



“Toward the next 100 years...”

Message from our President **Toward the 100th anniversary of our foundation**

**We will pursue management that balances social and economic value and drive through *henkaku* (Change) targeting a “new ISEKI”**

Shiro Tomiyasu

ISEKI & CO., LTD.  
Representative Director, President & Executive Officer

**ISEKI Group's mission**

Working to solve social issues as a “solution provider for agriculture and landscape”

Continuously inheriting the passionate thoughts and feelings of its founder, Kunisaburo Iseki, to “free farmers from exhausting labor,” the ISEKI Group will celebrate its 100th anniversary in 2025. During that time, we have contributed to agricultural modernization and laborsaving by providing agricultural products and services. Specifically, comparing Japan's rice farming in 1960 with that of today, the energy required to produce one unit of rice in Japan has decreased to about one-eighth of what it was. The Group has supported this development by mechanizing hard manual work and work done with the help of animal power. In the spirit of “being farmers’ closest supporter,” we have developed many products ahead of the rest of the world as a frontrunner and, with our technological power, have driven the mechanization of agriculture. The Group's continued high ranking in terms of the number of patents acquired per specialty field is a testament to this. We intend to continue to uphold this “frontier spirit” and pride.

The products the Group offers contribute to improving agricultural productivity, particularly in the Japanese and Asian markets. Moreover, the riding lawn mowers, compact tractors, and other equipment for the European and North American markets are used to maintain parks and green spaces, clean roads, and otherwise improve the landscape, thereby contributing to the creation of livable villages and towns and the improvement of people's quality of life. One social issue that the Group must help to resolve is food security, which emerged following the COVID-19 pandemic and the invasion of Ukraine. The world's population reached 8 billion in 2022, and is expected to go beyond 10 billion in the first half of the 2050s. Considering that more than ten percent of the world's population is suffering from hunger, boosting food production is a pressing issue. However, it is difficult to increase the land area under cultivation due to issues such as the associated environmental burden

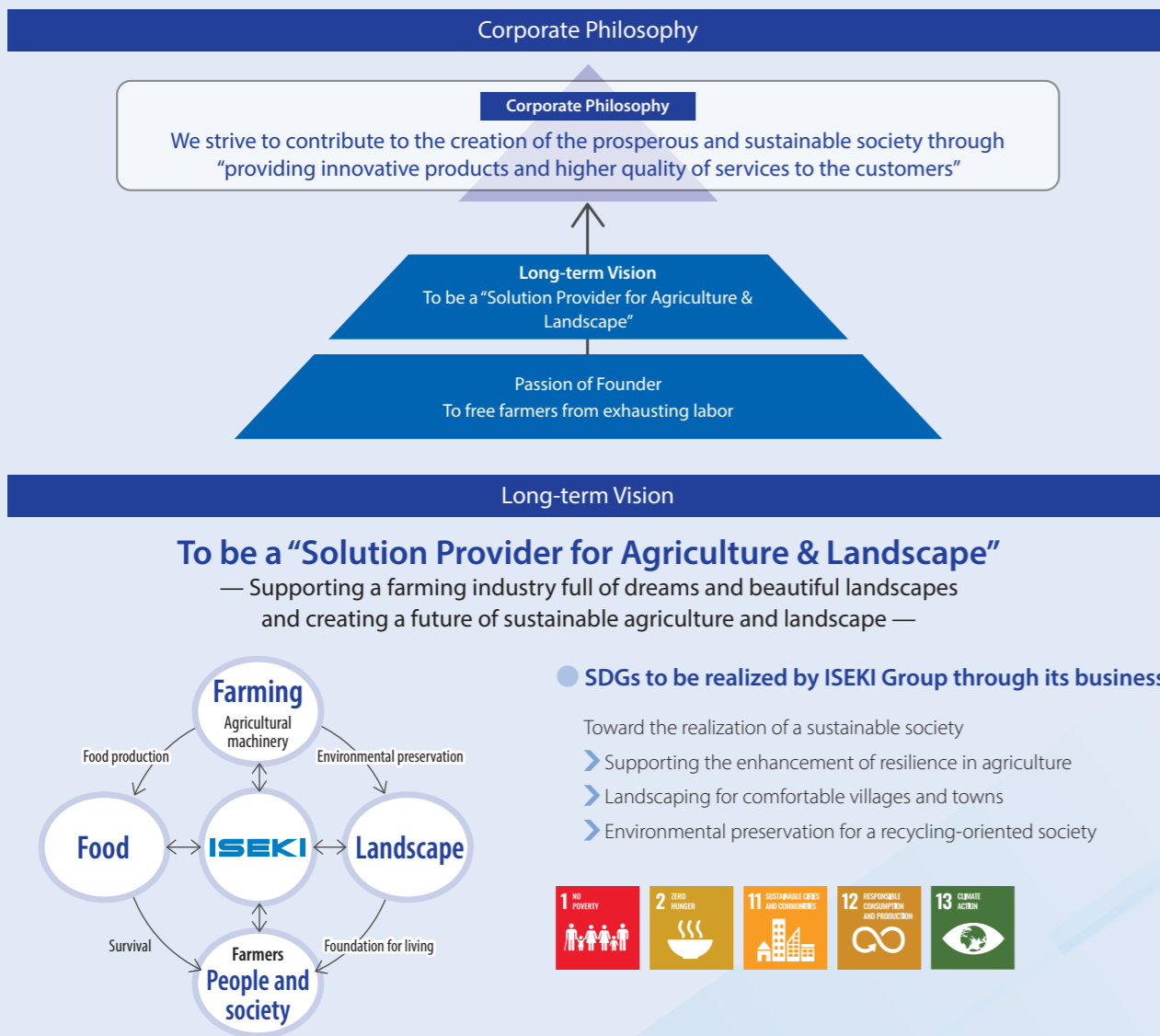
and reduced availability of farmland caused by industrialization and desertification. Thus, it is essential to improve agricultural productivity. Moreover, climate change and increased natural disasters due to global warming, and the loss of biodiversity are serious issues, making initiatives to mitigate the environmental burden essential.

The corporate philosophy of the Group is to “strive to contribute to the creation of the prosperous and sustainable society through ‘providing innovative products and higher quality of services to the customers.’” We also establish the long-term vision of becoming a “solution provider for agriculture and landscape.” Farming safeguards food and land and provides the foundation to realize prosperity for people and society. We believe that our mission is to be a corporate group that supports “agriculture” and “people and society” and to resolve issues related to them. We are confident that we can contribute to the achievement of the Sustainable Development Goals (SDGs). In addition to using the knowledge and experience we have cultivated over the years, ISEKI Group will work to resolve social issues by responding to changing business environment and needs, with the aim of becoming a solutions company that creates new value.

**Progress of Mid-term Management Plan (achievements and challenges)  
Review of the fiscal year ended December 31, 2023**

Despite setting record for consolidated net sales, issues remain in responding to changes in the environment

In the domestic market, challenges we face include bolstering food security, the rapidly decreasing agricultural working population, and mitigating environmental burdens such as climate change. In addition to transitioning to large-scale and smart agriculture,



**Long-term Vision**  
**To be a “Solution Provider for Agriculture & Landscape”**  
 — Supporting a farming industry full of dreams and beautiful landscapes and creating a future of sustainable agriculture and landscape —

● **SDGs to be realized by ISEKI Group through its business**

- Toward the realization of a sustainable society
- Supporting the enhancement of resilience in agriculture
- Landscaping for comfortable villages and towns
- Environmental preservation for a recycling-oriented society



we promoted measures for agricultural resilience through environmentally sound agriculture and other initiatives. (P37–40)

Looking at overseas markets, through collaboration with strategic partners in North America, Europe, and Asia, we crafted measures to satisfy the differing needs of each region. In North America, we are strengthening our ties with AGCO. In Europe, we continue to reinforce our sales network through subsidiaries such as ISEKI France and ISEKI Germany. And, in Asia, particularly in ASEAN, we are bolstering our support for field crop farming with subsidiary IST Farm Machinery Co., Ltd. In India, we are also evolving our cooperation with TAFE and have begun procuring production parts from the company. (P41–44)

For the fiscal year ended December 31, 2023, consolidated net sales reached a record high due to increased sales both domestically and abroad. In Japan, despite strong performance by the new BF Series tractors, which went on sale in July 2023, sluggish rice prices and continued high costs for agricultural production materials worked to suppress demand. Additionally, sales of agricultural

machinery products fell due to delays in production caused by disruptions in the supply chain for large-scale models. Meanwhile, maintenance revenue and the completion of certain facilities under construction supported the overall increase in sales. Overseas sales continued to be robust—particularly in Europe—reaching a record high for the third consecutive fiscal year, and the ratio of overseas net sales to total sales increased to 33.5%.

Profitability is an issue, as operating income was down year on year and the operating margin was 1.3%, due in part to lower gross profit margin resulting from a decline in production attributable primarily to lower sales of agricultural machinery products and increased selling, general and administrative expenses. Although price revisions finally offset the impact of the sharp raw material price increase for the single fiscal year of 2023, the total from fiscal year 2021 is still insufficient.

Our balance sheet faces challenges with regard to asset efficiency, including high non-current assets and growing inventories. Inventories in particular grew significantly on the impact of lower

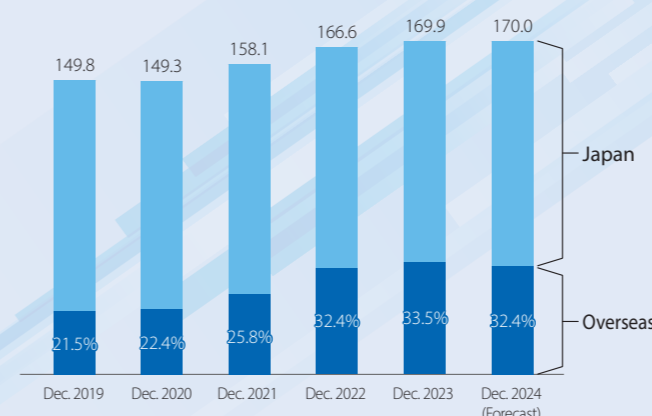
domestic agricultural machinery product sales and the buildup of inventories for the U.S. and Europe, which had previously been low.

Meanwhile, operating cash flow was negative for the second consecutive fiscal year, due to low net income levels and growth in inventories.

The challenge remains “the transformation into a company with a lean and streamlined business structure that can constantly generate profit,” which is the goal of the Mid-term Management Plan.

**Consolidated net sales**

(Billion yen, %)



**Project Z Measures**

**Implementing structural reform without exceptions and building a strong management foundation**  
**Indicating a path toward a 5% operating margin**

ISEKI Group's results forecasts for the fiscal year ending December 31, 2024 remain challenging. We expect 170.0 billion yen in net sales (unchanged from the previous year), operating income down 0.2 billion yen to 2.0 billion yen (an 11.1% decrease year on year), and profit attributable to owners of parent of 0.4 billion yen. Continued production adjustments for the purpose of reducing inventories bring down profit levels. For us, 2024 will be a year of patience.

While the numerical target of the Mid-term Management Plan is an operating margin of 5% for the year ending December 31, 2025, the result for 2023 was 1.3% and the forecast for 2024 is 1.2%. This makes the transformation to a leaner and more streamlined structure an urgent issue.

Factors behind our failure to achieve the goals of the Mid-term Management Plan include price revisions not keeping pace with soaring raw material and energy prices, and the deterioration of production site profitability due to production adjustments caused by the decline in domestic demand for agricultural machinery products. Moreover, gross profit margin remained flat as insufficient progress was made in initiatives such as the “Optimize development” and production systems. Despite efforts to improve operational efficiency toward reducing selling, general and administrative expenses, they increased owing to factors such as a rise in

distribution costs. The selling, general and administrative expenses to sales ratio has been worsening year by year.

In summary, 1) the measures in response to the drastic changes in the environment were lacking in effectiveness and speed, and 2) the efforts toward overall management reform and its implementation were unsuccessful. We believe these are the two key points.

In response, we have identified the improvement of profitability and asset efficiency as issues the Group must urgently address, and to implement the business structural reform without exceptions and build a robust management foundation, we established Project Z in November 2023. Under Project Z, we will develop and implement fundamental structural reforms and growth strategies.

We will promote the three fundamental structural reform themes of “Optimize production,” “Optimize development,” and “Deepen domestic sales” in a short-term, intensive fashion. In 2024 and 2025, we will develop key measures for each of the themes: “management integration of manufacturing companies,” “improvement of profit margins by product,” and “management integration of domestic wide-area sales companies.” Meanwhile, time will be required before some of the measures bear fruit, so we will continue to act, repeatedly implement reforms, and complete the three aforementioned themes to achieve an operating margin of 5% or more and return on equity (ROE) of 8% or more by 2027. Moreover, with regard to shareholder return, we aim to increase dividend on equity (DOE) to 2% and price book-value ratio (PBR) to more than 1.0x. (P25–28)

Then, we will firmly and concurrently implement fundamental structural reforms and growth strategies.

The axis of our growth strategy is, first and foremost, overseas business. The ratio of overseas net sales to total sales has grown to 33.5%. We will develop region-specific strategies and set our sights high for the next stage. Meanwhile, domestically, we will concentrate on the growth areas symbolized by the keywords: large, cutting-edge, environment, and dry fields. Now, let me explain our growth strategy from a different angle and by product. The key to this strategy is large-scale agricultural machinery in Japan and Non-Agri products for landscape maintenance, which we are rolling out in Europe and North America. We will focus our resources on growth areas and begin laying the foundation in 2024.

We are currently considering specific measures and will announce them as they are determined during 2024. (P25–28, P37–48)

**Toward improving PBR**

**Steadily implement a variety of measures under Project Z to achieve a PBR of 1.0x or more**  
**Bolster IR activities and ESG initiatives**

Our PBR has remained below 1.0x, standing at 0.34x as of December 31, 2023. In analyzing PBR, we asked investors and securities analysts with whom we regularly communicate for their opinions. We also broke PBR down into ROE and price-to-earnings ratio (PER) and looked at changes over time in analyzing the current situation.

ROE has been stagnant for some time, remaining below 8%, the target figure of the Mid-term Management Plan. A further breakdown of ROE reveals that the primary reasons for this are low net income margin and low total asset turnover ratio. Our view is that the net income margin is affected by the profit margin and selling, general and administrative expenses to sales ratio for each product, while the total asset turnover ratio is impacted by factors such as inventory volume and facility utilization rate. The understanding of our institutional investors with whom we have daily contact is that our cost of equity is generally around 8%.

PER has been less than 10x since 2020. We were reminded that the reasons for this are the significant discrepancy between plans and actual results, along with insufficient disclosure of information on issues such as growth, strengths, and profitability, and dividend level.

Our efforts to improve PBR based on our analysis of the current situation center on Project Z. In addition to the three fundamental structural reform themes, we will put into action growth strategies to heighten profitability and asset efficiency, and allocate cash for growth.

Furthermore, by enhancing and upgrading dialogue and information disclosure, reinforcing the governance structure, and otherwise strengthening IR activities and ESG initiatives, we aim to achieve a PBR of more than 1.0x by 2027. (P29–30)

The introduction and setting up of an administrative accounting system has made visible the profitability of each market and business, finally enabling decisions to be made based on these factors. We believe that a key theme is to upgrade disclosure information—both quantitative and qualitative—for dialogue, and to be able to show everyone how the plan is progressing.

We also feel that in achieving sustainable growth and realizing mid- to long-term corporate value enhancement, building relationships of trust with our shareholders and investors is essential. We intend to outline our management policies in detail and strive to engage in constructive dialogue. (P77–78)

### Aiming for sustainable growth

**We set up the ESG Committee, establishing a framework that enables the management team to strengthen their involvement**

For the purpose of centrally managing ESG-related issues in the Group, we established the ESG Committee in August 2022. The Committee is composed of Directors and Corporate Officers and chaired by an Independent Outside Director. In principle, Committee meetings are held each month, and the Committee seeks to find solutions for the Group's materiality (priority issues) by examining and deliberating sustainability-related initiatives for the Group as a whole from the perspective of risks and opportunities. Such initiatives include responses to climate change, respect for human rights, and employee health. The results of deliberations at Committee meetings are reported to the Board of Directors, which

in turn deliberates and determines them, thereby strengthening management's involvement. Moreover, a working group led by working-level personnel has been established to further promote ESG-related activities.

### Environmental initiatives

The Group has positioned the realization of a decarbonized and recycling-oriented society as one of our priority issues, and practices environmental management by setting the Environmental Vision and the Basic Environmental Policy. We also announced our endorsement of the Task Force on Climate-related Financial Disclosures (TCFD) recommendations and have begun disclosing information in line with the recommendations. (P49–51)

Additionally, agriculture and landscape maintenance, which receive benefits from nature, are closely related to issues such as climate change and biodiversity. We are endeavoring to reduce the impact our business activities have on the environment. In concrete terms, we are upgrading and expanding our lineup of environmentally friendly products and services, such as proposals for environmentally sound smart agriculture and electric products. In Japan, initiatives are proceeding to expand organic farming, utilize carbon credits, and suppress agricultural methane gas emissions through farm business solutions. In environmentally conscious Europe, we launched limited sales of electric riding lawn mowers in 2022. Based on local evaluations, this may lead to full-scale sales in the future. (P33–36) Through these initiatives, we will continue to contribute to resolving climate change issues and mitigating the environmental burden.

### A company is its people—initiatives related to people, human capital, and diversity

In my message to employees when I assumed the position of president, I said, "Our Group is based on the cumulative efforts of our predecessors who, since our founding, have carefully preserved our desire to be close to our customers. A company is supported by its people, and as such we will focus more than ever on cultivating human resources." We have established a policy for human resources development and a policy for workplace environment creation, and under the themes of "enhancement of employee engagement" and "transformation of human resources," we are working to maximize the Group's human resource capabilities.

In enhancing engagement, we will accelerate our promotion of diversity, equity, and inclusion, and reinforce the bond with our employees. We will also promote the cultivation of human resources who will lead the way in the century to come.

Concerning the transformation of human resources, we are actively promoting human resources management that transcends the boundaries between Group companies. Our aim in this pursuit

is to optimize the allocation and full utilization of group personnel based on our business strategy. In 2023, we introduced the Group personnel open recruitment system. The program, which respects employees' autonomy, encourages them to cultivate their own careers. Firstly, we transferred personnel from a sales company in Japan to a sales subsidiary in Thailand to capitalize on the know-how these employees accumulated in Japan. We will continue to concentrate the human capital within the Group on focused areas. To secure and cultivate human resources to bring our business strategy to fruition, we are also working to diversify our recruitment and further upgrade employee education programs related to DX and other topics.

### Initiatives to reinforce corporate governance

We have established the Nomination and Compensation Committee, which comprises two Representative Directors and three Outside Directors, to enhance and reinforce governance by heightening transparency and objectivity in the appointment and compensation of Directors and Corporate Officers. In concrete terms, we revised the Directors' compensation system in 2022. The purpose of this revision was to make compensation's link to business results and shareholder value more explicit. The revision is intended to increase Directors' focus on helping to improve business results and enhance corporate value over the medium- to long-term by ensuring that they have the same interests in the risks and benefits of share price fluctuations as shareholders. Moreover, in the interest of diversity on the Board of Directors, two new female Directors—including one with corporate management experience—were appointed to the Board following approval at the Ordinary General Meeting of Shareholders in March 2024. We will continue to aggressively push forward the invigoration and functional improvement of the Board of Directors.

### Toward the next 100 years... Pursuing an economic role alongside a social role

The Group, an integrated manufacturer specializing in agricultural machinery, has developed its business on an aspiration to be farmers' closest supporter and has worked to resolve social issues. This aspiration is rooted in an abiding commitment to acting first and foremost for the benefit of customers. This is our greatest strength, and I believe it is precisely because we are fulfilling this social role that we have been able to continue operating our business for almost 100 years.

Nowadays, food security and food are of growing concern due to the COVID-19 pandemic and the invasion of Ukraine. Agriculture, which supports food supply, and landscaping business, which supports people's daily lives, are being reaffirmed as essential



businesses. I believe that ISEKI Group, through activities that support customers, can grow while continuing to fulfill its social role.

Moreover, for the Group to sustain its development over the next 100 years and continue providing innovative products and higher quality of services to customers, we must operate our business in such a way that a diverse range of stakeholders, including shareholders, suppliers, and employees, can feel confident about joining forces with us. In other words, it is essential to generate adequate profits and fulfill an economic role as well.

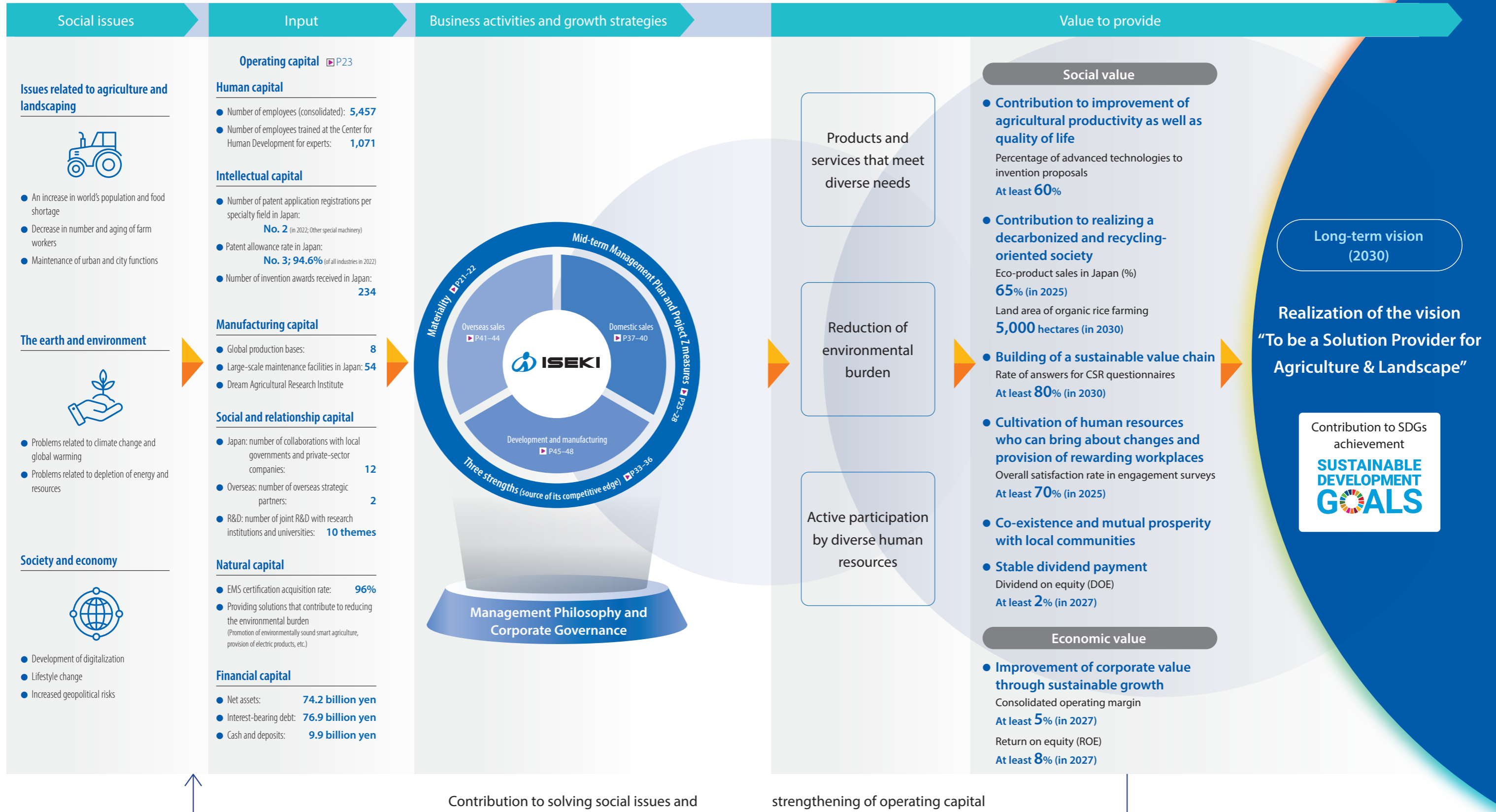
These two roles do not need to be prioritized one above the other; I believe they can balance and complement each other as they progress. However, ISEKI has become accustomed to lagging behind somewhat in terms of pursuing its economic role. ISEKI operates in such a way that it fulfills its economic role in addition to the social role it has contributed to over the years.

Since I took office, I have advocated *henkaku* (Change). While there has been gradual change with regard to certain aspects, I believe that it is still insufficient. We have always said that the meaning of change is to review design, production, sales, and service methods in particular from the ground up. Regarding these changes, the structural reform through Project Z represents the tightening of these screws. The "Z" in Project Z stands for "0." It represents the unknown and is the first letter in the word "zero."

Project Z will be the key in creating a new century, looking ahead to the 100th anniversary in 2025 and the century to follow. In laying the foundation for sustainable growth, I consider it my own personal responsibility to involve the entire Group in a concerted effort to drive forward the transformation into a company with a lean and streamlined business structure. As we determinedly move forward with our transformation, I hope we can continue to rely on your support as we endeavor to forge a "new ISEKI."

# Value creation process

ISEKI Group engages in business activities that are founded on its corporate philosophy and governance and that leverage the operating capital accumulated so far as well as its unique strengths. In doing so, we provide products and services that meet a variety of needs, thereby creating social and economic value. By addressing social issues and reflecting them in our business activities, and continuing this cycle of value creation, we strive to contribute to solving social issues, while achieving sustainable growth and enhancing corporate value of the Group.



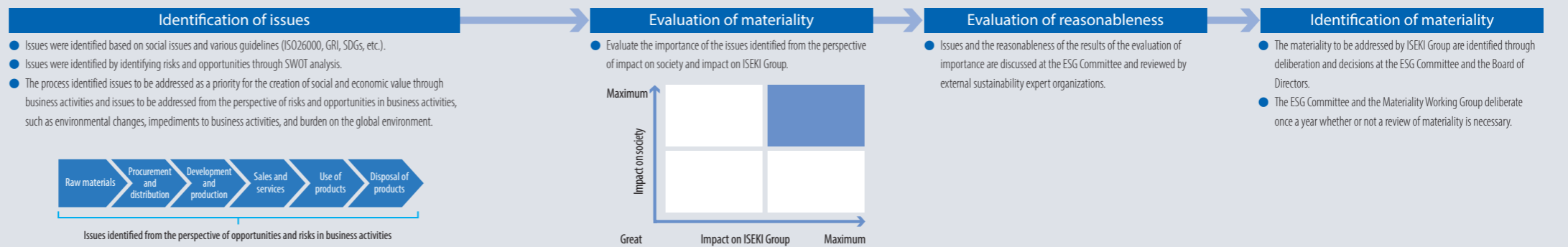
# Materiality

The Company has determined the materiality to hit balance between solving social issues and sustainable growth of ISEKI Group.

Materiality	Vision (2030)	Related SDGs	Risks and opportunities		KPI	Target	Focused themes (strategies)	Status of activities
			Risks	Opportunities				
Value creation through business	Common		Response to changes in policies of individual governments Competition with other companies, changes in economic conditions and the environment of agriculture Climate change, reduction of environmental burden, natural disasters, infectious diseases, etc. Lagging behind Chinese and other competitors in the European and U.S. electric product markets	New demand and needs Generation of business and creation of new value through innovation Increased demand for electric products Dissemination of electric products in the landscaping business and personal hobby market	Expansion of advanced technological intellectual properties Increase in the proportion of research and development investment in priority strategic fields	Percentage of invention proposals related to advanced technologies: 60% (in 2025)	Responses to changing demand and needs Generation of business and creation of new value through innovation	P45-48, P55-56
			Decline in the number of farms in Japan, advancing age of farmers, and slowdown of demand due to an increase in contracting of farm work	Larger scale of Japanese agriculture, diversification of crops Develop measures to ensure the stability of food supplies Dissemination of smart agriculture (data-driven and environmentally sound agriculture) Partnerships with entities in other industries through DX	Dissemination of large-sized agricultural machinery and smart agricultural machinery	Larger proportion of large-sized agricultural machinery and smart agricultural machinery to sales	Strengthening of initiatives for large-scale farmers Strengthening of DX and smart strategies Acceleration of revenue-expenditure structural reform	P37-40
	Contribute to the realization of sustainable agriculture through the dissemination and promotion of agriculture that uses smart agricultural machinery and data		Progress in mechanization of agriculture in ASEAN, India, and other regions Dissemination of smart agriculture (data-driven and environmentally sound agriculture) in East Asia, etc. Expansion of price competitive products manufactured by TAFE into the ASEAN market	A wider spread of our products in the Asian region	Sales expansion in Asia	Build foundations for ASEAN business based on IST Farm Machinery Co., Ltd. Bring high-performance, large-scale agricultural machinery to market Enhancement of service systems Build a new business model through collaboration with TAFE	P41, 44	
	Contribute to the improvement of productivity through the mechanization of agriculture by providing agricultural machinery to suit individual countries and regions, leveraging the rice-growing technologies developed in Japan		Lowering of prices, rise of Indian, South Korean, and Chinese competitors Chinese and other manufacturers leading the competition of EV products	New demand for electric products, etc. Contribute to the SDGs such as "Sustainable cities and communities" by increasing sales of our products	Expansion of sales of tractors and riding lawn mowers for North America and Europe	Larger proportion of electric products to sales	Support for AGCO brand strategy development Bring machinery with reduced cost and economical specifications to market	P41-42
	Contribute to the development of pleasant communities by safeguarding beautiful landscapes and environments					Reconstruct sales network with a view to consolidation Expand products such as electrification products Enhance consumer products and streamlined procurement of implements	P41, 43	
Realization of a decarbonized and recycling-oriented society	Contribute to the realization of a decarbonized and recycling-oriented society through business activities that take the environment into consideration		Tightening of environment-related regulations and standards Decline in demand due to changing market needs Decline in competitiveness due to delays in responding to GHG emission reduction solutions	Increase in demand for products and services that accommodate changes in the agricultural environment • Conservation of energy and labor • Reduction of greenhouse gas emissions • Reduction of fertilizer and agrochemicals • Expansion of organic farming, etc.	Eco-product sales ratio Land area organically farmed (rice)	Eco-product sales in Japan (%): 65% (in 2025) Domestic land area organically farmed (rice): 5,000 hectares (in 2030)	Response to climate change Preservation of biodiversity Resource circulation in production	P49-51, P61-62
			Suspension of product and service provision systems due to natural disasters such as typhoons and floods Increase in costs due to introduction of carbon tax and rising energy prices	Cost reduction through the introduction of facilities with high environmental efficiency Minimization of resource consumption Production activities with low environmental burden by curbing waste generation	Reduction of CO <sub>2</sub> emissions Reduction and reuse of production resources	Reduction rate of group-wide CO <sub>2</sub> emissions (compared with 2014): 46% (in 2030) Reduction rate of final volume of waste (compared with 2013): 71% (in 2030)		
Building of a resilient management base	Enhancement of brand value (building of trust)		Serious defects in products and services Dependence on specific suppliers, soaring raw material prices, difficulty in procurement, and supply chain disruptions Reputational risk	Capturing customers and fans with secure, safe, and cost-effective products and services Building trust with suppliers Stabilization of business through a sense of presence in the region, enhancement of brand value, and co-existence	Enhancement of customer satisfaction	Satisfaction rate in each survey item: NPS of at least 20; at least 100% compared with the previous year	Enhancement of customer satisfaction and quality assurance	P63-64
					Promotion of CSR procurement	Suppliers' CSR questionnaire response rate: at least 80% (in 2030) Suppliers' green procurement rate: at least 85% (in 2025)	Strengthening supply chain management	P66
					Strengthening relationships with local communities through ongoing communication activities	Implementing NOGYOJOSHI (female farmers) project activities (agricultural machinery seminars: three times/year; online seminars: three times/year)	Co-existence with local communities	P66
	Enhancement of employee engagement	Secure core human resources to execute business strategies Maximize each individual's abilities and develop human resources with a spirit of challenge to bring about change Provide employees with secure and safe workplaces, and create rewarding workplaces		Shortage of labor power, outflow of human resources Rigid organization and culture due to homogeneity and bias of human resources An impact of property and personal damage on our business Reputational risk and damages due to industrial accidents Human rights violations due to labor issues (harassment, overtime work, etc.)	Improvement of ability to generate innovations through retention and development of women, experts, and foreign nationals Improvement of motivation and productivity Securing health and safety of employees	Promotion of diversity, equity & inclusion (DE&I) and enhancement of education	Ratio of female employees in managerial positions: at least 7% (in 2025) Foreign nationals in managerial positions: to be increased from the current level Ratio of mid-career hires in managerial positions: at least 7% (in 2025)	Utilization and development of diverse human resources
Improving engagement survey scores						Overall satisfaction rate in engagement surveys: at least 70% (in 2025)	Promotion of health & productivity management	
Enhancement of corporate value by reinforcing corporate governance	Respond to changes in the business environment swiftly and accurately, and maintain fair management Strive to disclose necessary information promptly and accurately, and create a transparent company		Risks in general • Risk of legal violation • Risks related to information security • Risks derived from international business and other risks	Stabilization of business activities Transformation through prompt management decision and appropriate risk taking Promotion of awareness and understanding through information disclosure Establishment of trust through constructive dialogue	Zero material legal violations and scandals	Number of material legal violations and scandals occurred: continued zero occurrence Material information security incident: zero occurrence	Strengthening governance systems Strengthening internal control and ensuring compliance Prevention of risks from becoming obvious and minimization of losses through risk management, prompt management decision, and appropriate risk taking	P69-73
					Engagement opportunities	Number of dialogues held between senior management, shareholders and investors: at least 50 times/year (in 2025)	Information disclosure and constructive dialogue Systematic checking of disclosure information through the Information Disclosure Working Group and ESG Committee	
Improvement of financial performance	Transformation to a lean and streamlined business structure Build a management structure and foundation that can respond to changes in the environment and strive to achieve sustainable growth and enhance corporate value		Fluctuations in production caused by changes in economic conditions and the environment Stock market trends, price decline in land and other fixed assets Exchange rate fluctuations A hike in interest rate, rise of an obligation to pay back loans early because financial covenants are triggered	Establishment of an optimal production system capable of responding to changes Improvement of management efficiency and sophistication of business management Capital investment in line with growth strategies Diversification of procurement methods	Improvement of operating margin	Operating margin: 5% (in 2027)	Structural reform Enhanced management efficiency	P25-32
					Improvement of asset efficiency	Generation of operating cash flows: 50.0 billion yen (cumulative total of 2024-2027)	Improved inventory turnover period Improved non-current asset turnover period	

## Materiality identification process

In identifying materiality, materiality has been examined from both aspects of the realization of corporate philosophy and long-term vision of ISEKI Group and social issues. In 2022, while striving to align with the vision and management strategies and based on the suggestions from the dialogue with external sustainability expert organizations, senior management discussed and partially revised materiality to be addressed.



# ISEKI Group's management capital

The six types of capital we have accumulated since our founding are important management capital that support the ISEKI Group's business activities. Our aim is to constantly raise corporate value while optimally using capital in areas of growth.

 <p><b>Human capital</b></p>	<p><b>Diverse human resources who resolve issues and realize growth</b></p> <p>Under the policy for human resource development and the policy for workplace environment creation, we are working to develop the skills of our employees and maximize the Group's strength. We accomplish this by developing expert personnel at training facilities specialized for development, production, and sales and services, providing voluntary training opportunities, and cultivating a comfortable working environment.</p>	<ul style="list-style-type: none"> <li>● Number of employees (consolidated) <b>5,457</b></li> <li>● Number of employees trained at the Center for Human Development for experts <b>1,071</b></li> </ul>
 <p><b>Intellectual capital</b></p>	<p><b>Technological capability and intellectual property that generate new value</b></p> <p>The technological expertise that we have cultivated throughout our history is a source of new value. We are working to maintain and bolster our competitiveness by ensuring that intellectual property is comprehensively protected and managed, and by creating high-quality intellectual property.</p>	<ul style="list-style-type: none"> <li>● Number of patent application registrations per specialty field in Japan: No. <b>2</b> (in 2022; Other special machinery)</li> <li>● Patent allowance rate in Japan: No. <b>3 94.6%</b> (of all industries in 2022)</li> <li>● Number of invention awards received in Japan: <b>234</b> (as of December 31, 2023)</li> </ul>
 <p><b>Manufacturing capital</b></p>	<p><b>Bases for high-quality manufacturing and high added value</b></p> <p>From our production sites in Japan and overseas, we provide a stable supply of high-quality products. To deal with the changing agricultural structure, we are researching and disseminating smart and environmentally sound agriculture and expanding large-scale maintenance facilities with the aim of augmenting our service capabilities.</p>	<ul style="list-style-type: none"> <li>● Global production bases <b>8</b> (including 2 of an equity method subsidiary)</li> <li>● Large-scale maintenance facilities in Japan: <b>54</b></li> <li>● Dream Agricultural Research Institute</li> </ul>
 <p><b>Social and relationship capital</b></p>	<p><b>Network to drive innovation forward</b></p> <p>We are not limited to our own resources. To incorporate superior technologies and know-how from external sources, we collaborate and work with partners to develop technologies and products that deliver efficiency, provide a competitive advantage, and help to cultivate new markets.</p>	<ul style="list-style-type: none"> <li>● Number of partnerships with local governments and private-sector companies <b>12</b></li> <li>● Number of overseas strategic partners: <b>2</b></li> <li>● Number of joint development with research institutions and universities: <b>10</b> themes</li> </ul>
 <p><b>Natural capital</b></p>	<p><b>Business activities in harmony with the global environment</b></p> <p>Under our Environmental Vision, based on a quantitative understanding of the impact our business activities have on the environment, we promote initiatives such as those that serve to mitigate CO<sub>2</sub> emissions, and provide solutions that reduce the environmental burden and conserve biodiversity.</p>	<ul style="list-style-type: none"> <li>● EMS certification acquisition rate: <b>96%</b></li> <li>● Providing solutions that contribute to reducing the environmental burden (Promotion of environmentally sound smart agriculture, provision of electric products, etc.)</li> </ul>
 <p><b>Financial capital</b></p>	<p><b>Source of sustainable business activities and growth investments</b></p> <p>While maintaining financial soundness, we are proceeding with initiatives to enhance asset efficiency and raise profits to transform ourselves into a lean and streamlined business structure. We will allocate the cash flow generated to investment in key fields to enhance corporate value and provide stable returns to shareholders.</p>	<ul style="list-style-type: none"> <li>● Net assets: <b>74.2</b> billion yen</li> <li>● Interest-bearing debt: <b>76.9</b> billion yen</li> <li>● Cash and deposits: <b>9.9</b> billion yen</li> </ul>

(Actual as of FY2023 or as of May 31, 2024)