

Mid-term Management Plan (2021–2025)



"Toward the next 100 years..."

Business environment and issues

The business environment surrounding ISEKI Group is diverse, including the impact of COVID-19, global food issues, and climate change risks. It is also constantly changing. The Japanese agriculture industry is witnessing significant structural changes, such as the decline in the number of farms, the increase in large-scale farming, crop diversification, and transition to smart farming. Overseas, the movement toward electrification is also accelerating due to various growing needs and, in Europe, to heightened environmental awareness.

It is with an awareness of this environment that we recognize (1) responses to changing demand and needs, (2) the improvement of financial structure and expansion of profits, (3) strengthening of ESG initiatives, and (4) the realization of technological innovations as business issues, and we will promote a variety of measures that aim to make our long-term vision a reality.

Recognition of environment

Japan	Overseas
<ul style="list-style-type: none">✓ Decline in number of farms and increase in large-scale farming✓ Crop diversification✓ Smartification, regulatory reform (WAGRI, open API, DX, etc.)✓ Lowering of prices	<ul style="list-style-type: none">✓ Diverse environments in each region✓ Shift to advanced features ⇔ Shift to lower prices (diverse needs)✓ Intensification of competition
<ul style="list-style-type: none">✓ From "with COVID-19" to "post COVID-19," global food issues, climate change risks✓ Change in business model (from products to services)✓ Growing environmental awareness (exhaust emissions, electric vehicles)✓ Growing demand for disclosure of non-financial information, SDGs✓ Responses to changes in laws and regulations, compliance	

Business issues

Responses to changing demand and needs	Improvement of financial structure and expansion of profits	Strengthening of ESG initiatives	Realization of technological innovations
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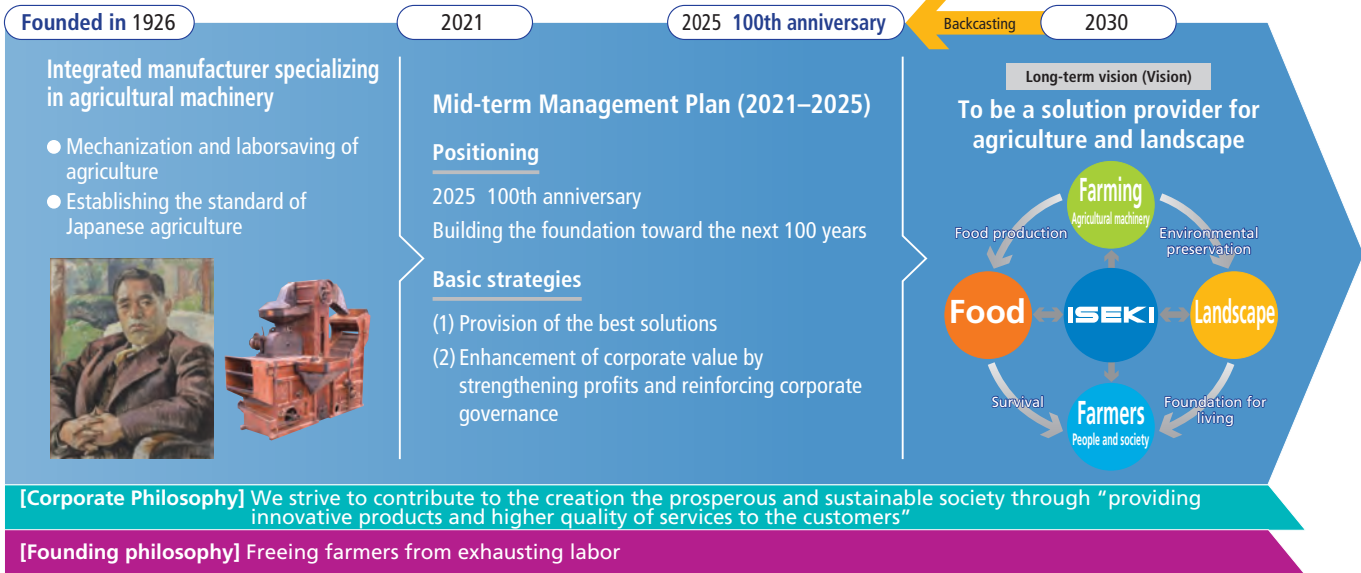
Outline of Mid-term Management Plan

ISEKI Group has inherited the company's founding philosophy of "freeing farmers from exhausting labor" in an unbroken line from then until today, and in 2025, we will mark the 100th anniversary of the company's founding. To ensure that ISEKI Group remains farmers' closest supporter over the next 100 years from 2026, we will lay firm foundations and make a dramatic leap forward in the five years of the Mid-term Management Plan.

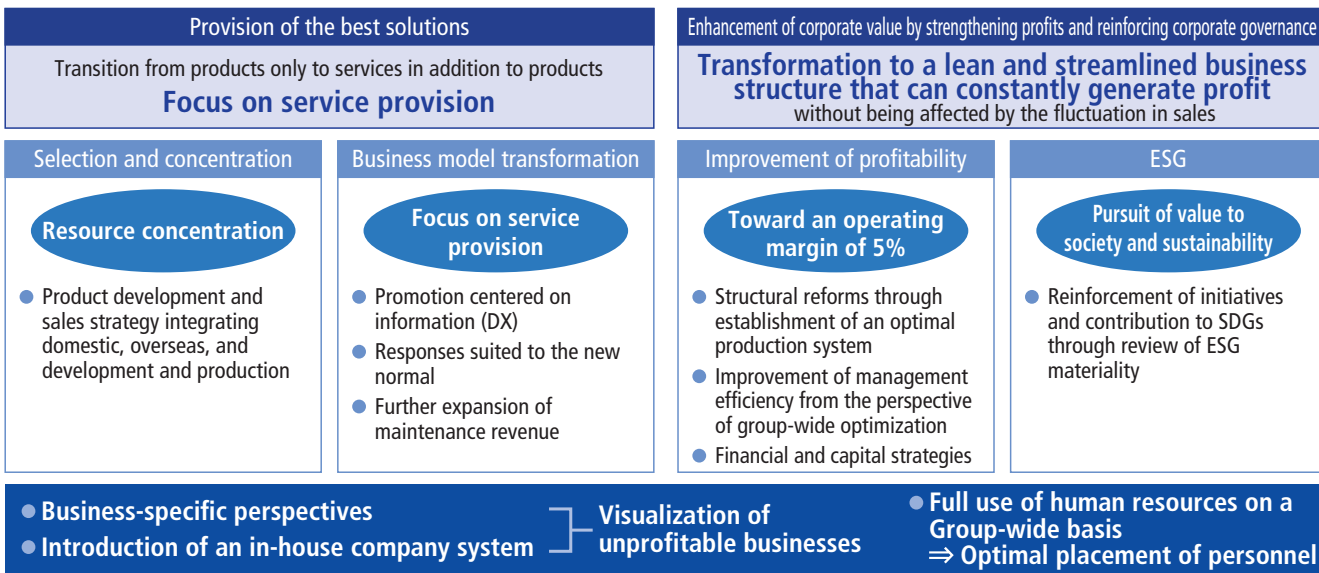
ISEKI Group's Corporate Philosophy is to strive to contribute to the creation the prosperous and sustainable society through "providing innovative products and higher quality of services to the customers." As well as

the provision of products, we will also place efforts into services (information, know-how, etc.) and continue our activities as the ISEKI that makes customers happy. ISEKI Group has set as its long-term vision to be a "solution provider for agriculture and landscape" and has established two basic strategies to achieve the vision: (1) provision of the best solutions, and (2) enhancement of corporate value by strengthening profits and reinforcing corporate governance. Pursuing solutions to issues related to agriculture and landscape by steadily implementing measures in line with our basic strategies, we will aim to be a solution provider that creates new value.

Fundamentals of Management



Basic strategies and directions of initiatives



Progress status of Mid-term Management Plan

Progress of basic strategies

(1) Provision of the best solutions

Japan: “All Japan series” is growing under the priority initiatives of “expansion of large-scale customers.” Under the “revenue-expenditure structural reform,” implements, parts and repair fees are performing well.

Overseas: Increased demand that captures changes in lifestyles in North America and Europe drove the overseas sales overall, resulting in record sales. Trended exceeding the Plan

Priority measures		Progress
Selection and concentration	Domestic Business Company	➢ Expansion of large-scale customers ● “All Japan series” sales increased
		● 2021 Result (unit base): 112% compared to previous year Centering on rice transplanters, sales in tractors and combine harvesters also increased.
		➢ Smart strategies ● Smart agricultural machinery sales increased
		● Enhanced line-up of smart agricultural machinery 2021: Rice transplanter equipped with straight-travel and turning assist functions started full-scale operation in the field. Sales of eight-row class models with these specifications increased to 60% of total smart agricultural machinery sales 2022: In addition to the compact model, 36HP, 50HP, and 60HP models of tractor equipped with straight-travel assist function were newly launched (March) Robot rice transplanter sales began (February)
		➢ Revenue-expenditure structural reform ● Improvement of operating margin of sales subsidiaries ● Promotion of establishment of large-scale service facility
		● Implements, parts and repair fees performing well ● ISEKI Hokkaido’s Sorachi Chuo Service Workshop, ISEKI Group’s largest maintenance facility, was newly established
Overseas Business Company	North America	➢ North America ● Support for AGCO brand strategy development
		● Strong sales of models equipped with ISEKI engines
	Europe	➢ Europe ● Expansion of electrification products
		● 2022: Launched limited sales of a compact electric tractor (mower) (plans for mass production by 2024)
Business model transformation	Asia	➢ Asia ● Build foundations based on the revamped IST ● Bring high-performance, large-scale agricultural machinery to market
		● Exceeded Plan in first fiscal year (2021) after becoming a consolidated company. Strengthen the foundation even further ● Sales of large-scale combine harvesters for South Korea remain steadily. Tractors and rice transplanters also rolled out
		➢ Responses to DX and the new normal ● Enhancement of service capabilities
		● Establishment of Amoni, a web portal for farm business solutions ● Development of online marketing activities such as virtual demonstrations ● Introduction of i-Magazine, a support tool for centralized management of service information, at consolidated sales subsidiaries in Japan.
		➢ Incidental services ● Japan: Expansion of parts, repair fees, and implements ● Overseas: Establishment of parts and service business
		● Performing well (43.3 billion yen: 109% compared with 2017) ● Thailand: Enhanced IST’s dealer sales and service support ➡ Increase in parts sales, 107% compared with previous year

(2) Enhancement of corporate value by strengthening profits and reinforcing corporate governance

Improvement of profitability: Ongoing response to emergence of issues and risks that exceed initial forecasts, such as adverse impact on production of supply chain disruptions and soaring raw material prices
➡ Effects expected to manifest from the second half of 2022

Priority measures		Progress
Improvement of profitability	Structural reform and improvement of management efficiency ● Establishment of an optimal production system	● Integration into company headquarters of production engineering department and outsourced management work at manufacturing plants ● Planned revision of category of in-house/outsourced production categories (from 2022), rearrangement of production categories (from 2023) ● Expansion of overseas production base (Extension of plant in Indonesia starts in 2022) ➡ Expansion of production capacity ● Shared services, centralized management of suppliers (centralized procurement), reduction in fixed costs
		(Results for fiscal year ended December 31, 2021) ● Cash flows from operating activities of 14.200 billion yen due to increased profit and reduction in inventories, etc. ● Capital investment (acquisition of non-current assets) 5.5 billion yen, depreciation 6.5 billion yen ● Contraction of interest-bearing debt of 7.1 billion yen due to favorable FCF and other reasons. D/E ratio 0.9 times ● Resumption of dividends (30 yen per share)
	Financial and capital strategies ● Creation of cash flows ● Capital investment (within range of depreciation) ● Reduction of interest-bearing liabilities ● Shareholder return	
ESG	Environment	➢ Environmental preservation ● Expansion of sales of environmentally-friendly design (eco-products) ● Promotion of environmental management (reduction of environmental footprint)
		● Ratio of eco-product in domestic sales: 39.8% (2021: unit base) ● Reduction in CO2 emissions from production activities: Reduced by 18.7% (Compared with 2013) ● Revision and formulation of Mid -to Long-Term Environmental Targets Please refer to p. 40
	Society	➢ Enhancement of brand value ● Supply chain management
		● Revision of CSR procurement guidelines, implementation of CSR procurement questionnaire
Governance	Enhancement of engagement ● Enhancement of employee engagement	● Introduction of work-from-home system and region-restricted employee system ● Enhancement of employee engagement through promotion of health and productivity management ● Implementation of engagement surveys
		➢ Enhancement of corporate value ● Strengthening of ESG Structure
		● Increase in the ratio of Outside Directors (1/3) ● Introduction of performance-based stock compensation system ● Establishment of new Sustainability Committee and Green Innovation Promotion Office

Progress of numerical targets

