from 1954 to 2001. If the Company is required to incur additional expenses, including payments to the individuals concerned or expenses arising from litigation related to the asbestos-related health hazards and such expenses become significant, they may result in a material adverse effect on the Company's results of operations, financial position, and liquidity.

(12) The Company may experience a material effect on its results of operations and financial position if it faces issues related to compliance.

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 group companies 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, any of which could have a material adverse effect on the Company's results of operations and financial position.

(13) Security breaches and other disruptions in the Company's Information Technology ("IT") system and networks may have a material adverse effect on the Company's results of operations and financial position.

The Company faces certain security threats, including threats to the confidentiality, availability, and integrity of our data and systems. In order to manage such risks, we implemented our information security system, an integrated set of policies, processes, methodologies, teams, and technologies aimed at ensuring appropriate protection of our 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 or may be subject to litigation or threat of litigation for information leakage, which in turn may cause a material adverse effect on the Company's results of operations and financial position. If such security breaches and other disruptions occur, the Company's reputation and brand value may be damaged and the Company's intellectual property may be infringed, which may cause a decline in demand for its products and result in decreased revenues.

(14) The Company may be required to incur considerable expenses in order to comply with various environmental laws and regulations. Such expenses may have a material adverse effect on the Company's results of operations and financial position.

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 those that impose carbon dioxide emission controls, other emission controls, and usage restrictions for certain materials which are used in the Company's products, are strengthened or newly established in jurisdictions in which the Company conducts its businesses, 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 and financial position. To the extent that the Company determines that it is not economical to continue to comply with such laws and regulations, the Company may have to curtail or discontinue its activities in the affected business areas.

(15) If the Company is damaged by natural disasters or other unpredictable events, it may have an adverse effect on the Company's results of operations and financial position.

The Company conducts business activities in Japan, North America, Europe, Asia, and other regions. If natural disasters or other unpredictable events, such as earthquakes, tsunamis, floods, typhoons, pandemics, wars, terrorist attacks, fires, information system or communication network breakdowns, or improper operations occur in countries and regions in which the Company operates, the Company's production, distribution, and sales activities may be disrupted, which could have an adverse effect on the Company's results of operations and financial position. In particular, Japan is a country with frequent earthquakes, and as a result, the Company has a reasonable probability of suffering from a strong earthquake or tsunami.

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

(1) Analysis of Results of Operations

For the year ended December 31, 2019, revenue of the Company increased by ¥69.7 billion [3.8%] from the prior year to ¥1,920.0 billion.

Domestic revenue increased by ¥48.0 billion [8.3%] from the prior year to ¥625.4 billion because revenue in Water & Environment, whose businesses are mainly related to public works projects, increased mainly due to significantly increased sales of environment-related products and strong sales of ductile iron pipes. In addition, revenue in Farm & Industrial Machinery also increased mainly due to a strong sales performance of farm equipment and engines.

Overseas revenue increased by ¥21.7 billion [1.7%] from the prior year to ¥1,294.7 billion mainly due to strong sales of tractors and construction machinery along with gradual economic expansion in the United States. This was despite a negative impact from yen appreciation and challenging weather conditions in some overseas locations. As a result, overseas revenue accounted for 67.4% of consolidated revenue, which decreased by 1.4 percentage points from the prior year.

Operating profit increased by ¥12.3 billion [6.5%] from the prior year to ¥201.7 billion. This increase was primarily driven by increased sales in the domestic and overseas markets, raised product prices, and decreased sales promotion expenses resulting from declined interest rates in the United States. These positive effects compensated for some negative effects such as increased fixed costs and the yen appreciation. Profit before income taxes increased by ¥11.8 billion [6.0%] from the prior year to ¥209.0 billion because operating profit increased. Income tax expenses were ¥53.0 billion. The share of profits of investments accounted for using the equity method was ¥3.1 billion. Profit for the year increased by ¥8.9 billion [6.0%] from the prior year to ¥159.1 billion. Profit attributable to owners of the parent increased by ¥10.5 billion [7.6%] from the prior year to ¥149.1 billion.

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

1) Farm & Industrial Machinery

Farm & Industrial Machinery is comprised of farm equipment, agricultural-related products, engines, and construction machinery.

Revenue in this segment increased by 2.9% from the prior year to ¥1,572.6 billion, and accounted for 81.9% of consolidated revenue.

Domestic revenue increased by 3.8% from the prior year to ¥320.6 billion because sales of farm equipment and engines increased. In addition, sales of construction machinery, whose production and shipment had been delayed due to typhoon, also increased from the prior year.

Overseas revenue increased by 2.7% from the prior year to ¥1,252.0 billion. In North America, sales of construction machinery and tractors increased significantly because the solid market condition continued. In addition, there were some positive effects mainly from the realization in shipments of some products, which had been delayed due to typhoon in the prior year, in this year and newly introduced model of construction machinery. In Europe, revenue decreased due to a negative effect from the yen appreciation against the Euro and the British pound sterling. Revenue on a local currency basis was almost at the same level as the prior year due to strong sales of tractors and construction machinery in France and Germany, while there were some negative impacts of adverse reaction from rushed demand for engines caused by tightening of emission regulations in the prior year and stagnated demand for construction machinery in the United Kingdom along with a concern about economic downturn caused by Brexit. In Asia outside Japan, revenue decreased from the prior year mainly due to stagnant sales of combine harvesters and construction machinery in China while sales of farm equipment and construction machinery increased in Thailand. In Other areas, sales of construction machinery and tractors in Australia decreased because of drought and economic downturn.

Operating profit in this segment increased by 1.8% from the prior year to ¥204.5 billion due to some positive effects mainly from increased sales in the domestic and overseas markets, raised product prices, and decreased sales promotion expenses resulting from declined interest rates in the United States, which compensated for some negative effects from increased fixed costs and the yen appreciation.

2) Water & Environment

Water & Environment is comprised of pipe- and infrastructure-related products (ductile iron pipes, plastic pipes, valves, industrial castings, ceramics, spiral-welded steel pipes, and other products) and environment-related products (environmental control plants, pumps, and other products).

Revenue in this segment increased by 8.0% from the prior year to ¥315.7 billion, and accounted for 16.4% of consolidated revenue.

Domestic revenue increased by 14.7% from the prior year to ¥273.5 billion. In pipe- and infrastructure-related products, revenue from ductile iron pipes and construction business increased. Revenue in environment-related products increased significantly due to the construction of a waste disposal and treatment facility in Futaba Town, Fukushima Prefecture.

Overseas revenue decreased by 21.6% from the prior year to ¥42.3 billion mainly due to a decrease in export sales of ductile iron pipes to the Middle East and sales of wastewater treatment plants (Johkasou) in China.

Operating profit in this segment increased by 34.5% from the prior year to ¥26.7 billion mainly due to significantly increased sales in the domestic markets.

3) Other

Other is mainly comprised of a variety of services.

Revenue in this segment increased by 4.1% from the prior year to ¥31.6 billion, and accounted for 1.7% of consolidated revenue.

Operating profit in this segment increased by 20.2% from the prior year to ¥3.6 billion.

(2) Analysis of Cash Flows

Net cash provided by operating activities during the year ended December 31, 2019 was ¥82.4 billion, a decrease of ¥6.7 billion in net cash inflow compared with the prior year. This decrease resulted from changes in working capital, such as trade payables, while profit for the year increased.

Net cash used in investing activities was ¥91.5 billion, an increase of ¥32.7 billion in net cash outflow compared with the prior year. This increase was mainly due to an increase in cash outflow related to acquisition of property, plant, and equipment and intangible assets.

Net cash used in financing activities was ¥21.5 billion, a decrease of ¥6.3 billion in net cash outflow compared with the prior year. This decrease was mainly due to an increase in funding despite an increase in purchases of treasury shares and repayments of lease liabilities along with adoption of International Financial Reporting Standards, *16 Leases* (hereinafter, "IFRS 16").

As a result of the above, and after taking into account the effects from exchange rate changes, cash and cash equivalents as of December 31, 2019 were ¥199.7 billion, a decrease of ¥29.5 billion from the beginning of the current period.

(3) Liquidity and Capital Resources

1) Finance and Liquidity Management

The Company's financial policy is to ensure adequate financing and liquidity for its operations and to maintain the strength of its balance sheets.

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 the issuance of bonds and commercial paper ("CP") in capital markets, if necessary. The Company's policy is to finance capital expenditures primarily by internally generated funds and, to a lesser extent, by funds raised through borrowings from financial institutions, etc.

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

2) Assets, Liabilities, and Equity

<u>Assets</u>

Total assets at December 31, 2019 were ¥3,139.3 billion, an increase of ¥243.7 billion from the prior fiscal year-end. With respect to assets, finance receivables increased mainly due to the expansion in sales financing operations in North America and Thailand, where retail sales were strong, while cash and cash equivalents decreased mainly due to an increase in working capital. In addition, property, plant, and equipment also increased mainly due to recognition of right-of-use assets along with adoption of IFRS 16.

Liabilities

With respect to liabilities, bonds and borrowings increased. In addition, other financial liabilities increased due to recognition of lease liabilities along with adoption of IFRS 16 as well.

Equity

Equity increased due to the accumulation of retained earnings. The ratio of equity attributable to owners of the parent to total assets stood at 46.0%, 0.3 percentage points lower than the prior fiscal year-end.

(4) Production, Orders Received, and Revenue

1) Production Results

Consolidated production results by reporting segment for the year ended December 31, 2019 were as follows:

Reporting segment	Amount (millions of yen)	Change from the prior year (%)
Farm & Industrial Machinery	¥ 1,529,998	2.7
Water & Environment	318,275	11.0
Other	31,631	4.6
Total	¥ 1,879,904	4.1

(Notes)

1. Intersegment transfers are eliminated.
2. Amounts are recorded at sales price.
3. Amounts do not include consumption taxes.

2) Orders Received

Consolidated orders received by reporting segment for the year ended December 31, 2019 were as follows:

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

Reporting segment	Amount (millions of yen)	Change from the prior year (%)	Balance(millions of yen)	Change from the prior year (%)
Farm & Industrial Machinery	¥ 14,600	10.7	¥ 5,058	(5.7)
Water & Environment	217,772	(19.4)	231,876	1.4
Other	5,263	9.1	2,116	5.1
Total	¥ 237,635	(17.5)	¥ 239,050	1.3

(Notes)

1. Intersegment transfers are eliminated.
2. Amounts do not include consumption taxes.

3) Revenue

Consolidated revenue by reporting segment for the year ended December 31, 2019 were as follows:

Reporting segment	Amount (millions of yen)	Change from the prior year (%)
Farm & Industrial Machinery	¥ 1,572,646	2.9
Water & Environment	315,748	8.0
Other	31,648	4.1
Total	¥ 1,920,042	3.8

(Notes)

1. Intersegment transfers are eliminated.
2. There was no single customer from whom revenue exceeded 10% or more of the Company’s total consolidated revenue for the year ended December 31, 2019 and 2018.
3. Amounts do not include consumption taxes.

4. Material Contracts

(1) As Licensee

The details of contracts for which the Company is a licensee are as follows:

Licensee	Licensor	Country	Contract description	Contract period
Kubota Environmental Services Co., Ltd.	Steinmuller Babcock Environment GmbH	Germany	Technology introduction regarding boiler for waste incineration plant	From: Oct. 22, 1998 To: Oct. 21, 2020 (automatic extension clause)
Kubota Corporation	NOVA Chemicals Corporation	Canada	Technology introduction regarding film-forming technology based on surface modification of the casting tube	From: Mar. 20, 2002 To: Dec. 31, 2020 (automatic extension clause)

(Note)

The Company principally pays royalities depending on sales amount or sales quantity.

5. Research and Development (R&D) Activities

The Company's corporate mission is *continuing to support the future of the earth and humanity by identifying food, water, and the environment as a singular theme and linked closely to each other and solving issues through its superior products, technologies and services.* 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.

The total R&D expenses for the year ended December 31, 2019 were ¥59.4 billion. The R&D expenses and major achievements of R&D activities by reporting segment were as follows. The R&D expenses in the Other segment and basic research expenses which are difficult to link to a particular reportable segment are collectively reported in Other and Corporate.

(1) Farm & Industrial Machinery

The R&D department in this segment conducts development of farm equipment, agricultural-related products, engines, and construction machinery and advanced research related to the aforementioned products. Its major achievements are as follows:

<u>Development of an Agri-Robo-Tractor, called the *MR 1000 A <unmanned specification>,* autonomous farm equipment</u>

In the tractor business, an Agri-Robo-Tractor, called the *MR 1000 A <unmanned specification>*, autonomous farm equipment has been newly developed.

The major performance features of the *MR 1000 A* are as follows:

1) It is possible to start and stop the automatic operation from a remote location because you can perform various operations with the wireless remote control. The number of tasks requiring unmanned operation will increase to *plow, puddling, fertilizer application, and rough plowing*;
2) The most efficient work route according to the field shape can be automatically generated by simply inputting the mapping operation by running around the field and the information necessary for the work, so even an inexperienced person can work efficiently. The ability to move automatically to the starting position with a single switch reduces loss (excessive duplication and residual tillage);
3) It is equipped with a straight automatic steering function in a manned state, and even in work that is not subject to automatic driving, the steering operation in straight ahead can be left to the tractor, enabling highly accurate straight ahead work; and
4) Equipped with lasers and sonar to detect obstacles, it stops automatic operation when approaching obstacles. In addition, it is equipped with a safety support function to stop the automatic operation in the case that the machine protrudes from the mapped field or the machine deviates from the work route during the automatic operation.

Development of a radio control mower, called the *ARC -500*

In the farm machinery products and post-harvest business, a radio control mower, called the *ARC -500* has been newly developed.

The major performance features of the *ARC -500* are as follows:

1) Easy-to-use Propo (transmitter), 2 sticks make it easy to move forward, backward, left, and right. The blades can be turned on and off and the engine can be stopped remotely, so farmers can work with peace of mind;
2) Stable operation is possible even on slopes of up to 40 degrees (note: depends on the terms). Equipped with a *linear contour assist function* that automatically adjusts the direction of the wheels according to the angle of the slope to reduce slippage, it reduces the need for operators to check and correct the direction of the car body in details;
3) You can cut grass up to 600 mm high (note: depends on the terms). There is no need to collect grass after operation since the four cutting blades are arranged at different heights in order to cut grass finely. The free blade mechanism, which allows the blade to escape when hit by hard grass or obstacles, protects the body from impact; and
4) The cutting blade, which is a consumable part, can be replaced without lifting the fuselage by removing the cover on the side of the fuselage.

Development of operation management service for agricultural machinery, called the *My Farm Equipment*

Operation management service for agricultural machinery, called the *My Farm Equipment* has been newly developed; that allows customers to easily confirm the position and operation status of agricultural machinery on their smartphones. This system helps farmers' *smooth operation* by making various information, such as machine malfunctions and fuel levels, easily visible to managers.

The major performance features of the *My Farm Equipment* are as follows:

1) It is free to use;
2) The position of the machine in operation and the operating time of the day are displayed on the screen of the smartphone, and the rough progress of the work can be grasped. In addition, if there is a problem with the machine, it is possible to check the details and how to deal with it, in order to take immediate emergency measures; and
3) It is useful for reviewing and improving the work of managers and workers (Operator) because it can check the work breakdown and fuel consumption of each machine for 2 months on a daily basis. Also, an alert is displayed about the replacement timing of the periodic replacement parts, so it is possible to grasp the maintenance timing, and to check the replacement procedure by tapping the screen.

The R&D expenses in this segment were ¥50.5 billion.

(2) Water & Environment

The R&D department in this segment conducts product development of pipe- and infrastructure-related products (ductile iron pipes, plastic pipes, valves, industrial castings, spiral welded steel pipes, and other products), environment-related products (environmental control plants, pumps, and other products) and advanced research related to the aforementioned products. Its major achievements are as follows:

Development of earthquake-resistant ductile iron pipes, called the *US type R system,* for piping in shield tunnels

In the pipe and infrastructure business, earthquake-resistant joints, called *US type R system,* have been newly developed; that are for large-diameter ductile iron pipes used as mainstay conduits for metropolitan water supplies.

The major performance features of the *US type R system* are as follows:

1) The new joint structure greatly reduces the joining time, compared to its previous model, called the *US type LS system*;
2) The number of pipes can be reduced by the lineup of straight angled pipes, and the cost of laying pipes in curved sections can be reduced; and
3) We have developed a new cart that can transport multiple pipes simultaneously, rather than one at a time, in order to shorten the construction period.

Development of manhole pump monitoring system using Artificial Intelligence (hereinafter, “AI”)

In the environmental business, a system that uses AI to remotely monitor manhole pumps (a facility that sends domestic sewage discharged from households to a sewage treatment plant) has been newly developed.

The major performance features of the new system are as follows:

1) By monitoring and analyzing driving data (Water level and current value) on behalf of human beings, the AI has been able to report abnormal driving conditions at an early stage. If the driver is operating differently from normal, the monitor screen notifies the driver once a day. In addition, by identifying abnormal operation before an emergency shutdown of the equipment, measures can be taken in advance, enabling efficient maintenance and management;
2) The use of Information and Communication Technology (“ICT”) has made it possible to create a ledger on the cloud that can be used to register repair, update history, inspection results, etc., enabling centralized management.
3) No special equipment purchase is required other than the installation of company's made reporting devices*, called MU -1000* series.

The R&D expenses in this segment were ¥ 4.9 billion.

(3) Other and Corporate

Other and Corporate focus on the following R&D activities:

1) The development of advanced elemental technologies for integrating mechatronics, sensing, information and communications, and high-precision control technologies into the product groups of each business unit;
2) The development of image recognition technologies, automation systems, and analytical elemental technologies for in-house plants that innovate manufacturing;
3) Remote monitoring and diagnostic systems for water infrastructure solutions; and
4) Smart agriculture and horticulture technologies.

The R&D expenses in this segment were ¥3.9 billion.

3. Property, Plant, and Equipment

1. Summary of Capital Investment

The primary reasons for the Company's capital investments are to meet increasing demand, to respond to increasing market competition, and to develop new products for future business expansion. The Company also makes investments for environmental conservation, safety and sanitation purposes.

The capital investment for the year ended December 31, 2019 was ¥86,654 million, which was comprised of the following:

	For the year ended December 31, 2019 (millions of yen)	For the year ended December 31, 2018 (millions of yen)	Change from the prior year (%)
Farm & Industrial Machinery	¥ 72,049	¥ 50,600	142.4
Water & Environment	6,831	8,105	84.3
Other	1,555	1,095	142.0
Corporate	6,219	4,332	143.6
Total	¥ 86,654	¥ 64,132	135.1

(Note)

The amounts do not include consumption taxes.

The details of major investments are as follows:

Farm & Industrial Machinery

The Company invested in building new R&D hubs in Japan, North America and Europe.

Water & Environment

The Company invested in facilities to renew obsolete equipment.

Corporate

The Company invested in information systems.

For the year ended December 31, 2019, there were no sales, removals, or damage to property, plant, and equipment which resulted in a significant adverse impact to productivity.

Losses on sales and disposals for routine upgrades were ¥2,032 million and ¥1,391 million for the years ended December 31, 2019 and 2018, respectively.

2. Major Property, Plant, and Equipment

The Company's major property, plant, and equipment at December 31, 2019 were as follows:

The amounts in each table do not include consumption taxes. Also, the *Machinery and equipment and others* column includes *machinery, equipment*, *tools, furniture, fixtures*, *motor vehicles, and transport equipment*.

The amounts are the carrying amounts presented in the balance sheet of each company.

(1) Kubota Corporation

(As of December 31, 2019)

Facility (Main location)	Reporting segment	Details of production item or business contents	Carrying amounts (millions of yen)						Number of employees
			Buildings and structures	Machinery and equipment and others	Land: Area (㎡ in thousands)	Land: Amount	Construction in progress	Total	
Hanshin Plant (Amagasaki-shi, Hyogo, JAPAN)	Water & Environment	Ductile iron pipes, mill rolls	2,014	4,609	(2) 365	1,930	747	9,300	718
Keiyo Plant (Funabashi-shi, Chiba, JAPAN)	Water & Environment	Ductile iron pipes	1,844	2,558	445	10,664	987	16,053	360
Ichikawa Plant (Ichikawa -shi, Chiba, JAPAN)	Water & Environment	Spiral welded steel pipes	607	815	(19) 62	513	62	1,997	128
Okajima Business Center (Taisho-ku, Osaka, JAPAN)	Farm & Industrial Machinery, Water & Environment	Casting parts	994	1,449	78	42	446	2,931	348
Sakai Plant (Sakai-shi, Osaka, JAPAN)	Farm & Industrial Machinery	Farm equipment, engines, construction machinery	18,984	22,563	(15) 944	22,710	3,495	67,752	3,969
Utsunomiya Plant (Utsunomiya-shi, Tochigi, JAPAN)	Farm & Industrial Machinery	Farm equipment	946	1,706	146	188	129	2,969	428
Tsukuba Plant (Tsukubamirai-shi, Ibaraki, JAPAN)	Farm & Industrial Machinery	Farm equipment, engines	5,070	9,163	(31) 344	1,151	173	15,557	1,772
Hirakata Plant (Hirakata-shi, Osaka, JAPAN)	Farm & Industrial Machinery, Water & Environment	Construction machinery, pumps, valves, steel castings	8,008	6,211	304	672	432	15,323	1,331
Shiga Plant (Konan-shi, Shiga, JAPAN)	Water & Environment	Wastewater treatment plant (Johkasou)	299	121	178	1,032	20	1,472	55
Kyuhoji Business Center (Yao-shi, Osaka, JAPAN)	Farm & Industrial Machinery	Precision equipment	435	259	38	1,521	52	2,267	196
Head Office, Tokyo Head Office, Other regional offices, etc. (Naniwa-ku, Osaka, JAPAN, etc.) (Note 2)	Farm & Industrial Machinery, Water & Environment, Corporate	Administration, sales, R&D, etc.	11,548	1,033	1,708	27,687	142	40,410	2,091

(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, 2019. The areas of leased land are stated in parentheses. 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, 2019)

Company name	Facility (Main location)	Reporting segment	Details of production item or business contents	Book value (millions of yen) Buildings and structures	Machinery and equipment and others	Land Area (㎡ in thousands)	Land Amount	Construction in progress	Total	Number of employees
Kubota ChemiX Co., Ltd.	Head office, regional offices, factories (Naniwa-ku, Osaka, JAPAN, etc.)	Water & Environment	Plastic pipes, fittings	275	2,787	(104) —	—	769	3,831	612

(Note)

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

(3) Overseas subsidiaries

(As of December 31, 2019)

Company name	Facility (Main location)	Reporting segment	Details of production item or business contents	Book value (millions of yen) Buildings and structures	Machinery and equipment and others	Land Area (㎡ in thousands)	Land Amount	Construction in progress	Total	Number of employees
Kubota North America Corporation	Head office (Delaware, U.S.A.)	Farm & Industrial Machinery	Administration of subsidiaries in North America	11,755	326	3,348	5,782	17	17,880	8
Kubota Tractor Corporation	Head office, regional offices (Texas, etc., U.S.A.)	Farm & Industrial Machinery	Administration, sales, etc.	4,628	637	811	1,419	829	7,513	853
Kubota Manufacturing of America Corporation	Head Factory (Georgia, U.S.A.)	Farm & Industrial Machinery	Tractors, outdoor power equipment	4,867	6,331	154	52	732	11,982	1,459
Kubota Industrial Equipment Corporation	Head Factory (Georgia, U.S.A.)	Farm & Industrial Machinery	Implements, tractors, construction machinery	3,786	1,788	356	326	396	6,296	933
SIAM KUBOTA Corporation Co., Ltd.	Head office, factories (Pathumthani, etc., THAILAND)	Farm & Industrial Machinery	Tractors, combine harvesters, implements, horizontal type diesel engines	6,951	6,936	496	2,823	783	17,493	2,735

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

The Company plans its capital investments giving holistic consideration to its forecast for future business demand and cash flows.

As of December 31, 2019, the Company has planned capital investment of approximately ¥115.0 billion for the 131st business term. The Company intends to fund its capital investment primarily through internally generated funds and only partially through borrowings from financial institutions.

The Company's major plans for new construction, expansion, renovation, disposition, and sales at December 31, 2019 were as follows:

New Construction

Company name (Location)	Reporting segment	Description	Estimated amount of expenditures		Schedule	
			Total amount of expenditures	Amount already paid	Commenced	To be completed
Kubota Canada Ltd. (Ontario, CANADA)	Farm & Industrial Machinery	Building new head office and warehouses for business expansion	(millions of CAD) 73	(millions of CAD) 28	April 2018	September 2020
Kubota Europe S.A.S. (Val-d'Oise, FRANCE)	Farm & Industrial Machinery	Building new R&D hub	(millions of EUR) 56	(millions of EUR) 24	July 2018	July 2020
Kubota Corporation Sakai Plant, Okajima Business Center (Sakai-shi, Osaka, JAPAN, Taisho-ku, Osaka, JAPAN)	Farm & Industrial Machinery	Building new facilities to establish production system of large-sized engines	(millions of JPY) 4,420	(millions of JPY) 1,456	October 2018	December 2021
Kubota Corporation Tsukuba Plant (Tsukubamirai -shi, Ibaraki, JAPAN)	Farm & Industrial Machinery	Building new facilities to expand production of engines	(millions of JPY) 4,970	(millions of JPY) —	August 2019	June 2021
R&D hub in North America (Georgia, U.S.A.)	Farm & Industrial Machinery	Building new R&D hub of turf equipment, utility vehicles, and implement for tractors	(millions of USD) 85	(millions of USD) 17	July 2019	April 2022
Kubota Corporation Sakai Plant (Sakai-shi, Osaka, JAPAN)	Farm & Industrial Machinery	Building new R&D hub	(millions of JPY) 84,172	(millions of JPY) 14,272	December 2018	June 2022
Kubota North America Corporation (Delaware, U.S.A.)	Farm & Industrial Machinery	Establishing enterprise resource planning system in North America	(millions of USD) 53	(millions of USD) —	October 2019	December 2022

Kubota Corporation Okajima Business Center (Taisho-ku, Osaka, JAPAN)	Farm & Industrial Machinery	Improving production efficiency of high value added casting and establishing business continuity plan	(millions of JPY) 18,680	(millions of JPY) —	October 2019	December 2025
Kubota Corporation Head Office (Naniwa-ku, Osaka, JAPAN)	Farm & Industrial Machinery	Establishing enterprise resource planning system	(millions of JPY) 21,545	(millions of JPY) 962	December 2019	November 2022

(Note)

The Company has not yet decided if the R&D hub in North America will form a distinct legal entity or will isntead belong to any of its existing subsidiaries.

There are no major plans for expansion, renovation, disposition, or sale.

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, 2019)	Number of shares issued as of filing date (shares) (March 19, 2020)	Stock exchange on which Kubota Corporation is listed	Description
Common shares	1,220,576,846	1,220,576,846	Tokyo Stock Exchange (the first section)	The number of shares per unit of shares is 100 shares.
Total	1,220,576,846	1,220,576,846	—	—

(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)
March 31, 2015 (Note 1)	(4,000)	1,246,219	¥ —	¥ 84,070	¥ —	¥ 73,057
December 30, 2015 (Note 1)	(1,300)	1,244,919	¥ —	¥ 84,070	¥ —	¥ 73,057
December 30, 2016 (Note 1)	(3,800)	1,241,119	¥ —	¥ 84,070	¥ —	¥ 73,057
April 21, 2017 (Note 2)	35	1,241,154	¥ 30	¥ 84,100	¥ 30	¥ 73,087
December 29, 2017 (Note 1)	(7,130)	1,234,024	¥ —	¥ 84,100	¥ —	¥ 73,087
April 20, 2018 (Note 3)	32	1,234,056	¥ 30	¥ 84,130	¥ 30	¥ 73,117
December 28, 2018 (Note 1)	(1,500)	1,232,556	¥ —	¥ 84,130	¥ —	¥ 73,117
September 30, 2019 (Note 1)	(11,980)	1,220,576	¥ —	¥ 84,130	¥ —	¥ 73,117

(Notes)
1. The decrease was due to retirement of treasury shares.
2. The increase was due to issuance of new shares as consideration for monetary remuneration under the restricted stock compensation plan.

Price of issuance (per share):	¥ 1,718.50
Price of paid-in-capital (per share):	¥ 859.25
Recipients of shares to be allocated	6 Directors of Kubota Corporation, excluding Outside Directors

3. The increase was due to issuance of new shares as consideration for monetary remuneration under the restricted stock compensation plan.

Price of issuance (per share):	¥ 1,845.00
Price of paid-in-capital (per share):	¥ 922.50
Recipients of shares to be allocated	6 Directors of Kubota Corporation, excluding Outside Directors and non-resident of Japan

(5) Shareholders Composition

(As of December 31, 2019)

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	—	148	50	786	823	41	42,675	44,523	—
Share Ownership (units)	—	5,604,122	360,774	448,039	4,822,641	518	967,065	12,203,159	260,946
Ownership percentage of shares (%)	—	45.92	2.96	3.67	39.52	0.00	7.93	100.00	—

(Notes)
1. Of 311,515 shares of treasury shares, 3,115 units are included in the *Individuals and others* column while 15 shares are included in the *Number of shares less than one unit* column.
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, 2019)

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	113,678	9.31
Nippon Life Insurance Company	6-6, Marunouchi 1-chome, Chiyoda-ku, Tokyo, JAPAN	62,542	5.12
Meiji Yasuda Life Insurance Company	1-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo, JAPAN	59,929	4.91
Japan Trustee Services Bank, Ltd. (Trust account)	8-11, Harumi 1-chome, Chuo-ku, Tokyo, JAPAN	52,882	4.33
Sumitomo Mitsui Banking Corporation	1-2, Marunouchi 1-chome, Chiyoda-ku, Tokyo, JAPAN	36,006	2.95
Mizuho Bank, Ltd.	5-5, Otemachi 1-chome, Chiyoda-ku, Tokyo, JAPAN	31,506	2.58
Moxley & Co. LLC (Standing proxy: Sumitomo Mitsui Banking Corporation	270 Park Avenue, New York, New York, 10017-2070, U.S.A. (3-2, Marunouchi 1-chome, Chiyoda-ku, Tokyo, JAPAN)	24,838	2.03
BNYM Treaty DTT 15 (Standing proxy: MUFG Bank, Ltd.)	225 Liberty street, New York, New York, 10286, U.S.A. (7-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo, JAPAN)	24,688	2.02

Japan Trustee Services Bank, Ltd. (Trust account 5)	8-11, Harumi 1-chome, Chuo-ku, Tokyo, JAPAN	21,533	1.76
Japan Trustee Services Bank, Ltd. (Trust account 7)	8-11, Harumi 1-chome, Chuo-ku, Tokyo, JAPAN	21,375	1.75
Total	—	448,980	36.79

(Notes)

1. Numbers less than presentation units are rounded down in the columns of *Share ownership* and *Ownership percentage to the total number of issued shares*.
2. The shares held by The Master Trust Bank of Japan, Ltd. (Trust account), Japan Trustee Services Bank, Ltd. (Trust account), Japan Trustee Services Bank, Ltd. (Trust account 5), and Japan Trustee Services Bank, Ltd. (Trust account 7) are invested as their fiduciary services.
3. Change reports pertaining to large shareholding reports by Nippon Life Insurance Company dated November 9, 2015 are available for public inspection. However, the information in the reports is not stated in the preceeding table since Kubota Corporation has not confirmed the actual status of shareholdings as of December 31, 2019, except that of Nippon Life Insurance Company. A summary of the reports as of October 30, 2015 is as follows:

Name	Share ownership (thousands of shares)	Ownership percentage to the total number of issued shares (%)
Nippon Life Insurance Company	65,124	5.23
Nissay Asset Management Corporation	15,268	1.23
Total	80,392	6.45

4. Large shareholding reports by BlackRock Japan Co., Ltd. dated November 19, 2015 are available for public inspection. However, the information in the reports is not stated in the preceeding table since Kubota Corporation has not confirmed the actual status of shareholdings as of December 31, 2019. A summary of the reports as of November 13, 2015 is as follows:

Name	Share ownership (thousands of shares)	Ownership percentage to the total number of issued shares (%)
BlackRock Japan Co., Ltd.	14,825	1.19
BlackRock Advisers, LLC	3,489	0.28
BlackRock Investment Management LLC	1,532	0.12
BlackRock (Luxembourg) S.A.	1,454	0.12
BlackRock Life Limited	2,780	0.22
BlackRock Asset Management Ireland Limited	5,510	0.44
BlackRock Fund Advisors	15,101	1.21
BlackRock Institutional Trust Company, N.A.	15,751	1.26
BlackRock Investment Management (UK) Limited	1,936	0.16
Total	62,381	5.01

5. Change reports pertaining to large shareholding reports by Massachusetts Financial Services Company dated September 21, 2018 are available for public inspection. However, the information in the reports is not stated in the preceeding table since Kubota Corporation has not confirmed the actual status of shareholdings as of December 31, 2019. A summary of the reports as of September 14, 2018 is as follows:

Name	Share ownership (thousands of shares)	Ownership percentage to the total number of issued shares (%)
Massachusetts Financial Services Company	57,071	4.62
MFS Investment Management K.K.	4,675	0.38
Total	61,746	5.00

6. Change reports pertaining to large shareholding reports by Mitsubishi UFJ Financial Group, Inc. dated October 15, 2018 are available for public inspection. However, the information in the reports is not stated in the preceeding table since Kubota Corporation has not confirmed the actual status of shareholdings as of December 31, 2019. A summary of the reports as of October 5, 2018 is as follows:

Name	Share ownership (thousands of shares)	Ownership percentage to the total number of issued shares (%)
MUFG Bank, Ltd.	18,156	1.47
Mitsubishi UFJ Trust and Banking Corporation	77,822	6.31
Mitsubishi UFJ Kokusai Asset Management Co., Ltd.	7,045	0.57
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	4,488	0.36
Total	107,513	8.71

7. Large shareholding reports by Meiji Yasuda Life Insurance Company dated December 7, 2018 are available for public inspection. However, the information in the reports is not stated in the preceeding table since Kubota Corporation has not confirmed the actual status of shareholdings as of December 31, 2019. A summary of the reports as of November 30, 2018 is as follows:

Name	Share ownership (thousands of shares)	Ownership percentage to the total number of issued shares (%)
Meiji Yasuda Life Insurance Company	60,134	4.87
Meiji Yasuda Asset Management Company Ltd.	1,933	0.16
Total	62,068	5.03

8. Change reports pertaining to large shareholding reports by Sumitomo Mitsui Trust Holdings Inc. dated December 19, 2019 are available for public inspection. However, the information in the reports is not stated in the preceeding table since Kubota Corporation has not confirmed the actual status of shareholdings as of December 31, 2019. A summary of the reports as of December 13, 2019 is as follows:

Name	Share ownership (thousands of shares)	Ownership percentage to the total number of issued shares (%)
Sumitomo Mitsui Trust Bank, Limited	19,572	1.60
Sumitomo Mitsui Trust Asset Management Co., Ltd.	35,685	2.92
Nikko Asset Management Co., Ltd.	23,916	1.96
Total	79,174	6.49

9. Change reports pertaining to large shareholding reports by Mizuho Bank, Ltd. dated January 10, 2020 are available for public inspection. However, the information in the reports is not stated in the preceeding table since Kubota Corporation has not confirmed the actual status of shareholdings as of December 31, 2019, except that of Mizuho Bank, Ltd. A summary of the reports as of December 31, 2019 is as follows:

Name	Share ownership (thousands of shares)	Ownership percentage to the total number of issued shares (%)
Mizuho Bank, Ltd.	31,506	2.58
Mizuho Securities Co., Ltd.	6,620	0.54
Asset Management One Co., Ltd.	46,206	3.79
Total	84,332	6.91

(7) Information on Voting Rights

1) Issued Shares

(As of December 31, 2019)

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:	311,500	—	—
	(Crossholding shares) Common shares:	718,400		
Shares with full voting rights (others)	Common shares:	1,219,286,000	12,192,860	—
Shares less than one unit	Common shares:	260,946	—	Shares less than one unit (100 shares)
Number of issued shares		1,220,576,846	—	—
Total number of voting rights		—	12,192,860	—

(Note)

The *Shares with full voting rights (others)* column includes 1,000 shares (10 voting rights) registered in the name of Japan Securities Depository Center, Incorporated.

2) Treasury Shares

(As of December 31, 2019)

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	311,500	—	311,500	0.02
(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	0.00
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	0.04
Total crossholding shares	—	718,400	—	718,400	0.05
Total	—	1,029,900	—	1,029,900	0.08

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.

(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 Companies Act

Classification	Number of shares (shares)	Total amount (¥)
Details on resolution at the Meeting of the Board of Directors held on April 23, 2019 (Term of validity: from April 24, 2019 to December 19, 2019)	16,000,000	¥ 20,000,000,000
Treasury shares acquired before the year ended December 31, 2019	—	—
Treasury shares acquired for the year ended December 31, 2019	12,251,900	19,999,928,850
Treasury shares not acquired for the year ended December 31, 2019	3,748,100	71,150
Percentage of remaining treasury shares not acquired as of December 31, 2019 (%)	23.4	0.0
Treasury shares acquired during the current period	—	—
Percentage of remaining treasury shares not acquired as of filing date (%)	23.4	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 Companies Act

Classification	Number of shares (shares)	Total amount (¥)
Treasury shares acquired for the year ended December 31, 2019	1,602	¥ 2,606,502
Treasury shares acquired during the current period	156	¥ 265,419

(Note)

Treasury shares acquired during the current period does not include shares consisting of less than one unit purchased during the period from March 1, 2020 to the filing date of this report.

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

	Year ended December 31, 2019		Current period	
Classification	Number of shares (shares)	Total disposition amount (¥)	Number of shares (shares)	Total disposition amount (¥)
Acquired treasury shares for which subscribers were solicited	64,250	¥ 112,193,220	—	¥ —
Acquired treasury shares which was retired	11,980,000	19,566,215,200	—	—
Acquired treasury shares for which transfer of shares was conducted due to merger, share exchange, or company separation	—	—	—	—
Others (sold shares consisting of less than one unit)	—	—	—	—
Total number of treasury shares held	311,515	—	311,671	—

(Note)

The number of shares and total disposition amount during the current period does not include shares consisting of less than one unit acquired or sold during the period from March 1, 2020 to the filing date of this report.

3. Dividend Policy

Kubota Corporation's basic policy for the return of profit to shareholders is to maintain a stable level of dividends and raise dividends. Kubota Corporation decides how to allocate its retained earnings in consideration of maintaining sound business operations and accommodating the future business environment.

Based on the above policy, ¥17 per share was declared as an interim dividend and ¥19 per share was declared as a year-end dividend for the current fiscal year, resulting in a total annual dividend of ¥36 per share.

In accordance with its basic policy, Kubota Corporation pays dividends twice a year an interim dividend and a year-end dividend with appropriation from retained earnings. Dividends are resolved at the Meetings of the Board of Directors.

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 Companies Act. For further details, please refer to *5. Stock-Related Administration of Kubota Corporation*.

Dividends with record dates falling in the current fiscal year are as follows:

Date of resolution	Cash dividends (millions of yen)	Cash dividends per share (¥)
The Meeting of the Board of Directors on August 7, 2019	¥ 20,880	¥ 17.00
The Meeting of the Board of Directors on February 14, 2020	¥ 23,185	¥ 19.00

4. Corporate Governance

(1) Corporate Governance

1) Basic Policy on Corporate Governance

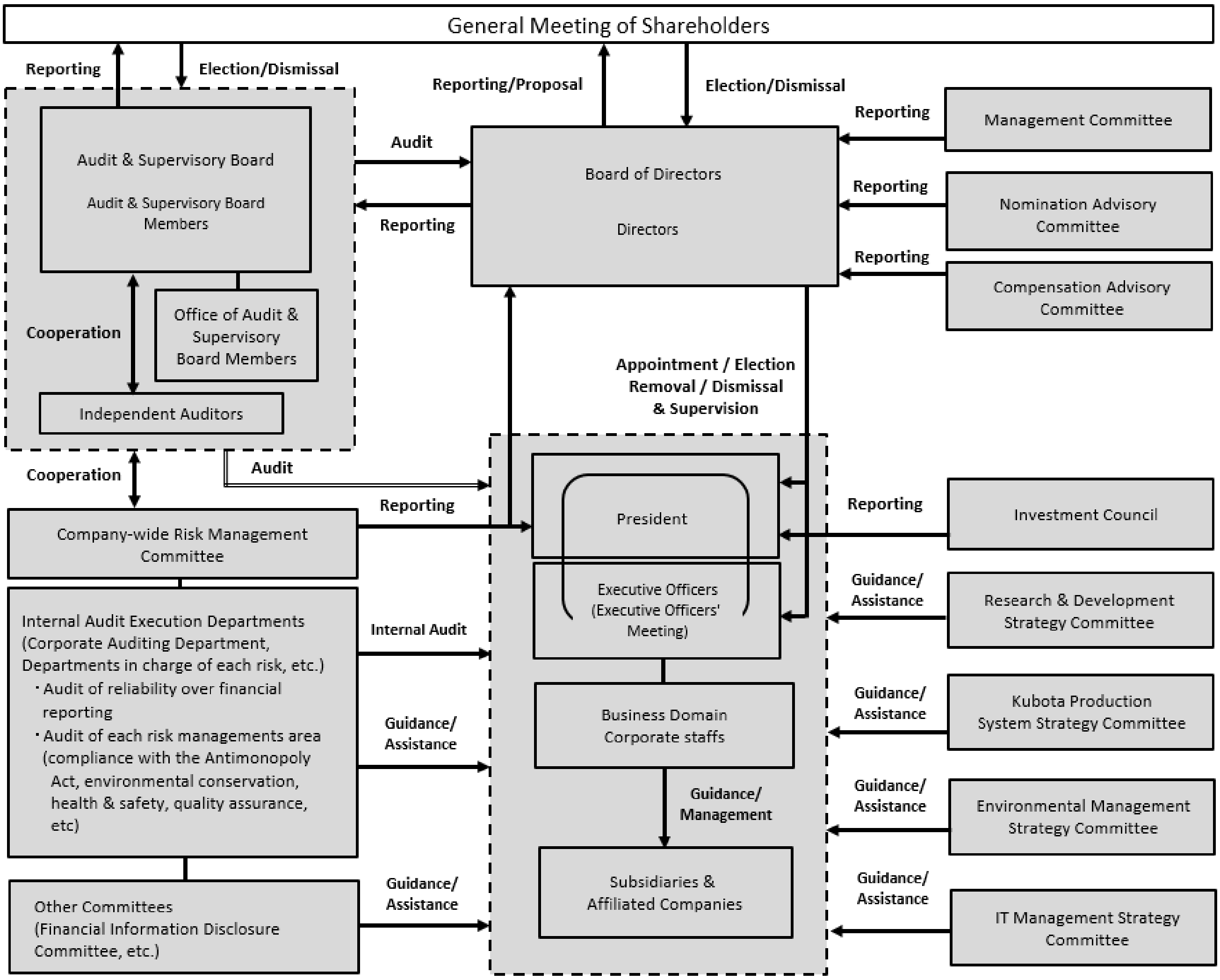
Kubota Corporation has designated *long-term and stable growth of corporate value* as its highest management priority. To realize this aim, Kubota Corporation considers enhancement of the satisfaction of all the Company's stakeholders and improvement of overall corporate value, while balancing economic value, social value, and corporate value, to be important. Especially, in order to achieve the long-term objectives of building "Global Major Brand Kubota" on the basis of its corporate philosophy *Kubota Global Identity*, Kubota Corporation must be an enterprise that is trusted not just in Japan but also worldwide. In order to enhance the soundness, efficiency, and transparency of management, which are essential to earn trust, the Company is striving to strengthen its corporate governance.

To increase the confidence and understanding by shareholders, investors, and society, Kubota Corporation will make accurate and timely disclosures of corporate information, such as results of operations on a quarterly basis and management policies, and fulfill its responsibilities for transparency and accountability in corporate activities.

2) Corporate Governance Structure

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

In order to respond to business environments in a timely manner and achieve enhanced transparency in its management structure, Kubota Corporation has adopted the following corporate governance structure (as of March 19, 2020).



The Board of Directors makes strategic decisions and oversees the execution of duties by the Executive Officers. In addition to its regular monthly board meetings, it also meets as and when required to discuss and make decisions relating to management planning, financial planning, investment, business restructuring, and other important management issues.

The Audit & Supervisory Board oversees and audits the execution of duties by the Directors. In addition to its regular monthly Audit & Supervisory Board Meetings, it also meets as and when required to discuss and make decisions with regard to auditing policy, audit reports, and other matters.

Kubota Corporation has adopted the Executive Officer System in order to strengthen business execution by each department and make prompt and appropriate business decisions. In addition to its regular monthly meetings, it also meets as and when required. The Representative Directors instruct the Executive Officers on policies and decisions made by the Board of Directors. The Executive Officers report to the Representative Directors regarding the status of their execution of duties.

Kubota Corporation has a Management Committee and Investment Council in place in order to discuss and make decisions in regard to specific and important issues. The Management Committee meets to deliberate on important management matters, such as investments, loans, and mid-term management plans, before they are discussed by the Board of Directors. The Investment Council gives the President advice on matters to be decided by the President, except those deliberated by the Management Committee, as well as special matters.

In addition, Kubota Corporation has a Nomination Advisory Committee and Compensation Advisory Committee in place, in which more than half of the members are the Outside Directors, to give advice to the Board of Directors. The Nomination Advisory Committee and Compensation Advisory Committee meet to deliberate on nominations of candidates for the Directors, and the compensation system and compensation level of the Directors with appropriate involvement and advice from the Outside Directors.

The following table presents members of each meeting, committee, and council as of January 1, 2020 (◎: chairman; ○: member; □: attendee; △: observer).

Position	Name	Board of Directors' Meeting	Audit & Supervisory Board Meeting	Executive Officers' Meeting	Management Committee	Investment Council	Nomination Advisory Committee	Compensation Advisory Committee
Chairman and Representative Director	Masatoshi Kimata	◎			○		○	
President and Representative Director	Yuichi Kitao	○		◎	◎		○	
Director	Masato Yoshikawa	○		○	○	◎	○	○
Director	Shinji Sasaki	○		○	○	○		
Director	Toshihiko Kurosawa	○		○	○			
Director	Dai Watanabe	○		○	○			
Outside Director (Independent Executive)	Yuzuru Matsuda	○					○	○
Outside Director (Independent Executive)	Koichi Ina	○					○	○
Outside Director (Independent Executive)	Yutaro Shintaku	○					○	○
Audit & Supervisory Board Member	Toshikazu Fukuyama	□	◎		△			
Audit & Supervisory Board Member	Yasuhiko Hiyama	□	○		△	△		
Outside Audit & Supervisory Board Member (Independent Executive)	Masaki Fujiwara	□	○					△

Outside Audit & Supervisory Board Member (Independent Executive)	Kumi Arakane	□	○					
Executive Officer	Kazuhiro Kimura			○	○	○		○
Executive Officer	Kazushi Ito			○	○	○		
Executive Officer	Koichi Yamamoto			○	○	○		
Executive Officer	Other Executive Officers (Note)			○				

(Note)
Please refer to *1) List of Directors and Senior Management* in *(2) Directors and Senior Management* for their names.

Pursuant to Article 427, Paragraph 1 of the Companies Act, Kubota Corporation enters into Liability Limitation Agreements with each of the Outside Directors and the Outside Audit & Supervisory Board Members, acting in good faith and without significant negligence, which limit the maximum amount of their liabilities owed to Kubota Corporation arising in connection with their failure to perform their duties to the extent permitted by the Companies Act.

b) Status of the Development of Internal Control System
As a basis of the system to ensure that the Directors, Executive Officers, and employees perform their duties in compliance with laws and regulations and its Articles of Incorporation, Kubota Corporation established the Kubota Group Charter for Action & Code of Conduct to be observed by all Directors, Executive Officers, and employees of the Kubota Group.

Kubota Corporation has a Company-wide Risk Management Committee in place in order to properly control material risks the Kubota Group might face and ensure its appropriate growth and development based on its management principles. Under the Company-wide Risk Management Committee, a department in charge designated for each risk category of management risks (the "Department in Charge") undertakes activities, such as education and training to promote compliance with laws and ethics, and performs internal audits. Kubota Corporation has established the *Kubota Hot Line*, a service counter for in-house whistle-blowing and consultations, to discover at an early stage any improper conduct that infringes on laws or other regulations and to prevent such infringements from occurring. The interests and privacy of the informant are fully protected by internal rules and regulations.

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

c) Status of Risk Control Structure and Development of Information Risk Control Structure
Kubota Corporation manages risks related to compliance with laws and regulations, environment, health and safety, disasters, quality, and other risks related to the business performance of the entire Kubota Group by establishing the Department in Charge or relevant committees, which are supervised by the Company-wide Risk Management Committee, and by providing internal rules, regulations, and manuals and other guidelines to address such risks. In order to address the new risks that the Kubota Group will face, the Company-wide Risk Management Committee will assign a Department in Charge to manage such new risks.

Kubota Corporation properly keeps and controls information on the execution of duties by the Directors and the Executive Officers in accordance with its in-house rules and regulations, such as the regulations on custody of documents. Kubota Corporation also maintains a standard by which such documents are available for examination, as necessary.

d) Status of System to Ensure Appropriateness of Subsidiaries' Business Performance
Kubota Corporation has a system in place to supervise and manage both domestic and overseas subsidiaries and affiliated companies by assigning a Department in Charge and requiring it to report operational results and plans in a business review meetings held by the senior management of Kubota Corporation.

3) Others

a) Quorum of Directors

The Articles of Incorporation of Kubota Corporation state that the number of Directors is to be ten or less.

b) Requirement for the Adoption of Resolutions for Electing Directors

Kubota Corporation stipulates in its Articles of Corporation that the presence of shareholders representing one-third or more of the voting rights held by the total shareholders entitled to exercise their voting rights and a majority of the votes held by those shareholders are required for the adoption of resolutions for the approval of elected Directors.

c) Acquisition of Treasury Shares

Kubota Corporation stipulates in its Articles of Corporation 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 Companies Act, which facilitates Kubota Corporation to exercise acquisition of treasury shares flexibly.

d) Dividend Appropriated from Surplus

Kubota Corporation stipulates in its Articles of Corporation that dividend appropriated from surplus, which is defined by Article 459, Paragraph 1 of the Companies Act, is declared by resolutions at Meetings of the Board of Directors, unless otherwise stipulated by law, so that Kubota Corporation can return profit to its shareholders flexibly.

e) Interim Dividends

Kubota Corporation stipulates in its Article 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 the presence of shareholders representing one-third or more of the voting rights held by the total shareholders entitled to exercise their voting rights and two-thirds of the votes held by those shareholders are required for the adoption of special resolutions of General Meetings of Shareholders under Article 309, Paragraph 2 of the Companies Act. 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: 13, Female: 1 (percentage of females among Directors and Audit & Supervisory Board Members: 7%)

Position	Responsibility	Name	Date of birth	Business experience		Term of office	Share ownership (thousands of shares)
Chairman and Representative Director of Kubota Corporation		Masatoshi Kimata	Jun. 22, 1951	Apr. 1977	Joined Kubota Corporation	Note 3	107
				Oct. 2001	General Manager of Tsukuba Plant		
				Jun. 2005	Director of Kubota Corporation		
				Apr. 2007	Deputy General Manager of Sales Headquarters in Farm & Industrial Machinery Consolidated Division of Kubota Corporation		
				Apr. 2008	Managing Director of Kubota Corporation		
				Apr. 2009	Director and Managing Executive Officer of Kubota Corporation		
				Apr. 2009	Deputy General Manager of Farm and Industrial Machinery Consolidated Division, General Manager of Sales Headquarters in Farm and Industrial Machinery Consolidated Division of Kubota Corporation		
				Jun. 2009	Managing Executive Officer of Kubota Corporation		
				Jul. 2010	Senior Managing Executive Officer of Kubota Corporation		
				Aug. 2010	President of SIAM KUBOTA Corporation Co., Ltd.		
				Apr. 2012	General Manager of Water and Environment Domain, General Manager of Tokyo Head Office of Kubota Corporation		
				Jun. 2012	Director and Senior Managing Executive Officer of Kubota Corporation		
				Aug. 2012	Administrative Officer- Corporate Staff, General Manager of Water Engineering and Solution Division of Kubota Corporation		
				Apr. 2013	General Manager of Procurement Headquarters of Kubota Corporation		
				Apr. 2014	Representative Director and Executive Vice President of Kubota Corporation		
				Jul. 2014	President and Representative Director of Kubota Corporation		
				Jan. 2020	Chairman and Representative Director of Kubota Corporation (to present)		

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	67
				Apr. 2005	General Manager of Tractor Engineering Dept. of Kubota Corporation		
				Apr. 2009	Executive Officer of Kubota Corporation		
				Apr. 2009	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 of Kubota Corporation		
				Apr. 2015	General Manager of Farm and Industrial Machinery Domain of Kubota Corporation		
				Jan. 2019	Representative Director and Executive Vice President of Kubota Corporation		
				Jan. 2019	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)		
Director and Executive Vice President of Kubota Corporation	General Manager of Planning and Control Headquarters, General Manager of Global ICT Management Dept.	Masato Yoshikawa	Jan. 27, 1959	Apr. 1981	Joined Kubota Corporation	Note 3	31
				Feb. 2008	General Manager of Ductile Iron Pipe Planning Dept. of Kubota Corporation		
				Oct. 2009	General Manager of Pipe System Planning Dept., General Manager of Ductile Iron Pipe Planning Dept. of Kubota Corporation		
				Oct. 2010	General Manager of Corporate Planning and Control Dept.		
				Apr. 2012	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 (to present)		
				Jan. 2020	Director and Executive Vice President 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 Research and Development Headquarters	Shinji Sasaki	Sep. 11, 1954	Apr. 1978	Joined Kubota Corporation	Note 3	51
				Apr. 2004	General Manager of Engine Engineering Dept. of Kubota Corporation		
				Apr. 2009	Executive Officer of Kubota Corporation		
				Apr. 2009	General Manager of Engine Division of Kubota Corporation		
				Apr. 2013	Managing Executive Officer of Kubota Corporation		
				Apr. 2015	Senior Managing Executive Officer of Kubota Corporation		
				Jan. 2017	Deputy General Manager of Farm and Industrial Machinery Domain, General Manager Construction Machinery Division of Kubota Corporation		
				Jan. 2018	General Manager of Research and Development Headquarters of Kubota Corporation (to present)		
				Mar. 2018	Director and Senior Managing Executive Officer of Kubota Corporation (to present)		
				Jun. 2019	Deputy General Manager of Innovation Center		
Director and Senior Managing Executive Officer of Kubota Corporation	General Manager of Water and Environment Infrastructure Consolidated Division, General Manager of Tokyo Head Office	Toshihiko Kurosawa	Aug. 14, 1955	Apr. 1979	Joined Kubota Corporation	Note 3	48
				May. 2003	General Manager of Pump Sales Dept. I of Kubota Corporation		
				Apr. 2005	General Manager of Pump Sales Dept. I and General Manager of Pump Sales Dept. II of Kubota Corporation		
				Apr. 2006	General Manager of Pump Division of Kubota Corporation		
				Apr. 2010	Executive Officer of Kubota Corporation		
				Apr. 2012	Deputy General Manager of Business Development Headquarters, General Manager of International Business Promotion Dept. of Kubota Corporation		
				Apr. 2013	General Manager of Strategic Business Promotion Dept. of Kubota Corporation		
				Apr. 2014	Managing Executive Officer of Kubota Corporation		
				Apr. 2014	General Manager of Water Engineering and Solution Division of Kubota Corporation		
				Jan. 2018	General Manager of Tokyo Head Office of Kubota Corporation (to present)		
				Jan. 2018	Deputy General Manager of Water and Environmental Infrastructure Domain, General Manager of Environmental Solutions Division of Kubota Corporation		
				Jan. 2019	Senior Managing Executive Officer of Kubota Corporation		
				Jan. 2019	General Manager of Water and Environment Infrastructure Consolidated Division of Kubota Corporation (to present)		
				Mar. 2019	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 Farm and Industrial Machinery Consolidated Division, General Manager of Innovation Center	Dai Watanabe	Oct. 2, 1958	Apr. 1984	Joined Kubota Corporation	Note 3	49
				Jun. 2008	General Manager of Farm and Industrial Machinery International Planning and Control Dept.		
				Jan. 2012	President of Kubota Europe S.A.S.		
				Apr. 2013	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 of Kubota Corporation		
				Jan. 2017	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 of Kubota Corporation		
				Jan. 2019	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 (to present)		
				Jun. 2019	Deputy General Manager of Innovation Center		
				Jan. 2020	General Manager of Farm and Industrial Machinery Consolidated Division of Kubota Corporation (to present), General Manager of Innovation Center (to present)		

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	15
				Jun. 1999	Director of Drug Discovery Research Laboratories, Pharmaceutical Research Institute of Kyowa Hakko Kogyo Co., Ltd.		
				Jun. 2000	Executive Officer of Kyowa Hakko Kogyo Co., Ltd.		
				Jun. 2000	Executive Director of Pharmaceutical Research Institute of Kyowa Hakko Kogyo Co., Ltd.		
				Jun. 2002	Executive Director of Kyowa Hakko Kogyo Co., Ltd.		
				Jun. 2002	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.)		
				Mar. 2012	Senior Advisor of Kyowa Hakko Kirin Co., Ltd.		
				Jun. 2012	President of Kato Memorial Bioscience Foundation		
				Jun. 2014	Director of Kubota Corporation (to present)		
				Jun. 2014	Director of BANDAI NAMCO Holdings, Inc. (to present)		
				Jun. 2015	Director of JSR Corporation (to present)		
				Jun. 2019	Director Emeritus of Kato Memorial Bioscience Foundation (to present)		

Position	Responsibility	Name	Date of birth		Business experience	Term of office	Share ownership (thousands of shares)
Director of Kubota Corporation		Koichi Ina	May 6, 1948	Apr. 1973	Joined Toyota Motor Corporation	Note 3	16
				Jan. 1998	General Manager of Motomachi Plant Machining Division of Toyota Motor Corporation		
				Jun. 2000	Division General Manager of Motomachi Plant Administration Division of Toyota Motor Corporation		
				Jun. 2002	Board of Directors of Toyota Motor Corporation		
				Jun. 2002	Plant Manager, Honsha Plant; Plant Manager, Motomachi Plant of Toyota Motor Corporation		
				Jun. 2003	Managing Officer of Toyota Motor Corporation		
				Jun. 2003	General Manager of Global Production Center of Toyota Motor Corporation		
				Jun. 2004	Plant Manager, Myochi Plant of Toyota Motor Corporation		
				Jun. 2005	Plant Manager, Takaoka Plant; Plant Manager, Tsutsumi Plant of Toyota Motor Corporation		
				Jun. 2006	Plant Manager, Miyoshi Plant of Toyota Motor Corporation		
				Jun. 2007	Senior Managing Director of Toyota Motor Corporation		
				Jun. 2007	Chief Officer, Production Planning Group; Chief Officer, Manufacturing Group of Toyota Motor Corporation		
				Jun. 2009	Adviser of Toyota Motor Corporation		
				Jun. 2009	Executive Vice President of Daihatsu Motor Co., Ltd.		
				Jun. 2010	President of Daihatsu Motor Co., Ltd.		
				Jun. 2013	Chairman of Daihatsu Motor Co., Ltd.		
				Jun. 2015	Director of Kubota Corporation (to present)		
				Jun. 2016	Adviser to the Board of Daihatsu Motor Co., Ltd.		
				Jun. 2019	Director of Sansha Electric Manufacturing Co., Ltd. (to present)		

Position	Responsibility	Name	Date of birth	Business experience		Term of office	Share ownership (thousands of shares)
Director of Kubota Corporation		Yutaro Shintaku	Sep. 19, 1955	Apr. 1979	Joined Toa Nenryo Kogyo K.K. (Currently, JXTG Nippon Oil & Energy Corporation)	Note 3	4
				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 of Terumo Corporation		
				Jun. 2007	In charge of R&D Center, Intellectual Property Dept. and Legal Dept. of Terumo Corporation		
				Jun. 2009	Director and Managing Executive Officer of Terumo Corporation		
				Jun. 2009	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 Adviser of Terumo Corporation		
				Jun. 2017	Corporate Adviser of Terumo Corporation		
				Jun. 2017	Director of Santen Pharmaceutical Co., Ltd. (to present)		
				Jun. 2017	Director of J-Oil Mills, Inc. (to present)		
				Jun. 2017	Executive Trustee of Tonen International Scholarship Foundation (to present)		
				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)
Audit & Supervisory Board Member of Kubota Corporation (Full time)		Toshikazu Fukuyama	Jun. 11, 1955	Apr. 1979	Joined Kubota Corporation	Note 4	14
				Oct. 2005	General Manager of Corporate Planning and Control Dept. of Kubota Corporation		
				Oct. 2009	Vice President of The Siam Kubota Industry Co., Ltd. (currently, SIAM KUBOTA Corporation Co., Ltd.), Director of Siam Kubota Leasing Co., Ltd.		
				Aug. 2010	Vice President of SIAM KUBOTA Corporation Co., Ltd., Director of Siam Kubota Leasing Co., Ltd.		
				Jun. 2014	Audit & Supervisory Board Member of Kubota Corporation (to present)		
Audit & Supervisory Board Member of Kubota Corporation (Full time)		Yasuhiko Hiyama	Dec. 25, 1957	Apr. 1981	Joined Kubota Corporation	Note 4	20
				Apr. 2008	President of Kubota Industrial Equipment Corporation		
				Apr. 2010	General Manager of Tractor Planning and Sales Promotion Dept. of Kubota Corporation		
				Apr. 2012	General Manager of Farm and Utility Machinery Planning and Sales Promotion Dept. of Kubota Corporation		
				Apr. 2014	General Manager of Farm and Utility Machinery Business Unit 1, General Manager of Farm and Utility Machinery Planning and Sales Promotion Dept. 1, General Manager of Farm and Utility Machinery Planning and Sales Promotion Dept. 2 of Kubota Corporation		
				Apr. 2015	General Manager of Tractor and Utility Machinery Business Unit of Kubota Corporation		
				Jan. 2016	Executive Officer of Kubota Corporation		
				Jan. 2017	General Manager of Compact Tractor, Turf and Utility Vehicle Business Unit of Kubota Corporation		
				Jan. 2018	Deputy General Manager of tractor Division of Kubota Corporation		
				Mar. 2018	Audit & Supervisory Board Member of Kubota Corporation (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 (Part time)		Masaki Fujiwara	Dec. 23, 1953	Apr. 1977	Joined Matsushita Electric Industrial Co., Ltd. (currently, Panasonic Corporation)	Note 4	5
				Jan. 2000	Director of Malaysia Matsushita Television Co., Ltd.		
				Nov. 2004	General Manager of Technical Accounting Center of Matsushita Electric Industrial Co., Ltd.		
				Dec. 2006	General Manager of Accounting Center of Panasonic Corporation, AVC Networks Company		
				May 2010	President and Representative Director of Panasonic Insurance Services Japan Co., Ltd.		
				Mar. 2014	Joined Sansha Electric Manufacturing Co., Ltd.		
				Mar. 2014	Adviser of Sansha Electric Manufacturing Co., Ltd.		
				Jun. 2014	Director and Senior Managing Executive Officer of Sansha Electric Manufacturing Co., Ltd. (to present)		
				Jun. 2014	General Manager of Administrative Division of Sansha Electric Manufacturing Co., Ltd.		
				Mar. 2018	Audit & Supervisory Board Member of Kubota Corporation (to present)		
				Apr. 2018	General Manager of Corporate Planning and Control Headquarters of Sansha Electric Manufacturing Co., Ltd. (to present)		
Audit & Supervisory Board Member of Kubota Corporation (Part time)		Kumi Arakane	Jul. 4, 1956	Apr. 1981	Joined KOBAYASHI KOSÉ COMPANY LIMITED (currently, KOSÉ Corporation)	Note 5	3
				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 of KOSÉ Corporation		
				Mar. 2006	Deputy Director-General of Marketing Headquarters and General Manager of Product Development Dept. of KOSÉ Corporation		
				Mar. 2010	General Manager of R&D Laboratories of KOSÉ Corporation		
				Mar. 2011	General Manager of Quality Assurance Dept. of KOSÉ Corporation		
				Mar. 2011	Marketing Supervisor-General of KOSÉ Corporation		
				Jun. 2011	Director of KOSÉ Corporation		
				Jun. 2011	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 (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 (Part time)		Yuichi Yamada	Mar. 25, 1954	Oct. 1984	Joined Asahi & Co. (currently, KPMG AZSA LLC)	Note 6	—
				Mar. 1988	Registered as a Certified Public Accountant of Japan		
				Aug. 2003	Representative Partner of Asahi & Co. (currently, KPMG AZSA LLC)		
				Jun. 2008	Board Member of KPMG AZSA & Co. (currently, KPMG AZSA LLC)		
				Sep. 2011	Deputy Tokyo Office Managing Partner of KPMG AZSA LLC		
				Jul. 2015	Chairman of Tokyo Partnership Meeting of KPMG AZSA LLC		
				Jun. 2016	Audit & Supervisory Board Member of Japan Finance Corporation (to present)		
				Jul. 2016	Representative of Yuichi Yamada Certified Public Accountant Firm (to present)		
				Jun. 2017	Audit & Supervisory Board Member of Sumitomo Metal Mining Co., Ltd. (to present)		
				Mar. 2020	Audit & Supervisory Board Member of Kubota Corporation (to present)		
				Total			436

(Notes)

1. Among the Directors, Yuzuru Matsuda, Koichi Ina, and Yutaro Shintaku are the Outside Directors.
2. Among the Audit & Supervisory Board Members, Masaki Fujiwara, Kumi Arakane, and Yuichi Yamada 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, 2020 and began with the election at the Ordinary General Meeting of Shareholders for the year ended December 31, 2019.
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, 2021 and began with the election at the Ordinary General Meeting of Shareholders for the year ended December 31, 2017.
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, 2022 and began with the election at the Ordinary General Meeting of Shareholders for the year ended December 31, 2018.
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, 2023 and began with the election at the Ordinary General Meeting of Shareholders for the year ended December 31, 2019.
7. Kubota Corporation adopted the Executive Officer System. The Executive Officers, excluding persons who also hold the post of Director as of the filing date, are as follows:

Title	Name	Responsibility
Senior Managing Executive Officer of Kubota Corporation	Haruyuki Yoshida	President of Kubota Tractor Corporation, President of Kubota North America Corporation
Senior Managing Executive Officer of Kubota Corporation	Yuji Tomiyama	General Manager of Tractor Division
Managing Executive Officer of Kubota Corporation	Kunio Suwa	General Manager of CSR Planning & Coordination Headquarters
Managing Executive Officer of Kubota Corporation	Kaoru Hamada	Deputy General Manager of Research and Development Headquarters, General Manager of Water and Environment R&D
Managing Executive Officer of Kubota Corporation	Yasuo Nakata	General Manager of Quality Assurance Headquarters
Managing Executive Officer of Kubota Corporation	Kazuhiro Kimura	General Manager of Human Resources and General Affairs Headquarters, General Manager of Head Office
Managing Executive Officer of Kubota Corporation	Takao Shomura	General Manager of Procurement Headquarters

Managing Executive Officer of Kubota Corporation	Kazunari Shimokawa	President of Kverneland AS, President of Kubota Holdings Europe B.V.
Managing Executive Officer of Kubota Corporation	Mutsuo Uchida	Deputy General Manager of Water and Environment Infrastructure Consolidated Division
Managing Executive Officer of Kubota Corporation	Nobuyuki Ishii	General Manager of Farm and Industrial Machinery Strategy and Operations Headquarters, General Manager of ASEAN Farm and Industrial Machinery Strategy and Operations Headquarters, Deputy General Manager of Innovation Center
Managing Executive Officer of Kubota Corporation	Kazuhiro Shinabe	General Manager of Environmental Solutions Division
Managing Executive Officer of Kubota Corporation	Ryuichi Minami	General Manager of Harvester and Transplanter Division
Managing Executive Officer of Kubota Corporation	Yoshimitsu Ishibashi	Deputy General Manager of Tractor Division, General Manager of Compact Tractor Division
Managing Executive Officer of Kubota Corporation	Yasukazu Kamada	General Manager of Engine Division
Managing Executive Officer of Kubota Corporation	Katsuhiko Yukawa	General Manager of Construction Machinery Division
Managing Executive Officer of Kubota Corporation	Ryoji Kuroda	General Manager of Health and Safety Promotion Headquarters
Managing Executive Officer of Kubota Corporation	Eiji Yoshioka	General Manager of Pipe System and Infrastructure Division
Managing Executive Officer of Kubota Corporation	Hiroto Kimura	Deputy General Manager of Research and Development Headquarters, Deputy General Manager of Innovation Center, Deputy General Manager of ASEAN Farm and Industrial Machinery Strategy and Operations Headquarters
Executive Officer of Kubota Corporation	Muneji Okamoto	General Manager of Farm and Industrial Machinery Engineering Headquarters
Executive Officer of Kubota Corporation	Koichiro Kan	General Manager of Agricultural Tractor Division
Executive Officer of Kubota Corporation	Hirohiko Arai	President of Kubota Manufacturing of America Corporation, President of Kubota Industrial Equipment Corporation
Executive Officer of Kubota Corporation	Tomohiro Iitsuka	General Manager of Farm Machinery Japan Operation, President of Kubota Agri Service Corporation
Executive Officer of Kubota Corporation	Kazushi Ito	Deputy General Manager of Planning and Control Headquarters, General Manager of Corporate Planning and Control Department
Executive Officer of Kubota Corporation	Koichi Yamamoto	General Manager of Manufacturing Headquarters
Executive Officer of Kubota Corporation	Mampei Yamamoto	General Manager of Sakai Plant
Executive Officer of Kubota Corporation	Hitoshi Inada	Deputy General Manager of Pipe Systems and Infrastructure Division, General Manager of Pipe Systems Business Unit
Executive Officer of Kubota Corporation	Shingo Hanada	General Manager of Outdoor Power Equipment Division, General Manager of Outdoor Power Equipment Business Planning and Development Department
Executive Officer of Kubota Corporation	Nobushige Ichikawa	President of Kubota Europe S.A.S., Vice President of Kubota Holdings Europe B.V.,
Executive Officer of Kubota Corporation	Shinichi Fukuhara	Deputy General Manager of Environmental Solutions Division, General Manager of Environmental Engineering Business Unit
Executive Officer of Kubota Corporation	Hideki Mori	General Manager of Customer Solutions Division, General Manager of Customer Solutions Division, Business Strategy Planning Department
Executive Officer of Kubota Corporation	Junji Ota	General Manager of Farm and Industrial Machinery Strategy and Operations Department
Executive Officer of Kubota Corporation	Takanobu Azuma	President of SIAM KUBOTA Corporation Co., Ltd., President of Kubota Research & Development Asia Co., Ltd.

2) Outside Directors and Outside Audit & Supervisory Board Members

Kubota Corporation elects three Outside Directors and three Outside Audit & Supervisory Board Members. In selecting candidates for the positions of the Outside Directors and the Outside Audit & Supervisory Board Members, Kubota Corporation considers experience outside Kubota Corporation, professional insight, and other qualifications, and makes a recommendation for their suitability at the General Meeting of Shareholders after approval by the Board of Directors. Kubota Corporation established policies related to criteria for independence when electing the Outside Directors by reference to the rules for Independent Executives defined by the TSE. Kubota Corporation elects those who have no conflict of interest with ordinary shareholders accordingly.

Kubota Corporation elected Yuzuru Matsuda as an Outside Director since Kubota Corporation wishes to receive his advice about general management based on his adequate experience and considerable insight in management which he acquired through his duties as the long-time president of a listed company. Kubota Corporation has no business relationship with Kato Memorial Bioscience Foundation, BANDAI NAMCO Holdings, Inc., and JSR Corporation, for which Mr. Matsuda concurrently plays an important role. Kubota Corporation places him as an Independent Executive since there is no particular vested interest between Kubota Corporation and him, and there appears to be no conflict of interest with ordinary shareholders.

Kubota Corporation elected Koichi Ina as an Outside Director since Kubota Corporation wishes to receive his advice about general management based on his adequate experience and considerable insight into management which he acquired through his duties as a president, chairman, and plant and manufacturing manager in the motor vehicle industry. Kubota Corporation has a business relationship with Daihatsu Motor Co., Ltd., at which Mr. Ina started his career, but the amount arising from the above transactions for the year ended December 31, 2019 was less than 2% of total consolidated revenues of the Company. Kubota Corporation has no business relationship with Sansha Electric Manufacturing Co., Ltd. for which Mr. Ina concurrently plays an important role. Kubota Corporation places him as an Independent Executive since there is no particular vested interest between Kubota Corporation and him, and there appears to be no conflict of interest with ordinary shareholders.

Kubota Corporation elected Yutaro Shintaku as an Outside Director since Kubota Corporation wishes to receive his advice about general management based on his accomplishments in actively promoting strategy and experience which he acquired through his duties as a member of the senior management of a medical device manufacturer. Kubota Corporation has no business relationship with Terumo Corporation, at which Mr. Shintaku stated his career, and Santen Pharmaceutical Co., Ltd., J-Oil Mills, Inc., Tonen International Scholarship Foundation, and Hitotsubashi University Business School, for which Mr. Shintaku concurrently plays an important role. Kubota Corporation has a business relationship with KOZO KEIKAKU ENGINEERING Inc., for which Mr. Shintaku concurrently plays an important role, but the amount arising from the above transactions for the year ended December 31, 2019 was less than 2% of total consolidated revenue of the Company. Kubota Corporation places him as an Independent Executive since there is no particular vested interest between Kubota Corporation and him, and there appears to be no conflict of interest with ordinary shareholders.

Kubota Corporation elected Masaki Fujiwara as an Outside Audit & Supervisory Board Member since Kubota Corporation expects him to further enhance its auditing procedures during this period of further global advancement of the Company. Having served in key administrative and executive roles at Panasonic Corporation and its subsidiaries and affiliated companies, he has both considerable knowledge relating to administration and corporate accounting, and a good feel for global business through his long-standing experience stationed overseas. Kubota Corporation has no business relationship with Sansha Electric Manufacturing Co., Ltd., for which Mr. Fujiwara concurrently plays an important role. Kubota Corporation places him as an Independent Executive since there is no particular vested interest between Kubota Corporation and him, and there seems to be no conflict of interest with ordinary shareholders.

Kubota Corporation elected Kumi Arakane as an Outside Audit & Supervisory Board Member since Kubota Corporation wishes her to further enhance its auditing procedures based on her long career at KOSÉ Corporation serving as a Director and being in charge of various areas of business, including product development, research, quality control, and purchasing. Ms. Arakane is also well versed in those duties. Kubota Corporation has no business relationship with KOSÉ Corporation, at which Ms. Arakane started her career. Kubota Corporation places her as an Independent Executive since there is no particular vested interest between Kubota Corporation and her, and there seems to be no conflict of interest with ordinary shareholders.

Kubota Corporation elected Yuichi Yamada as an Outside Audit & Supervisory Board Member since Kubota Corporation expects him to further enhance its auditing processes through his expert viewpoints and from an independent standpoint. Having gained extensive experience and record of accomplishments in corporate auditing while serving at a major audit firm, and possesses extensive expertise on auditing in general, such as through working as outside audit & supervisory board member for other companies. Kubota Corporation has no business relationship with Japan Finance Corporation, Yuichi Yamada Certified Public Accountant Firm, and Sumitomo Metal Mining Co., Ltd., for which Mr. Yamada concurrently plays an important role. Kubota Corporation places him as an Independent Executive since there is no particular vested interest between Kubota Corporation and him, and there seems to be no conflict of interest with ordinary shareholders.

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 Directors also collaborate with Independent Auditors and internal control departments as described in *(3) Status of Audit, 1) Status of Internal Audit and Audit by Audit & Supervisory Board Members.*

(3) Status of Audit

1) Status of Internal Audit and Audit by Audit & Supervisory Board Members

Internal audit on the Company's internal control over financial reporting is conducted by the Corporate Auditing Department, which is independent from all other departments of the Company and made up of 14 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 previously approved by the President.

The Audit & Supervisory Board Members attend important meetings such as the Meetings of the Board of Directors and audit the execution of the duties by the Directors, business operation departments, indirect departments, subsidiaries, and affiliated companies in accordance with the auditing principles determined by the Audit & Supervisory Board. They also supervise Kubota Corporation's financial reporting system and accounting principles and review its material documents, such as (consolidated) financial statements, pursuant to the fourth paragraph of Article 444 of the Companies Act. A system has been established, whereby any issues that affect the Company's business operations are to be reported to the Audit & Supervisory Board Members with no delay.

Kubota Corporation established the Office of Audit & Supervisory Board Members and has assigned five employees to exclusively support the Audit & Supervisory Board Members in performing their duties. Those employees' independence is ensured as the employees' appointment and evaluation require a discussion with and consent from the Audit & Supervisory Board Members. As of March 19, 2020, Kubota Corporation places four members in the Office of Audit & Supervisory Board Members, to engage in audits exclusively for subsidiaries in order to provide support for the Kubota Corporation's Audit & Supervisory Board Members and improve internal control over the Kubota Group. Also, Kubota Corporation put in place a system where in any expenses incurred related to execution of duties by the Audit & Supervisory Board Members are to be disbursed with no delay.

Mr. Yuichi Yamada, an Outside Audit & Supervisory Board Member of Kubota Corporation, is a certified public accountant and has adequate knowledge regarding accounting and finance, including IFRS.

Internal audit departments and the Independent Auditors of Kubota Corporation report audit plans and the results of audits to the Audit & Supervisory Board Members periodically, and as needed, collaborate with each other. Effective cooperation in the auditing activities between the internal audit departments and the Independent Auditors of Kubota Corporation is also established, whereby they are able to exchange information with each other, if such a need arises.

Audit findings are discussed for improvement by each department, and the Department in Charge and audits are reperformed to ensure that the necessary improvements are being made. Risk control activities, such as awareness-raising, educational activities, audits, identification of issues, improvements, and reperformed audits, are conducted during these audits by each department. The results and countermeasures developed are reported to the Company-wide Risk Management Committee, which is responsible for internal control. The Company-wide Risk Management Committee reports the status of Kubota Corporation's internal control to the President and the Board of Directors. Through these activity cycles, Kubota Corporation seeks to establish and strengthen its internal control and enhance the quality of business execution.

2) Status of Accounting Audit

a) Name of Independent Auditors, etc.

Kubota Corporation appointed Deloitte Touche Tohmatsu LLC ("DTT") as Independent Auditors of Kubota Corporation. The certified public accountants ("CPA(s)") belonging to DTT, Mr. Koichiro Tsukuda, Mr. Akihiro Okada, and Mr. Takeshi Io, audit the financial statements of Kubota Corporation. In addition, 27 other CPAs, 6 junior accountants, and 42 other staff members assist in the execution of the audits as instructed by the above three CPAs.

b) Policies of and reasons for an evaluation, appointment, and reappointment of Independent Auditors by the Audit & Supervisory Board

The Audit & Supervisory Board confirms and evaluates independency of the auditing system conducted by Independent Auditors, its quality, and accounting fees, and determines the validity of appointment and reappointment of Independent Auditors. Based on the thorough investigation of the aforementioned points, the Kubota Corporation reappointed DTT as its Independent Auditors for the year ended December 31, 2019.

In the case that the Independent Auditor falls under any of the items of Article 340, paragraph 1 of the Companies 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 Auditors is not appropriately qualified, or other reasons is ineligible to execute their duties as an accounting auditor pursuant to the disqualifying criteria of Article 337, paragraph 3 of the Companies Act, and that it is appropriate not to reappoint it as the Independent Auditor comprehensively taking into account the status of the duties executed on audit and other factors, the Audit & Supervisory Board may submit a proposal to dismiss or not to reappoint the Independent Auditor by the resolution of the Audit & Supervisory Board.

3) Details of Auditing Fees and Other Matters

The transitional measures are applied to the provisions for the Note on the filing in the Form 2 (56) d (f), (i) to (iii) of the *Cabinet Office Ordinance on Disclosure of Corporate Affairs, etc*. after revision by the *Cabinet Office Order Partially Amending the Cabinet Office Ordinance on Disclosure of Corporate Affairs, etc.* (Cabinet Office Ordinance No. 3 on January 31, 2019).

a) Details of Fees Paid to Independent Auditors

	Year ended December 31, 2019		Year ended December 31, 2018	
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	¥ 302	¥ —	¥ 250	¥ 20
Consolidated subsidiaries	23	—	25	—
Total	¥ 325	¥ —	¥ 275	¥ 20

b) Details of Other Significant Fees

Year Ended December 31, 2019

Kubota Corporation and 38 consolidated subsidiaries, such as Kubota Tractor Corporation, paid fees for audit certification work of ¥636 million and other non-auditing work, such as tax-related work, of ¥736 million to the member firms of Deloitte Touche Tohmatsu LLC (including group firms, such as tax accountant corporations), the Company's Independent Auditors, for the year ended December 31, 2019.

Year Ended December 31, 2018

Kubota Corporation and 43 consolidated subsidiaries, such as Kubota Tractor Corporation, paid fees for audit certification work of ¥616 million and other non-auditing work, such as tax-related work, of ¥817 million to the member firms of Deloitte Touche Tohmatsu LLC (including group firms, such as tax accountant corporations), the Company's Independent Auditors, for the year ended December 31, 2018.

c) Details of Non-Auditing Work Performed by Independent Auditor of Kubota Corporation

Year Ended December 31, 2018

Fees related to non-auditing work, such as consulting services on finance, were paid to Deloitte Touche Tohmatsu LLC by

Kubota Corporation.

d) Policy for Determining Audit Fees
In determining audit fees, factors such as the number of days required for auditing are taken into account. The approval of the Audit & Supervisory Board is obtained, and consideration is taken not to impair the independence of certified public accounting firms when decisions on fees are made.

e) The reasons to agree on the compensation to Independent Auditors
The Audit & Supervisory Board confirmed and deliberated the content of the Independent Auditor's audit plans, the appropriateness of the status of the duties executed on audit, and calculation base of estimated amount of compensation, with related materials and reports from the Directors, relevant divisions of Kubota Corporation, and the Independent Auditor. Consequently, the Audit & Supervisory Board concluded that they were appropriate and agreed to the above amount.

(4) Compensation of Directors and Senior Managements

1) Policy for Determination of Remuneration, etc. and Calculation Method for Directors and Executive Officers
Kubota Corporation's remuneration plan for the Directors and Senior Managements is designed and put in place in order to sustain corporate growth in the areas of food, water, and the environment and share corporate value with shareholders.

The remuneration for the Directors (excluding Outside Directors) consists of basic remuneration, which is set by each position, variable remuneration (bonuses for Directors) which acts as a short-term incentive linked to performance in a single fiscal year, and restricted stock compensation which is regarded as a medium- to long-term incentive. The remuneration for the Outside Directors and Audit & Supervisory Board Members consists of basic remuneration only because of the roles they play and the need to preserve their independence.

The maximum aggregate amount of cash remuneration for the Directors was set at ¥510 million or less per year (¥60 million or less per year for the Outside Directors) at the 128th General Meeting of Shareholders held on March 23, 2018. The maximum aggregate amount of stock remuneration for the Directors was set at ¥300 million or less per year and the total number of common shares of Kubota Corporation to be issued or disposed of was set at 400,000 shares or less per year at the 127th General Meeting of Shareholders held on March 24, 2017.

The maximum aggregate amount of remuneration for Audit & Supervisory Board Members was set at ¥144 million or less per year at the 119th General Meeting of Shareholders held on June 19, 2009.

Kubota Corporation's remuneration plan for the Directors and Senior Managements are deliberated by the Compensation Advisory Committee and then determined by the Board of Directors in order to increase objectivity and transparency. The Compensation Advisory Committee consists of five members: three Outside Directors, the Director in charge of secretarial affairs, and the Director in charge of financial affairs, and one observer: the Outside Audit & Supervisory Board Member, as a finance expert. The Compensation Advisory Committee deliberates on the following issues:

a) matters related to remuneration for the Directors and the Executive Officers;
b) matters related to bonuses for the Directors and the Executive Officers;
c) matters related to remuneration for the Special Corporate Advisor and Advisors; and
d) other matters delegated by the Board of Directors.

The Compensation Advisory Committee met three times during the fiscal year (one of which was a written resolution) to discuss both the consistency of compensation levels paid to the Directors, Executive Officers, and Advisors, as well as the appropriateness of the stock compensation plan. The appropriateness of compensation levels is verified by the Compensation Advisory Committee, based mainly on a management compensation database for major domestic companies provided by external specialist organizations.

2) Performance-linked compensation for a single fiscal year
Kubota Corporation does not fix the ratio of performance-linked remuneration, and it is designed so that the ratio of

performance-linked remuneration to total remuneration for the Directors increases as *profit for the year* increases. In the fiscal year 2019, the ratio of non-performance-linked remuneration (basic compensation and stock compensation) to performance-linked remuneration was roughly 6: 4, with the higher the position, the higher the ratio of performance-linked remuneration.

Performance-linked remuneration shows the degree of performance achievement and is decided by determining the amount of bonus for each position conjunction with *profit attributable to the owner of the parent* which is an index used to return profits to shareholders, taking into consideration the degree of performance achievement in organizations of which the individual is in charge.

3) Restricted Stock Compensation

Kubota Corporation has adopted the restricted stock compensation plan as an incentive for the Directors (excluding the Outside Directors) to continuously increase corporate value and to further share its value with shareholders. Stock compensation generally accounts for approximately 15% of total compensation.

4) Compensation of Audit & Supervisory Board Members

The remuneration for the Audit & Supervisory Board Members is determined after consultation among the Audit & Supervisory Board Members within the range of the maximum aggregate amount of remuneration approved at the General Meeting of Shareholders in consideration of the roles of the respective Audit & Supervisory Board Members.

5) Compensation by Position

The aggregate compensation paid by Kubota Corporation for the year ended December 31, 2019 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)		
			Remunerations	Bonuses	Restricted stock compensation
Directors (excluding Outside Directors)	9	¥ 662	¥ 372	¥ 201	¥ 88
Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members)	2	71	71	—	—
Outside Directors and Outside Audit & Supervisory Board Members	8	81	81	—	—

(Notes)

1. The amount of restricted stock compensation stated in the table above is the amount recognized as expense during the current fiscal year.
2. The above includes the compensation of three Directors and two Outside Audit & Supervisory Board Members who retired due to expiration of the terms of office at the close of the 129th Ordinary General Meeting of Shareholders held on March 22, 2019 and one Outside Audit & Supervisory Board Member who resigned on May 31, 2019.

6) Consolidated Compensation by Directors and Audit & Supervisory Board Members

The aggregate compensation paid by the Company for the year ended December 31, 2019 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)		
				Remuneration	Bonuses	Restricted stock compensation
Masatoshi Kimata	¥ 194	Director	Kubota Corporation	¥ 100	¥ 67	¥ 27
Yuichi Kitao	107	Director	Kubota Corporation	59	34	14

(Note)

The above includes only Directors and Audit & Supervisory Board Members who received ¥100 million or more as total consolidated compensation.

(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) Examination Methods of the Shareholding Policies and Rationality 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 and realize its sustainable growth and improvement of corporate value over the medium to long term. From this perspective, Kubota Corporation maintains cross-shareholdings based on comprehensive consideration of business relationships and the business strategies.

Kubota Corporation's policy for cross-shareholdings is to examine each individual share at the meetings of the Board of Directors every year to see whether or not the shareholding is appropriate, based on comprehensive consideration of the holding purpose, benefits and risks involved in the shareholdings and others, and decrease its shareholdings gradually in light of the market environment and other factors when it determines that maintaining them is no longer appropriate. In the fiscal year ended December 31, 2019, Kubota Corporation sold ¥20 billion of its listed and unlisted equity securities.

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	29	¥ 2,402
Other than unlisted shares	52	103,353

Increase in the number of shares held for the year ended December 31, 2019

	Number of issues (issuers)	Total amount acquired due to increase in number of shares held (millions of yen)	Reasons of increase
Unlisted shares	2	¥ 486	Investment for the pursuit of open innovation based on coordination with external partners
Other than unlisted shares	—	—	—

Decrease in the number of shares held for the year ended December 31, 2019

	Number of issues (issuers)	Total amount sold due to decrease in number of shares held (millions of yen)
Unlisted shares	5	¥ 285
Other than unlisted shares	15	19,714

(Note)

The above decrease does not include a change in classification to investments in affiliates.

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 31,2019 Number of shares (thousands of shares) Balance sheet amount (millions of yen)	As of December 31,2018 Number of shares (thousands of shares) Balance sheet amount (millions of yen)	Purpose of holding, quantitative effect of holding, reason of increase in the number of shares held	Ownership of Kubota Corporation share: Y/N
Cummins Inc.	1,455 28,527	2,100 31,151	As a result of examination, have been sold with keeping eyes on the market environment	N
Sumitomo Mitsui Trust Holdings, Inc.	2,385 10,344	2,753 11,073	Held for the purpose of maintaining stable funding Sold part of shares during the fiscal year 2019	N (*)
Sumitomo Mitsui Financial Group, Inc.	2,278 9,198	3,082 11,237	Held for the purpose of maintaining stable funding Sold part of shares during the fiscal year 2019	N (*)
Osaka Gas Co., Ltd.	3,125 6,536	3,125 6,279	Held for the purpose of maintaining and enhancing business relationships in the Water & Environment business	Y
Toho Gas Co., Ltd.	1,439 6,419	1,439 6,671	Held for the purpose of maintaining and enhancing business relationships in the Water & Environment business	Y
Mitsubishi UFJ Financial Group, Inc.	10,667 6,327	10,667 5,737	Held for the purpose of maintaining stable funding	N (*)
Shin-Etsu Chemical Co., Ltd.	464 5,603	464 3,965	Held for the purpose of maintaining stable procurement in the Water & Environment business	Y
Daikin Industries, Ltd.	350 5,416	350 4,100	Held for the purpose of maintaining stable procurement in the Farm & Industrial Machinery business	Y
Mizuho Financial Group, Inc.	16,677 2,806	16,677 2,840	Held for the purpose of maintaining stable funding	N (*)
Mitsubishi Estate Co., Ltd.	1,052 2,198	1,052 1,819	Held for the purpose of maintaining and enhancing business relationships in the Water & Environment business	Y
Daiwa House Industry Co., Ltd.	609 2,064	609 2,130	Held for the purpose of maintaining and enhancing business relationships in the Other business	Y
Sumitomo Corporation	1,222 1,984	1,222 1,908	Held for the purpose of maintaining stable procurement in the Water & Environment business	Y
Saibu Gas Co., Ltd.	586 1,490	586 1,488	Held for the purpose of maintaining and enhancing business relationships in the Water & Environment business	Y
Yamazen Corporation	1,055 1,155	1,055 1,088	Held for the purpose of maintaining stable procurement in the Farm & Industrial Machinery business	Y
Nankai Electric Railway Co., Ltd.	366 1,087	366 1,064	Held for the purpose of maintaining and enhancing relationships in the local economy	Y
Denyo Co., Ltd.	500 1,037	500 674	Held for the purpose of maintaining and enhancing business relationships in the Farm & Industrial Machinery business	Y

Issue	As of December 31,2019 Number of shares (thousands of shares) Balance sheet amount (millions of yen)	As of December 31,2018 Number of shares (thousands of shares) Balance sheet amount (millions of yen)	Purpose of holding, quantitative effect of holding, reason of increase in the number of shares held	Ownership of Kubota Corporation share: Y/N
MS & AD Insurance Group Holdings, Inc.	279 1,008	852 2,669	As a result of examination, have been sold with keeping eyes on the market environment	N (*)
Takasago Thermal Engineering Co., Ltd.	411 805	411 735	Held for the purpose of maintaining stable procurement in the Farm & Industrial Machinery business	Y
Sekisui House, Ltd.	324 756	324 524	Held for the purpose of maintaining and enhancing business relationships in the Other business	Y
Kansai Paint Co., Ltd.	246 658	246 520	Held for the purpose of maintaining stable procurement in the Farm & Industrial Machinery business	Y
Keihanshin Building Co., Ltd.	447 640	447 368	Held for the purpose of maintaining and enhancing relationships in the local economy	Y
FUJITEC CO., LTD.	322 572	322 380	Held for the purpose of maintaining and enhancing relationships in the local economy	Y
NTN Corporation	1,616 557	1,616 513	Held for the purpose of maintaining stable procurement in the Farm & Industrial Machinery business	Y
TAKARA STANDARD CO., LTD.	266 524	266 437	Held for the purpose of maintaining and enhancing business relationships in the Water & Environment business	Y
SHINTOKOGIO, LTD.	485 514	485 435	Held for the purpose of maintaining stable procurement in the Farm & Industrial Machinery business	Y
Keneka Corporation	138 487	138 546	Held for the purpose of maintaining stable procurement in the Water & Environment business	Y
JTEKT CORPORATION	357 464	357 437	Held for the purpose of maintaining stable procurement in the Farm & Industrial Machinery business	Y
DENSO CORPORATION	88 437	88 430	Held for the purpose of maintaining stable procurement in the Farm & Industrial Machinery business	Y
Takakita Co., Ltd.	660 425	660 380	Held for the purpose of maintaining stable procurement in the Farm & Industrial Machinery business	Y
NOK CORPORATION	246 404	246 378	Held for the purpose of maintaining stable procurement in the Farm & Industrial Machinery business	Y
Wakita & Co., LTD	300 335	300 335	Held for the purpose of maintaining and enhancing business relationships in the Farm & Industrial Machinery business	N
Obayashi Corporation	270 328	270 268	Held for the purpose of maintaining and enhancing business relationships in the Farm & Industrial Machinery business	Y
Sapporo Holdings Limited	106 274	106 244	Held for the purpose of maintaining and enhancing business relationships in the Water & Environment business	Y

Issue	As of December 31,2019 Number of shares (thousands of shares) Balance sheet amount (millions of yen)	As of December 31,2018 Number of shares (thousands of shares) Balance sheet amount (millions of yen)	Purpose of holding, quantitative effect of holding, reason of increase in the number of shares held	Ownership of Kubota Corporation share: Y/N
Mitsui Chemicals, Inc.	95 255	95 236	Held for the purpose of maintaining stable procurement in the Water & Environment business	Y
The Nanto Bank, Ltd.	73 203	73 156	Held for the purpose of maintaining stable funding	Y
Yamato Kogyo Co., Ltd.	60 164	60 154	Held for the purpose of maintaining and enhancing business relationships in the Water & Environment business	N
Nishimatsu Construction Co., Ltd.	63 156	63 158	Held for the purpose of maintaining and enhancing business relationships in the Water & Environment business	Y
NIKKATO CORPORATION	200 154	200 175	Held for the purpose of maintaining stable procurement in the Water & Environment business	Y
SHIMIZU CORPORATION	138 154	138 123	Held for the purpose of maintaining and enhancing business relationships in the Farm & Industrial Machinery and Water & Environment business	Y
Maruyama Mfg. Co., Inc.	95 116	95 121	Held for the purpose of maintaining stable procurement in the Farm & Industrial Machinery business	Y
NIPPON STEEL CORPORATION	69 114	161 305	As a result of examination, have been sold with keeping eyes on the market environment	N
YUASA TRADING CO., LTD.	27 101	27 86	Held for the purpose of maintaining and enhancing business relationships in the Farm & Industrial Machinery business	N
YOROZU CORPORATION	66 96	66 91	Held for the purpose of maintaining stable procurement in the Farm & Industrial Machinery business	Y
DAIICHI JITSUGYO CO., LTD.	24 92	24 84	Held for the purpose of maintaining stable procurement in the Water & Environment business	Y
Daido Metal Co., Ltd.	120 91	120 93	Held for the purpose of maintaining stable procurement in the Farm & Industrial Machinery business	Y
HOKUETSU INDUSTRIES CO., LTD.	50 65	50 52	Held for the purpose of maintaining and enhancing business relationships in the Farm & Industrial Machinery business	N
TODA CORPORATION	84 60	84 57	Held for the purpose of maintaining and enhancing business relationships in the Farm & Industrial Machinery business	Y
OKAYA & CO., LTD.	4 40	4 36	Held for the purpose of maintaining and enhancing business relationships in the Water & Environment business	Y
ASIA PILE HOLDING CORPORATION	55 33	55 34	Held for the purpose of maintaining and enhancing business relationships in the Water & Environment business	N
Kitagawa Corporation	11 26	11 24	Held for the purpose of maintaining stable procurement in the Farm & Industrial Machinery business	Y

Issue	As of December 31,2019 Number of shares (thousands of shares) Balance sheet amount (millions of yen)	As of December 31,2018 Number of shares (thousands of shares) Balance sheet amount (millions of yen)	Purpose of holding, quantitative effect of holding, reason of increase in the number of shares held	Ownership of Kubota Corporation share: Y/N
DAIDO KOGYO CO., LTD.	20	20	As a result of examination, have been sold with keeping eyes on the market environment	N
	16	17		
Keiyo Gas Co., Ltd.	4	24	As a result of examination, have been sold with keeping eyes on the market environment	N
	12	67		
U-Shin Ltd.	—	623	As a result of examination, sold completely	Y
	—	608		
NSK Ltd.	—	330	As a result of examination, sold completely	N
	—	313		
The Hiroshima Bank, Ltd.	—	305	As a result of examination, sold completely	Y
	—	177		
Hulic Co., Ltd.	—	147	As a result of examination, sold completely	N
	—	145		
MIKUNI CORPORATION	—	169	As a result of examination, sold completely	N
	—	86		

(Notes)

1. Since it is difficult to state the quantitative effect of holding, such effects are not described. However, the appropriateness of each holding is verified by each issue in accordance with the way described at *a) Examination Methods of the Shareholding Policies and Rationality and Details of Verification at the Board of Directors Concerning Appropriateness of Holding Each Sha*res in this section.
2. N (*) indecates that the issuer does not hold Kubota Corporation’s shares but its subsidiary does.

Deemed Shareholdings

Issue	As of December 31,2019 Number of shares (thousands of shares) Balance sheet amount (millions of yen)	As of December 31,2018 Number of shares (thousands of shares) Balance sheet amount (millions of yen)	Purpose of holding, quantitative effect of holding, reason of increase in the number of shares held	Ownership of Kubota Corporation share: Y/N
Shin-Etsu Chemical Co., Ltd.	620 7,477	620 5,292	Restriction on exercising its voting rights	Y
Mizuho Financial Group, Inc.	17,201 2,894	17,201 2,929	Restriction on exercising its voting rights	N (*)
Sumitomo Mitsui Financial Group, Inc.	641 2,591	641 2,339	Restriction on exercising its voting rights	N (*)
Mitsubishi UFJ Financial Group, Inc.	3,344 1,983	3,344 1,798	Restriction on exercising its voting rights	N (*)
Sumitomo Corporation	1,000 1,624	1,000 1,561	Restriction on exercising its voting rights	Y
Kaneka Corporation	207 731	207 818	Restriction on exercising its voting rights	Y
SCSK Corporation	34 194	34 133	Restriction on exercising its voting rights	N

(Notes)

1. Since it is difficult to state the quantitative effect of holding, such effects are not described. However, the appropriateness of each holding is verified by each issue in accordance with the way described at *a) Examination Methods of the Shareholding Policies and Rationality and Details of Verification at the Board of Directors Concerning Appropriateness of Holding Each Sha*res in this section.
2. In order to specify the major issues in light of the amount recorded on the balance sheets, specified investment securities and deemed shareholdings have not been combined.
3. 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.
4. N (*) indecates that the issuer does not hold Kubota Corporation's shares but its subsidiary does.

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 URL of Kubota Corporation where electronic public notice is carried out is as follows: 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 Companies Act,
2) Rights to claim under Article 166, Paragraph 1 of the Companies 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

Kubota Corporation filed the following documents during the period from the commencing date of the year ended December 31, 2019 to the filing date of the Annual Securities Report.

(1)	Annual Securities Report and the attachments thereto, and Confirmation Letter	Fiscal Year (the 129th business term)	From January 1, 2018 To December 31, 2018	Filed with the Director of the Kanto Local Finance Bureau on March 22, 2019
(2)	Internal Control Report and the attachments thereto	Fiscal Year (the 129th business term)	From January 1, 2018 To December 31, 2018	Filed with the Director of the Kanto Local Finance Bureau on March 22, 2019
(3)	Quarterly Reports and Confirmation Letters	(First Quarter of the 130th business term)	From January 1, 2019 To March 31, 2019	Filed with the Director of the Kanto Local Finance Bureau on May 14, 2019
		(Second Quarter of the 130th business term)	From April 1, 2019 To June 30, 2019	Filed with the Director of the Kanto Local Finance Bureau on August 9, 2019
		(Third Quarter of the 130th business term)	From July 1, 2019 To September 30, 2019	Filed with the Director of the Kanto Local Finance Bureau on November 12, 2019
(4)	Amendments to Quarterly Reports and Confirmation Letters	(First Quarter of the 129th business term)	From January 1, 2018 To March 31, 2018	Filed with the Director of the Kanto Local Finance Bureau on March 28, 2019
		(Second Quarter of the 129th business term)	From April 1, 2018 To June 30, 2018	Filed with the Director of the Kanto Local Finance Bureau on March 28, 2019
		(Third Quarter of the 129th business term)	From July 1, 2018 To September 30, 2018	Filed with the Director of the Kanto Local Finance Bureau on March 28, 2019
(5)	Extra Ordinary Report	Pursuant to Article 19, Paragraph 2, Item 9-2 of the Cabinet Office Ordinance Concerning Disclosure of Corporate Affairs (Results of Execution of Voting Rights at the General Meeting of Shareholders)		Filed with the Director of the Kanto Local Finance Bureau on March 25, 2019
(6)	Securities Registration Statements (issuance of new shares under the restricted stock compensation plan) and attachments thereto			Filed with the Director of the Kanto Local Finance Bureau on March 22, 2019
(7)	Revised Securities Registration Statements			Filed with the Director of the Kanto Local Finance Bureau on March 25, 2019
(8)	Revised Registration Form of Issuance (Bond)			Filed with the Director of the Kanto Local Finance Bureau on March 25, 2019 Filed with the Director of the Kanto Local Finance Bureau on March 28, 2019
(9)	Status Report of Acquisition of Treasury Stock			Filed with the Director of the Kanto Local Finance Bureau: on May 10, 2019 on June 5, 2019 on July 3, 2019 on August 5, 2019

on September 4, 2019
on October 3, 2019
on November 6, 2019
on December 4, 2019
on January 8, 2020

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS OF KUBOTA CORPORATION AND ITS SUBSIDIARIES

Consolidated Financial Statements

Kubota Corporation and Its Subsidiaries

(1) Consolidated Statement of Financial Position

(Unit: millions of yen)

December 31:	Note	2019	2018
ASSETS			
Current assets:			
Cash and cash equivalents	5	¥ 199,665	¥ 229,123
Trade receivables	6	682,596	660,401
Finance receivables	7, 13	293,933	267,262
Other financial assets	8	71,968	54,373
Inventories	9	382,401	370,698
Income taxes receivable		6,287	4,416
Other current assets		82,034	53,250
Total current assets		1,718,884	1,639,523
Noncurrent assets:			
Investments accounted for using the equity method	10	33,729	30,611
Finance receivables	7, 13	699,238	621,886
Other financial assets	8	148,936	151,198
Property, plant, and equipment	11, 13	405,349	330,034
Goodwill and intangible assets	12	60,986	49,948
Deferred tax assets	24	46,984	50,055
Other noncurrent assets	18	25,212	22,400
Total noncurrent assets		1,420,434	1,256,132
Total assets		¥ 3,139,318	¥ 2,895,655

(Unit: millions of yen)

December 31:	Note		2019		2018
LIABILITIES AND EQUITY					
Current liabilities:					
Bonds and borrowings	14	¥	386,538	¥	349,060
Trade payables	15		293,774		306,759
Other financial liabilities	13, 16		78,860		57,402
Income taxes payable			18,611		9,353
Provisions	17		31,001		22,415
Other current liabilities	19		192,959		177,834
Total current liabilities			1,001,743		922,823
Noncurrent liabilities:					
Bonds and borrowings	14		516,443		490,205
Other financial liabilities	13, 16		30,247		4,727
Retirement benefit liabilities	18		15,773		14,498
Deferred tax liabilities	24		32,984		29,308
Other noncurrent liabilities	17, 19		4,914		7,661
Total noncurrent liabilities			600,361		546,399
Total liabilities			1,602,104		1,469,222
Equity:					
Equity attributable to owners of the parent:	20				
Share capital			84,130		84,130
Share premium			84,671		85,305
Retained earnings			1,238,824		1,135,395
Other components of equity			35,849		35,343
Treasury shares			(637)		(323)
Total equity attributable to owners of the parent			1,442,837		1,339,850
Noncontrolling interests			94,377		86,583
Total equity			1,537,214		1,426,433
Total liabilities and equity		¥	3,139,318	¥	2,895,655

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	2019	%	2018	%
Revenue	21	¥ 1,920,042	100.0	¥ 1,850,316	100.0
Cost of sales	9, 11, 12, 18	(1,360,115)		(1,322,930)	
Selling, general, and administrative expenses	11, 12, 18	(351,986)		(332,617)	
Other income	22	3,648		5,040	
Other expenses	22	(9,935)		(10,495)	
Operating profit		201,654	10.5	189,314	10.2
Finance income	23	8,866		9,816	
Finance costs	23	(1,498)		(1,900)	
Profit before income taxes		209,022	10.9	197,230	10.7
Income tax expenses	24	(53,002)		(49,119)	
Share of profits of investments accounted for using the equity method	10	3,071		2,034	
Profit for the year		¥ 159,091	8.3	¥ 150,145	8.1
Profit attributable to:					
Owners of the parent		¥ 149,061	7.8	¥ 138,595	7.5
Noncontrolling interests		¥ 10,030	0.5	¥ 11,550	0.6
Earnings per share attributable to owners of the parent:	25				
Basic		¥ 121.59		¥ 112.44	
Diluted		¥ —		¥ 112.44	

Consolidated Statement of Comprehensive Income

(Unit: millions of yen)

Years ended December 31:	Note	2019	2018
Profit for the year		¥ 159,091	¥ 150,145
Other comprehensive income, net of income tax:	20		
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit pension plans		5,859	(4,731)
Net change in fair value of financial assets measured at fair value through other comprehensive income		11,819	(21,626)
Items that may be reclassified subsequently to profit or loss:			
Exchange rate differences on translating foreign operations		4,431	(26,183)
Total other comprehensive income, net of income tax		22,109	(52,540)
Comprehensive income for the year		¥ 181,200	¥ 97,605
Comprehensive income attributable to:			
Owners of the parent		¥ 167,048	¥ 87,544
Noncontrolling interests		¥ 14,152	¥ 10,061

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	Noncontolling interests	Total equity
Balance as of January 1, 2018		¥ 84,100	¥ 85,037	¥ 1,040,207	¥ 81,924	¥ (174)	¥ 1,291,094	¥ 84,474	¥ 1,375,568
Cumulative effects of new accounting standards applied				1,377	3,262		4,639	1,014	5,653
Profit for the year				138,595			138,595	11,550	150,145
Total other comprehensive income, net of income tax	20				(51,051)		(51,051)	(1,489)	(52,540)
Comprehensive income for the year				138,595	(51,051)		87,544	10,061	97,605
Transfer to retained earnings				(1,233)	1,233		—		—
Dividends paid	20			(40,697)			(40,697)	(6,384)	(47,081)
Purchases and sales of treasury shares						(3,003)	(3,003)		(3,003)
Retirement of treasury shares				(2,854)		2,854	—		—
Share-based payments with transfer restrictions		30	30				60		60
Changes in ownership interests in subsidiaries			238		(25)		213	(2,582)	(2,369)
Balance as of December 31, 2018		¥ 84,130	¥ 85,305	¥ 1,135,395	¥ 35,343	¥ (323)	¥ 1,339,850	¥ 86,583	¥ 1,426,433
Profit for the year				149,061			149,061	10,030	159,091
Total other comprehensive income, net of income tax	20				17,987		17,987	4,122	22,109
Comprehensive income for the year				149,061	17,987		167,048	14,152	181,200
Transfer to retained earnings				17,018	(17,018)		—		—
Dividends paid	20			(43,065)			(43,065)	(3,984)	(47,049)
Purchases and sales of treasury shares						(20,002)	(20,002)		(20,002)
Retirement of treasury shares				(19,566)		19,566	—		—
Share-based payments with transfer restrictions			(9)	(19)		122	94		94
Changes in ownership interests in subsidiaries			(625)		(463)		(1,088)	(2,374)	(3,462)
Balance as of December 31, 2019		¥ 84,130	¥ 84,671	¥ 1,238,824	¥ 35,849	¥ (637)	¥ 1,442,837	¥ 94,377	¥ 1,537,214

See notes to consolidated financial statements.

(4) Consolidated Statement of Cash Flows

(Unit: millions of yen)

Years ended December 31:	Note	2019	2018
Cash flows from operating activities:			
Profit for the year		¥ 159,091	¥ 150,145
Depreciation and amortization		62,244	49,624
Finance income and costs		(6,753)	(7,067)
Income tax expenses		53,002	49,119
Share of profits of investments accounted for using the equity method		(3,071)	(2,034)
Increase in trade receivables		(21,099)	(26,477)
Increase in finance receivables		(96,954)	(97,293)
Increase in inventories		(14,721)	(25,478)
(Increase) decrease in other assets		(25,491)	3,180
(Decrease) increase in trade payables		(12,501)	24,679
Increase in other liabilities		23,955	24,505
Net changes in retirement benefit assets and liabilities		2,261	1,800
Other, net		1,988	3,406
Interest received		4,622	4,414
Dividends received		3,491	3,630
Interest paid		(874)	(955)
Income taxes paid, net		(46,780)	(66,050)
Net cash provided by operating activities		82,410	89,148
Cash flows from investing activities:			
Payments for acquisition of property, plant, and equipment		(76,243)	(51,035)
Payments for acquisition of intangible assets		(18,616)	(12,361)
Proceeds from sales and redemptions of securities		19,689	7,502
Payments for loans receivable from associates		(28,850)	(34,010)
Collection of loans receivable from associates		28,500	34,375
Payments for time deposits		(32,411)	(14,790)
Proceeds from withdrawal of time deposits		8,477	20,732
Payments for acquisition of short-term investments		(16,599)	(21,104)
Proceeds from sales and redemptions of short-term investments		24,907	13,030
Other, net		(324)	(1,095)
Net cash used in investing activities		(91,470)	(58,756)
Cash flows from financing activities:			
Funding from bonds and long-term borrowings	26	273,699	229,214
Redemptions of bonds and repayments of long-term borrowings	26	(221,267)	(217,315)
Net increase in short-term borrowings	26	10,368	12,766
Repayments of lease liabilities	26	(15,081)	—
Dividends paid	20	(43,065)	(40,697)
Purchases of treasury shares		(20,002)	(3,003)
Proceeds from acquisition of noncontrolling interests		(5,652)	(2,402)
Other, net		(515)	(6,379)
Net cash used in financing activities		(21,515)	(27,816)
Effect of exchange rate changes on cash and cash equivalents		1,117	(4,173)
Net decrease in cash and cash equivalents		(29,458)	(1,597)
Cash and cash equivalents, at the beginning of the year	5	229,123	230,720
Cash and cash equivalents, at the end of the year	5	¥ 199,665	¥ 229,123

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”) manufacture and sell a comprehensive range of machinery and other industrial and consumer products, including farm equipment, agricultural-related products, engines, construction machinery, pipe-related products, social infrastructure-related products, and environment-related products.

The Company manufactures its products not only in Japan, but also in overseas countries, including the United States, France, Germany, China, Thailand, and other countries, and sells its products in Japan, North America, Europe, Asia, and other countries.

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.

Basis of Measurement

Except for the items stated in Note 3. SIGNIFICANT ACCOUNTING POLICIES, the Company’s consolidated financial statements are prepared on a historical cost basis.

Functional Currency and Presentation Currency

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

Significant Accounting Judgements, Estimates, and Assumptions

The consolidated financial statements of the Company are prepared by using judgements, 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 judgements 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 (please refer to Note 3. SIGNIFICANT ACCOUNTING POLICIES, Basis of Consolidation)
(b) Classification of financial instruments (please refer to Note 3. SIGNIFICANT ACCOUNTING POLICIES, Financial Instruments)
(c) Timing of satisfaction of performance obligations (please refer to Note 3. SIGNIFICANT 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) Impairment of financial assets measured at amortized cost (please refer to Note 3. SIGNIFICANT ACCOUNTING POLICIES, Financial Instruments and Note 27. FINANCIAL INSTRUMENTS)
(b) Fair value measurement on financial instruments (please refer to Note 3. SIGNIFICANT ACCOUNTING POLICIES, Financial Instruments and Note 27. FINANCIAL INSTRUMENTS)
(c) Lease term and discount rates used for measurement of lease liabilities (please refer to Note 3. SIGNIFICANT ACCOUNTING POLICIES, Leases)
(d) Impairment of nonfinancial assets (please refer to Note 3. SIGNIFICANT ACCOUNTING POLICIES, Impairment of

Nonfinancial Assets and Note 11. PROPERTY, PLANT, AND EQUIPMENT and Note 12. GOODWILL AND INTANGIBLE ASSETS)

(e) Measurement of provisions (please refer to Note 3. SIGNIFICANT ACCOUNTING POLICIES, Provisions and Note 17. PROVISIONS)

(f) Measurement of defined benefit liabilities (please refer to Note 3. SIGNIFICANT ACCOUNTING POLICIES, Postemployment Benefits and Note 18. EMPLOYEE BENEFITS)

(g) Measurement of progress towards complete satisfaction of a performance obligation (please refer to Note 3. SIGNIFICANT ACCOUNTING POLICIES, Revenue Recognition and Note 21. REVENUE)

(h) Estimation of variable consideration (please refer to Note 3. SIGNIFICANT ACCOUNTING POLICIES, Revenue Recognition and Note 21. REVENUE)

(i) Realizability of deferred tax assets (please refer to Note 3. SIGNIFICANT ACCOUNTING POLICIES, Income Taxes and Note 24. INCOME TAXES)

(j) Contingent liabilities (please refer to Note 30. COMMITMENTS AND CONTINGENT LIABILITIES)

3. SIGNIFICANT 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.

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 rate 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, or equity financial assets measured at fair value through other comprehensive income.

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.

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 deemed to be low at the end of the reporting period, the credit risk is deemed not to have significantly increased since the initial recognition, and an allowance for doubtful accounts is recognized for the 12-month expected credit losses. The Company considers that the credit risk on them has increased significantly since initial recognition, unless there is reasonable contradictory evidence, when contractual payments are more than 30 days past due and recognizes an allowance for doubtful accounts for the lifetime expected credit losses. With regard to trade receivables, contract assets, long-term trade accounts receivable, and lease 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 from them. 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 at 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 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 is 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 ten 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.

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.

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.

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 are mainly five years for software for internal use and capitalized development costs. 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.

Leases

The Company adopted IFRS 16, *Leases* (“IFRS 16”) on January 1, 2019 (the “date of initial application”). The company elected to recognize the cumulative effect of initially applying IFRS 16 at the date of initial application. The Company applies International Accounting Standards 17, *Leases* (“IAS 17”), previous accounting standards, to the comparative information.

Since IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, there is not material changes in the Company’s accounting policies in applying IFRS 16.

<u>As lessee</u>

Accounting policies applied to the comparative information are described below:

Leases are classified as finance leases when substantially all the risks and rewards incidental to ownership of an underlying asset are transferred to a lessee. All other leases are classified as operating leases.

In finance lease transactions, leased assets and lease liabilities are stated in the consolidated statement of financial position and initially recognized at the lower of the fair value of the leased property or the present value of the total minimum lease payments, each determined at the commencement date of the lease. After the initial recognition, leased assets are depreciated by the straight-line method over the shorter of the estimated useful lives of the assets or the lease term. The total minimum lease payments are allocated to the finance cost, and the repayment of the lease liabilities and the finance cost is recognized in profit or loss over the lease term so as to reflect a constant rate of interest on the remaining balance of the liabilities. Lease assets are included in property, plant, and equipment and lease liabilities are included in other financial liabilities (current) and other financial liabilities (noncurrent) in the consolidated statement of financial position.

Lease payments of operating leases are recognized in profit or loss on a straight-line basis over the lease term.

Accounting policies applied for the year ended December 31, 2019 are described as below:

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.

To apply a cost model, the Company measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses and includes it 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 majority of 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 positon.

The lease term is determined by including the non-cancellable periods which are both covered by an option to extend the lease if the Company is reasonably certain to exercise that option; and are 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 non-lease components from lease components, and instead accounts for each lease component and any associated non-lease components as a single lease component.

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 which 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 to determine whether or not there is any indication of impairment at the end of each reporting period based on an individual asset or the cash-generating unit ("CGU") to which an asset belongs. 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 or whenever there is an indication that the asset may be impaired 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. 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 that corporate assets may be impaired, 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. An impairment loss for a CGU is allocated to the assets of the unit, pro-rated across the respective carrying amounts of each asset in the 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. The amount of reversal is recognized in profit or loss to the extent of the carrying amount, net of amortization or depreciation, that would have been determined if no impairment loss had been recognized in prior periods.

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 net defined benefit asset is limited to 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.

The defined benefit obligation is determined using the projected unit credit method, and its 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, 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 (or as) 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 Company satisfies a performance obligation 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 towards 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 towards complete satisfaction of performance obligations under the contracts, the Company uses the input method to measure the extent of progress towards 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. The above income is included in revenue in the consolidated statement of profit or loss.

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 revenue in the consolidated statement of profit or loss.

Income Taxes

Income taxes, which is comprised 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 liabilities are offset only if the Company has a legally enforceable right to offset current tax assets against current liabilities and when the same tax authority levies income taxes on the same taxable entity.

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.

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 shares.

Changes in Accounting Policies

The Company adopted IFRS 16 on the date of initial application.

IFRS 16 eliminates the classification of leases by the lessee as either finance leases or operating leases stipulated in the previous accounting standard, IAS 17, *Leases* ("IAS 17"). IFRS 16 requires a lessee to recognize right-of-use assets and lease liabilities for all leases at the commencement date.

The company elected to recognize the cumulative effect of initially applying IFRS 16 at the date of initial application.

Definition of lease

The Company previously determined, at an inception of a contract, whether the contract was or contained a lease in accordance with IAS 17 and IFRIC 4, *Determining whether an Arrangement contains a Lease* (“IFRIC 4”). IFRS 16 requires an entity shall assess whether the contact is or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For the transition to IFRS 16, the Company elects to apply a practical expedient, which allows an entity to succeed the previous determination whether the contract is or contains a lease. The Company applies IFRS 16 to the contracts that were previously identified as leases applying IAS 17 and IFRIC 4 and does not reassess whether a contact is or contains a lease to the contracts that were previously not within scope of the prevailing lease standards.

As a result, the Company applies IFRS 16 only to the contracts which were entered into (or changed) on or after January 1, 2019, in determining whether the contract is or contains a lease.

Lessee accounting

The Company measures the lease liability at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate at the date of initial application.

The Company measures right-of-use assets equal to lease liabilities.

The Company elects to apply the following practical expedients stipulated in IFRS 16 to the contracts which were previously classified as operating leases applying IAS 17:

(a) to apply a single discount rate to a part of the underlying asset with a reasonably similar characteristic portfolio
(b) to rely on its assessment of whether leases are onerous applying IAS 37 *Provision, Contingent Liabilities and Contingent Assets* immediately before the date of initial application as an alternative to performing an impairment review and adjust the right-of-use asset at the date of initial application by the amount of any provision for onerous leases recognized in the consolidated statement of financial position immediately before the date of initial application
(c) to exclude initial direct costs from the measurement of the right-of-use asset at the date of initial application
(d) to use hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease

For leases that were previously classified as finance leases applying IAS 17, the carrying amount of the right-of-use asset and the lease liability at the date of initial application are equal to the carrying amount of the lease asset and lease liability measured applying IAS 17 immediately before the date of initial application.

Effects to financial statements

As a result of the application of IFRS 16, property, plant, and equipment, other financial liabilities (current liabilities), and other financial liabilities (noncurrent liabilities) were increased by ¥39,472 million, ¥13,856 million, and ¥25,616 million, respectively as of January 1, 2019

The weighted-average interest rate used for measuring lease liabilities at date of initial application in the consolidated statement of financial position was 0.7%.

The following table presents a reconciliation between the discounted present value of non-cancellable operating lease commitments disclosed applying IAS 17 as of December 31, 2018, which was immediately before the date of initial application, and the lease liabilities recognized as of the date of initial application in the consolidated statement of financial position:

(in millions of yen)

Reasons		Amount
Non-cancellable operating leases as of December 31, 2018	¥	10,769
Lease liabilities under finance lease as of December 31, 2018		1,957
Cancellable operating leases		26,007
Extension option which is reasonably certain to be exercised		3,545
Others		(849)
Lease liabilities recognized at the date of initial application as of January 1, 2019	¥	41,429

Accounting Standards and Interpretation Newly Issued or Amended but Not Yet Adopted

The following table presents major accounting standards and interpretations that were newly issued or amended prior to the date of approval of the consolidated financial statements but were not yet adopted by the Company as of December 31, 2019 as the standards and interpretations were not yet effective:

Standards and interpretations	Title	Effective date (from the fiscal year beginning on or after)	Scheduled adoption by the Company	Description of new or amended standards and interpretations
IFRS 17	Insurance Contracts	January 1, 2021	Year ending December 31, 2021	Establishment of consistent accounting treatment for insurance contracts

The Company is currently evaluating the impact of IFRS 17 on the consolidated financial statements and therefore is not able to estimate the impact.

4. SEGMENT INFORMATION

The Company engages in various fields of business and industries by providing products and services that are categorized into the following three segments: Farm & Industrial Machinery, Water & Environment, and Other. The Farm & Industrial Machinery segment manufactures and distributes farm equipment, agricultural-related products, engines, and construction machinery. The Water & Environment segment manufactures and distributes pipe- and infrastructure-related products (ductile iron pipes, plastic pipes, valves, industrial castings, ceramics, spiral welded steel pipes, and other products), environment-related products (environmental control plants, pumps, and other products). The Other segment offers a variety of services.

Financial information of the segments is utilized on a regular basis by the chief operating decision-maker in determining how to allocate the Company’s resources and evaluate performance. The segments also represent the Company’s organizational structure, which is principally based on the nature of products and services.

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 is summarized as follows:

(Unit: millions of yen)

	Farm & Industrial Machinery	Water & Environment	Other	Adjustments	Consolidated
Year ended December 31, 2019:					
Revenue:					
External customers	¥ 1,572,646	¥ 315,748	¥ 31,648	¥ —	¥ 1,920,042
Intersegment	429	1,271	28,994	(30,694)	—
Total	¥ 1,573,075	¥ 317,019	¥ 60,642	¥ (30,694)	¥ 1,920,042
Operating profit	¥ 204,473	¥ 26,736	¥ 3,619	¥ (33,174)	¥ 201,654
Depreciation and amortization	46,084	7,131	4,271	4,758	62,244
Addition to noncurrent assets	90,149	8,506	5,959	7,649	112,263
December 31, 2019:					
Assets	¥ 2,566,466	¥ 277,227	¥ 156,667	¥ 138,958	¥ 3,139,318
Investments accounted for using the equity method	10,945	38	22,746	—	33,729
Year ended December 31, 2018:					
Revenue:					
External customers	¥ 1,527,629	¥ 292,281	¥ 30,406	¥ —	¥ 1,850,316
Intersegment	299	1,295	27,990	(29,584)	—
Total	¥ 1,527,928	¥ 293,576	¥ 58,396	¥ (29,584)	¥ 1,850,316
Operating profit	¥ 200,895	¥ 19,875	¥ 3,011	¥ (34,467)	¥ 189,314
Depreciation and amortization	38,858	6,689	511	3,566	49,624
Addition to noncurrent assets	55,129	8,105	1,095	4,332	68,661
December 31, 2018:					
Assets	¥ 2,348,943	¥ 242,744	¥ 140,959	¥ 163,009	¥ 2,895,655
Investments accounted for using the equity method	10,249	37	20,325	—	30,611

(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 ¥33,174 million and ¥34,467 million for the years ended December 31, 2019 and 2018, respectively. The corporate expenses included in *Adjustments* 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 ¥232,960 million and ¥262,319 million at December 31, 2019 and 2018, respectively, which consists 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. Please 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:	2019	2018
Farm & Industrial Machinery:		
Farm equipment and engines	¥ 1,260,928	¥ 1,237,907
Construction machinery	311,718	289,722
Subtotal	1,572,646	1,527,629
Water & Environment:		
Pipe-related products	140,915	137,095
Social infrastructure-related products	46,461	49,003
Environment-related products	128,372	106,183
Subtotal	315,748	292,281
Other	31,648	30,406
Total	¥ 1,920,042	¥ 1,850,316

(Note)

Revenue from external customers related to Pump are reported in Environment-related Products, whereas they were formerly reported in Pipe-related Products. Accordingly, ¥20,666 of revenue in the prior year has been retrospectively adjusted to conform to the current year's presentation.

Geographic Information

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

(Unit: millions of yen)

Years ended December 31:	2019	2018
Japan	¥ 625,381	¥ 577,340
North America	679,092	612,575
Europe	239,586	256,347
Asia outside Japan	321,976	334,907
Other areas	54,007	69,147
Total	¥ 1,920,042	¥ 1,850,316

(Notes)

1. Revenue from North America included that from the United States of ¥613,235 million and ¥544,670 million for the years ended December 31, 2019 and 2018, respectively.
2. There was no single customer whose revenue exceeded 10% or more of total consolidated revenue of the Company.

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

(Unit: millions of yen)

December 31:	2019	2018
Japan	¥ 290,627	¥ 227,877
North America	80,547	75,076
Europe	46,964	36,876
Asia outside Japan	60,234	56,549
Other areas	4,260	4,036
Total	¥ 482,632	¥ 400,414

(Notes)

1. Noncurrent assets do not include financial instruments, deferred tax assets, and net defined benefit assets.
2. Noncurrent assets of North America included those in the United States of ¥73,699 million and ¥71,631 million at December 31, 2019 and 2018, respectively.

5. 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:		2019		2018
Cash and deposits	¥	155,388	¥	168,728
Short-term investments		44,277		60,395
Total	¥	199,665	¥	229,123

(Note)

The balance on the consolidated statement of financial position is equal to the balance on the consolidated statement of cash flows.

6. 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:		2019		2018
Trade notes	¥	84,966	¥	79,093
Trade accounts receivable		600,190		583,758
Allowance for doubtful accounts		(2,560)		(2,450)
Total	¥	682,596	¥	660,401

7. 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:		2019		2018
Retail finance receivables	¥	718,546	¥	668,767
Finance lease receivables		299,338		241,430
Allowance for doubtful accounts		(24,713)		(21,049)
Total	¥	993,171	¥	889,148
Current assets		293,933		267,262
Noncurrent assets		699,238		621,886

8. OTHER FINANCIAL ASSETS

Other financial assets are composed of the following:

(Unit: millions of yen)

December 31:		**2019**		**2018**
Financial assets measured at amortized cost:				
Long-term trade accounts receivable	¥	37,880	¥	37,046
Time deposits		31,147		6,654
Restricted cash*		13,661		13,425
Others		21,108		19,976
Financial assets measured at fair value through other comprehensive income:				
Debt financial assets		8,180		15,723
Equity financial assets		108,850		111,509
Financial assets measured at fair value through profit or loss:				
Derivatives		78		1,238
Total	¥	220,904	¥	205,571
Current assets		71,968		54,373
Noncurrent assets		148,936		151,198

(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 has elected to classify them as equity financial assets measured at fair value through other comprehensive income. The fair value of equity financial assets by issue is as follows:

(Unit: millions of yen)

Issue **December 31:**		**2019**		**2018**
Cummins Inc.	¥	28,528	¥	31,151
Sumitomo Mitsui Trust Holdings, Inc.		10,348		11,076
Sumitomo Mitsui Financial Group, Inc.		9,199		11,237
Osaka Gas Co., Ltd.		6,536		6,280
Toho Gas Co., Ltd.		6,420		6,672
Mitsubishi UFJ Financial Group, Inc.		6,330		5,740
Shin-Etsu Chemical Co., Ltd.		5,603		3,966
Daikin Industries, Ltd.		5,417		4,100
Mizuho Financial Group, Inc.		2,807		2,840
Hulic Co., Ltd.		2,632		2,116
Others		25,030		26,331

The Company sold and derecognized certain equity financial assets measured at fair value through other comprehensive income following reviews on those business relationships. The fair values, as well as the accumulated gains or losses before income taxes, which were reclassified from other components of equity to retained earnings, were, at the derecognition date, as follows:

(Unit: millions of yen)

Years ended December 31:		**2019**		**2018**
Fair value as of derecognition	¥	20,000	¥	7,502
Accumulated gains (losses)		16,115		4,952

9. INVENTORIES

Inventories are composed of the following:

(Unit: millions of yen)

December 31:		2019		2018
Finished products	¥	215,965	¥	210,490
Spare parts		63,098		58,247
Work in process		53,881		52,161
Raw materials and supplies		49,457		49,800
Total	¥	382,401	¥	370,698

Inventories recognized as an expense for the years ended December 31, 2019 and 2018, were ¥1,234,095 million and ¥1,188,029 million, respectively. The writedowns of inventories recognized as an expense for the years ended December 31, 2019 and 2018, were ¥1,399 million and ¥557million, respectively.

10. 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:		2019		2018
Trade receivables	¥	18,976	¥	20,999
Loans receivable		1,750		1,496
Investments		10,957		10,261
Deposits received		2,393		3,139

Aggregate revenue from associates was ¥53,865 million and ¥51,507 million for the years ended December 31, 2019 and 2018, 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 ¥749 million and ¥680 million for the years ended December 31, 2019 and 2018, 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:		2019		2018
Trade receivables	¥	588	¥	541
Loans receivable		—		—
Investments		22,772		20,350
Deposits received		7,308		5,540

Aggregate revenue from joint ventures was ¥5,827 million and ¥5,736 million for the years ended December 31, 2019 and 2018, 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 ¥2,322 million and ¥1,354 million for the years ended December 31, 2019 and 2018, respectively.

11. 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, 2018	¥ 79,922	¥ 301,645	¥ 506,633	¥ 9,229	¥ 897,429
Acquisition	175	2,493	9,152	45,461	57,281
Sales or disposal	(1,065)	(959)	(9,788)	(35)	(11,847)
Exchange rate differences on foreign currencies	(1,084)	(3,116)	(5,896)	(110)	(10,206)
Transfers between accounts	1,634	12,450	21,476	(35,560)	—
Others	526	126	620	(607)	665
December 31, 2018	¥ 80,108	¥ 312,639	¥ 522,197	¥ 18,378	¥ 933,322
Adjustments recognized on application of IFRS 16	2,998	30,512	8,501	—	42,011
January 1, 2019	¥ 83,106	¥ 343,151	¥ 530,698	¥ 18,378	¥ 975,333
Acquisition	6,173	16,550	15,519	60,698	98,940
Sales or disposal	(1,601)	(7,167)	(19,648)	(258)	(28,674)
Exchange rate differences on foreign currencies	(429)	(44)	431	(61)	(103)
Transfers between accounts	14,588	13,329	27,440	(55,357)	—
Others	368	946	783	(3,536)	(1,439)
December 31, 2019	¥ 102,205	¥ 366,765	¥ 555,223	¥ 19,864	¥ 1,044,057

Accumulated Depreciation and Accumulated Impairment Losses

(Unit: millions of yen)

	Land	Buildings and structures	Machinery and equipment	Construction in progress	Total
January 1, 2018	¥ 805	¥ 180,502	¥ 394,381	¥ —	¥ 575,688
Depreciation	—	10,126	30,812	—	40,938
Impairment losses	—	16	90	—	106
Sales or disposal	—	(820)	(8,788)	—	(9,608)
Exchange rate differences on foreign currencies	(10)	(1,310)	(3,655)	—	(4,975)
Others	—	(85)	1,224	—	1,139
December 31, 2018	¥ 795	¥ 188,429	¥ 414,064	¥ —	¥ 603,288
Depreciation	290	19,375	31,912	—	51,577
Impairment losses	—	—	72	—	72
Sales or disposal	—	(3,596)	(17,159)	—	(20,755)
Exchange rate differences on foreign currencies	9	6	1,074	—	1,089
Others	—	2,249	1,188	—	3,437
December 31, 2019	¥ 1,094	¥ 206,463	¥ 431,151	¥ —	¥ 638,708

Balances of Carrying Amount

(Unit: millions of yen)

	Land	Buildings and Structures	Machinery and equipment	Construction in progress	Total
January 1, 2018	¥ 79,117	¥ 121,143	¥ 112,252	¥ 9,229	¥ 321,741
December 31, 2018	¥ 79,313	¥ 124,210	¥ 108,133	¥ 18,378	¥ 330,034
December 31, 2019	¥ 101,111	¥ 160,302	¥ 124,072	¥ 19,864	¥ 405,349

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.

12. 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 intangible assets:

Acquisition Costs

(Unit: millions of yen)

		Software		Intangible assets through business combination		Capitalized development costs		Other		Total
January 1, 2018	¥	36,466	¥	34,191	¥	11,391	¥	11,281	¥	93,329
Acquisition		6,280		—		—		1,694		7,974
Internal development		2,257		—		3,403		—		5,660
Sales and disposal		(6,352)		—		(192)		(79)		(6,623)
Exchange rate differences on foreign currencies		88		(1,212)		(392)		(658)		(2,174)
Others		(1,243)		—		—		(1,238)		(2,481)
December 31, 2018	¥	37,496	¥	32,979	¥	14,210	¥	11,000	¥	95,685
Acquisition		4,460		—		—		2,679		7,139
Internal development		3,386		—		8,571		—		11,957
Sales and disposal		(2,083)		—		(17)		(16)		(2,116)
Exchange rate differences on foreign currencies		13		(606)		(167)		(196)		(956)
Others		2,316		—		1,184		(2,366)		1,134
December 31, 2019	¥	45,588	¥	32,373	¥	23,781	¥	11,101	¥	112,843

Accumulated Amortization and Accumulated Impairment Losses

(Unit: millions of yen)

		Software		Intangible assets through business combination		Capitalized development costs		Other		Total
January 1, 2018	¥	22,096	¥	13,794	¥	4,013	¥	6,443	¥	46,346
Amortization		4,649		1,973		1,403		480		8,505
Sales and disposal		(6,315)		—		(188)		(79)		(6,582)
Exchange rate differences on foreign currencies		219		(732)		(560)		(10)		(1,083)
Others		(977)		—		—		(472)		(1,449)
December 31, 2018	¥	19,672	¥	15,035	¥	4,668	¥	6,362	¥	45,737
Amortization		5,483		2,318		2,336		391		10,528
Sales and disposal		(1,977)		—		(2)		(1)		(1,980)
Exchange rate differences on foreign currencies		(9)		(995)		(104)		(152)		(1,260)
Others		(871)		—		—		(297)		(1,168)
December 31, 2019	¥	22,298	¥	16,358	¥	6,898	¥	6,303	¥	51,857

Balances of Carrying Amount

(Unit: millions of yen)

		Software		Intangible assets through business combination		Capitalized development costs		Other		Total
January 1, 2018	¥	14,370	¥	20,397	¥	7,378	¥	4,838	¥	46,983
December 31, 2018	¥	17,824	¥	17,944	¥	9,542	¥	4,638	¥	49,948
December 31, 2019	¥	23,290	¥	16,015	¥	16,883	¥	4,798	¥	60,986

Intangible assets acquired through business combination include items such as customer relationships, trademarks, and technology know-how, etc.

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 research and development that was expensed during the years:

(Unit: millions of yen)

Years ended December 31:		2019		2018
Amounts incurred	¥	59,350	¥	55,841
Amounts transferred to capitalized development costs		(8,571)		(3,403)
Capitalized development costs amortized		2,336		1,403
Total	¥	53,115	¥	53,841

"Other" columns in the above tables includes goodwill and intangible assets with indefinite useful lives. The following table presents the carrying amount of goodwill allocated to the CGUs:

(Unit: millions of yen)

		December 31, 2019		December 31, 2018
Farm & Industrial Machinery	¥	3,358	¥	3,353

The quantum of intangible assets with indefinite useful lives is not material.

The recoverable amount of the CGU to which goodwill is allocated is measured using the value in use. The value in use is calculated by discounting the estimated future cash flows based on the business plan, considering the past results, for the next five years approved by management to the present value.

The estimated future cash flows for the periods over the next five years approved by management is calculated by using the market growth rate (from 2.3% to 3.0%), considering the long-term average growth rate in each country or market in which the CGU belongs. The discount rate is based on the pre-tax weighted average cost of capital on each of CGUs (from 6.4% to 9.2%).

Since the value in use significantly headroom above the carrying amount of the CGU, the Company has concluded that even if the two inputs to which value in use is most sensitive, which are growth rate and discount rate, moved within a reasonable range of values, it would not be probable that a material impairment would be recorded.

13. LEASES

As Lessee

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

(1) Fiscal Year of 2019

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

The Company remesures 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, 2019	¥	2,998	¥	31,567	¥	9,632	¥	44,197
Increase		1,158		12,792		4,221		18,171
Depreciation		(290)		(10,965)		(3,351)		(14,606)
Decrease		—		(1,970)		(609)		(2,579)
December 31, 2019	¥	3,866	¥	31,424	¥	9,893	¥	45,183

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

(Unit: millions of yen)

Year ended December 31:		2019
Interest expense related to lease liabilities	¥	225
Expenses related to short-term leases		248
Expenses related to leases of low-value assets		2,348

Total cash outflows for leases was ¥17,902 million for the year ended December 31, 2019.

The Company depends on each of affiliates' own judgements 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 of the affiliates exercises these options as necessary.

The following table presents maturity analyses for lease liabilities as of December 31, 2019:

(Unit: millions of yen)

December 31:		2019
2020	¥	14,775
2021 to 2024		22,807
2025 and thereafter		3,962
Undiscounted lease liabilities	¥	41,544
Less:		
Interest equivalent		(733)
Present value of lease liabilities	¥	40,811

(2) Fiscal Year of 2018

The following table presents carrying amounts of leased assets under finance leases:

(Unit: millions of yen)

December 31:		2018
Buildings and structures	¥	1,209
Machinery and equipment, and others		1,122
Total	¥	2,331

The following table reconciles total minimum lease payments and their present values under finance leases:

(Unit: millions of yen)

Years ended/ending December 31:		Total minimum lease payments		Present value of total minimum lease payments
2019	¥	601	¥	599
2020 to 2023		1,370		1,357
2024 and thereafter		1		1
Total	¥	1,972	¥	1,957
Less:				
Interest equivalent		(15)		
Present value of minimum lease payments	¥	1,957		

The following table presents future minimum lease payments under noncancelable operating leases:

(Unit: millions of yen)

Years ended/ending December 31:		2018
2019	¥	4,598
2020 to 2023		5,272
2024 and thereafter		1,082
Total	¥	10,952

Minimum lease payments under operating leases recognized as an expense were ¥13,550 for the year ended December 31, 2018.

As Lessor

The Company provides finance leases to end users related to the Company's products, such as farm equipment, etc. The Company regularly monitors risks related to underlying assets and mitigate them by accumulating sales results in the used market.

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

(Unit: millions of yen)

Years ended December 31:		2019		2018
Finance income on the net investment in the lease	¥	23,633	¥	20,773

The following table presents maturity analyses for lease receivables

(Unit: millions of yen)

Years ended December 31:		2019		2018
2020	¥	112,489	¥	89,850
2021		85,776		68,573
2022		60,648		50,943
2023		46,501		36,186
2024		29,993		24,687
2025 and thereafter		14,295		13,048
Undiscounted lease receivables	¥	349,702	¥	283,287
Less:				
Unearned finance income		(50,364)		(41,857)
Net investment in the lease	¥	299,338	¥	241,430

14. BONDS AND BORROWINGS

Bonds and Borrowings

Bonds and borrowings are composed of the following:

(Unit: millions of yen)

December 31:		2019		2018
Short-term borrowings*1	¥	207,289	¥	184,739
Bonds and long-term borrowings*2		695,692		654,526
Total	¥	902,981	¥	839,265
Current liabilities		386,538		349,060
Noncurrent liabilities		516,443		490,205

(Notes)

*1. Short-term borrowings were composed of notes payable to banks. The weighted-average interest rate on short-term borrowings at December 31, 2019, was 1.96%.

*2. Bonds and long-term borrowings included their current portions.

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

(Unit: millions of yen)

December 31:	Due in years ending December 31:		2019		2018
Bonds:					
Yen notes (fixed rate 0.51%)	2020	¥	19,996	¥	19,985
Long-term borrowings maturing on various dates through 2024 (2.33%):					
Secured			216,023		199,733
Unsecured			459,673		434,808
Total		¥	695,692	¥	654,526
Current portion			179,249		164,321

(Note)

An interest rate in the parentheses of bonds is that of nominal interest rate and an interest rate in the parentheses of long-term borrowings is that of the weighted-average interest rate at December 31, 2019.

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:		2019		2018
Trade receivables	¥	211	¥	50
Finance receivables (current)*1		91,924		82,182
Other financial assets (current) *2		13,283		12,622
Finance receivables (noncurrent)*1		161,674		144,131
Property, plant, and equipment		1,480		1,628
Total	¥	268,572	¥	240,613

(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 are pledged in accordance with the terms of borrowings.

Both short-term and long-term bank loans are made under general agreements, which provide that security and guarantees for future indebtedness will be given upon request from the bank and that the bank has the right to offset cash deposits against obligations that have become due or, in the event of default, against all obligations due to the bank. Long-term agreements with lenders other than banks also generally provide that the Company must give additional security upon request from the lender.

15. TRADE PAYABLES

Trade payables are composed of the following:

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

(Unit: millions of yen)

December 31:		**2019**		**2018**
Trade notes payable	¥	191,823	¥	191,563
Trade accounts payable		101,951		115,196
Total	¥	293,774	¥	306,759

16. OTHER FINANCIAL LIABILITIES

Other financial liabilities are composed of the following:

(Unit: millions of yen)

December 31:		**2019**		**2018**
Financial liabilities measured at amortized cost:				
Lease liabilities	¥	40,811	¥	1,957
Notes and accounts payable for capital expenditures		27,288		26,624
Deposits received		19,204		17,752
Others		12,692		12,854
Financial liabilities measured at fair value through profit or loss:				
Derivatives		9,112		2,942
Total	¥	109,107	¥	62,129
Current liabilities		78,860		57,402
Noncurrent liabilities		30,247		4,727

17. PROVISIONS

The following table presents a reconciliation of provisions by items:

(Unit: millions of yen)

		Product warranty		Other provisions		Total
January 1, 2019	¥	19,129	¥	5,500	¥	24,629
Additions		24,636		2,197		26,833
Utilized		(14,037)		(2,743)		(16,780)
Reversal		(1,373)		(16)		(1,389)
Others		(46)		(27)		(73)
December 31, 2019	¥	28,309	¥	4,911	¥	33,220

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 Company makes provisions for product warranties based on an analysis of the historical data under the warranties and estimations individually made. An outflow of economic benefits is expected to be made in the following year in which the product is actually sold.

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:		**2019**		**2018**
Current liabilities	¥	31,001	¥	22,415
Noncurrent liabilities		2,219		2,214
Total	¥	33,220	¥	24,629

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

18. 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.

(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:		**2019**		**2018**
Present value of defined benefit obligation	¥	227,948	¥	217,615
Fair value of plan assets		222,644		206,067
Effect of asset ceiling		1,554		982
Net defined pension liabilities	¥	6,858	¥	12,530
Amount recognized in the consolidated statement of financial position:				
Other noncurrent assets	¥	8,915	¥	1,968
Retirement benefit liabilities		15,773		14,498
Net amount recognized in the consolidated statement of financial position	¥	6,858	¥	12,530

(2) Present value of defined benefit obligations

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

(Unit: millions of yen)

Years ended December 31:		**2019**		**2018**
Balance at the beginning of the year	¥	217,615	¥	217,168
Service costs		9,984		9,615
Interest costs		1,854		1,856
Remeasurement of defined benefit obligation:				
Actuarial gains and losses arising from changes in demographic assumptions		(79)		(35)
Actuarial gains and losses arising from changes in financial assumptions		6,550		258
Others		1,470		44
Benefits paid (lump-sum payment)		(3,693)		(4,325)
Benefits paid (annuity payment)		(5,870)		(5,535)
Changes in scope of consolidation		—		(64)
Exchange rate differences on foreign currencies		117		(1,367)
Balance at the end of the year	¥	227,948	¥	217,615

The weighted-average duration of defined benefit obligation at December 31, 2019 and 2018, was 15 years.

(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:		**2019**		**2018**
Balance at the beginning of the year	¥	206,067	¥	219,248
Interest income		1,384		1,883
Return from remeasurement of plan assets		15,956		(12,965)
Employer contributions		6,278		6,291
Benefits paid (lump-sum payment)		(1,479)		(1,935)
Benefits paid (annuity payment)		(5,870)		(5,535)
Exchange rate differences on foreign currencies		7		(920)
Others		301		—
Balance at the end of the year	¥	222,644	¥	206,067

The Company plans to make contributions of ¥6,900 million to the defined benefit corporate pension plan for the year ending December 31, 2020.

(4) Effect of asset ceiling

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

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

(Unit: millions of yen)

Years ended December 31:		**2019**		**2018**
Balance at the beginning of the year	¥	982	¥	6,611
Interest income		2		47
Remeasurement of defined benefit pension plan:				
Changes in effect of asset ceiling		570		(5,676)
Balance at the end of the year	¥	1,554	¥	982

(5) Actuarial assumptions

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

December 31:	**2019**	**2018**
Discount rate	0.7%	0.9%

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:

(Units: millions of yen)

December 31, 2019	With quoted price in an active market	With no quoted price in an active market	Total
Equity securities:			
Financial institutions (Japanese equity securities)	¥ 7,471	¥ —	¥ 7,471
Other industries (Japanese equity securities)	10,027	—	10,027
Pooled funds (Japanese equity securities)	—	24,932	24,932
Pooled funds (Foreign equity securities)	—	33,578	33,578
Debt securities:			
Pooled funds (Japanese debt securities)	—	57,130	57,130
Pooled funds (Foreign debt securities)	—	45,314	45,314
Cash and short-term investments	3,053	464	3,517
General accounts of insurance companies	—	27,943	27,943
Other assets	—	12,732	12,732
Total	¥ 20,551	¥ 202,093	¥ 222,644

(Units: millions of yen)

December 31, 2018	With quoted price in an active market	With no quoted price in an active market	Total
Equity securities:			
Financial institutions (Japanese equity securities)	¥ 7,068	¥ —	¥ 7,068
Other industries (Japanese equity securities)	7,806	—	7,806
Pooled funds (Japanese equity securities)	—	20,679	20,679
Pooled funds (Foreign equity securities)	—	27,653	27,653
Debt securities:			
Pooled funds (Japanese debt securities)	—	69,770	69,770
Pooled funds (Foreign debt securities)	—	35,989	35,989
Cash and short-term investments	4,567	1,265	5,832
General accounts of insurance companies	—	27,382	27,382
Other assets	—	3,888	3,888
Total	¥ 19,441	¥ 186,626	¥ 206,067

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. To mitigate any potential concentration risk, 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% of equity securities and foreign debt securities subject to foreign currency exchange rate risks and 65% of other investment vehicles, mainly consisting of 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 are 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:	2019	2018
Discount rate (0.5% increase)	¥ 12,299 (decrease)	¥ 11,551 (decrease)
Discount rate (0.5% decrease)	13,827 (increase)	12,940 (increase)

The above sensitivity analysis assumes that assumptions other than discount rate remain unchanged, and therefore the actual results may differ from the above, since other assumptions in fact would change in relation to each other.

The above sensitivity analysis was made by the same method used for calculating defined benefit obligation recognized in the consolidated statement of financial position.

(8) Defined contribution pension plans

Costs recognized for defined contribution pension plans for the years ended December 31, 2019 and 2018, were ¥4,390 million and ¥4,249 million, respectively. The above amounts include costs recoginized for public pension plans.

Employee Benefit Expenses

Employee benefit expenses included in the consolidated statement of profit or loss were ¥315,500 million and ¥307,191 million for the years ended December 31, 2019 and 2018, respectively.

Employee benefit expenses include expenses, such as those related to salaries, bonus, welfare, and postemployment benefits for employees. Compensation for the Directors is also included in employee benefit expenses (see Note 29. 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.

19. OTHER LIABILITIES

The following table presents the Company’s other liabilities:

(Unit: millions of yen)

December 31:	2019	2018
Employment benefit obligation	¥ 43,881	¥ 43,309
Accrued expenses	36,862	34,054
Refund liabilities	47,072	46,486
Contract liabilities	14,924	12,243
Others	55,134	49,403
Total	¥ 197,873	¥ 185,495
Current liabilities	192,959	177,834
Noncurrent liabilities	4,914	7,661

20. EQUITY

Number of Shares Authorized to Be Issued and Number of Issued Shares

The total number of shares authorized to be issued was 1,874,700,000 shares as of December 31, 2019 and 2018. All shares issued by the Company are common stock without par value. 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:	**2019**	**2018**
Number of issued shares:		
Balance at the beginning of the year	1,232,557	1,234,024
Increase during the year*1	—	33
Decrease during the year*2	(11,980)	(1,500)
Balance at the end of the year	1,220,577	1,232,557

(Notes)

*1. The increase in the year ended December 31, 2018 was due to the issuance of new shares under the restricted stock compensation plan.

*2. The decreases in the years ended December 31, 2019 and 2018, were due to retirement of treasury shares.

The number of treasury shares included in the above number of issued shares, including those held by associates, is 649,000 shares, and 439,000 shares at December 31, 2019 and 2018, respectively.

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 reserves. The Companies Act of Japan (the "Act") provides 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 a legal reserve and other accumulated earnings. The Act provides 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, 2019

Resolution	Class of shares	Dividends (millions of yen)	Dividends per common share	Record date	Effective date
Meeting of the Board of Directors on February 14, 2019	Common shares	¥ 22,184	¥ 18.00	December 31, 2018	March 25, 2019
Meeting of the Board of Directors on August 7, 2019	Common shares	¥ 20,880	¥ 17.00	June 30, 2019	September 2, 2019

Year ended December 31, 2018

Resolution	Class of shares	Dividends (millions of yen)	Dividends per common share	Record date	Effective date
Meeting of the Board of Directors on February 14, 2018	Common shares	¥ 20,978	¥ 17.00	December 31, 2017	March 26, 2018
Meeting of the Board of Directors on August 2, 2018	Common shares	¥ 19,719	¥ 16.00	June 30, 2018	September 3, 2018

(2) Dividends with the record date falling in the year ended December 31, 2019, but the effective date falling in the following year

Resolution	Class of shares	Dividends (millions of yen)	Dividends per common share	Record date	Effective date
Meeting of the Board of Directors on February 14, 2020	Common shares	¥ 23,185	¥ 19.00	December 31, 2019	March 23, 2020

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	Unrealized gains on securities	Total
January 1, 2018	¥ —	¥ —	¥ 5,658	¥ 76,266	¥ 81,924
Cumulative effects of new accountings standards applied	—	79,528	—	(76,266)	3,262
Total other comprehensive income, net of income tax	(4,716)	(21,497)	(24,838)	—	(51,051)
Transfer to retained earnings	4,666	(3,433)	—	—	1,233
Changes in ownership interests in subsidiaries	50	(33)	(42)	—	(25)
December 31, 2018	¥ —	¥ 54,565	¥ (19,222)	¥ —	¥ 35,343
Total other comprehensive income, net of income tax	5,849	11,624	514	—	17,987
Transfer to retained earnings	(5,835)	(11,183)	—	—	(17,018)
Changes in ownership interests in subsidiaries	(14)	1	(450)	—	(463)
December 31, 2019	¥ —	¥ 55,007	¥ (19,158)	¥ —	¥ 35,849

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:	**2019**			**2018**		
	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	¥ 8,509	¥ (2,650)	¥ 5,859	¥ (7,071)	¥ 2,340	¥ (4,731)
	8,509	(2,650)	5,859	(7,071)	2,340	(4,731)
Net change in fair value of financial assets measured at fair value through other comprehensive income:						
Increase (decrease) during the year	17,067	(5,248)	11,819	(31,361)	9,735	(21,626)
	17,067	(5,248)	11,819	(31,361)	9,735	(21,626)
Exchange rate differences on translating foreign operations:						
Increase (decrease) during the year	4,942	(511)	4,431	(27,076)	893	(26,183)
Reclassification to profit or loss	—	—	—	—	—	—
	4,942	(511)	4,431	(27,076)	893	(26,183)
Total	¥ 30,518	¥ (8,409)	¥ 22,109	¥ (65,508)	¥ 12,968	¥ (52,540)

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:		**2019**		**2018**
Remeasurement of defined benefit pension plans	¥	10	¥	(15)
Net change in fair value of financial assets measured at fair value through other comprehensive income		195		(129)
Exchange rate differences on translating foreign operations		3,917		(1,345)
Total	¥	4,122	¥	(1,489)

21. 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:

(Unit: millions of yen)

Year ended December 31, 2019	Japan	North America	Europe	Asia outside Japan	Other areas	Total
Farm equipment and engines	¥ 279,918	¥ 451,647	¥ 159,636	¥ 258,702	¥ 35,466	¥ 1,185,369
Construction machinery	37,746	165,941	77,065	22,213	8,753	311,718
Farm & Industrial Machinery	317,664	617,588	236,701	280,915	44,219	1,497,087
Pipe-related products	133,559	1,125	6	5,328	897	140,915
Social infrastructure-related products	23,928	7,918	2,437	6,617	5,561	46,461
Environment-related products	116,010	2,050	436	8,079	1,797	128,372
Water & Environment	273,497	11,093	2,879	20,024	8,255	315,748
Other	31,243	16	6	22	6	31,293
Revenue recognized from:						
Contracts with customers	622,404	628,697	239,586	300,961	52,480	1,844,128
Other sources of revenue	2,977	50,395	—	21,015	1,527	75,914
Total	¥ 625,381	¥ 679,092	¥ 239,586	¥ 321,976	¥ 54,007	¥ 1,920,042

(Unit: millions of yen)

Year ended December 31, 2018	Japan	North America	Europe	Asia outside Japan	Other areas	Total
Farm equipment and engines	¥ 268,598	¥ 423,098	¥ 171,653	¥ 267,395	¥ 41,731	¥ 1,172,475
Construction machinery	37,298	134,462	81,391	23,932	12,639	289,722
Farm & Industrial Machinery	305,896	557,560	253,044	291,327	54,370	1,462,197
Pipe-related products	122,930	1,083	5	7,806	5,271	137,095
Social infrastructure-related products	25,117	9,469	2,629	6,559	5,229	49,003
Environment-related products	90,331	1,764	661	10,746	2,681	106,183
Water & Environment	238,378	12,316	3,295	25,111	13,181	292,281
Other	30,028	10	8	27	4	30,077
Revenue recognized from:						
Contracts with customers	574,302	569,886	256,347	316,465	67,555	1,784,555
Other sources of revenue	3,038	42,689	—	18,442	1,592	65,761
Total	¥ 577,340	¥ 612,575	¥ 256,347	¥ 334,907	¥ 69,147	¥ 1,850,316

Revenue recognized from other sources of revenue includes revenue from retail finance calculated using effective interest rate method and revenue from finance leases. The amounts of the above revenue were ¥56,889 million and ¥48,942 million for the years ended December 31, 2019 and 2018, respectively.

Revenue recognized from contracts with customers related to Pump are reported in Environment-related Products, whereas they were formerly reported in Pipe-related Products.

Accordingly, the information for the prior year has been retrospectively adjusted to conform to the current year's presentation as follows:

(Unit: millions of yen)

Japan	North America	Europe	Asia outside Japan	Other areas	Total
¥ 17,619	¥ —	¥ —	¥ 1,378	¥ 1,669	¥ 20,666

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 overseas countries and sells those products to the corporate dealers and individual and corporate end-users in those 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 promised amount of consideration for the effects of a significant financing component as a practical expedient since the customers pay for those products within one year. Revenue is measured at the consideration promised in contracts with customers less discounts, rebates depending on sales volume, and other items. The Company recognizes the consideration received from a customer as a liability when the Company expects to refund it in the future.

There are no significant obligations for returns to customers.

The Company provides product warranties to cover free replacement and/or repairs on malfunctions resulting from product defects for a certain period of time after the sale. The 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 pipe-related products, environment-related products, and social infrastructure-related products. 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 combines construction contracts on public spending, such as environment-related facilities and water supply facilities, with national and local government in Japan and corporate customers both in Japan and overseas countries. 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 towards completion. The Company does not adjust the promised amount of consideration for the effects of a significant financing component as a practical expedient since the customers pay for those products within one year. Revenue is measured at the consideration promised in a contract with customers, less discounts, rebates depending on sales volume, and other items. The Company recognizes the consideration received from a customer as a liability when the Company expects to refund it in the future.

There are no significant obligations for return to customers.

The Company provides product warranties to cover free replacements and/or repairs on defects found for a certain period of time after the sale. The 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

The following table presents the balances of receivables, contract assets, and contract liabilities from contracts with customers:

(Unit: millions of yen)

December 31:		**2019**		**2018**
Receivables	¥	720,123	¥	697,072
Contract assets		44,949		18,631
Contract liabilities	¥	14,924	¥	12,243

Receivables arising from contracts with customers are composed of trade notes and long-term trade accounts receivable, which are included in other financial assets—noncurrent on the consolidated statement of financial position.

Contract assets are the Company’s rights to consideration, excluding any amounts presented as a receivable, in exchange for services rendered under the construction contracts in the Water & Environment business, in which revenue is recognized over time by measuring the progress towards complete satisfaction. Contract assets are included in other current assets on the consolidated statement of financial position and 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 accounts such as advances from customers.

The following table presents the significant changes in the balances of contract assets and contract liabilities:

(Unit: millions of yen)

	2019		2018	
Years ended December 31:	Contract assets	Contract liabilities	Contract assets	Contract liabilities
Increase by revenue recognition	¥ 85,312	¥ —	¥ 62,386	¥ —
Decrease by transfer to receivables	(58,994)	—	(63,552)	—
Increase by receipt of cash	—	73,202	—	88,035
Decrease by recognition of revenue	—	(70,555)	—	(87,090)

The amounts of revenue recognized during the reporting period, which were included in the beginning balance of contract liabilities, were ¥9,546 million and ¥9,173 million for the years ended December 31, 2019 and 2018, respectively.

The amounts of revenue recognized from performance obligations which had been satisfied or partially satisfied in the past were not material for the years ended December 31, 2019 and 2018.

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 ¥131,408 million and ¥151,175 million for the years ended December 31, 2019 and 2018, respectively. These performance obligations are 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 a practical expedient, the above amount does not include a transaction price allocated to the performance obligation of a contract where that performance obligation has an original expected duration of one year or less.

There was no significant consideration from contracts with customers which was not included in the transaction price.

22. OTHER INCOME AND OTHER EXPENSES

The other income and other expense are composed of the following:

(Unit: millions of yen)

Years ended December 31:	**2019**	**2018**
Other income:		
Royalty income	¥ 956	¥ 1,711
Insurance proceeds	1,317	1,998
Other	1,375	1,331
Total	¥ 3,648	¥ 5,040
Other expense:		
Foreign exchange losses	¥ (3,343)	¥ (6,674)
Loss from disposal of property, plant, and equipment and intangible assets	(2,153)	(1,906)
Loss resulting from disaster	(3,837)	(1,189)
Other	(602)	(726)
Total	¥ (9,935)	¥ (10,495)

23. FINANCE INCOME AND FINANCE COSTS

Finance income and finance costs are composed of the following:

(Unit: millions of yen)

Years ended December 31:		2019		2018
Finance income:				
Interest income:				
Financial assets measured at amortized cost	¥	4,799	¥	4,478
Dividend income:				
Equity financial assets measured at fair value through other comprehensive income		3,491		3,630
Other		576		1,708
Total	¥	8,866	¥	9,816
Finance costs:				
Interest expenses:				
Financial liabilities measured at amortized cost	¥	(1,055)	¥	(1,039)
Other		(443)		(861)
Total	¥	(1,498)	¥	(1,900)

Dividend income from which equity financial assets were derecognized during the reporting period was not material.

24. INCOME TAXES

Income Tax Expenses

Income tax expenses are composed of the following:

(Unit: millions of yen)

Years ended December 31:		2019		2018
Current tax expenses				
Tax expenses recognized for the current taxable income	¥	49,181	¥	52,659
Subtotal		49,181		52,659
Deferred tax expenses				
Temporary differences originated and reversed		3,644		(3,622)
Changes in realizability of deferred tax assets		177		82
Subtotal		3,821		(3,540)
Total	¥	53,002	¥	49,119

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, 2019 and 2018, were 30.6 % and 30.8 %, respectively. Subsidiaries located in foreign countries are subject to those local taxes.

A reconciliation of the differences between the Japanese statutory tax rates and the average effective tax rates is as follows:

Years ended December 31:	2019	2018
Japanese statutory tax rates applied to profit before income taxes	30.6%	30.8%
Increase (decrease) in taxes resulting from:		
Changes in realizability of deferred tax assets	0.2	0.0
Permanently nondeductible expenses	0.3	0.2
Nontaxable dividend income	0.0	0.0
Extra tax deduction on expenses for research and development	(2.7)	(2.8)
Difference in statutory tax rates of foreign subsidiaries	(3.7)	(4.2)
Other—net	0.7	0.9
Effective income tax rates applied to profit before income taxes	25.4%	24.9%

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:		**2019**		**2018**
Deferred tax assets:				
Allowance for doubtful accounts	¥	5,982	¥	5,253
Intercompany profits		9,846		13,273
Financial assets measured at fair value through other comprehensive income		4,365		4,760
Writedowns of inventories; property, plant, and equipment; and intangible assets		1,827		2,300
Depreciation and amortization		5,159		4,205
Accrued bonues		3,904		3,707
Retirement benefit liabilities		8,974		11,231
Accrued expenses		11,644		11,678
Product warranty		6,607		4,402
Tax loss and credit carryforwards		1,284		2,810
Other temporary differences		20,052		21,338
Gross deferred tax assets		79,644		84,957
Deferred tax liabilities:				
Financial assets measured at fair value through other comprehensive income		24,212		23,799
Unremitted earnings of foreign affiliates		30,177		27,795
Other temporary differences		11,255		12,616
Gross deferred tax liabilities		65,644		64,210
Net deferred tax assets	¥	14,000	¥	20,747

The following table presents a reconciliation of deferred tax assets—net:

(Unit: millions of yen)

Years ended December 31:		**2019**		**2018**
Balance as of the beginning of the year	¥	20,747	¥	7,812
Amounts recognized through profit or loss:				
Elimination of intercompany profit included in assets		(3,427)		541
Depreciation and amortization		619		584
Accrued expenses		(34)		1,409
Unremitted earnings of foreign associates		(2,382)		(1,214)
Provisions for Product Warranties		2,205		367
Other		(249)		(1,126)
Subtotal		(3,268)		561
Amounts recognized through other comprehensive income:				
Net change in fair value of financial assets measured at fair value through other comprehensive income		(5,248)		9,735
Remeasurement of defined benefit pension plans		(2,650)		2,340
Other		(511)		893
Subtotal		(8,409)		12,968
Other changes		4,930		(594)
Balance as of the end of the year	¥	14,000	¥	20,747

(Note)

The difference between amounts recognized through profit or loss and income taxes—deferred were due to fluctuation of exchange rate changes.

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:		2019		2018
Deductible temporary differences	¥	2,001	¥	1,285
Carryforward of unused tax losses		18,184		16,863
Carryforward of unused tax credit		—		—

Carryforward of unused tax losses for which deferred tax assets are not recognized will expire as follows:

(Unit: millions of yen)

December 31:		2019		2018
Within 1 year	¥	1,606	¥	852
Between 1 and 5 years		1,337		2,231
Later than 5 years		1,484		1,401
Indefinite years		13,757		12,379
Total	¥	18,184	¥	16,863

The aggregate amounts of temporary differences relating to investments in associates for which deferred tax liabilities are not recognized were ¥12,794 million and ¥10,640 million at December 31, 2019 and 2018, respectively. The above deferred tax liabilities are not recognized since it is possible for the Company to 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 at December 31, 2019 and 2018.

25. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT

The Company adopted a restricted stock compensation plan (the “Plan”) for the Company’s Directors. Among the new shares issued under the Plan, contingently returnable shares are distinguished as participating equity instruments from common shares.

Each common share and participating equity instrument has the same right to profit 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 following table.

Years ended December 31:		2019		2018
				(Unit: millions of yen)
Profit attributable to owners of the parent	¥	149,061	¥	138,595
Profit attributable to participating equity instruments		3		2
Profit attributable to common shareholders	¥	149,058	¥	138,593
				(Unit: thousands of shares)
Weighted-average number of common shares issued		1,225,902		1,232,635
Weighted-average number of participating equity instruments		27		15
Weighted-average number of common shares outstanding		1,225,875		1,232,620

The numerator and denominator used to calculate diluted earnings per share attributable to owners of the parent are presented in the following table.

Years ended December 31:	2019	2018
		(Unit: millions of yen)
Profit attributable to owners of the parent	¥ —	¥ 138,595
Profit attributable to participating equity instruments used to calculate diluted earnings per share attributable to owners of the parent	—	2
Profit attributable to common shareholders used to calculate diluted earnings per share attributable to owners of the parent	¥ —	¥ 138,593
		(Unit: thousands of shares)
Weighted-average number of common shares issued	—	1,232,635
Addition: remuneration for non-resident of Japan	—	3
Weighted-average number of participating equity instruments	—	15
Weighted-average number of common shares used to calculate diluted earnings per share attributable to owners of the parent	—	1,232,624

26. 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*	Bonds	Lease liabilities	Total
January 1, 2018	¥ 170,449	¥ 623,678	¥ 39,974	¥ 2,480	¥ 836,581
Changes arising from cash flows	12,766	31,899	(20,000)	(693)	23,972
Non-cash changes:	(7,290)	(12,222)	11	170	(19,331)
Exchange rate differences on foreign currencies	(7,222)	(12,222)	—	(81)	(19,525)
Other	(68)	—	11	251	194
December 31, 2018	¥ 175,925	¥ 643,355	¥ 19,985	¥ 1,957	¥ 839,265
Adjustments recognized on adoption of IFRS 16	—	—	—	39,472	39,472
January 1, 2019	¥ 175,925	¥ 643,355	¥ 19,985	¥ 41,429	¥ 880,694
Changes arising from cash flows	10,368	52,432	—	(15,081)	47,719
Non-cash changes:	(5,814)	6,719	11	14,463	15,379
Exchange rate differences on foreign currencies	336	569	—	(138)	767
Other	(6,150)	6,150	11	14,601	14,612
December 31, 2019	¥ 180,479	¥ 702,506	¥ 19,996	¥ 40,811	¥ 943,792

(Note)

Funds that are borrowed for a period over three months are classified as long-term borrowings.

Non-cash Transaction

Non-cash transaction is composed of the following:

(Unit: millions of yen)

Years ended December 31:	**2019**	**2018**
Retirement of treasury shares	¥ 19,566	¥ 2,854
Acquisition of assets by means of a lease	¥ 18,171	¥ 133

27. FINANCIAL INSTRUMENTS

Capital Management

The Company considers equity attributable to owners of the parent to be its own capital within equity.

The Company puts the highest priority on stable and sustainable enhancement of corporate value. In order to enhance sustainable growth of corporate value, the Company has established basic capital policies to make full use of its capital for further enhancement in profitability, to ensure adequate financing and liquidity for its expansion of business, and to realize greater profit distribution to its shareholders.

Based on the above basic policies, the Company decides how to allocate its retained earnings, whilst giving consideration to maintenance of sound business operations, accommodating the future business environment and delivering stable, increasing dividends to return profits to shareholders.

There are no significant restrictions subject to the Company's capital except for those generally stipulated in the Act.

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 receivable, 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 day past due dates.

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 endusers. The Company considers there to be no credit risk due to specific dealers or customers with significant transaction volumes.

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, long-term trade accounts receivable
Long-term trade accounts receivable are generated mainly from direct sales to individual endusers 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 receivable 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 receivable (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
2018	¥ 696,753	¥ 3,403	¥ 700,156
2019	¥ 720,171	¥ 3,159	¥ 723,330

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, 2018	¥ 2,704	¥ 575	¥ 3,279
Remeasurement	(279)	403	124
Collection	(3)	(8)	(11)
Write-off	(232)	—	(232)
Other	(83)	7	(76)
December 31, 2018	¥ 2,107	¥ 977	¥ 3,084
Remeasurement	296	184	480
Collection	(167)	(56)	(223)
Write-off	(120)	(16)	(136)
Other	(12)	14	2
December 31, 2019	¥ 2,104	¥ 1,103	¥ 3,207

(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, etc., leased to individual and corporate endusers. 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.

The Company always measures an allowance for doubtful accounts for lease receivables at an amount equal to the lifetime expected credit losses. The Company measures the expected credit losses on lease receivables in a group mainly based on locations and past due days, considering historical credit loss experience. The Company also measures the expected credit losses on credit-impaired financial assets individually. 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 ¥4,864 million and ¥2,047 million of its products as of December 31, 2019 and 2018, 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)

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
2018	¥ 224,696	¥ 16,734	¥ 241,430
2019	¥ 279,388	¥ 19,950	¥ 299,338

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
2018	¥ 8,497	¥ 3,950	¥ 2,618	¥ 12,741	¥ 27,806	¥ 213,624	¥ 241,430
2019	¥ 19,276	¥ 4,832	¥ 2,782	¥ 10,846	¥ 37,736	¥ 261,602	¥ 299,338

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 always measured at an amount equal to the lifetime expected credit losses	Credit-impaired financial assets	Total
January 1, 2018	¥ 5,753	¥ 14,813	¥ 20,566
Remeasurement	1,407	69	1,476
Write-off	(2,649)	(48)	(2,697)
Other	(129)	(147)	(276)
December 31, 2018	¥ 4,382	¥ 14,687	¥ 19,069
Remeasurement	3,707	2,060	5,767
Write-off	(70)	(4,069)	(4,139)
Other	575	970	1,545
December 31, 2019	¥ 8,594	¥ 13,648	¥ 22,242

(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, etc., 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 endusers. 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 at the end of the reporting period 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 at the end of the reporting period has significantly increased since initial recognition.

When the credit risk on these receivables at the end of the reporting period has not increased significantly since initial recognition, the Company measures the 12-month expected credit losses in a group mainly based on past due days, considering historical credit loss experience, current conditions, and forecasts of future economic conditions.

When the credit risk has increased significantly since initial recognition, the Company measures an allowance for doubtful accounts for retail finance receivables at an amount equal to the lifetime expected credit losses, considering historical credit loss experience, current conditions, forecasts of future economic conditions, and recoverable amounts from repossession of products sold or leased. The Company determines whether retail finance receivables are credit-impaired financial assets mainly based on past due information over a certain period and objective evidence, such as the debtor's bankruptcy. The Company held ¥1,553 million and ¥1,587 million of its products as of December 31, 2019 and 2018, respectively, for credit enhancements on credit-impaired financial assets.

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: Financial assets on which credit risk increased significantly since initial recognition, but that are not credit-impaired	Financial assets for which an allowance for doubtful accounts is measured at an amount equal to the lifetime expected credit losses: Credit-impaired financial assets	Total
2018	¥ 665,883	¥ 1,077	¥ 1,807	¥ 668,767
2019	¥ 715,040	¥ 1,548	¥ 1,958	¥ 718,546

The following table presents an aging analysis of past due retail finance receivables as of December 31, 2019 and 2018:

(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
2018	¥ 38,433	¥ 3,542	¥ 701	¥ 1,279	¥ 43,955	¥ 624,812	¥ 668,767
2019	¥ 45,760	¥ 4,062	¥ 1,121	¥ 1,843	¥ 52,786	¥ 665,760	¥ 718,546

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		
		Financial assets on which credit risk increased significantly since initial recognition, but that are not credit-impaired	Credit-impaired financial assets	Total
January 1, 2018	¥ 1,058	¥ 234	¥ 141	¥ 1,433
Remeasurement	487	8	875	1,370
Write-off	(33)	(3)	(860)	(896)
Other	7	2	64	73
December 31, 2018	¥ 1,519	¥ 241	¥ 220	¥ 1,980
Remeasurement	585	181	1,384	2,150
Write-off	(45)	(5)	(1,344)	(1,394)
Other	(269)	—	4	(265)
December 31, 2019	¥ 1,790	¥ 417	¥ 264	¥ 2,471

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, 2019:	Carrying amount	Contractual cash flows	Within 1 year	From 1 to 5 years	More than 5 years
Trade payables	¥ 293,774	¥ 293,774	¥ 293,774	¥ —	¥ —
Other financial liabilities	99,995	100,666	72,842	23,862	3,962
Bonds and borrowings	902,981	933,126	400,614	532,512	—
Derivative liabilities	9,112	9,112	6,763	2,348	1

(Unit: millions of yen)

December 31, 2018:	Carrying amount	Contractual cash flows	Within 1 year	From 1 to 5 years	More than 5 years
Trade payables	¥ 306,759	¥ 306,759	¥ 306,759	¥ —	¥ —
Other financial liabilities	59,187	59,202	55,885	3,316	1
Bonds and borrowings	839,265	866,625	360,751	505,874	—
Derivative liabilities	2,942	2,942	1,519	1,423	—

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:	2019	2018
US dollar	¥ (351)	¥ (528)
Euro	(115)	(228)
Thai baht	(19)	(2)
Chinese yuan	(64)	(77)

(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 its fixed and variable interest rate exposures, and therefore, the exposure to interest rate risk is not material to the Company's cash flows.

Derivative and Hedge Accounting

As stated in Note 3. SIGNIFICANT 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, 2019			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets measured at fair value through other comprehensive income:				
Debt financial assets	¥ 8,180	¥ —	¥ —	¥ 8,180
Equity financial assets	106,218	—	2,632	108,850
Financial assets measured at fair value through profit or loss:				
Derivatives:				
Foreign exchange contracts	—	64	—	64
Cross-currency swap contracts	—	14	—	14
Total	¥ 114,398	¥ 78	¥ 2,632	¥ 117,108
Financial liabilities:				
Financial liabilities measured at fair value through profit or loss:				
Derivatives:				
Foreign exchange contracts	¥ —	¥ 2,231	¥ —	¥ 2,231
Cross-currency swap contracts	—	100	—	100
Interest swap contracts	—	1,215	—	1,215
Cross-currency interest rate swap contracts	—	5,566	—	5,566
Total	¥ —	¥ 9,112	¥ —	¥ 9,112

(Unit: millions of yen)

	December 31, 2018							
		Level 1		Level 2		Level 3		Total
Financial assets:								
Financial assets measured at fair value through other comprehensive income:								
Debt financial assets	¥	15,723	¥	—	¥	—	¥	15,723
Equity financial assets		108,484		—		3,025		111,509
Financial assets measured at fair value through profit or loss:								
Derivatives:								
Foreign exchange contracts		—		1,171		—		1,171
Interest rate swap contracts		—		55		—		55
Cross-currency interest rate swap contracts		—		12		—		12
Total	¥	124,207	¥	1,238	¥	3,025	¥	128,470
Financial liabilities:								
Financial liabilities measured at fair value through profit or loss:								
Derivatives:								
Foreign exchange contracts	¥	—	¥	96	¥	—	¥	96
Interest swap contracts		—		422		—		422
Cross-currency interest rate swap contracts		—		2,424		—		2,424
Total	¥	—	¥	2,942	¥	—	¥	2,942

Debt financial assets and equity financial assets classified in Level 1 are measured at fair value using quoted prices for identical assets in active markets.

Derivatives are classified in Level 2 since they are measured at fair value using observable market inputs obtained from major international financial institutions.

Equity financial assets classified in Level 3 are unlisted equity securities and measured at fair value using methods such as the comparable company comparison method with the earnings before interest and tax ("EBIT") ratio (from 1.9 to 11.5), etc. As the EBIT ratio increases (decreases), the fair values on those equity financial assets 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 the levels for the year ended December 31, 2019.

The following table presents reconciliation of financial instruments classified in Level 3:

(Unit: millions of yen)

Years ended December 31:		**2019**		**2018**
Balance as of the beginning of the year	¥	3,025	¥	8,123
Gains or losses*		(369)		(4,422)
Purchases		501		22
Sales		(525)		(698)
Balance as of the end of the year	¥	2,632	¥	3,025

(Note)

* Gains or losses are those related to unlisted equity securities held as of December 31, 2019 and 2018, and included in net changes 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:	**2019**		**2018**	
	Carrying amount	Fair value	Carrying amount	Fair value
Finance receivables:				
Retail finance receivables	¥ 716,075	¥ 699,687	¥ 666,787	¥ 640,184
Finance lease receivables	277,096	316,736	222,361	251,150
Long-term trade accounts receivable	66,863	71,829	67,547	72,625
Bonds and borrowings	902,981	901,316	839,265	829,736

The fair value of finance receivables, long-term trade accounts receivable, and bonds and borrowings is stated at the present value of future cash flows discounted by the current market rate and classified as Level 2. Long-term trade accounts receivable in the above table includes the current portion, which is included in trade receivables in the consolidated statement of financial position.

The carrying amounts of cash and cash equivalents, trade receivables (excluding the current portion of long-term trade accounts receivable), other financial assets (excluding debt financial assets measured at fair value, equity financial assets, and derivatives), trade payables, and other financial liabilities (excluding derivatives) approximate their fair values due to their short-term maturity. The fair value measurements of these assets and liabilities are classified as Level 2, except for cash and cash equivalents, which are classified as Level 1.

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.

28. 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 condensed financial statements of the subsidiary with material noncontrolling interests, SIAM KUBOTA Corporation Co., Ltd., located in Thailand were as follows:

(Unit: millions of yen)

December 31:	2019	2018
Shareholding ratio of noncontrolling interests	40.0%	40.0%

(Unit: millions of yen)

December 31:	2019	2018
Current assets	¥ 126,659	¥ 122,447
Noncurrent assets	45,261	32,063
Current liabilities	37,561	35,732
Noncurrent liabilities	3,071	1,841
Equity	131,288	116,937
Cumulative amount of noncontrolling interests	55,232	47,942

(Unit: millions of yen)

Years ended December 31:	2019	2018
Revenue	¥ 176,724	¥ 171,365
Profit for the year	16,880	14,490
Comprehensive income for the year	16,880	14,490
Profit attributable to noncontrolling interests	6,541	5,826
Dividends paid to noncontrolling interests	3,830	3,011

29. RELATED-PARTY TRANSACTIONS

The aggregate compensation paid by the Parent Company for the year ended December 31, 2019, to the Directors, including the Outside Directors, was as follows:

(Unit: millions of yen)

Years ended December 31:		2019		2018
Remunerations and bonuses	¥	623	¥	651
Restricted stock compensation		88		66
Total	¥	711	¥	717

30. COMMITMENTS AND CONTINGENT LIABILITIES

Commitments

Commitments for acquisition of property, plant, and equipment were ¥15,513 million and ¥19,057 million at December 31, 2019 and 2018, respectively. Commitments for acquisition of intangible assets were ¥519 million and ¥861 million, respectively.

Commitments for acquisition of property, plant, and equipment at December 31, 2019, were primarily in respect of building a new R&D hub. Commitments for acquisition of property, plant, and equipment at December 31, 2018, were primarily in respect of acquiring land to be used for a new R&D hub in the Sakai Plant.

Guarantees

The Company is contingently liable as guarantor of the indebtedness of distributors, including associates and customers, for their borrowings from financial institutions. The Company would have to perform under these guarantees in the event of default on a payment within the guarantee periods of one to four years. The maximum potential amounts of undiscounted future payments of these financial guarantees were ¥3,642 million and ¥4,492 million at December 31, 2019 and 2018, respectively. The fair values of these financial guarantees were not material, and the probability of incurrence of a loss is remote.

Legal Proceedings

Since May 2007, the Company has been subject to 32 asbestos-related lawsuits in Japan, which were filed against the Company or defendant parties consisting of the Japanese government and asbestos-related companies, including the Company. The total claims for compensation of all 32 lawsuits aggregate to ¥28,127 million, which relate to 733 construction workers who suffered from asbestos-related diseases.

23 among 32 lawsuits were compiled into seven cases, which were decided in favor of the Company, but the plaintiffs appealed the court ruling of these seven cases. The appellate court ordered the Company to pay compensation damages of ¥7 million under the judgement. Apart from the above case, the four appellate courts ruled in favor of the Company, but the plaintiffs of the three cases appealed to the supreme courts.

Since the above cases will continue until an ultimate outcome is reached and the similar asbestos-related cases in Japan are still pending and have not been finally concluded, the Company does not have a suitable reference to predict the ultimate outcomes of the above cases.

The Company reviews the status of each lawsuit on a regular basis by consulting with a third party legal counsel. However, due to the aforementioned reasons, the Company believes that it is currently unable to predict the ultimate outcome of all lawsuits.

The Company does not have any cost-sharing arrangements with other potentially responsible parties, including the government, for these 32 lawsuits.

Matters Related to the Health Hazards of Asbestos

Until 1995, the Company's plant in Amagasaki, Hyogo Prefecture, Japan, produced asbestos-related products. The Company had other plants which also produced asbestos-related products and completely ceased such production by 2001. The Company decided to make voluntary consolation payments to certain residents in June 2005 and established a relief payment program in place of the consolation payment to the residents in April 2006. With regard to the current and former employees who suffered and are suffering from asbestos-related diseases, the Company provides compensation which is not required by law, but is made in accordance with the Company's internal policies.

In its effort to develop an estimate of future asbestos-related expenditures, the Company has considered all available data, including a time series of historical claims and payments, the rate of incidence of asbestos-related disease, and public information related to asbestos-related disease. However the health hazards of asbestos tend to have a longer incubation period, and therefore reliable statistics related to the rate of incidence in asbestos-related disease are not available to the Company. Furthermore, since there have not been any asbestos-related events impacting other companies in Japan for which all claims have been finalized, for estimation of the rate of incidence, the Company believes it is not possible to decide 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 Japanese government established the Law for the Relief of Patients Suffering from Asbestos-Related Diseases (the "New Asbestos Law") in March 2006. This law was enacted for the purpose of promptly providing relief to the people suffering from asbestos-related diseases who are not eligible for relief by compensation from insurance in accordance with the Workers' Accident Compensation Insurance Law (the "Insurance"). The relief aid payments are contributed by the national government, municipal governments, and business entities. The contributions made by business entities include a special contribution by the companies which operated a business closely related to asbestos, and commenced from the year ended March 31, 2008.

The Company accrues asbestos-related expenses when the Company receives the related claims, which include possible payments to certain residents who lived near the Company's plant, current and former employees, and the special contribution in accordance with the New Asbestos Law. The accrued balances for those expenses are ¥143 million and ¥113 million at December 31, 2019 and 2018, respectively. The asbestos-related expenses recognized for the years ended December 31, 2019 and 2018, were ¥971 million and ¥707 million, respectively.

31. SUBSEQUENT EVENTS

Not applicable.

32. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved on March 19, 2020, by Yuichi Kitao, President and Representative Director of the Parent Company, and Masato Yoshikawa, Director and Senior Managing Executive Officer, General Manager of Planning & Control Headquarters of the Parent Company.

(TRANSLATION)

INDEPENDENT AUDITOR'S REPORT

NOTE 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 19, 2020

To the Board of Directors of
Kubota Corporation:

Deloitte Touche Tohmatsu LLC

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant:

Koichiro Tsukuda

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant:

Akihiro Okada

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant:

Takeshi Io

Audit of Financial Statements

Pursuant to the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited the consolidated financial statements included in the Financial Section, namely, the consolidated statement of financial position, and the related consolidated statement of profit or loss, comprehensive income, changes in equity and cash flows of Kubota Corporation (the "Company") and its consolidated subsidiaries for the fiscal year from January 1, 2019 to December 31, 2019, and a summary of significant accounting policies and other explanatory information, and consolidated supplementary schedules.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Kubota Corporation and its consolidated subsidiaries as of December 31, 2019, and the results of their operations and their cash flows for the year then ended in accordance with International Financial Reporting Standards.

Audit of Internal Control

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 and its consolidated subsidiaries as of December 31, 2019.

Management’s Responsibility for the 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. There is a possibility that misstatements may not be completely prevented or detected by internal control over financial reporting.

Auditor’s Responsibility

Our responsibility is to express an opinion on management’s report on internal control based on our internal control audit. We conducted our internal control audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether management’s report on internal control is free from material misstatement.

An internal control audit involves performing procedures to obtain audit evidence about 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. An internal control audit includes examining 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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 and its consolidated subsidiaries as of December 31, 2019 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.

Interest

Our firm and the engagement partners do not have any interest in the Company for which disclosure is required under the provisions of the Certified Public Accountants Act.

The above represents a translation, for convenience only, of the original report issued in the Japanese language.

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 19, 2020
[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, Director and Executive Vice President, General Manager of Planning & 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, Director and Executive Vice President, General Manager of Planning & Control Headquarters, confirmed that statements contained in the Annual Securities Report for the 130th fiscal year (from January 1, 2019 to December 31, 2019) 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 19, 2020
[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, Director and Executive Vice President, General Manager of Planning & 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

NOTE TO READERS
The following in 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, Director and Executive Vice President, General Manager of Planning & 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, 2019, 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, 2019.

4. Supplementary Matters

Not applicable.

5. Special Information

Not applicable.