We will execute the business structural reform without exceptions to build a strong management foundation.

Hajime Odagiri
Representative Director & Senior Corporate Executive Officer
Leader, Project Z

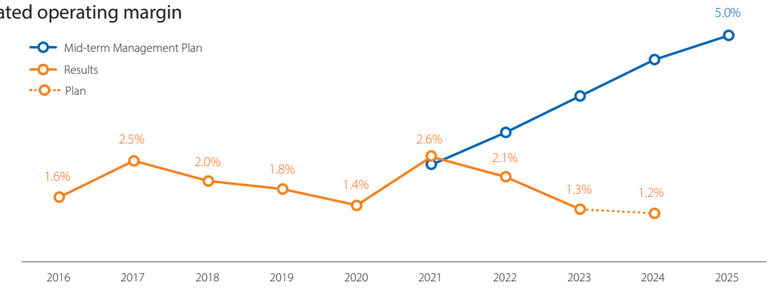
Q Please explain the background behind the implementation of the business structural reform.

A: With the aim of building a strong management foundation by improving and enhancing profitability and asset efficiency, we will proceed with fundamental business structural reform under the moniker Project Z.

The ISEKI Group has been working to realize a consolidated operating margin of 5% by 2025 as a numerical target in the five-year Mid-term Management Plan formulated in 2021. The plan for 2024 is 1.2%, a significant deviation from the original target. We have not yet achieved our transformation into a company with a lean and streamlined business structure that can constantly generate profit without being affected by the fluctuation in sales, another goal set forth in the Mid-term Management Plan. We acknowledge that this was largely attributable to insufficient responsiveness to the drastically changing environment and the failure of implementation of overall management reform. Moreover, low net income margin and total asset turnover ratio have kept return on equity, or ROE, below the target of 8%.

We believe improving and enhancing profitability and asset efficiency—a challenge for our group—is essential in building a strong management foundation. To this end, we established Project Z on November 14, 2023, for the purpose of implementing fundamental business structure reforms.

Consolidated operating margin



Q What are the policies and objectives of Project Z?

A: We aim to achieve a consolidated operating margin of 5% or more, ROE of 8% or more, and dividend on equity (DOE) of 2% or more by implementing fundamental structural reforms and growth strategies.

Under Project Z, we will draft and implement fundamental structural reforms and growth strategies. Looking at fundamental structural reforms, we will promote the three themes of "Optimize production," "Optimize development," and "Deepen domestic sales." Our goals are to achieve a consolidated operating margin of 5% or more, ROE of 8% or more, dividend on equity (DOE) of 2% or more, and price book-value ratio (PBR) of at least 1.0x by 2027. With regard to our growth strategy, we will deepen our selection and concentration, and concentrate resources on domestic and overseas growth markets with the aim of further development. Through these

Idea behind Project Z

Vision 2027

- Consolidated operating income ..... 5% or more
- ROE ..... 8% or more
- DOE ..... 2% or more

→ PBR 1.0x or more

Fundamental structural reforms (Core themes)		(Direction of improvement)
Optimize production	● Optimal allocation of machine types and sites ● Capital investment prospects ● Environmental response and efficiency	Improvement of profitability
Optimize development	● Concentration of development resources ● Efficiency through shared design	Asset efficiency
Deepen domestic sales	● Consolidation of management resources through integration ● Reallocation of resources to growth markets ● Improvement of logistics and reduction of inventory	
Growth strategy	● Overseas ▶ Development of strategies by region ● Domestic ▶ Concentrate on areas symbolized by the keywords: large, cutting-edge, environment, and dry fields	Cash allocation for growth

Project Z initiatives, we will work to improve profitability and asset efficiency, and implement the allocation of cash for growth.

Q Please discuss the project's fundamental structural reform initiatives.

A: We will implement the three themes of "Optimize production," "Optimize development," and "Deepen domestic sales" and promote the transformation to a lean and streamlined business structure in a short-term, concentrated fashion.

Normally, fundamentally reforming a business structure requires a considerable amount of time, but we believe it is necessary to rapidly build a lean and streamlined business structure not susceptible to changes in the environment, as we continue to fail to achieve the goals of our business plan. We will implement the three themes of "Optimize production," "Optimize development," and "Deepen domestic sales" from 2024 to 2025, and promote the transformation of the company's structure very rapidly.

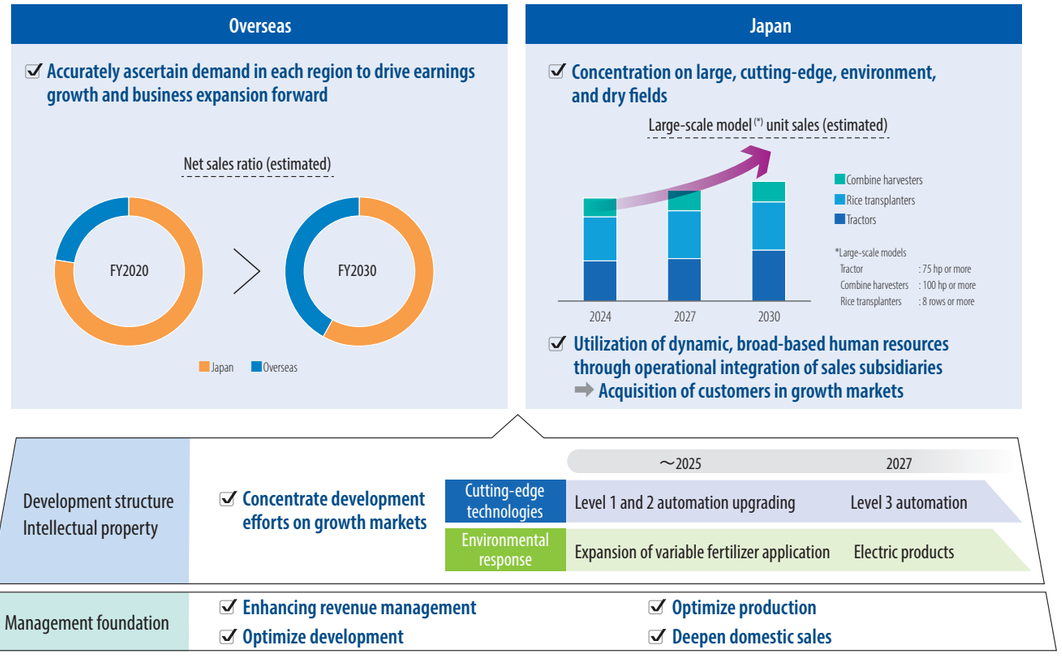
First, with regard to "Optimize production," we have been promoting the establishment of an optimal production system for domestic and overseas production sites as a priority measure to enhance profitability, and through Project Z we will further accelerate these efforts. In July 2024, we plan to integrate the operations of Iseki-Matsuyama MFG. Co., Ltd. and Iseki-Kumamoto MFG. Co., Ltd. The consolidation of human resources and systems will lead to the creation of operational efficiency and reduced costs, and create a robust structure for the production sites. (▶P47)

Next, concerning "Optimize development," after analyzing product growth potential and profitability, we will consolidate types and models by 30% or more and concentrate development resources on areas of growth. Moreover, to improve efficiency, we will promote global design with a common base for all regions in terms of development methods. In addition to streamlining the organization by boosting the efficiency of development and concentrating resources, we will implement product profitability improvements in a short-term, intensive fashion. (▶P46)

Finally, looking at "Deepen domestic sales," in January 2025, we plan to integrate the management of our sales subsidiaries, which have divided their operations into six regions nationwide. This will heighten management efficiency through consolidation of resources by streamlining redundant indirect operations, reviewing inventory bases and distribution systems to lower distribution costs, and centralizing nationwide inventory management to reduce inventory. (▶P40)

Since time will be required for some of these effects to manifest themselves, we have set 2027 as the completion date of the fundamental structural reforms. We will, however, steadily implement these initiatives during the two year period from 2024 to 2025.

Direction of growth strategy



Q Please tell about the project's growth strategy initiatives.

A: We will concentrate management resources on domestic and overseas growth markets to expand sales.

Our analysis shows that the growth axis for the Group is in specific fields, both abroad and in Japan. Among these fields, we will accurately ascertain demand in each region to accelerate the improvement of profitability and business expansion in overseas markets. The Group is expanding its business in three key regions—North America, Europe, and Asia—and in recent years, overseas sales have been steadily increasing. To further expand sales in the future, in North America, we will cooperate with our OEM partner, AGCO, to expand our market share and introduce new, environmentally friendly products. In Europe, we will expand our lineup of environmentally friendly products such as electric and consumer products, and promote the centralized management of inventory. In Asia, we will establish and implement specific measures for the next stage in each region. These measures include strengthening the sales channels of IST Farm Machinery Co., Ltd., our sales subsidiary in Thailand, launching production machines from Indian agricultural machinery manufacturer TAFE, with whom we have a business alliance, and launching high-performance machinery for East Asia. (▶P41–44)

In Japan, which is facing agricultural issues including a declining agricultural workforce, food security, and mitigation of environmental impact, we forecast expansion in the large, cutting-edge, environment, and dry fields markets in response to these issues. By promoting the use of dynamic, broad-based human resources through the operational integration of our sales subsidiaries, we will further develop our domestic business through the nationwide development and diligent study of know-how concerning these markets—already advanced in some regions—as well as through the agricultural management support capabilities cultivated at the Dream Agricultural Research Institute (DARI). Similarly, we will expand profitable businesses, such as aftermarket maintenance and used machinery businesses, across Japan to build a stable management foundation. (▶P37–40)

Also, with regard to the development structure and intellectual property that support these efforts, we will concentrate our resources on growth markets and move forward with unified, Group-wide goals.

Q What do you see as the keys to successful structural reform?

A: It is important for each employee to serve as a leader in Project Z and to make a unified, Group-wide effort in implementing it.

The "Z" in Project Z indicates an unknown value, and it is also the first letter in the word "zero." It is an expression of our determination to rethink everything from scratch as we move forward. To complete Project Z—in which we will reevaluate the state of the Group from zero in preparation for our 100th anniversary in 2025 and the century to come—it is essential that we all share the same goal and that each individual takes the initiative in working toward that goal. Although each employee has a different position and role, we hold briefings for employees, training sessions for executives, and group discussions in each department to help members understand the significance and importance of Project Z, to see that they themselves have a responsibility toward its success, and to act in that manner. Each individual employee will play a key role in Project Z, and the Group will work in a unified manner to reform the business structure.

We believe that we must complete Project Z to realize our group's long-term vision of becoming a "solution provider for agriculture and landscape." Project members currently meet once a week for discussions on all measures and to monitor progress. Specific plans and quantitative targets for each measure, as well as additional measures, are scheduled to be announced during FY2024. To aid our stakeholders in better understanding our business, we intend to provide explanations as necessary through means such as financial results briefings and the website. As the project leader, I will take the helm and work together with the Group to achieve reforms in our business structure.

We will announce additional measures and other information on Project Z going forward.
Please refer to our website for the latest information.
https://www.iseki.co.jp/ir/management/zplan/

Responses toward realization of management conscious of capital costs and stock prices

Based on the issues we identified in our analysis of the current situation, we aim to achieve a PBR of 1.0x or more by 2027 through the steady implementation of a host of measures under Project Z and by bolstering IR activities and ESG initiatives.

Changes in PBR, ROE, and PER over time (current analysis)

Our PBR has remained below 1.0x, standing at 0.34x as of December 31, 2023. We broke down PBR into its component parts, ROE and PER, and organized the factors for each of these indicators through comparison with other companies in the same industry over time and the gathering of opinions from investors connected with the company.

❶ ROE

Based on changes in ROE over time, the Company failed to reach the target figure of 8% set forth in the Mid-term Management Plan. We have determined that this was due to the 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 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%.

❷ PER

Our PER has been less than 10x since 2020. We view this as being attributable to a dearth of information disclosure regarding factors such as growth, strengths, and profitability, as well as a discrepancy between plans and actual results.

Key analysis results and direction of improvement

Perspectives of current analysis		Key analysis results	Direction of improvement
PBR > ROE	Profitability	● Net profit margin and operating margin are low compared with other companies and have not satisfied investors' expectations ● Failed to generate return on capital surpassing investors' anticipated cost of equity	Improvement of profitability
PBR > ROE	Asset efficiency	● While the share of operating cash flows allocated to investment is high compared with other companies, progress in sales and profits has been limited, keeping the non-current asset turnover ratio low. ● Inventory turnover period is lengthening compared with other companies	Asset efficiency
PBR > ROE	Capital strategies (including financial leverage)		
PBR > PER	Growth potential	● Sales and profit growth rates are low compared with other companies ● The ratio of overseas net sales to total sales is inferior to that of other companies ● Shareholder returns such as dividend payout ratio are low compared with other companies ● Debt redemption period is long, requires attention from the perspective of financial soundness	Cash allocation for growth
PBR > PER	Information disclosure/ dialogue	● Inadequate disclosure of profitability and strength differences between domestic and overseas operations ● Inadequate disclosure of action targets to achieve management objectives ● Significant differences between plans and actual results negatively impact plan credibility ● Governance (oversight function) needs reinforcement	Bolstering of IR activities and ESG initiatives
PBR > PER	Capital cost		

Toward improving PBR

1 | Improvement of profitability
Accelerate the upgrading of profit management and implement fundamental structural reforms and growth strategies through Project Z to enhance profitability.
P25–28

2 | Asset efficiency
We will endeavor to improve asset efficiency by making investment decisions based on hurdle rates and inventory reduction.

3 | Cash allocation for growth
We will improve profitability and asset efficiency to generate operating cash flows. We will invest this cash in structural reforms and growth, return profits to shareholders, and reduce interest-bearing debt.
P31–32

4 | Bolstering of IR activities and ESG initiatives
We will upgrade and augment activities toward promoting understanding of our growth strategies and lowering the cost of capital.
P77–78

Financial and capital strategies

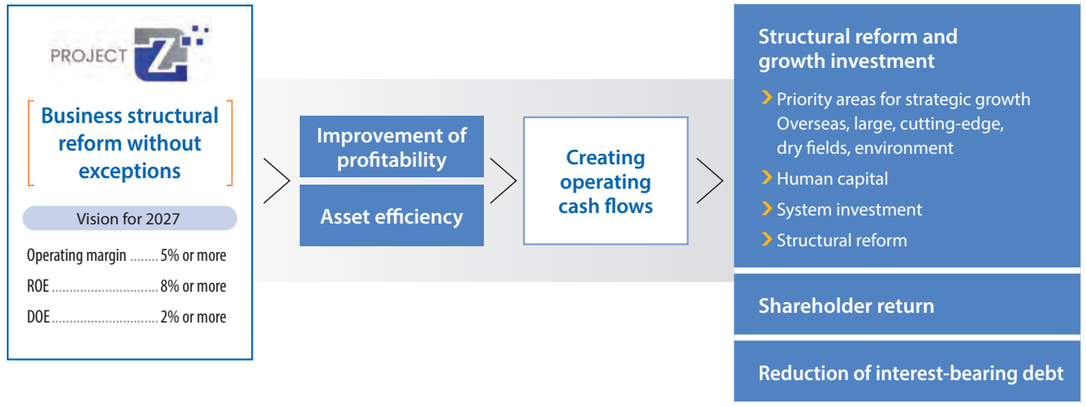
We provide financial and capital support for Project Z with the aim of realizing sustainable growth and enhancing corporate value.

Shuichi Jinno
Director & Senior Corporate Officer
in charge of Finance and IT Planning

Message from Director in charge of Finance

In the 2021–2025 Mid-Term Management Plan, we have set the numerical target of a 5% operating margin in the final year and the cumulative creation of 60.0 billion yen in operating cash flow over the five years of the plan. While we have made further progress than anticipated in our overseas business expansion in the past three years, we have not succeeded in improving profitability due to the lack of progress in reducing costs and selling, general and administrative expenses in response to changes in the environment, including the soaring raw material prices and distribution costs. Moreover, inventories increased as domestic sales of agricultural machinery products declined and inventories for Europe—which had been at low levels—built up, resulting in the second consecutive fiscal year of negative operating cash flow. The biggest challenges we face are improving profitability and asset efficiency. We intend to resolve these issues by implementing each measure in Project Z.

We do plan to make investment in structural reform and growth, but what is important for us is to focus management resources on priority areas. While providing support for each Project Z initiative from a financial and capital perspective, as the director in charge of finance, I believe it is my responsibility to assess the profitability and growth potential of each business and ensure that the entire group concentrates on cost-effective projects, particularly when making investment decisions.



Measures toward value creation

❶ Asset efficiency

We recognize the need to heighten asset efficiency, particularly through the reduction of inventories and the optimization of non-current assets. We intend to improve inventories in a short-term, intensive manner over a two-year period through 2025. We will reduce inventories through the implementation of a fundamental review of logistics and procurement strategy, organizational restructuring and model consolidation, and other measures, with the objective of achieving an inventory turnover ratio of 2.4 in 2027. With regard to non-current assets, we have set a hurdle rate to apply to investment decisions. The hurdle rate is set at our calculated cost of capital with a margin added, and we review it each year. We will make thorough investment decisions based on hurdle rates and focus investment on areas of growth, while improving asset efficiency through structural reforms including organizational restructuring and review of production lines.

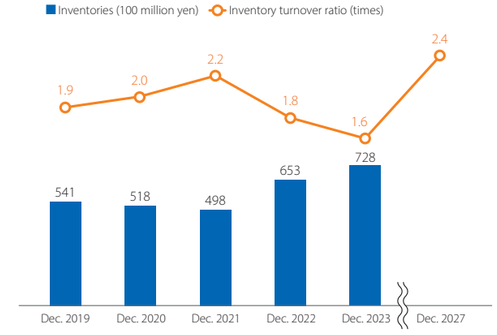
❷ Cash allocation for growth

We will work to generate 50.0 billion yen in operating cash flow over the four-year period from 2024 to 2027. Then, in the ensuing three-year period from 2028 to 2030, our target is 52.0 billion yen, even more than in the previous four years. From 2024 to 2027, we will invest aggressively to realize our structural reform and growth strategy by procuring funds in addition to operating cash flow. We will allocate the funds to the priority areas of our growth strategy in particular—namely "large, cutting-edge, dry fields, and environment"—along with the "Optimize production" bases and investment in human capital. We have also invested in venture companies as part of our growth-oriented outlay. In addition to growth investments, we will also seek to heighten operational efficiency and reduce costs through core system renewal and other investments in infrastructure. Beyond 2028, we will continue investing in our growth while reducing interest-bearing debt.

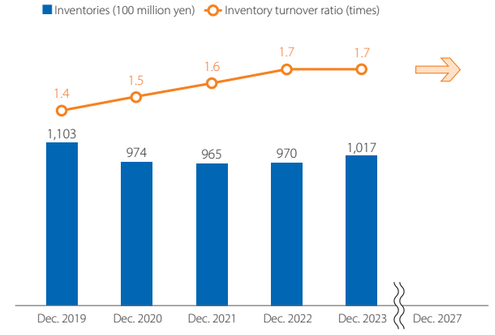
Shareholder return policy

ISEKI considers stable dividend payments to shareholders to be a key policy of the Company. We aim to achieve a DOE of 2% or more by 2027, while continuing to pay stable dividends. We intend to meet our shareholders' expectations by improving profitability and asset efficiency to achieve sustainable growth and raise corporate value.

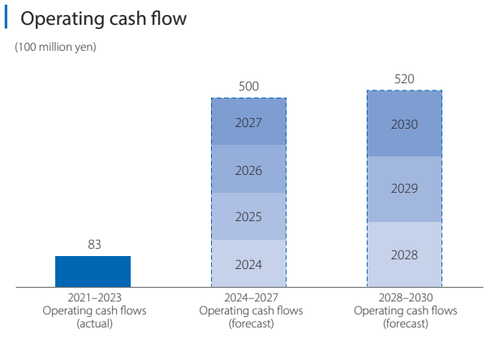
Inventories



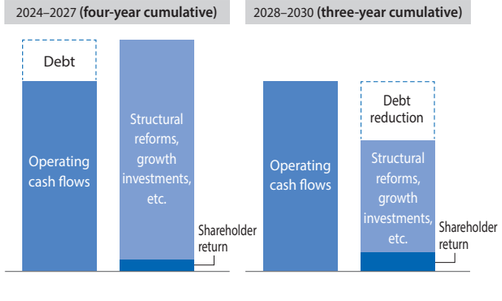
Non-current assets



Operating cash flow



Cash allocation



ISEKI Group's strengths

The strengths of ISEKI Group that create value are "technological capabilities," "support capabilities to offer farm business proposals," and "innovation based on collaboration," which we have cultivated over approximately a century. ISEKI Group will continue to generate social and economic value through business activities that leverage these strengths as a source of competitive advantage.

Technological capabilities	To develop breakthrough agricultural and landscape machinery and create innovation as a leading company
Support capabilities to offer farm business proposals	To solve customers' issues from both hard (agricultural machinery) and soft (production management and advanced farm business technologies) aspects
Innovation based on collaboration	To develop and provide groundbreaking products and services and pitch new value to the new markets by collaborating with partners in each field and region both in Japan and overseas

Initiatives to reinforce strengths (cultivation of expert personnel)

We have established an integrated human resource development system for development, production, and sales and services, and are focused on cultivating expert personnel in each specialized field. In addition to holding several technology contests internally to improve the Group-wide technological capabilities, ISEKI is also working to upgrade the skills of individual employees by encouraging them to obtain certified qualifications. We also conduct training for employees working outside Japan actively to roll out our technological capabilities and know-how developed in Japan globally. We will continue to promote initiatives to reinforce our strengths, which will lead to the provision of reliable manufacturing and revolutionary products and services.

Development

ISEKI Basic Engineering Training Center (IETC)

Nurturing young designers

Number of trainees: 410 in 2023

Holding of technological research presentations

Sharing R&D results and invention information to improve Group-wide technology

Fortify R&D capability

Production

ISEKI Technical Training Center (ITTC)

Nurturing leaders of production sites in Japan and overseas

Number of trainees: 151 in 2023

Holding of company-wide technology contest

Representatives from each production site gather to participate in a contest of manufacturing techniques.

Improve productivity and enhance quality

Sales and services

ISEKI Global Training Center (IGTC)

Nurturing sales and service staff in Japan and overseas

Number of trainees: 510 in 2023

Holding of service skills contest

Representatives from sales subsidiaries across Japan gather to show the accuracy and speed of their service skills.

Bolster technological and service capability

Reducing the environmental impact of agriculture and landscape maintenance operations globally with ISEKI technology

Tomoshi Kitagawa
Development & Production Division
General Manager, Green Innovation Promotion Section

Satoshi Sogabe
Business Division
General Manager, Dream Agricultural Solution Promotion Department
Director, Dream Agricultural Research Institute (DARI)

Keigo Seri
Overseas Business Division
General Manager, Europe Sales & Marketing Department

In Project Z, under which the Company aims to formulate and implement measures for fundamental structural reform and growth strategies, the ISEKI Group has identified "Leverage ISEKI technology to realize on a global scale reduced impact on the environment for agriculture and landscaping" as one of its key themes. This year's session featured a roundtable discussion among key front-line people on the themes of environmental response and value creation initiatives that leverage the ISEKI Group's strengths.

Q How do you position the environment in your business activities?

Kitagawa: The Green Innovation Promotion Section, to which I belong, conducts research and formulates development themes with an eye to developing electric products and utilizing new energy sources such as decarbonized fuel and hydrogen toward the realization of a carbon-neutral society.

Agriculture and landscaping business, which benefit from nature, are closely related to the environment and climate change, and significantly impact the Group's business environment.

Based on this perspective, we have positioned the "realization of a decarbonized and recycling-oriented society" as one of our priority issues (materiality). And, in our Environmental Vision revised in 2022, we have set the goal of creating a carbon-neutral, sustainable society by 2050 by providing innovative products and higher quality of services to the customers. In addition to promoting the dissemination of our business activities, products, and services, we have announced our endorsement of the Task Force on Climate-related Financial Disclosures (TCFD) recommendations in 2022 and operate our own eco-product certification system.*1 We are working to develop products that

contribute to mitigating environmental impact throughout their lifecycle, from raw material procurement to product disposal.

*1: Our unique system that certifies products with high environmental conformance that clear internal evaluation criteria in areas such as conservation of energy and labor, environmental burden reduction, resource conservation, and consideration of biodiversity.

Sogabe: As a supporter of our customers' farming business, the Dream Agricultural Solution Promotion Department is committed to environmental initiatives. We believe that mitigating environmental impact in line with the Ministry of Agriculture, Forestry and Fisheries' policy, "Strategy for Sustainable Food Systems, MIDORI" is a key theme. Large-scale farmers are more highly aware of environmental conservation. From 2024, cross-compliance*2 will also be required in order to receive subsidized projects. In response to this farming business environment, we plan to work on both expanding organic agriculture and reducing chemical fertilizers. To this end, we intend to steadily and repeatedly conduct verification testing, and provide environmentally friendly agricultural solutions while maintaining yields and profits.

*2: To ensure that implementing support does not create a new environmental burden by mandating the practice of minimum environmental impact reduction efforts when receiving subsidies from the Ministry of Agriculture, Forestry and Fisheries (MAFF), etc.

Seri: In Europe, while complying with various environmental regulations, we provide landscape maintenance machinery used for park and street cleaning. Within our business history of more than five decades, we have a proven track record of, and take pride in, having supported European urban development and expanding our business. In the meantime, the "European Green Deal" was announced in 2019. Our mainstay diesel engine products are also required to be carbon neutral. While this constitutes a major change in direction, our basic policy remains the same as it has been. As a company that supports European landscape maintenance, which is an essential business, we will continue to offer new electric and other products to satisfy new market demands.

Kitagawa: From a development standpoint, I think it is important to consider how we can add value to the electrification process. Transitioning from diesel engines to electric power will lead to greenhouse gas emissions in customer use dropping to zero. Looking ahead to the next phase, we are discussing with the production and sales sections how to provide added value to customers and the market and how to then link this to profitability. We are in the process of developing electric products with value only ISEKI can provide.

Q What solutions do you offer to help resolve issues for customers and the environment?

Sogabe: Even with regard to the solutions we provide in our domestic business, we concentrate on how we can offer high added value. One such effort is focused on variable fertilizing technology, which prevents the application of excess fertilizer, thus reducing the environmental burden. The use of a variable fertilizer rice transplanter equipped with a real-time automatic fertilizer adjustment function—our best weapon—has resulted in a 15% reduction in chemical fertilizer use compared with conventional systems, while verified results show it ensures the same yield and quality as conventional systems. The technology is highly regarded by customers as it reduces environmental impact while also making possible low-cost cultivation. Furthermore, a new rice transplanter compatible with the xarvio® FIELD MANAGER*3 fertilizing map went into full-scale operation in the spring of 2024. We are augmenting our variable fertilizer agricultural machinery lineup. Moreover, we are working to expand the use of organic farming in wet-rice cultivation, centered on the Aigamo-Robo, an automatic weeding robot. In a verification test conducted with the National Agriculture and Food Research Organization (NARO), Tokyo University of Agriculture and Technology, and Newgreen Inc. (formerly Yukimai Design Co., Ltd.), mechanical weeding frequency was reduced by an average of 58%, and yields increased by an average of 10% over conventional organic cultivation. There is great promise in organic and other environmentally sound agriculture as a market. We are convinced that this is a field in which we can leverage our singular strengths in proposals and providing support for farm business from both a tangible aspect such as smart agricultural machinery, and an intangible aspect such as farm business technology.

*3: AI-based cultivation management system recommended by Japan's National Federation of Agricultural Cooperative Associations (JA Zen-Noh). AI analysis of data such as soil and crop variety characteristics, weather information, and satellite images will enable the creation of efficient cultivation management plans.

Seri: In Europe, we are also focusing on rolling out environmentally friendly products. In 2022, we became Japan's first manufacturer to introduce an electric riding lawn mower to the market on a limited basis. The reason the release was on a limited basis was not only to gather know-how in terms of product development and production, but also to accumulate know-how in battery storage—which diesel engine-equipped machines do not have—as well as after-sales service and logistics, and to ascertain user needs. We achieved a certain degree of success as individual and semi-professional users, the target audience for the product, was sufficiently impressed by the development theme, "ensuring performance on a par with diesel engine specifications." We have also introduced products compatible with the use of hydrotreated vegetable oil (HVO) fuel, made by hydrotreating used cooking oil and other raw materials, to our diesel engine-powered product lineup. To heighten the competitiveness of our products, we plan to sequentially roll out the product in all models by 2025.

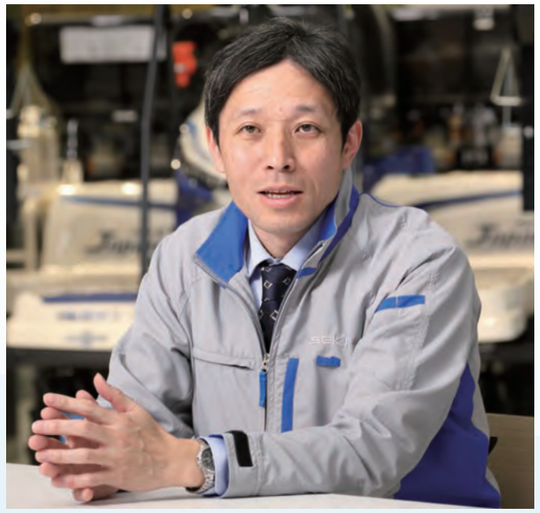
Kitagawa: We based the electric riding lawn mower on a small diesel engine model that had been well received in the European market—where environmental awareness is particularly high—as it allows us to respond swiftly to market needs. Although there are still numerous issues to overcome in the electrification of medium- and large-scale machines for professional users, such as extending continuous working hours, reducing the time required for recharging, and cost, we will effectively link the many opinions we obtained through monitoring surveys of previous small-scale machines to the development of the next generation of electric products.

Q Please tell us about any plans you have for future initiatives.

Kitagawa: While enhancing our own core technologies, instead of settling on a self-sufficient approach, we intend to generate new value by proactively incorporating highly specialized external technologies and ideas. We will collaborate with companies—including start-ups—as well as suppliers, universities, and government agencies more than we did previously to accelerate and streamline technology development in growth markets. We view it as important to achieve carbon neutrality not only through electric products—the keyword up to this point—but also, depending on the application and region, through the optimal combination of energy and technology. This includes the use of decarbonized fuels and hydrogen.

We will continue, through product development, to deliver value to our customers and the market that only ISEKI, an integrated manufacturer specializing in agricultural machinery, can offer, and we will strive to play a role in the food supply as well as in creating livable communities. As an extension of this, we would like to contribute to the creation of a social environment where young people, the leaders of the next generation, will want to choose a career in agriculture and the landscaping business itself, by making it more appealing.

Seri: We believe that we have built our current position in Europe together with our customers. We are now in a period of significant change in European environmental policy. As Mr. Kitagawa noted, we feel that we need to show agility in developing products that satisfy user needs. This includes transitioning to decarbonized fuels and electrification. Europe is the most vital region of our overseas endeavors. We intend to continue expanding our business in the environmentally conscious European market by providing high value-added solutions that focus on resolving issues that our customers and the global environment are faced with.



Sogabe: I believe that future initiatives will be concentrated on smart agriculture that utilizes cutting-edge technology and data and the term "environmentally sound agriculture" that I mentioned earlier. In my own, frank words, I would characterize it as "the achievement of profitable agriculture." Farmers are working very hard to realize sustainable agriculture. But it is ultimately meaningless without both sides involved. We would like to collaborate with farmers to make laborsaving, low-cost farming possible while also realizing profitable farm management. We are presently promoting about 12 projects in cooperation with municipalities, private-sector companies, and producers nationwide and, through strengthened collaboration, we intend to push forward a series of initiatives and further upgrade and deepen our solutions in growth markets.

Domestic Market Strategies

We will address the issues facing Japanese agriculture and achieve agriculture passed on to the next generation.

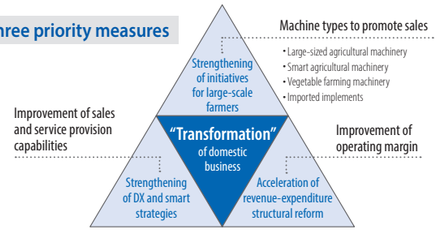
Noriaki Ishimoto
Corporate Officer
General Division Manager, Business Division

Although demand for agricultural machinery products declined in the fiscal year ended December 31, 2023, sales increased due to growth in maintenance revenue, a pillar of the revenue-expenditure structural reform, and other revenue. In the domestic market, we expect an acceleration of labor shortages due to a further decline in agricultural workforce, as well as farmland consolidation sparking a transition toward large-scale farming and smart agricultural machinery. There is also an increasing need for environmentally sound agriculture, as seen in the Strategy for Sustainable Food Systems, MIDORI, to mitigate the burden on the environment.

In our domestic market strategy, we will focus on strengthening our initiatives for large-scale farmers, DX and smart strategies, and bolstering our efforts in revenue-expenditure structural reform, and reinforce cooperation with various related partners with the aim of contributing to resolving the issues of Japanese agriculture. Furthermore, under Project Z, we will promote the integration of management of wide-area sales companies and the utilization of personnel in areas of growth so that we can heighten management efficiency and deliver solutions from the customer's point of view. We will continue to contribute to the sustainable development of Japanese agriculture by supporting a farm industry full of dreams.

Business policy

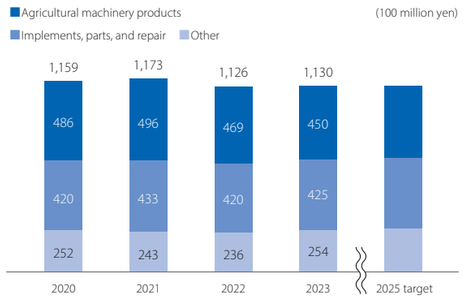
Three priority measures



Measures to realize fundamental structural reforms and growth strategies

- **Fundamental structural reforms:** intensification of domestic sales (management integration of wide-area sales companies)
- **Growth strategies:** flexible and wide-area utilization of human resources

Net sales



Market environment

- Labor shortage following aging of farm workers, etc.
- Acceleration of consolidation of farmland and increased large-scale farming
- Promotion of diversification of cultivation
- Acceleration of smart agriculture
- Improvement in food self-sufficiency rate
- Strengthen initiatives for food security
- Increasing interests in environmentally sound agriculture
- Revisions of the Basic Act on Food, Agriculture and Rural Areas

Ministry of Agriculture, Forestry and Fisheries' "Strategy for Sustainable Food Systems, MIDORI"

In May 2021, the Ministry of Agriculture, Forestry and Fisheries formulated the "Strategy for Sustainable Food Systems, MIDORI," which strikes a balance between the productivity improvement and sustainability in food, agriculture, forestry and fishery industries through innovations, for the purpose of establishing a sustainable food system.

— 2050 targets related to agricultural production —

- To achieve zero CO_2 emissions in agriculture, forestry and fishery industries
- To reduce the use of agrochemicals by 50%
- To reduce the use of chemical fertilizers made from imported raw materials and fossil fuels by 30%
- To expand areas of organic agriculture to 25% (1 million hectares) of total cultivated land

Priority measures ❶ Strengthening of initiatives for large-scale farmers

Productivity improvement by laborsaving through smart agricultural machinery

Demand for smart agricultural machinery that leverages ICT and robot technologies is growing following changes in the Japan's agricultural structure. For the immediate future, revisions of the Basic Act on Food, Agriculture and Rural Areas are being considered; as part of the revisions, it is expected that new law concerning advancement of smart agriculture is formulated to promote, among others, introduction of new technologies including smart agriculture. Viewing these developments as business opportunities, the Company will provide various types of smart agricultural machinery that solves issues faced by Japan's agriculture and meets needs of large-sized business entities, and thereby contribute to productivity improvement through laborsaving.

Enhance lineup of products equipped with a function to assist straight traveling

Large-sized business entities who farm wide areas need technologies that reduce fatigue caused by long working hours and improve operational efficiency and accuracy. In response, the Company has worked to enhance the lineup of products equipped with a function to assist straight traveling, which enables them to eliminate the need to operate handles while working straight ahead. Starting with large-sized rice transplanters in 2017, we launched small-sized tractors in 2021 and mid-sized tractors and large-sized combine harvesters in 2022. Now, we offer the function for all three major machine types: tractors, rice transplanters, and combine harvesters. Mid-sized tractors (BF series) launched in 2023, which represent the largest market segment of the Company, are adapted to many implements and have enabled a wide variety of work styles. The sales ratio of machine types equipped with a function to assist straight traveling is increasing year by year. The Company is committed to further penetration.

BF series mid-sized tractors (equipped with a function to assist straight traveling) which have undergone the first model change in 10 years and which represent our largest market segment

Enhance lineup of the large-sized robotic agricultural machinery

The Company offers robotic agricultural machinery which operates unmanned automatically under manned monitoring, and concentrates on establishing efficient agriculture through reduction in the number of required workers and laborsaving. As for tractors, the Company commercialized the 65HP class in 2018, and launched the 75HP and 98HP classes in 2021 and in 2024, the first 120HP class robotic tractors in the industry to further respond to increased large-scale farming. We also brought rice transplanters into the market in 2022. By strengthening the lineup of the large-sized robotic agricultural machinery, we will transform the work styles and thereby contribute to expansion of the business scale by improving productivity through super laborsaving.

GNSS-equipped robotic rice transplanters which enable unmanned work through remote control

Value creation through promotion and penetration of environmentally sound agriculture

In addition to the promotion of the "Strategy for Sustainable Food Systems, MIDORI," response to climate change is being required starting from 2024, as seen in the fact that businesses under the Ministry of Agriculture, Forestry and Fisheries have been obligated to work to reduce environmental burden. At the same time, there is a growing focus on environmentally sound agriculture, including organic farming, toward the realization of sustainable agriculture such as adding value to farm products. The Company views the environment as one of the growth areas and has strengthened provision of community-based solutions in both tangible and intangible ways.

Income per 10 acres of organic rice farming nearly triples that of conventional rice farming. On the other hand, in week management, it is said to take about five times longer*, and it has been a challenge to reduce labor for weed management. The Company enters into partnership agreements with local governments across the nation and proposes a variety of technologies, not just for agricultural machinery, using "Aigamo-Robo" developed by NEWGREEN Inc. (former Yukimai Design Co., Ltd.) as a sample for prospective customers. This automatic weeding robot controls growth of weed by agitating water and rolling up mud to block sunlight.

In addition, the Company entered into a business alliance with Faeger Co. Ltd. in 2023, to expand initiatives related to J-Credit. "Amoni," a web portal operated by the Company for farm business solutions, offers rice growth forecast service and various technologies to provide farmers with information necessary for calculating the appropriate midseason drainage period. The Company also promotes environmental preservation throughout the agricultural industry by supporting application and approval procedures, etc. required for generating J-Credit.

*Source: Ministry of Agriculture, Forestry and Fisheries, "Current State of Japan's Organic Agriculture"

Aigamo-Robo, an automatic weeding robot

Domestic Market Strategies

Priority measures ❷ Strengthening of DX and smart strategies

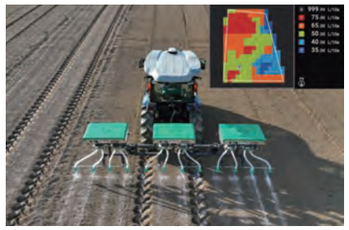
In order to cope with aging of farm workers and labor shortage, improve productivity, and conduct more sophisticated agricultural management, the Company believes that it is important to realize a transformation to new agriculture that utilizes sensor technologies and data. As of 2022, the ratio of agricultural business entities who implement agriculture that utilizes data was 26% nationwide and 65%* in Hokkaido; this ratio is expected to increase further in the future. ISEKI Group is working to promote and expand precision farming and smart agriculture from a perspective of production sites, while strengthening collaboration with various related partners.

*Source: Ministry of Agriculture, Forestry and Fisheries, "2023 Study on Agricultural Structure Dynamics"

Link with sensor map data "Variable fertilizing technology" to adjust to the soil imbalances

Nutrients in soil is unbalanced; therefore, it is important for the quality stabilization to adjust the quantity of fertilizer used according to the state of soil and equalize crop growth. The Company adjusts the quantity of fertilizer used for each area (or on a specific-area basis) according to the soil imbalances. We have developed the "variable fertilizing technology" which enables reduction of fertilizer while maintaining the yield and quality.

In 2015, the Company launched real-time variable fertilizer rice transplanters which automatically adjust the quantity of fertilizer while measuring soil imbalances using a sensor. Afterwards, it launched a smart fertilizer top dressing system that enables variable fertilizer addition for rice and wheat in 2020, and then rice transplanters and tractors equipped with a variable fertilizing function that links with map data in 2023. The Company proposes environmentally friendly agriculture while supporting quality improvement and cost reduction through realization of high precision operation.



Machine types equipped with a variable fertilizing function that links with map data also supports map data of "xarvio® FIELD MANAGER" promoted by JA Zen-Noh.

TOPIC **Customer feedback** — Mr. Kazunori Sakamoto, Representative Director of Sakamoto Farm K.K.

At present, we are farming rice in 30 hectares, vegetables in 2 hectares and fruits in 6 acres. We introduced variable fertilizer rice transplanters in 2017. The price of variable fertilizer rice transplanters is higher than conventional rice transplanters; however, we could reduce fertilizer costs amid the recent surge in prices of agricultural materials. The longer the period of use, the greater the investment effect. We are undertaking challenges for further cost reduction such as to gradually decrease the quantity of fertilizer based on the results, including the harvest, of the previous year, while assessing the line that fully secures the yield and quality. Fields consolidated through infrastructure development had different soil conditions depending on locations; as such, equalization of growth was the issue. However, we have eliminated the growth imbalances by utilizing the variable fertilizer rice transplanters.

Farm business support utilizing data

There is a growing need for enhancement of business management efficiency in response to increasingly complicated farming and operational process management associated with an increase in areas managed. "ISEKI AGRISUPPORT," which creates data from information on agricultural machinery operation, links its data with "agri-note," which is an agricultural business management tool, and supports efficiency improvement of agricultural management by automatically accumulating farming operation records. In addition, it enables data-driven farming management, and thus is expected to contribute to the cost reduction and yield increase, as it makes it possible to, for example, set the optimal quantity of fertilizer used by variable fertilizer rice transplanters based on yield data.

In 2024, the Company entered into a capital and business alliance with WaterCell Inc. which offers agri-note. We will strengthen the information platform functions that agri-note has and expand the data linkage.

"Amoni," a web portal for farm business information, offers a rice growth forecast service for each field and variety based on weather data as a function convenient for farming management, and thereby supports optimization of farming management.

We will provide services that utilize data in various situations and contribute to realization of highly profitable agriculture through visualization of agricultural management.

Support farming management that links with agricultural machinery

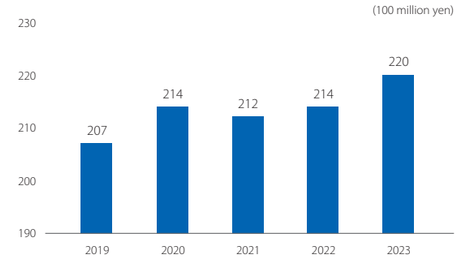
Agri-note visualizes through map, etc. operational information and records obtained by ISEKI AGRISUPPORT

Priority measures ❸ Strengthen efforts toward revenue-expenditure structural reform

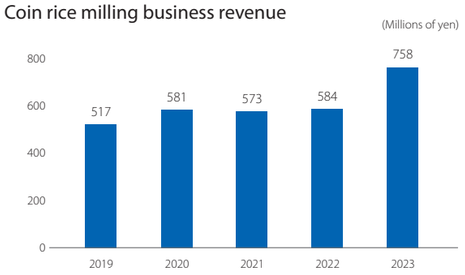
The Company is working to increase maintenance revenue (parts sales and repair fees) which accounts for about 20% of domestic net sales, with the aim of building a stable revenue base that is not affected by the environment of demand for agricultural machinery. Revenue has been steadily increased thanks to higher demand for planned maintenance associated with increased large-scale farming as well as our efforts to strengthen service activities. We will continue to place an emphasis on maintenance as a pillar of revenue of sales subsidiaries. In addition, the coin rice milling business has contributed to securing revenue stably. In 2023, the Company launched coin rice milling machines equipped with a function called "UMAMI rice milling," which has a 6-7% higher rice taste analysis value (tastiness indicator) than standard rice milling.

Furthermore, the Company has been conducting a block strategy with the aim of achieving optimal allocation of sales bases and human resources and thereby working to improve management efficiency. The Company strives to improve profitability by dividing sales bases into blocks centering on large-sized maintenance bases and making investment decisions from a comprehensive perspective that includes profitability of the region, share, and demand for large-sized machinery.

Maintenance revenue



Coin rice milling business revenue



Measures to realize fundamental structural reforms and growth strategies Project Z

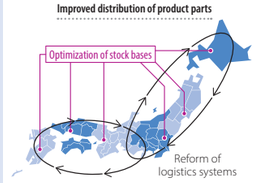
"Improved management efficiency achieved by consolidation of resources"

The Company plans to implement reorganization in January 2025 through management integration of six wide-area sales companies. Through the reorganization, the Company intends to improve management efficiency by means of consolidating management resources, such as reducing logistics costs (warehousing and transportation costs) through the reform of stock bases and logistics systems, achieving efficient stock management and stock reduction through central stock management, and streamlining redundant indirect operations.

Improved management efficiency achieved by consolidation of resources

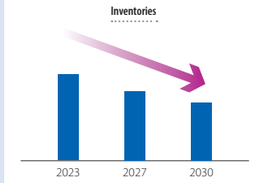
Improved distribution of product parts

Reduction of logistics costs through the optimization of stock bases and reform of logistics systems



Efficient stock management

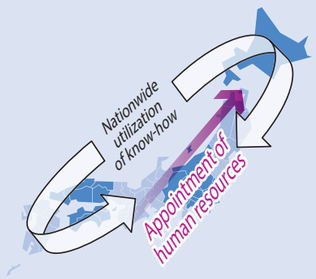
Efficient stock management and stock reduction through nationwide central stock management



"Growth strategies: Flexible and wide-area utilization of human resources"

In the context of an accelerating decline in the number of farm workers, growing interest in environmentally sound agriculture as seen in the "Strategy for Sustainable Food Systems, MIDORI," and intensified efforts to achieve food security, "large-sized machinery," "dry fields," and "environment" markets are expected to expand based on advanced technologies. The Company will focus on providing solutions in these growth markets. Through the management integration of sales subsidiaries, the Company will further develop its domestic business by flexibly utilizing human resources with know-how in the wider area and allocating resources to growth markets.

Similarly, in the high-profitability businesses such as the maintenance business and used machinery business as well, the Company aims to establish a business model with stronger earning power by utilizing strengths and know-how of each sales subsidiary on a nationwide basis.



Overseas market strategies

As a "solution provider for agriculture and landscape," we will contribute to local needs worldwide through manufacturing.

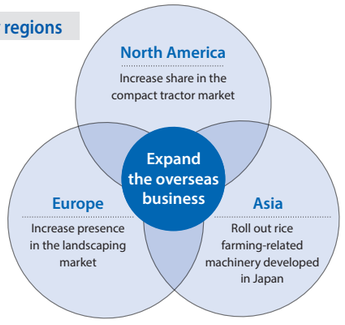
Kazuya Tani
Director & Senior Corporate Officer
General Division Manager, Overseas Business Division

The fiscal year ended December 31, 2023 was a year of increasing uncertainty in the business environment, with prices and geopolitical risks growing globally. Strong performance in Europe, however, drove our overseas business, and enabled us to achieve record sales for the third year in a row. We successfully followed the path we set forth in our Mid-term Management Plan for our overseas business and achieved our 2025 sales target ahead of schedule.

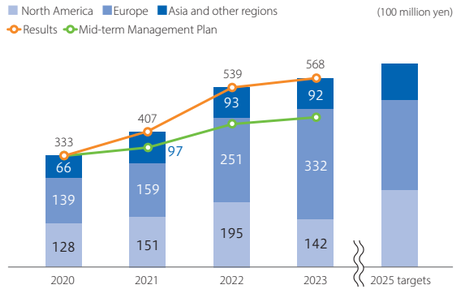
Moreover, with Project Z, we aim to accelerate our growth beyond the objectives established in our Mid-term Management Plan. We will further promote Non-Agri products in particular—which are used by professional users in Europe to maintain landscape and for light work by individual users in North America—as a segment to serve as a driver for our growth strategy. In Asia, we will expand our business foundation to capitalize on growth potential in the agricultural field, where we can fully demonstrate the technology and know-how we have cultivated in the domestic market. Based on this selection and concentration, we will roll out businesses that have an impact on agriculture, the environment, and people's lives, with the aim of realizing a prosperous society.

Business policy

Three priority regions



Net sales



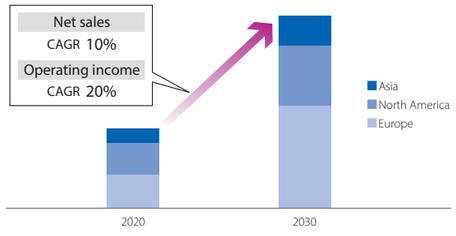
Measures to realize growth strategies

North America	Promote the increase in share through cooperation with AGCO Corporation Launch new products such as environmentally-friendly ones
Europe	Increase environmentally-friendly products such as electrical ones Increase products for consumers Promote central stock management, etc.
Asia	Strengthen sales channels of IST Farm Machinery Co., Ltd. Launch machinery manufactured by TAFE Launch high-performance machinery

*AGCO Corporation: OEM customer
*IST Farm Machinery Co., Ltd.: The Company's Thai sales subsidiary
*TAFE: Indian agricultural machinery manufacturer with which the Company has entered into business alliance

Capture demand in each region precisely and accelerate the profitability improvement and business expansion.

[Net sales] *CAGR: Compound annual growth rate



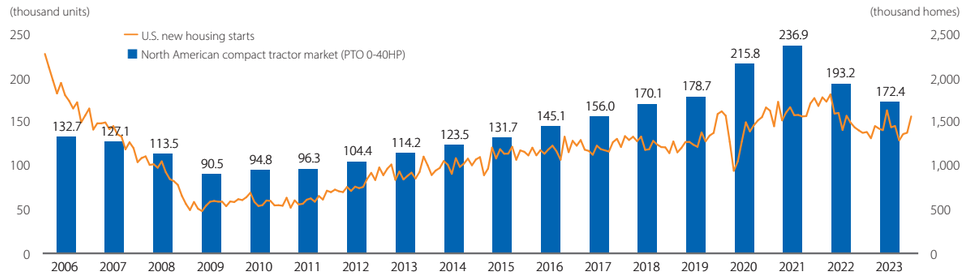
Priority measures 1 North America: Strengthen relationship with AGCO Corporation and increase share in the compact tractor market

In the North American market, we supply compact tractors with 40HP or less on an OEM basis as the Massey Ferguson brand to AGCO Corporation which is a local partner and a major global manufacturer of agricultural machinery. The products are used mainly by private users for various applications such as light civil engineering, garden maintenance, and snow clearing work in the cold area. The products are ergonomically designed from a perspective of users, and highly recognized by local users as well.

Demand for compact tractors has been rapidly increasing in the past 10 years. In 2020 and 2021 in particular, demand strongly increased following changes in the lifestyles such as moving to the suburbs. The year 2022 onward faced the adjustment phase; however, the market size remains large, with sales unit of about 170,000. The Company will implement product and sales strategies that meet market needs to steadily capture this demand.

Compact tractors used for personal applications such as light civil engineering and garden work

Trends in North American compact tractor market and new housing starts



Sources: Association of Equipment Manufacturers (AEM), United States Census Bureau (USCB)

Measures to realize growth strategies Project Z

"Promote the increase in share through cooperation with AGCO Corporation" and "Launch new products such as environmentally-friendly ones"

In order to accelerate expansion of the overseas business, the Company has positioned the sales expansion of Non-Agri tractor products mainly in the European and North American markets as the "key segment that drives growth strategies."

In the North American market, the Company will further strengthen the cooperation with the strategic partner, AGCO Corporation, focus on expansion of the sales network of local dealers and development and provision of products to meet more diversifying and sophisticating needs of the market in a smooth and precise manner, and thereby aim to increase share. For the environment area in particular, where demand is expected to increase in the future, we will concentrate our efforts on rolling out solutions to mitigate environmental burden. In addition, we will commence local marketing, besides conventional supply of products on an OEM basis, to strengthen our competitiveness by developing and providing highly unique products that respond to the North American nature of the region's wide area.

It will be important to immediately respond to orders received from customers in addition to ensuring the product appeal; as such, PT ISEKI INDONESIA which produces compact tractors, etc. targeted at North America worked to strengthen its system by reinforcing its production capacity in 2023.

We will continue to strengthen cooperation with AGCO Corporation and contribute to enrich customers' private lives.

Overseas Market Strategies

Priority measures 2 Europe: Further expansion of presence in the landscaping market

In the European markets, the Company offers Non-Agri products for landscaping to be used for mowing lawns in parks, road cleaning, and snow clearing work by professional contractors who undertake task from municipalities. The landscaping business is essential business that cannot be interrupted from the perspective of maintaining comfortable city functions. Therefore, products are required to have a high level of quality and functionality including comfortableness and durability. The Company has established the ISEKI brand over 50 years of history of its business in Europe by deploying sales activities and providing services to the entire region, and thereby contributed to town development of Europe.

In France which is one of the largest European markets, ISEKI France, a consolidated subsidiary, has developed a sales and service network with over 200 bases in the country. Net sales and operating income of ISEKI France hit a record high in the fiscal year ended December 31, 2023, resulting from its efforts to focus on the provision of high value-added products and services.

ISEKI Germany became our consolidated subsidiary in 2022 so that we can further expand presence in Europe, and possesses development and manufacturing functions in addition to provision of sales activities and services. By making the maximum use of the strengths of ISEKI Germany, we will develop our business in a consistent manner through such initiatives as product development that captures market needs at an early stage.

Riding lawn mower that play an active role in mowing in parks and ranches

Tractor clearing snow with a snow blower mounted in its front

Measures to realize growth strategies Project Z

"Increase environmentally-friendly products such as electrical ones," "Increase products for consumers" and "Promote central stock management, etc."

The European markets account for about 60% of overseas sales in the fiscal year ended December 31, 2023, boasting high profitability. Therefore, the Company regard them as the most important markets for further growth of its overseas business.

It is a region with high awareness of and interest in environmental problems such as reduction of CO_2 emissions. Accordingly, in addition to previously implemented emissions regulations, demand for solutions that lead to mitigation of environmental burden is expected to increase. The Company regards the environment as one of the growth areas, and is committed to expansion of environmentally friendly products toward realization of carbon neutrality. We launched riding lawn mowers that run on biofuels (HVO fuels produced through hydrogenation of used cooking oil, etc.) in 2023. The Company plans to implement this initiative to all models one after another by 2025, and aims to strengthen product competitiveness. Furthermore, given the rapid advancement toward electrification, we commenced limited sales of riding lawn mowers powered by lithium-ion batteries in 2022. By being the first Japanese company to bring this product to market, we have successfully increased presence, and plan to enhance the lineup in the future. Moreover, in addition to the Company's products, we will increase purchased products for consumers for which we have put efforts to expand sales in response to changes in lifestyles, with the aim of expanding sales. Also, in the future, we will establish a central stocking system in the European region to scale up revenue opportunities and improve asset efficiency through timely provision of products to customers.

We will continue to contribute to protection of beautiful European cityscape and development of towns where people can continue to live through provision of products and services that satisfy customers.

Priority measures 3 Asia: Business expansion through leveraging technologies and know-how developed in Japan

In Asia, we are supporting improvement of agricultural productivity and food production through provision of agricultural machinery and services that utilize technologies and know-how developed in the domestic market.

ASEAN

In the ASEAN markets, we offer agricultural machinery for field crops and rice farming. Under the tropical rain forest (hot and rainy) environment, products are often used by contractors in severe conditions such as long working hours. Therefore, there are needs for durability and low prices. With IST Farm Machinery Co., Ltd. which became a consolidated subsidiary in 2020 at the core, we work to sell and provide services to Thailand and neighboring countries. In Thailand, in addition to conventional rice farming, we focus on sales of agricultural machinery for field crops such as sugarcane and cassava. We successfully increased sales of tractors for field crops in 2023 by stepping up promotion through exhibitions and demonstrations, and by targeting enterprises in a concerted effort with local distributors.

Highly durable tractors used in fields with lots of stones and gravels

East Asia

In the Korean and Taiwanese markets, we mainly sell agricultural machinery for rice farming through sales agents (South Korea: TYM; Taiwan: International Agricultural Machinery Co., Ltd.). In both countries, farm workers are decreasing and aging, and farmland is being consolidated as in Japan; and therefore there are growing needs for larger-sized machinery and high-performance models with high durability. Based on technologies and know-how for rice transplanters equipped with a function to assist straight traveling, highly-durable tractors, combine harvesters, etc. developed in the domestic market, we supply products that are finely tuned to local farming systems.

Measures to realize growth strategies Project Z

"ASEAN: Strengthen sales channels of IST Farm Machinery Co., Ltd."

The ASEAN markets have high potentialities in the medium to long term with expectations for an increase in food demand associated with population growth. With IST Farm Machinery Co., Ltd. at the core, we will continue to expand business in Thailand and neighboring countries by further strengthening the sales and service system and improving profitability.

"India: Rolling out of TAFE-produced machinery"

In order to globalize development, production, and sales, in 2018, we entered into a technical and business alliance agreement with TAFE, which boasts the No. 2 share in India which is the world's largest tractor market, and have promoted collaboration. In 2022, we launched co-developed and TAFE-produced small-sized tractors in Thailand. In addition, in order to manufacture and sell the Company's products with more competitive prices, we commenced procurement of parts for production from TAFE. We aim to deepen the relationship with TAFE and expand sales and revenue through global business development.

"East Asia: Launch high-performance machinery"

Toward improvement of agricultural productivity, demand for high-performance machinery is expected to continue in the future. The Company will roll out high-performance machinery such as rice transplanters equipped with variable fertilizing technologies and combine harvesters equipped with a function to assist straight traveling, and at the same time, based on the policies to encourage cultivation diversification, offer products for field crops. In addition, we will provide fulfilled technology and service training for sales agents to focus on post-sales services that lead to customer satisfaction.

Product/Development Strategies

We will concentrate on areas of growth and create valuable products that will be selected by markets worldwide.

Tsutomu Watanabe
Corporate Officers
General Division Manager, Development & Production Division

In the fiscal year ended December 31, 2023, we were embroiled in a challenging business environment in which raw material and energy prices were soaring. Amidst these conditions, while implementing a host of measures in the areas of development, procurement, and manufacturing, we introduced a total of 19 new models (series), including the BF Series tractor and Frontier Master (FM) Series combine harvester—both in the volume zone—to the domestic and overseas markets.

In our management strategy, we have been promoting initiatives to concentrate resources on regions and products where we are strong and on growth markets, as well as structural reforms. And, under Project Z, we will steadily put these initiatives into practice with a sense of urgency. With regard to fundamental structural reforms, we will promote the "Optimize production" by integrating the management of production sites, and of development by selecting and concentrating development models and reforming development methods. This will help us to build a structure that enables us to concentrate management resources on growth markets. As for our product strategy, we will focus on the fields of large, cutting-edge, environment, and dry fields—where significant growth is expected—and create highly competitive, valuable products that will aid our customers in solving their problems.

Business policy

Product development

Focus on regions, products, and growth markets, which are our strength

Japan	● Response to large-scale farming
Overseas	● Response to brand expansion
Common	● Safety and environmental responses ● Frontrunner development

Structural reforms through establishment of an optimal production system

- Improve quality and earning power through selection and concentration
- Improve productivity through optimal allocation of human resources and facilities
- Strengthen the production system on a global basis

Measures to realize fundamental structural reforms and growth strategies

Fundamental structural reforms:

- "Optimize production" (optimal allocation of machine types produced and production bases, capital investment for the future, environmental responses, and efficiency improvement)
- "Optimize development" (concentration of development resources, and efficiency improvement through the use of shared design)

Growth strategies:

- Concentration of development capability in the priority areas of the growth markets (automation, laborsaving, and mitigation of environmental burden)

Research and development policy

We conduct research and development in line with the four spirits as the engineer, upholding the mission of "contributing to society through agricultural machinery."

Spirits as the engineer

- Market ideas
- Exert all technical potential
- Always being one step ahead of the competitors
- Be totally dedicated to product philosophy

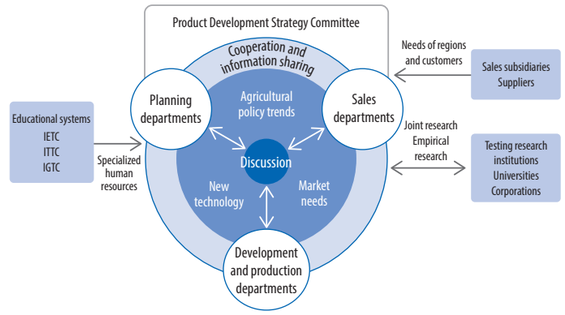
The Company's characteristics in research and development, production

- Maximized product value based on technological capabilities and intellectual property strategies
- Brand power of combine harvester "JAPAN" and rice transplanter "Sanae"
- Joint research and development in collaboration with research institutions, universities, etc.
- Strengthened collaboration with Dream Agricultural Research Institute (initiatives for smart agriculture that utilize advanced technologies)
- Development of specialized human resources in research and development and at production sites

Research and development system

We have built a research and development system that displays collective power through mutual collaboration among the planning, development, production, and sales departments, and manufacture products that meet the market needs of each country and region. The "Product Development Strategy Committee" regularly discusses the direction with an eye on medium-term solution of social issues from the recent business perspective, and determines basic policies and plans for product strategies and research and development. For advanced technologies, a priority area, the "Advanced Technology Strategic Committee" narrows down themes to be addressed and shares technological trends, takes a deep dive into issues, and discusses business development that leverages the Company's strengths.

The Iseki Basic Engineering Training Center (IETC), which is a training facility specialized in designing technologies, dedicates itself to foster human resources to promote frontrunner development such as application of robotic technology and electrification. In addition, the Company creates new value by integrating external help with the Company's core technologies in various forms such as joint research and open innovations with universities and corporations.



Joint development projects in FY2023

Research institutions	9 themes
Universities	1 theme

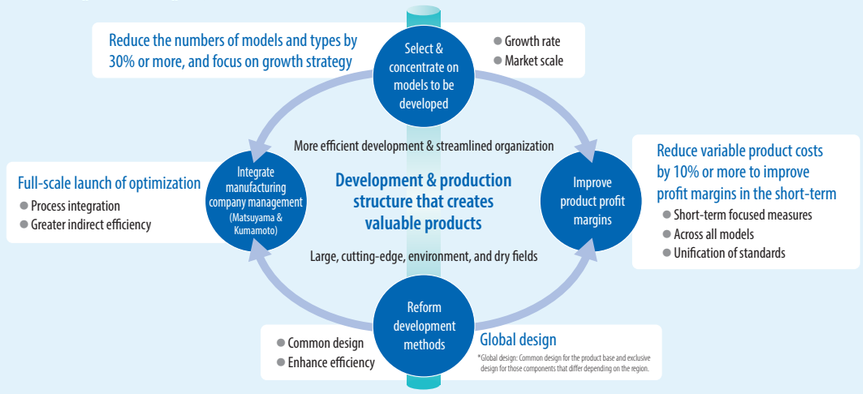
Measures to realize fundamental structural reforms and growth strategies Project Z

"Optimize development"

The Company will concentrate resources in the growth strategies for "large, cutting-edge, environment, and dry fields" by reducing the machine types (series) and models to be developed by at least 30% through selection and concentration. In addition, even if products have different targeted markets, technologies that support them are in common in many cases. Therefore, we will promote development optimization by reforming the develop methods that include global design in which we apply shared design for the product body, and then design parts specifically to meet the needs of different regions. Through effective and efficient utilization of investment in research and development centered around the aforementioned initiatives, we will work to improve the product margin in the in the near future with the aim of reducing product variable expenses by at least 10%, and also strive to realize production optimization.

"Realize automation, laborsaving, and lower environmental burden in agricultural and landscaping work"

The Company will narrow down priority areas based on growth potential, etc. of markets and concentrate management resources in the areas where its strengths can be leveraged. We will focus on research and development particularly on technologies related to mitigation of environmental burden such as advanced technologies for automation, laborsaving, etc., variable fertilizing technologies, and electrification.



Product/Development Strategies

Production system

We have five domestic production bases (Matsuyama, Kumamoto, Niigata, Shigenobu and Minamiyoshida) and three overseas bases (Indonesia and two venture factories in China). The high-mix, low-volume production system in Japan enables us to promptly respond to diverse needs; on the other hand, each product is manufactured at a different production base, and it is important to realize production standardization. Therefore, we work on various initiatives to establish an optimal production system.

We are working to reduce fixed costs by promoting external production of parts and processes previously manufactured in-house, while continuing in-house production of core technologies that have high added value and require the transmission of skills, and accumulating know-how. We have shifted human resources to higher value-added operations by improving the productivity and enhancing and stabilizing the quality through introduction of facilities that utilize robotic and IT technologies, while responding to labor shortage through laborsaving and ensuring the safety of workers. We have horizontally deployed systems at other bases for which we have confirmed effectiveness of their introduction, leading to overall improvement of productivity. In addition, we stopped in-house development and production of dryers in December 2022 and switched to purchasing and selling.

With an eye on the further expansion of the Company's overseas business, we are promoting strengthening of systems and production transfer at PT ISEKI INDONESIA, our global production base. Production of riding lawn mowers for Europe, which was previously produced at ISEKI-Matsuyama MFG. Co., Ltd. has been transferred to PT ISEKI INDONESIA since July 2022, realizing cost reduction. Furthermore, we expanded PT ISEKI INDONESIA by constructing a new factory building in 2023 to increase its production capacity to 22,000 units, whereby we established a system that enables production at lower cost. The number of units produced at PT ISEKI INDONESIA in 2023 and 2024 was temporarily decreased due to production adjustments conducted in response to the trend in the North American market. However, we expect that the number will increase in the future as we further transfer production of products currently manufactured in Japan and promote growth strategies of the overseas business.

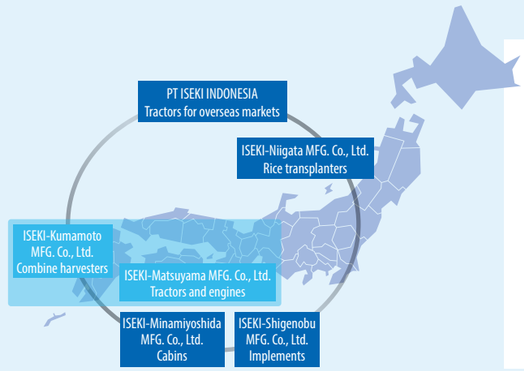
PT ISEKI INDONESIA with strengthened production capacity

We will accelerate our establishment of an optimal production system on a global basis and improve profitability.

Measures to realize fundamental structural reforms and growth strategies Project Z

"Optimize production"

While we have been promoting the establishment of an optimal production system for domestic and overseas production sites as a priority measure to enhance profitability, we will further accelerate the effort through Project Z. In July 2024, the Company plans management integration through reorganization of ISEKI-Matsuyama MFG. Co., Ltd., our mother factory which manufactures tractors and engines, and ISEKI-Kumamoto MFG. Co., Ltd. which manufactures combine harvesters. Optimal allocation of machine types and production bases and capital investment for the future are included in the measures under the reform. The Company will consolidate processes that are redundant among production bases, realize reduction of stock and fixed costs through consolidation of human resources, investments, and systems, and strengthen a structure by optimizing production and assets. In addition, we will strengthen the system at PT ISEKI INDONESIA to increase production and accelerate global expansion.



Basic policy

- "Create robustly-structured manufacturing companies"
- Integrate human resources, investment & systems to generate synergy through greater operational efficiency and cost reductions
  - Enhance production efficiency
  - Effectively utilize human resources
  - Enhance asset efficiency
  - Reduce inventories
  - Reduce fixed costs
- Establish a structure for expanding production at PT ISEKI INDONESIA

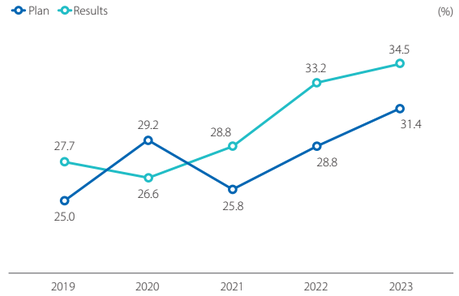
Procurement: Strengthening supply chain management

We have strengthened our initiatives for optimal procurement based on central purchasing by integrating the Purchasing Department of Head Office and procurement departments of manufacturing subsidiaries. While overseas procurement including indirect purchasing is increasing every year, exceeding 30% in FY2023, the Company promotes optimal procurement by considering returning procurement to Japan in regard to geopolitical risks such as conflicts, terrorism, and other problems, and preparing solution plans for each region in regard to foreign exchange risks caused by the weaker yen.

The Company entered into a technical and business alliance agreement with TAFE, which boasts the second largest share in India. In order to strengthen price competitiveness of our products, the Company started to use parts produced by TAFE in our tractors, and will adopt them to other machine types in the future.

By continuing to strengthen communication with suppliers, the Company aims to avoid production loss and line stoppage risks, conduct stable production, and procure parts of good quality at fair prices.

Percentage of procurement from overseas suppliers



TOPICS

Automation

Development of industry's first manned monitoring-based robotic tractors for the 120HP class

While the labor shortage issue has become serious amid the decline in the number of farm workers, it is required to ensure food security and improve food self-sufficiency. As one of the solutions to these issues, autonomous agricultural machinery (robotic agricultural machinery) that contributes to super laborsaving of agricultural work has been attracting attention. For large-sized fields in particular, expectations for large-sized-class unmanned tractors have been growing, as they will lead to an increase in operational efficiency through cooperative work, etc. In this market where future expansion is expected, the Company commercialized 120HP robotic tractors which are the largest class in Japan ahead of other companies.

Unmanned operations compliant with the "Guidelines to Ensure Safety"

Unmanned operations under manned monitoring are enabled by satisfying the Level 2 set forth in the "Guidelines to Ensure Safety."

Smooth automatic operations

Smooth automatic operations are realized by addressing the issue of false detection of dust scattered by field crop operations.

Expansion to large-sized fields

The product can be used even in larger-sized fields due to the improved communication function.

Reduction of environmental burden

Development of rice transplanters that utilize variable fertilizing technologies and map data

There is a growing need for utilization of variable fertilizing technologies that prevent excessive fertilizer application as a countermeasure against climate change, in step with the progress in the data utilization associated with increased large-scale farming conducted by rice farmers. In addition to variable fertilizer rice transplanters equipped with the Company's unique technologies, we launched map-data-linked variable fertilizer rice transplanters that are compatible with "xarvio® FIELD MANAGER" which is a farming management support system that utilizes AI and is promoted by JA Zen-Noh. Through such means, the Company further strengthened the lineup of smart rice transplanters.

Reduction of fertilizer cost

The product restrains farmers from excessive or insufficient fertilizing by changing the quantity of fertilizer based on data of the fertilizing maps.

Stabilization of crop quality

The product eliminates growth imbalances and reduces lodging by controlling soil imbalances by curbing excessive fertilizing.

Easy operation

Anyone can easily operate the product because the map registration, which was previously required, is no longer necessary to load maps from ISEKI AGRISUPPORT.

Response to climate change

In May 2022, ISEKI Group announced its endorsement of the TCFD Recommendations, and since then, has disclosed information in line with the Recommendations.

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

Governance

Agriculture and the landscaping business, which benefit from nature, are closely connected to climate change. Given their potential for a major impact on the business activities of ISEKI Group, an integrated manufacturer specializing in agricultural machinery, we have positioned taking measures for climate change as one of our priority management issues and are practicing environmental management.

Climate change-related risks and opportunities are managed centrally by the ESG Committee. The Committee meets monthly in principle, examining and deliberating on climate change-related risks and opportunities four times a year. The results of deliberations at the Committee meetings are recommended to the Board of Directors, and important matters are deliberated and determined by the Board of Directors. This framework enables the management team to strengthen their involvement. (Please refer to p. 53 for information about the ESG Committee)

Strategy

In 2021, ISEKI Group conducted a trial analysis on climate change scenarios to understand the impact of climate change on our business, manage associated risks and opportunities, and factor these into our management decisions.

Based on the two scenarios, namely, the 1.5°C/2°C Scenario in reference to external scenarios and the 4°C Scenario, we analyzed the entire value chain of the agricultural machinery business, the core business of ISEKI Group, both in Japan and overseas, and identified risks and opportunities as of 2050. Collection and analysis of data were conducted across the whole ISEKI Group (domestic sales, overseas sales, product planning, finance, procurement, quality, and environment-related departments), with the Strategic Planning Section of the Corporate Planning Department playing a central role. Year 2030 is envisaged in qualitative and quantitative evaluations.

World view of each scenario (envisaging 2030)

4°C Scenario

Prioritize economic development resulting in aggravation of temperature rise and its effects

Natural environment	Farm workers
• Decrease in areas for rice farming • Increase in average temperature and severe typhoon and flood damage	• Damage to agricultural soil caused by concentrated torrential rains • Radical changes in agricultural production infrastructure

Investors and financial institutions	Procurement
• Emphasis on BCPs and risk management due to concerns over disaster risks	• Disruption in the supply chain due to damage from storms and floods

Impact on ISEKI & CO., LTD.

Physical risks	Physical risks	Opportunities
<Business suspension and increased countermeasure expenses> caused by temperature rise and catastrophic disasters	<Changes in demand for products> caused by changes in the agricultural environment	

1.5°C/2°C Scenario

Transform business towards decarbonization and success in curbing temperature rise

Natural environment	Farm workers
• Temperature rise and consistent increases in the frequency of storm and flood disasters	• Face changes associated with the progress of decarbonization in agricultural machinery and agricultural methods

Government	Investors and financial institutions	Procurement
• Full-scale introduction of policies toward carbon neutrality	• Expand ESG investments and loans, and withdraw from businesses that consume fossil fuels	• Raw material price hikes and demand surges caused by tightened environment regulations

Impact on ISEKI & CO., LTD.

Physical risks	Transition risks	Opportunities	Transition risks	Opportunities
< Business suspension and increased countermeasure expenses > caused by temperature rise and occurrence of storm and flood disasters However, the impact can be limited compared to the 4°C Scenario	<Changes in operational and procurement costs> associated with the progress in decarbonization policies and responses		<Changes in business opportunities> associated with advancement of demand for decarbonization	

Risks, opportunities, and countermeasures based on scenario analysis

Risk category		Details	1.5°C/2°C Scenario: Financial impact	1.5°C/2°C Scenario: Potential	4°C Scenario: Financial impact	4°C Scenario: Potential	Timescale for measures	Direction of strategies and measures	Existing initiatives	Future initiatives
Transition risk	Technology	Decline in competitiveness caused by delays in technological development	Medium	Medium	Medium	Medium	Short term	• R&D of carbon-free agriculture • R&D of agricultural machinery that supports agriculture adapted to natural disasters and rising temperatures	• Sales of products featuring straight-travel assist systems (tractors, combine harvesters, and rice transplanters) • Starting limited sales of electric riding lawn mowers (Dec. 2022) • Starting sales of biofuels (HVO)-compatible products	• Enhancing lineup of automatic steering-enabled & robotic agricultural machinery • R&D of electric agricultural machinery • R&D of agricultural machinery adapted to natural disasters and rising temperatures
	Market	Decline in sales due to decline in demand caused by needs and social infrastructure status	Large	Small	Medium	Small	Short term			
	Policy	Increase in operation cost due to introduction of carbon tax and emissions trading scheme Basis for calculation of financial impact ▶Supplementary information on P51	Medium (1.1 billion yen/year of increased cost burden)	Medium	Small (0.35 billion yen/year of increased cost burden)	Medium	Mid term	• Provision of increasingly detailed TCFD information disclosures • Comprehensive understanding of greenhouse gas emissions and stocktake of reduction plans	• Identification of climate change risks and opportunities, scenario analysis • Understanding and disclosure of greenhouse gas emissions (Scope 1, 2 & 3) • Introduction of International Renewable Energy Certificate (I-REC) at overseas business bases (from 2022)	• Regular revision of climate change risks and opportunities and reflection in management plans • Understanding of greenhouse gas emissions, including sales bases, and revision of scope of reduction targets • Consideration of the introduction of ICP
	Reputation	Deterioration of reputation among shareholders and other stakeholders, divestment, or plummeting share price	Small	Medium	Small	Medium	Mid term			
	Market	Changes in supply chain caused by climate change result in higher manufacturing costs, making it difficult to provide products	Small	Medium	Small	Medium	Long term	• Close monitoring of global material prices caused by climate change and improvement of material input efficiency • Close monitoring of status of water resources with respect to climate change	• Understanding of input of material and water resources • Setting reduction targets for water consumption (global production bases) • Reducing weight of parts using iron, reducing processing waste	• Reducing weight of parts using iron, reducing processing waste • Recycling of cooling water, use of reclaimed water (stormwater, etc.)
Physical risk	Acute	Suspension of product and service provision systems due to damage suffered by the Company/supply chain caused by severe typhoon and flood damage Basis for calculation of financial impact ▶Supplementary information on P51	Medium (4.8 billion yen/year reduction in sales)	Medium	Medium (6.8 billion yen/year reduction in sales)	Medium	Short term	• Understanding of detailed flood risks to production and sales bases and supply chain • Formulation of BCP that encompasses supply chain	• Formulation of BCP (offices, production, and sales sites in Japan) • Mapping of domestic suppliers, formulation of diversification plan	• Understanding of detailed flood risk of the entire supply chain, including overseas bases • Formulation of BCP that encompasses global supply chain
	Chronic	Decline in value of existing products	Medium	Small	Large	Medium	Long term	• Rebuilding of product sales channels in line with changes and reduction of farmable areas • Promotion of procurement of renewable electricity and energy conservation	• Fuel switching and introduction of cogeneration facilities • Establishment of energy conservation targets (global production bases) • Recognition as risks • Preparation of draft decarbonization plan at each production site • Creation of a decarbonization roadmap for the entire Group	• Setting targets for renewable energy ratio to energy consumption • Establishment of renewable energy power generation facilities • Energy consumption efficiency improvement through production optimization • Detailed survey of long-term changes in farmable areas
		Increase in energy price caused by rise in temperature	Small	Large	Small	Large	Long term			
		Rebuilding of product sales channels in line with changes and reduction of farmable areas due to progression of climate change	Small	Small	Small	Small	Long term			
Opportunities	Products and services	Increase in demand for agricultural machinery that contributes to energy conservation and greenhouse gas reduction	Large	Small	Medium	Small	Short term	• R&D of carbon-free agriculture • R&D of agricultural machinery that supports agriculture adapted to natural disasters and rising temperatures	• Sales of products featuring straight-travel assist systems (tractors, combine harvesters, and rice transplanters) • Starting limited sales of electric riding lawn mowers (Dec. 2022) • Starting sales of biofuels (HVO)-compatible products	• Enhancing lineup of automatic steering-enabled & robotic agricultural machinery • R&D of electric agricultural machinery • R&D of agricultural machinery adapted to natural disasters and rising temperatures
		Increase in sales of products and services that accommodate changes in the agricultural environment caused by climate change	Large	Medium	Large	Medium	Short term			
		Increase in demand for solutions that contribute to reducing greenhouse gas emissions from farming soil	Medium	Medium	Small	Medium	Mid term	• Close monitoring of trends in subsidy schemes of national and local governments • Deliberation of solutions that respond to farm producers' needs • Establishment of sustainable infrastructure for agricultural production	• Innovation in environmentally sound agriculture based on collaboration with companies and local governments • Business alliance with Faeger Co. Ltd. related to J-Credit • Sales of tractors and rice transplanters that are compatible with a farming management system (variable fertilizing map) that utilizes AI	• Formulation of business plans as for-profit business • Demonstration of model cases, nationwide rollout of business

Potential: Large (short term: within 3 years); Medium (mid term: 3 to 5 years), Small (long term: 5 years or longer)

Response to climate change

Management of risks and opportunities

Risks and opportunities identified in the scenario analyses are categorized and assessed on two axes (four quadrants); one is the magnitude of financial impact and the other is the degree of the potential of such financial impact. This helps us determine the timescale for measures to address the risks and opportunities. The ESG Committee has established a system for categorization, assessment, and follow-up of risks and opportunities. It will continue to review the system on a yearly basis, including examining and deliberating on strategies and confirming new risks in line with environmental changes. Management of risks that may affect business activities in the short term is integrated into management by the Risk Management Working Group (WG). In doing so, we strive to prevent risks from materializing and minimize losses, to contribute to smooth business operations and preserve assets within our operational processes in accordance with risk management regulations. (Please refer to P79-80 for information about the Risk Management WG)

Meeting bodies that discuss future directions of product planning, development themes, and other issues, such as the Product Development Strategy Committee and the Advanced Technology Strategic Committee, evaluate and deliberate opportunities for climate change-related products and solutions and incorporate the results with certain importance in the development planning with the approvals of the Directors' Operation Committee and the Board of Directors.

Indicators and targets

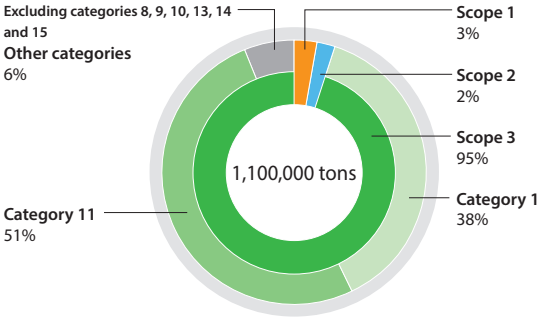
ISEKI Group strives to contribute to the creation of a carbon-neutral and sustainable society by 2050 through "providing innovative products and higher quality of services to the customers."

Indicators	Targets (mid- to long-term environmental targets)
CO_2 emissions for entire ISEKI Group (Scope 1 & 2)	2030 46% reduction compared with 2014 (Total)
Eco-product ratio in domestic sales	2025 65% ratio in domestic sales

Initiatives throughout the entire value chain	
Scope 3 Category 1	In April 2022, we asked suppliers to establish their own voluntary CO_2 reduction targets We aim to formulate CO_2 reduction targets in collaboration with suppliers that account for 70% of transaction amount
Scope 3 Category 11	We are conducting R&D on electrification of agricultural machinery and agricultural machinery that uses alternative energy sources such as hydrogen
Other	We participate in decarbonization demonstration projects in the agricultural industry in collaboration with local governments and other partners. Such projects include the promotion and expansion of environmentally sound agriculture.

*Please refer to P61 for progress in achieving mid- to long-term environmental targets in 2023. Information about the eco-product certification system and past results are posted on the Company's website.

CO_2 emissions from value chain



2023 Results	
Total of Scope 1, 2 & 3	1,100,000 tons
Scope 1	28,000 tons
Scope 2	27,000 tons
Scope 3	1,050,000 tons
Category 1	420,000 tons
Category 11	560,000 tons
Other categories	67,000 tons

Scope of calculations:
Consolidated companies of ISEKI Group (including overseas sites)

*These figures are calculated with reference to the Basic Guidelines on Accounting for Greenhouse Gas Emissions Throughout the Supply Chain of the Ministry of the Environment and Ministry of Economy, Trade and Industry.
*Category 11 includes future emissions based on the assumption that the products sold in the respective years will be used for their useful lives.
*Category 12 includes future emissions during the disposal of products sold in the respective years.
*Scope 3 emissions of overseas sites are calculated based on the emission intensity database for Japan.
*For details of emissions in each category, please refer to the Company's website.

Supplementary information

External scenario mainly referenced in the scenario analysis

1.5°C/2°C Scenario	IPCC AR6 SSP1-1.9, SSP1-2.6 (Climate policy scenario in which post-industrial temperature increase can be curbed to less than 1.5°C/2°C), IEA's NZE scenario, and APS scenario
4°C Scenario	IPCC AR6 SSP3-7.0, SSP5-8.5 (scenario in which no climate policy is introduced due to regional conflicts and dependence on fossil fuels)

Basis for calculation of financial impact

Increase in operation cost due to introduction of carbon tax and emissions trading scheme

- Increased tax burdens associated with ISEKI Group's total GHG emissions in 2030 were calculated by multiplying ISEKI Group's emissions volume in FY2020 (64,000 tons/year [Scope 1 & 2]) by the relevant carbon price (1 U.S. dollar = 140 yen).
- For the 1.5°C/2°C Scenario, the carbon price used was 130 U.S. dollars/ton in 2030 (the carbon price for advanced economies in Net Zero by 2050: A Roadmap for the Global Energy Sector, published by the International Energy Agency [IEA]).
- For the 4°C Scenario, the carbon price used was 39 U.S. dollars/ton in 2030 (an assumption based on the carbon price for Europe in the IEA World Energy Outlook 2020's Stated Policies Scenario [STEPS]).

Suspension of product and service provision systems due to damage suffered by the Company/supply chain caused by severe typhoon and flood damage

- The financial impact of flooding was calculated for ISEKI's production bases, and for the production bases of suppliers from which we purchase 100 million yen or more of raw materials or parts per year.
- The impact on our own production bases was surmised by prorating average net sales from 2020 to 2021; the impact on suppliers was surmised by prorating the value of supplies purchased in 2021 from the aforementioned suppliers.
- Flood risk was determined by creating a risks and hazards map for each base using the World Wildlife Fund Water Risk Filter.
- As ISEKI has a business continuity plan (BCP), our calculation assumed that the time required to recommence sales or business would be 20 days (from data provided by the Small and Medium Enterprise Agency).