



# ISEKI Report 2024



Contact about this ISEKI report

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**ISEKI & CO., LTD.**

# What ISEKI Group aims for

## Corporate Philosophy — Purpose —

ISEKI Group strives to contribute to the creation of the prosperous and sustainable society through “providing innovative products and higher quality of services to the customers”



## Long-term Vision — Vision —

To be a “Solution Provider for Agriculture & Landscape”

Supporting a farming industry full of dreams and beautiful landscapes and creating a future of sustainable agriculture and landscape

## Important Values — Value —

### Spirit

Inheriting our company's founding philosophy, we always carefully consider food, agriculture and landscape and move forward with farmers.

### Front runner

As a front-runner, we produce innovative products and higher quality services.

### Quality

We will always make premium quality products with passion.

### Solution

We constantly take action for solutions to customer issues.

### Innovation

We create innovations and provide new value.

### Global

With a global perspective, we work toward solutions to the world's social issues.

### Future

Paving the way for tomorrow, open up the future of food, agriculture and landscape.

## Spirit of ISEKI – Passion of founder –

“I want to free farmers from exhausting labor”

Agriculture was hard work, done by hand and with the help of animal power. To change this, Kunisaburo Iseki, the founder, realized laborsaving through mechanization and endeavored to further develop agriculture. “We produce good machinery,” Kunisaburo Iseki, the founder, used to say. He devoted himself to providing products that made customers happy. The founder's passion has been inherited in an unbroken line to this day as “ISEKI's spirit.”

## Company Motto

Our management philosophy is to provide:

1. Products that satisfy customers;
2. A stable workplace to the employees;
3. Appropriate dividend to the shareholders;

and thereby we will fulfil our social mission.

# Key Points of ISEKI Report 2024

ISEKI Report consists of three pillars of ISEKI Group's value creation: "ISEKI Group's value creation aims," "Business strategies for value creation," and "Foundation for sustainable growth." We have been striving to enhance and improve the content based on opinions of stakeholders on our ISEKI Reports and insights obtained through daily engagement activities, among other things.

Key Point

1

## "Project Z" measures to promote fundamental structural reforms and growth strategies

This section showcases purposes of "Project Z," which was announced on February 14, 2024, toward the realization of our long-term vision, "To be a 'Solution Provider for Agriculture & Landscape,'" as well as growth stories and measures for fundamental structural reforms and growth strategies.

- P13-18 Message from our President
- P25-28 Project Z
- P37-40 Domestic Market Strategies
- P41-44 Overseas Market Strategies
- P45-48 Product/Development Strategies

Key Point

2

## Business activities that leverage the strengths of ISEKI Group — theme: environmental responses —

Through the roundtable discussion by General Manager of Green Innovation Promotion Section, Director of Dream Agricultural Research Institute, General Manager of Europe Sales & Marketing Department themed environmental responses, this section provides in-depth explanations on our initiatives toward value creation leveraging "Technological capabilities," "Support capabilities to offer farm business proposals," and "Innovation based on collaboration," which are the strength of ISEKI Group.

- P33-36 ISEKI Group's strengths

Key Point

3

## Initiatives to strengthen corporate governance

Through a message from the Outside Director who serves as the Chair of the Board of Directors, this section introduces initiatives to strengthen governance with the aim of improving corporate value.

- P67-68 Message From an Outside Director

Two new female Directors assumed their offices upon approval at the Ordinary General Meeting of Shareholders held in March 2024, for the purpose of increasing diversity of the Board of Directors. Messages from the newly appointed Outside Directors are presented.

- P74 Messages From Newly Appointed Outside Directors

### Publication of "ISEKI Report 2024"

The Company has published ISEKI Reports since 2019, for the purpose of having constructive dialogue with stakeholders. This report was edited through united efforts of related departments, that organized a Group-wide project led mainly by young and mid-career employees who will be responsible for ISEKI Group's next generation. As the Director in charge of investor relations, with responsibility for this report's preparation, I affirm that this report was produced in good faith with the involvement of the management team and the cooperation of related departments, and its content is accurate.

Director & Senior Corporate Officer  
In charge of Personnel,  
Corporate Planning, and  
Public & Investor Relations  
Deputy in charge of Compliance

Masayuki Fukami

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### Editing policy

This report has been published with the aim of communicating our initiatives for medium- to long-term improvement of the corporate value of ISEKI Group to a wide range of stakeholders including shareholders and investors from both financial and non-financial aspects.

### Covered period

From January through December 2023.

The report also includes some information from and after January 2024.

### Scope

As a general rule, this report covers the activities of ISEKI & Co., Ltd. and ISEKI Group's associated companies in Japan and overseas; notes are added when the scope is limited in certain part hereof.

### Referenced guidelines, etc.

IFRS Foundation, "The Integrated Reporting Framework" / Ministry of Economy, Trade and Industry, "Guidance for Collaborative Value Creation 2.0" / GRI, "Sustainability Reporting Standards" / ISO26000 / SDGs / Ministry of the Environment, "Environmental Reporting Guidelines" / Task Force on Climate-related Financial Disclosures (TCFD)

### Positioning of information disclosure

ISEKI Group has issued a variety of communication tools to enable constructive dialogues with stakeholders. For detailed information on operating results, ESG data, etc., please refer to the latest information on "Investor Relations" and "Sustainability" pages of our website; along with the ISEKI Report.

Financial information      Non-financial information

Integrated Report (ISEKI Report)	
<ul style="list-style-type: none"> <li>• Management strategies (Mid-term Management Plan)</li> <li>• Securities reports</li> <li>• Quarterly financial summaries</li> <li>• Quarterly briefing presentation materials</li> <li>• Business reports</li> </ul>	<ul style="list-style-type: none"> <li>• Corporate Governance Report</li> <li>• ESG data</li> </ul>
Website (Investor Relations / Sustainability)	

### Notes on forward-looking information

Forward-looking statements contained in this report are based on information available at the time of the preparation and involve potential risks and uncertainties. Actual results may differ from those expressed by the statements due to changes in economic conditions and market trends.

\*Amounts and numbers of shares are rounded down to the unit.

# History of solving social issues

## We have contributed to society in the fields of "food, agriculture, and landscape."

The Company has inherited the passion of our founder, "I want to free farmers from exhausting labor," and continued to generate value that contributes to solution of social issues and grow by "providing innovative products and higher quality of services to the customers" in the fields of "food, agriculture, and landscape." We will take on challenges to solve global social issues, with an eye toward the 100th anniversary of our foundation in 2025, and the future beyond.

### Foundation

## 1926

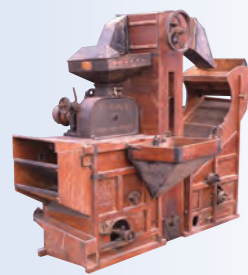
### Foundation

Kunisaburo Iseki, the founder, had a strong passion, "I want to free farmers from exhausting labor," originated from his experience in agriculture which was his family business. With this passion in mind, he established "Iseki Farm Implement Trading Co." in Matsuyama City, Ehime Prefecture and began selling fully-automated rice hullers. This is the start of the history of ISEKI Group that continues until today.

We have inherited the passion of the founder up to present in an unbroken line as ISEKI's DNA.



Kunisaburo Iseki, the founder



First fully-automated rice huller produced after the foundation

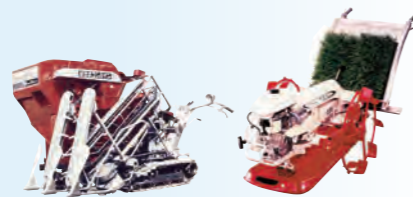
1926 Iseki Farm Implement Trading Co. was established  
1936 ISEKI & CO., LTD. was established

### 1945 to 1960s

## 1945-

### Supported the post-war food production increase and high economic growth

We have supported the post-war food production increase and high economic growth through contribution to automation and modernization of agriculture by developing numerous agricultural machinery and establishing the integrated rice cultivation system. We expanded sales bases nationwide to respond to the rapid increase in demand. The Company was the first to sell the walking combine harvester, "HD50-model Frontier," as the world's first auto-threshing combine harvester suitable for rice farming in rice paddies. In addition, the walking rice transplanter, "PF20," was equipped with a backward-tilting seedling tank which used plastic float, and established the current basic form. They were selected as part of "the best 100 innovations in post-war Japan" in 2014, recognizing them as products that significantly contributed to the development of industries and economy in Japan.



The world's first auto-threshing combine harvester, HD50-model

Walking rice transplanter equipped with a backward-tilting seedling tank, PF20

#### Issues and needs

- Post-war needs for a food production increase

#### Value

- Saving of labor and improvement of productivity through automation of agriculture

1946 Established Matsuyama Factory  
1949 Established Kumamoto Factory  
1958 Began establishing sales subsidiaries  
Subsequently, established sales subsidiaries around Japan  
1961 Established Niigata Factory  
Listed its shares on the Tokyo Stock Exchange  
1969 Renamed Tokyo Branch as Tokyo Headquarters

### 1970 to 1980s

## 1970-

### Expansion to overseas markets

We promoted expansion to overseas markets to enhance business of the Company. The Company concluded an agency agreement with the French agent, Yvan Beal (currently ISEKI France), in 1967, to commence export and sale of tillers that served as the full-fledged start of our business in Europe, and established a local subsidiary in Belgium in 1971. We promoted sale of tractors in the small-sized tractor market in North America and Europe, the main application of which are maintenance of parks and gardens, management of homegrown-vegetable gardens, etc. rather than the agricultural use. This initiative served as the foundation for the current landscaping business. In Asia, we embarked on global business by forming a sales network through efforts such as building relationships with local distributors, while providing cooperation in domestic production of agricultural machinery.



Export and sale of tillers in Europe

#### Issues and needs

- A decrease in agricultural workforce following the high economic growth
- Increased switchover to heavy industries
- Accelerated overseas business expansion of Japanese companies

#### Value

- Improved productivity through establishment of the integrated system for automating rice farming
- Contribution to Japan's economic development through larger-sized and more diversified agricultural machinery

1971 Established N.V. ISEKI Europe S.A.S. (currently ISEKI Europe GmbH) in Brussels  
1972 Expanded Matsuyama Factory, relocated Head Office to Matsuyama  
1977 Established Central Training Center in Ibaraki Prefecture  
Commenced exporting tractors (OEM) to North America

### 1985 to 2000s

## 1985-

### Strengthened support to offer farm business proposals

In 1990, labor hours\* in rice farming dropped to one-fourth of those of 1960, thanks to advances in mechanization. Meanwhile, mechanization needs for vegetable farming increased. We have contributed to laborsaving by developing transplanters that automatically plant vegetable seedlings through application of the transplanting technologies of rice transplanters which were the strength of the Company. Furthermore, in conjunction with agricultural machinery, we have strengthened support to offer farm business proposals by leveraging our farm business technologies and know-how accumulated so far, and provided value of new agriculture that contributes to improvement of agricultural productivity and food reliability and safety. The support capabilities to offer farm business proposals are the source of the current competitive edge of ISEKI Group. In addition, the Company started the coin rice milling business in 1984 and sale of automated successive rice cooking equipment in 1985. Through these and other efforts, we began activities in the field of food.

\*Direct labor hours per 10 acres in rice farming



Fully-automated vegetable transplanter, "Naueru PV101"

#### Issues and needs

- Accelerated decrease in number and aging of farm workers
- Improvement in food self-sufficiency rate
- Needs for a food production increase following world's population growth

#### Value

- Agricultural productivity improvement and landscaping through provision of agricultural machinery that is suitable for each region in Japan and overseas
- Provision of new agricultural value by supporting and offering proposals for farm business

2001 Separated the Production Section from the company and established ISEKI-Matsuyama MFG. Co., Ltd. and ISEKI-Kumamoto MFG. Co., Ltd.  
2003 Established Iseki-Changzhou Mfg. Co., Ltd. in Jiangsu Province, China

### 2010 to 2020s

## 2010-

### Acceleration of global expansion / promotion of sustainability

Starting with the establishment of PT ISEKI INDONESIA as a global production base in 2012, the Company accelerated its global expansion by, for example, establishing ISEKI SALES (THAILAND) in Thailand in 2013, and making a French agent, Yvan Beal (currently ISEKI France), a Thai distributor, IST Farm Machinery Co., Ltd., and ISEKI Germany, subsidiaries, in 2014, 2020, 2022, respectively. In the domestic market, we contributed to super laborsaving and higher profitability of agriculture by promoting smart agriculture that utilizes advanced technologies and data and environmentally sound agriculture, with the aim of responding to changes in the agricultural structure such as increased large-scale farming.



PT ISEKI INDONESIA, a global production base

#### Issues and needs

- Strengthening of food security
- Productivity improvement associated with increased large-scale farming and adding value to farm produce
- Increased responses to natural disasters and climate change
- Increased environmental responses and contribution to realization of decarbonized society

#### Value

- Agricultural productivity improvement through laborsaving, unmanned equipment, and data utilization
- Reduction in CO<sub>2</sub> emissions through promotion of environmentally sound agriculture, electrification, etc.

2011 Established Dongfeng Iseki Agricultural Machinery (Hubei) Co., Ltd. in Hubei Province, China  
2012 Established PT. ISEKI INDONESIA  
2013 Established ISEKI SALES (THAILAND) CO., Ltd. (current IST Farm Machinery CO., Ltd.)  
2014 Integrated the businesses of Iseki-Changzhou Mfg. Co., Ltd. and Dongfeng Iseki Agricultural Machinery (Hubei) Co., Ltd. and established Dongfeng Iseki Agricultural Machinery Co., Ltd.  
Acquired French agents Yvan Beal S.A.S. and YB Holding S.A.S. (current ISEKI France S.A.S.) and made them subsidiaries  
2015 Established Dream Agricultural Research Institute  
2020 Made Thai distributor IST Farm Machinery Co., Ltd. a subsidiary  
2022 Made Germany distributor Iseki-Maschinen GmbH a subsidiary

### Toward the future

#### Smart agriculture

We are promoting smart agriculture that utilizes the latest technologies such as robot technologies and information and communication technology (ICT).

We aim to realize highly efficient and productive farm business.



#### Contribution to agriculture of the world

We will contribute to more efficient food production and more productive agriculture through automation of agriculture in Asian and other countries.



#### Enhancement of quality of life

We will contribute to town development in Europe and enrichment of private lives in North America.



#### Environmental preservation

We will contribute to the realization of a decarbonized and recycling-oriented society.



# ISEKI Group

## At a glance

### Foundation

# August 1926



With a passion, "I want to free farmers from exhausting labor," Kunisaburo Iseki, the founder, established "Iseki Farm Implement Trading Co." in Matsuyama City, Ehime Prefecture.

### Consolidated net sales

# 169.9 billion yen



In Fiscal Year Ended December 31, 2023, since overseas sales hit a record high for three consecutive fiscal years, consolidated net sales also hit a record high.

### Group companies

# 21



Our associated companies include 20 consolidated subsidiaries in Japan and overseas: 9 domestic sales subsidiaries, 6 production-related companies, and others (2 domestic and 3 overseas companies), as well as 1 equity-method subsidiary.

### Overseas net sales (%)

# 33.5%



Overseas net sales grew to 33.5% from 21.3% five years ago. We have steadily increased our presence overseas, working to expand awareness of our brand.

### Number of employees (consolidated)

# 5,457



As of the end of 2023, 1,670 employees in development and manufacturing departments, 3,427 in sales departments, and 360 in other divisions.

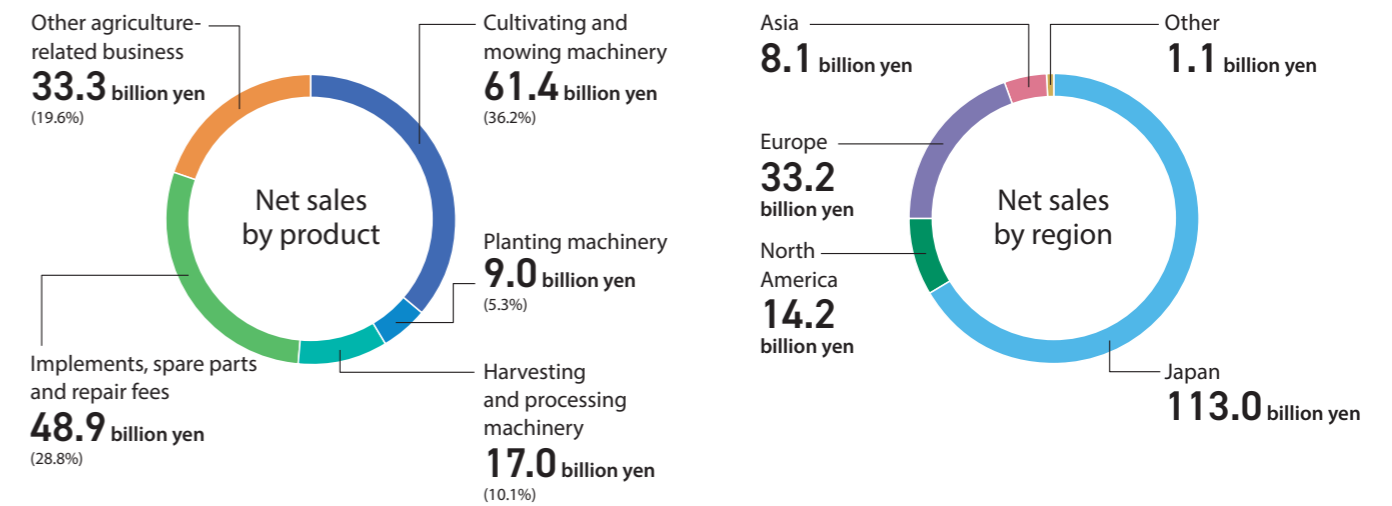
### Intellectual properties / Number of patent application registrations per specialty field

# No. 2



We have ranked highly since 2000 with regard to the numbers of laid-open applications and patent application registrations per specialty field in Japan. In 2022, we ranked second for the number of patent application registrations in the "other special machinery field," and ranked third for the patent allowance rate in all industries.

## Composition of net sales



## Overview of products and services

### Cultivating and mowing machinery



#### Main products

Tractors, riding lawn mowers, tillers, multipurpose vehicles, high-clearance multipurpose vehicles

#### Main sales region

Japan and Asia (Agri)  
Europe and North America (Non-Agri)

### Planting machinery



#### Main products

Rice transplanters, vegetable transplanters

#### Main sales region

Japan and Asia (Agri)

### Harvesting and processing machinery



#### Main products

Combine harvesters, binders, rice hullers, measuring and sorting machinery rice graders

#### Main sales region

Japan and Asia (Agri)

### Implements, spare parts and repair fees



#### Main products

Parts for repairing products of Japanese and foreign implements manufacturers, etc., repair, maintenance

#### Main sales region

Japan, Asia, Europe, and North America

### Other agriculture-related business



#### Main products

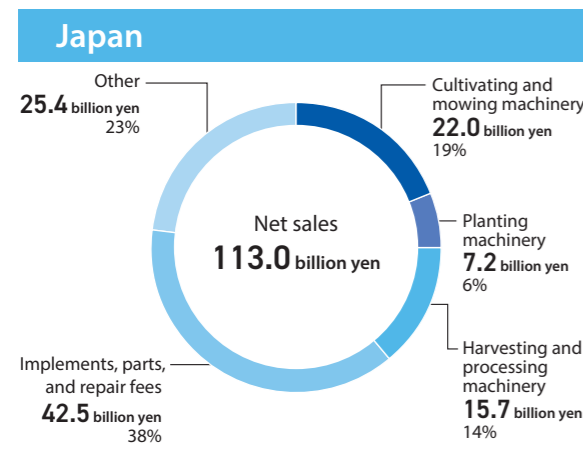
Facility construction, agricultural materials, coin rice milling business, rice cooking business

#### Main sales region

Japan

## ISEKI Group

We conduct business with priority on "Japan," "Asia," "Europe," and "North America."



Manned monitoring-based robot transplanters which promote high expectations for further laborsaving

Through sales subsidiaries, we sell agricultural machinery and provide services, as well as offer farm business proposals and support to realize highly profitable agriculture.

### Sales route

- 11 sales subsidiaries

### Agri products (for agricultural use)

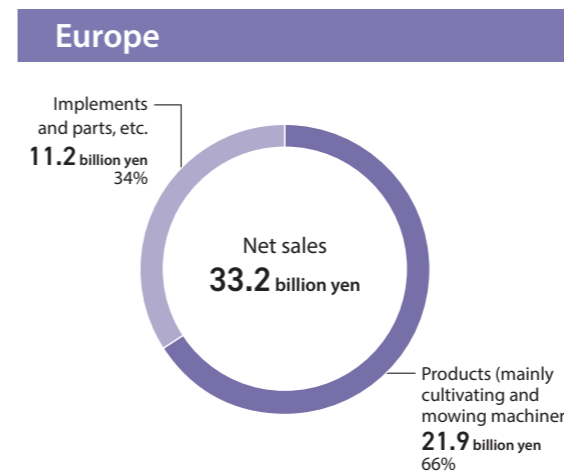
As an integrated manufacturer specializing in agricultural machinery, we have established an integrated system for automating farming of rice and field crops, and we also have a broad range of product lineup from products for hobby to ones for professionals.

### Implements, parts, and repair fees

Amid the increase in size of farm business, a greater emphasis has been placed on maintenance (readiness of parts and for repair) so as to enable systematic operations. We have placed a focus on this field, improving service systems, as a stable revenue base not too much dependent on market trends.

### Other

We handle construction of facilities such as agricultural facilities, agricultural materials such as fertilizers, and food/kitchen-related products, etc.



Riding lawn mowers used for maintenance, etc. of parks and fields

Since we started business in 1960s, the sales area has expanded to cover the entire Europe. We mainly sell landscaping machinery in this market where we have a significant presence.

### Sales route (major agents)

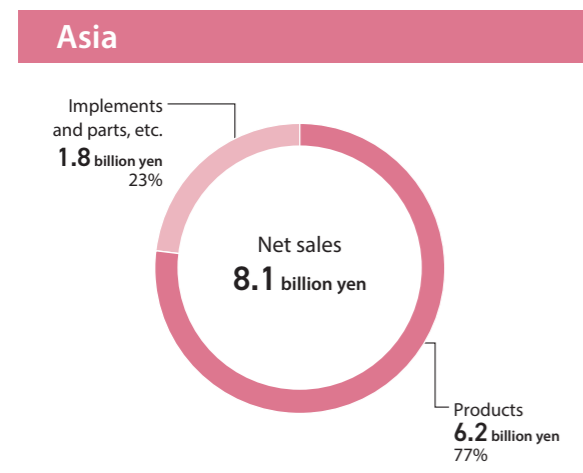
- France: ISEKI France (consolidated subsidiary)
- Germany: ISEKI Germany (consolidated subsidiary)
- U.K.: ISEKI UK & IRELAND

### Non-Agri products (for landscaping)

We offer ISEKI-brand products, mainly compact tractors used for landscaping, such as mowing lawns in parks and road cleaning, as well as riding lawn mowers.

### Other products

We purchase and sell electric- and gasoline-powered compact products for managing green space which have a high synergy effect with our products.



Tractors used in Thailand

In each of the ASEAN, East Asian (South Korea and Taiwan), and Chinese markets, we offer agricultural machinery using technology and know-how nurtured through our business in Japan.

### ASEAN

In the ASEAN market where future growth is expected, we conduct sales and services into Thailand and its neighboring countries with IST Farm Machinery Co., Ltd., our consolidated subsidiary, playing a central role.

### Sales route

- IST Farm Machinery Co., Ltd. (consolidated subsidiary)

### East Asia (South Korea and Taiwan)

In response to their increased needs for advanced technologies and large-scale agricultural machinery, we provide large-sized, high-performance rice-farming machinery, etc. that is in active use in Japan through local sales agents.

### Sales route

- South Korea: Local sales agents
- Taiwan: Local sales agents

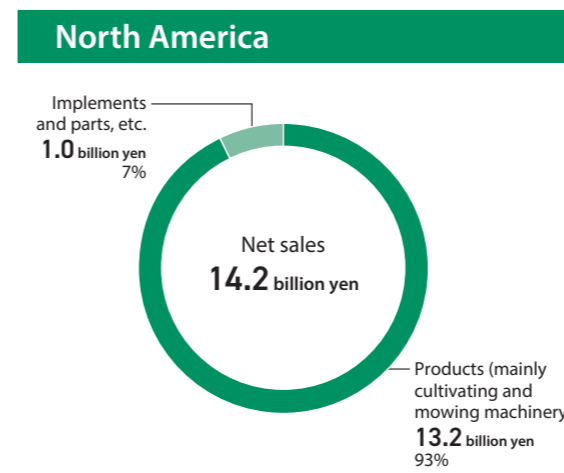
### China

We locally manufacture and sell tractors, rice transplanters, combine harvesters, etc. which are adapted to operation in rice paddies. We also sell agricultural machinery equipped with latest technologies and manufactured in Japan.

### Sales route

- Dongfeng Iseki (equity-method subsidiary)

\*Local net sales of Dongfeng Iseki are not included in our consolidated financial statements.



Used for hauling with a front loader



Used for mowing with a mower

We supply Massey Ferguson-brand products on an OEM basis through our business partnership with AGCO Corporation, a major global manufacturer of agricultural machinery.

### Sales route

- U.S. and Canada: AGCO Corporation (OEM)

### Non-Agri products (compact tractors, etc.)

We sell our products, mainly sub-compact tractors for private users, in entire North America, including Canada.

We contribute to the improvement of quality of private lives, as our compact tractors equipped with a front loader, backhoe, mower, etc. are used for park management and development, as well as hauling of such materials as feeds for horses.

ISEKI Group

Number of employees (consolidated)

5,457

Development and manufacturing department ... 1,670  
 Sales department ..... 3,427  
 Other division ..... 360

(As of December 31, 2023)

Japan: Main associated companies/sales subsidiaries

- Associated companies**
  - ISEKI-Matsuyama MFG. Co., Ltd. ◆
  - ISEKI-Kumamoto MFG. Co., Ltd. ◆
  - ISEKI-Niigata MFG. Co., Ltd. ◆
  - ISEKI-Shigenobu MFG. Co., Ltd. ◆
  - ISEKI-Minamiyoshida MFG. Co., Ltd. (\*1) ◆
  - ISEKI AGRI Co., Ltd.
  - ISEKI Logistics Co., Ltd.
  - ISEKI TLS Co., Ltd.
  - Kita-Nihon Shodo K. K.
- Sales subsidiaries**
  - ISEKI Hokkaido Co., Ltd. ■
  - ISEKI Tohoku Co., Ltd. ■
  - ISEKI Kanto Koshinetsu Co., Ltd. ■
  - Gunma ISEKI Sales Co., Ltd.
  - Ishikawa Shokai Co., Ltd. (\*1)
  - ISEKI Kansai Chubu Co., Ltd. ■
  - Mie ISEKI Sales Co., Ltd.
  - Nara Iseki Sales Co., Ltd. (\*1)
  - Nishioka Shokai Co., Ltd. (\*1)
  - ISEKI ChuShikoku Co., Ltd. ■
  - ISEKI Kyushu Co., Ltd. ■

We leverage group-wide strengths at home and abroad to engage in the business.  
 Our products are used in many countries and regions around the world.

Overseas: Main associated companies/strategic partners

[Associated companies]

- France** ISEKI France S.A.S. (ISEKI France)
- Germany** ISEKI Europe GmbH (ISEKI Europe)(\*1)  
Iseki-Maschinen GmbH (ISEKI Germany)
- U.K.** Premium Turf-Care Ltd. (ISEKI UK & IRELAND)(\*1)
- Thailand** IST Farm Machinery CO., Ltd.
- Indonesia** PT. ISEKI INDONESIA ◆
- China** Dongfeng Iseki Agricultural Machinery Co., Ltd. (Dongfeng Iseki) ◆ (\*1, 2)

[Strategic partners]

- U.S.** AGCO Corporation of AGCO Group (\*3) (AGCO)
- India** Tractors and Farm Equipment Limited (TAFE) (business alliance)

◆ Production sites  
 ■ Wide-area sales companies (our investment ratio: 100%)  
 \*1: Non-consolidated subsidiaries \*2: Equity-method subsidiary  
 \*3: OEM customer

(As of May 31, 2024)

Production sites/main machine types produced

Associated companies (location)	ISEKI-Matsuyama MFG. Co., Ltd. (Japan)	ISEKI-Kumamoto MFG. Co., Ltd. (Japan)	ISEKI-Niigata MFG. Co., Ltd. (Japan)	ISEKI-Shigenobu MFG. Co., Ltd. (Japan)	PT.ISEKI INDONESIA (Indonesia)	Dongfeng Iseki Agricultural Machinery Xiangyang Factory and Changzhou Factory (China)
Main machine types produced	Tractors, riding lawn mowers, high-clearance multipurpose vehicles, and diesel engines	Combine harvesters, and carrot harvesting machinery	Rice transplanters, vegetable transplanters, and rice hullers, binders	Tillers, multipurpose vehicles, and implements (rotaries, mowers, etc.)	Tractors and riding lawn mowers	Tractors, rice transplanters, combine harvesters, high-clearance multipurpose vehicles, and vegetable transplanters
Main destination for shipment	Japan, Asia, Europe, and North America	Japan and Asia	Japan and Asia	Japan, Asia, Europe, and North America	North America, Asia, and Europe	Asia

ISEKI Group's value creation aims

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“Toward the next 100 years...”

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

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

Shiro Tomiyasu

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

**ISEKI Group's mission**

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

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

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

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

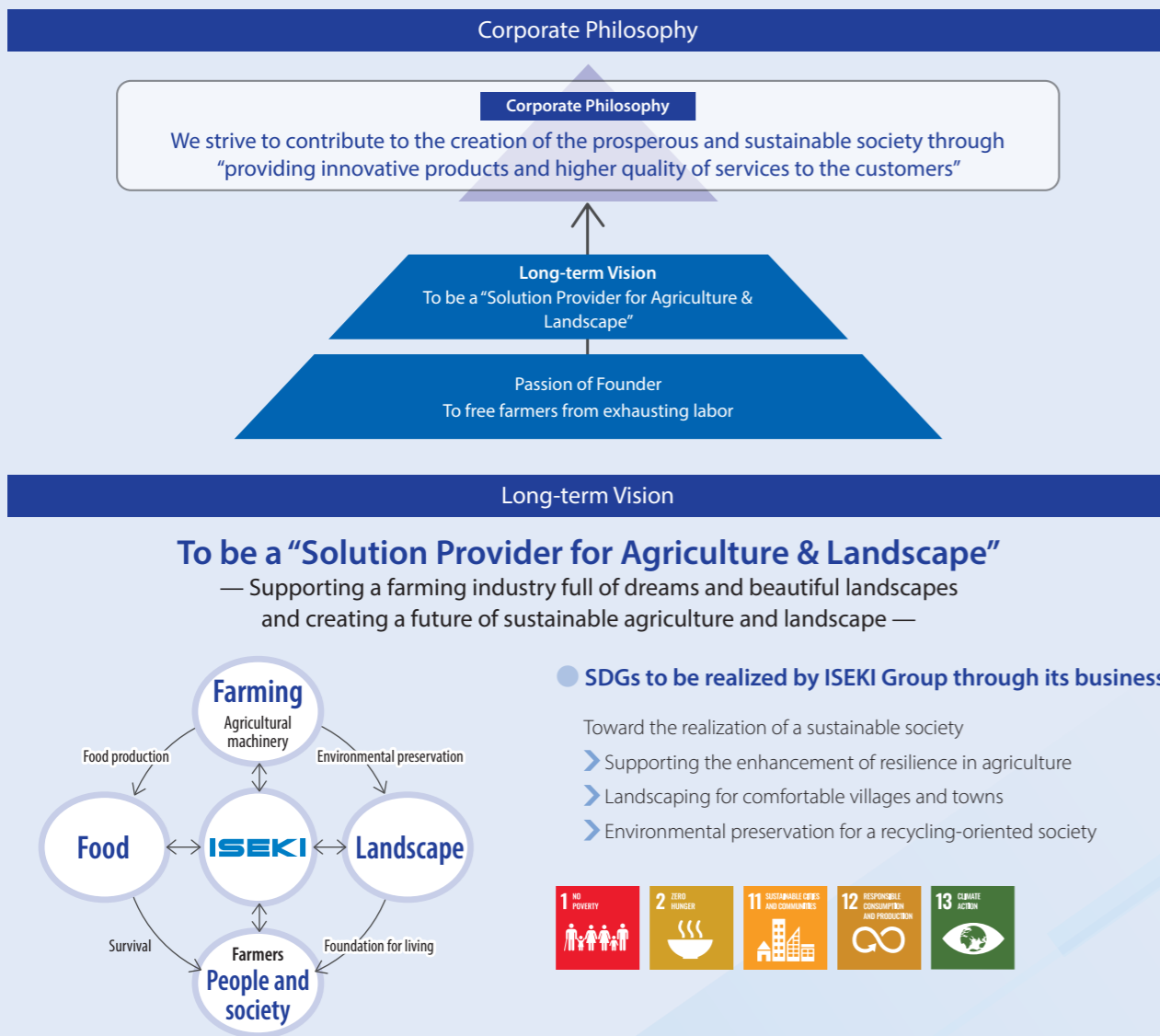
The corporate philosophy of the Group is to “strive to contribute to the creation of the prosperous and sustainable society through ‘providing innovative products and higher quality of services to the customers.’” We also establish the long-term vision of becoming a “solution provider for agriculture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

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

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

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





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

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

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



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

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

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

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

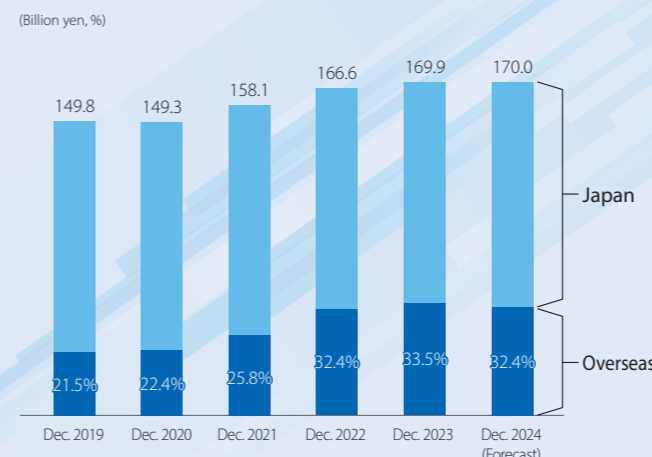
Profitability is an issue, as operating income was down year on year and the operating margin was 1.3%, due in part to lower gross profit margin resulting from a decline in production attributable primarily to lower sales of agricultural machinery products and increased selling, general and administrative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

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

domestic agricultural machinery product sales and the buildup of inventories for the U.S. and Europe, which had previously been low. Meanwhile, operating cash flow was negative for the second consecutive fiscal year, due to low net income levels and growth in inventories.

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

**Consolidated net sales**



**Project Z Measures**

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

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

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

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

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

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

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

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

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

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

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

**Toward improving PBR**

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

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

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

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

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

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

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

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

### Aiming for sustainable growth

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

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

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

### Environmental initiatives

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

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

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

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

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

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

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

### Initiatives to reinforce corporate governance

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

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

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

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



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

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

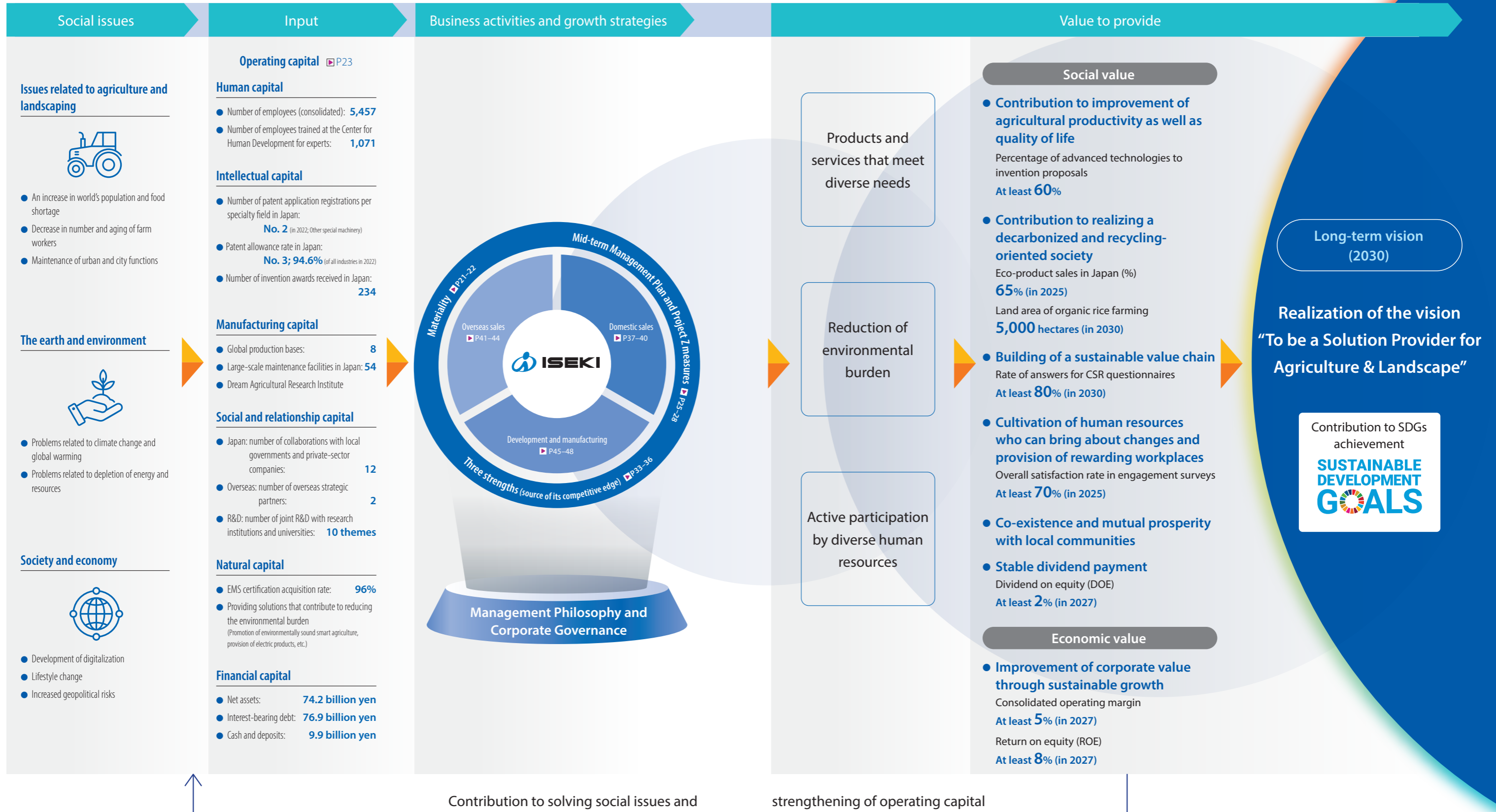
These two roles do not need to be prioritized one above the other; I believe they can balance and complement each other as they progress. However, ISEKI has become accustomed to lagging behind somewhat in terms of pursuing its economic role. ISEKI operates in such a way that it fulfills its economic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

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

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

# Value creation process

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



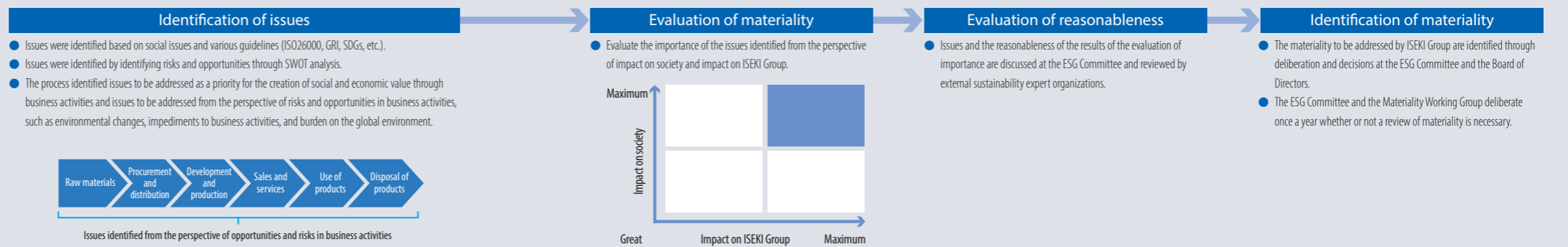
# Materiality

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

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

## Materiality identification process

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



# ISEKI Group's management capital

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

 <p><b>Human capital</b></p>	<p><b>Diverse human resources who resolve issues and realize growth</b></p> <p>Under the policy for human resource development and the policy for workplace environment creation, we are working to develop the skills of our employees and maximize the Group's strength. We accomplish this by developing expert personnel at training facilities specialized for development, production, and sales and services, providing voluntary training opportunities, and cultivating a comfortable working environment.</p>	<ul style="list-style-type: none"> <li>● Number of employees (consolidated) <b>5,457</b></li> <li>● Number of employees trained at the Center for Human Development for experts <b>1,071</b></li> </ul>
 <p><b>Intellectual capital</b></p>	<p><b>Technological capability and intellectual property that generate new value</b></p> <p>The technological expertise that we have cultivated throughout our history is a source of new value. We are working to maintain and bolster our competitiveness by ensuring that intellectual property is comprehensively protected and managed, and by creating high-quality intellectual property.</p>	<ul style="list-style-type: none"> <li>● Number of patent application registrations per specialty field in Japan: No. <b>2</b> (in 2022; Other special machinery)</li> <li>● Patent allowance rate in Japan: No. <b>394.6%</b> (of all industries in 2022)</li> <li>● Number of invention awards received in Japan: <b>234</b> (as of December 31, 2023)</li> </ul>
 <p><b>Manufacturing capital</b></p>	<p><b>Bases for high-quality manufacturing and high added value</b></p> <p>From our production sites in Japan and overseas, we provide a stable supply of high-quality products. To deal with the changing agricultural structure, we are researching and disseminating smart and environmentally sound agriculture and expanding large-scale maintenance facilities with the aim of augmenting our service capabilities.</p>	<ul style="list-style-type: none"> <li>● Global production bases <b>8</b> (including 2 of an equity method subsidiary)</li> <li>● Large-scale maintenance facilities in Japan: <b>54</b></li> <li>● Dream Agricultural Research Institute</li> </ul>
 <p><b>Social and relationship capital</b></p>	<p><b>Network to drive innovation forward</b></p> <p>We are not limited to our own resources. To incorporate superior technologies and know-how from external sources, we collaborate and work with partners to develop technologies and products that deliver efficiency, provide a competitive advantage, and help to cultivate new markets.</p>	<ul style="list-style-type: none"> <li>● Number of partnerships with local governments and private-sector companies <b>12</b></li> <li>● Number of overseas strategic partners: <b>2</b></li> <li>● Number of joint development with research institutions and universities: <b>10</b> themes</li> </ul>
 <p><b>Natural capital</b></p>	<p><b>Business activities in harmony with the global environment</b></p> <p>Under our Environmental Vision, based on a quantitative understanding of the impact our business activities have on the environment, we promote initiatives such as those that serve to mitigate CO<sub>2</sub> emissions, and provide solutions that reduce the environmental burden and conserve biodiversity.</p>	<ul style="list-style-type: none"> <li>● EMS certification acquisition rate: <b>96%</b></li> <li>● Providing solutions that contribute to reducing the environmental burden (Promotion of environmentally sound smart agriculture, provision of electric products, etc.)</li> </ul>
 <p><b>Financial capital</b></p>	<p><b>Source of sustainable business activities and growth investments</b></p> <p>While maintaining financial soundness, we are proceeding with initiatives to enhance asset efficiency and raise profits to transform ourselves into a lean and streamlined business structure. We will allocate the cash flow generated to investment in key fields to enhance corporate value and provide stable returns to shareholders.</p>	<ul style="list-style-type: none"> <li>● Net assets: <b>74.2</b> billion yen</li> <li>● Interest-bearing debt: <b>76.9</b> billion yen</li> <li>● Cash and deposits: <b>9.9</b> billion yen</li> </ul>

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

## Business strategies for value creation

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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.**

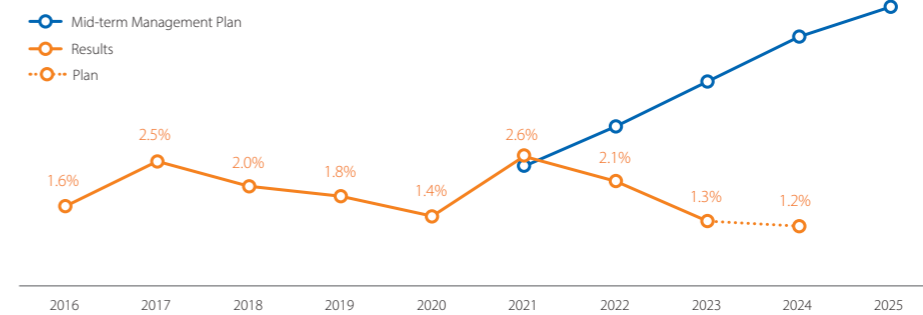
**A:** With the aim of building a strong management foundation by improving and enhancing profitability and asset efficiency, we will proceed with fundamental business structural reform under the moniker Project Z.

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**



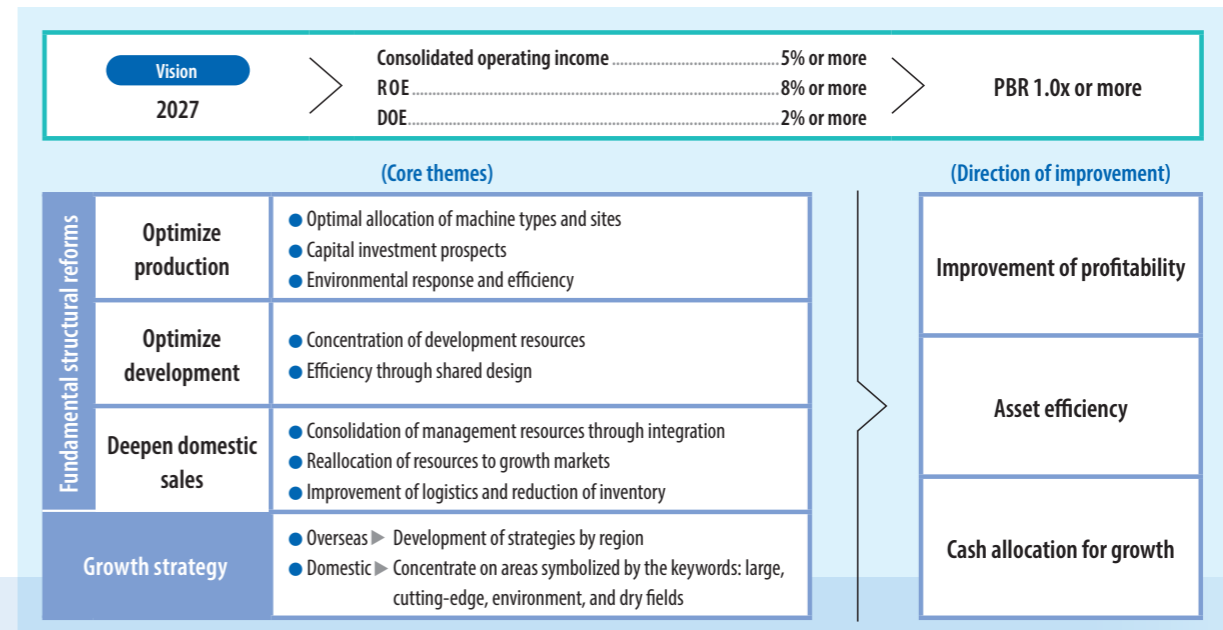
**Q What are the policies and objectives of Project Z?**

**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**



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.

**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.

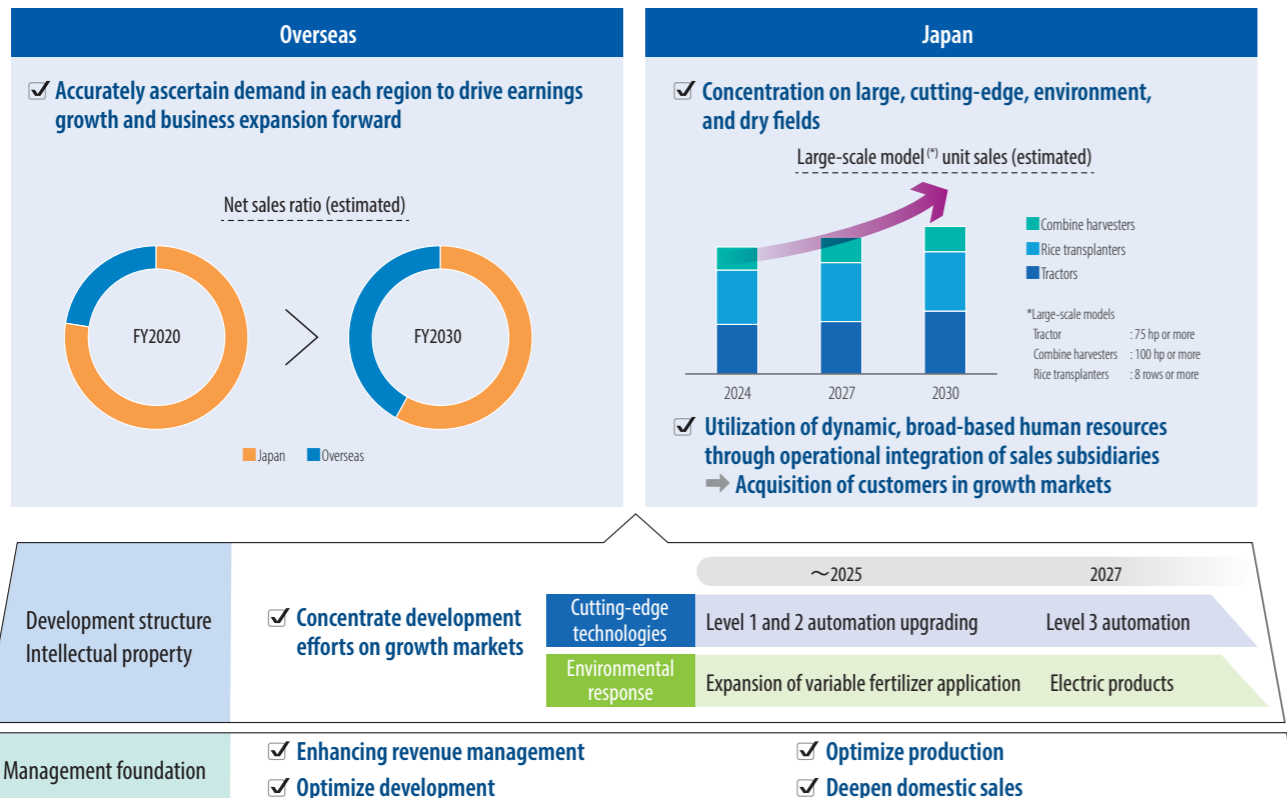
The "Z" in Project Z indicates an unknown value, and it is also the first letter in the word "zero." It is an expression of our determination to rethink everything from scratch as we move forward. To complete Project Z—in which we will reevaluate the state of the Group from zero in preparation for our 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/>

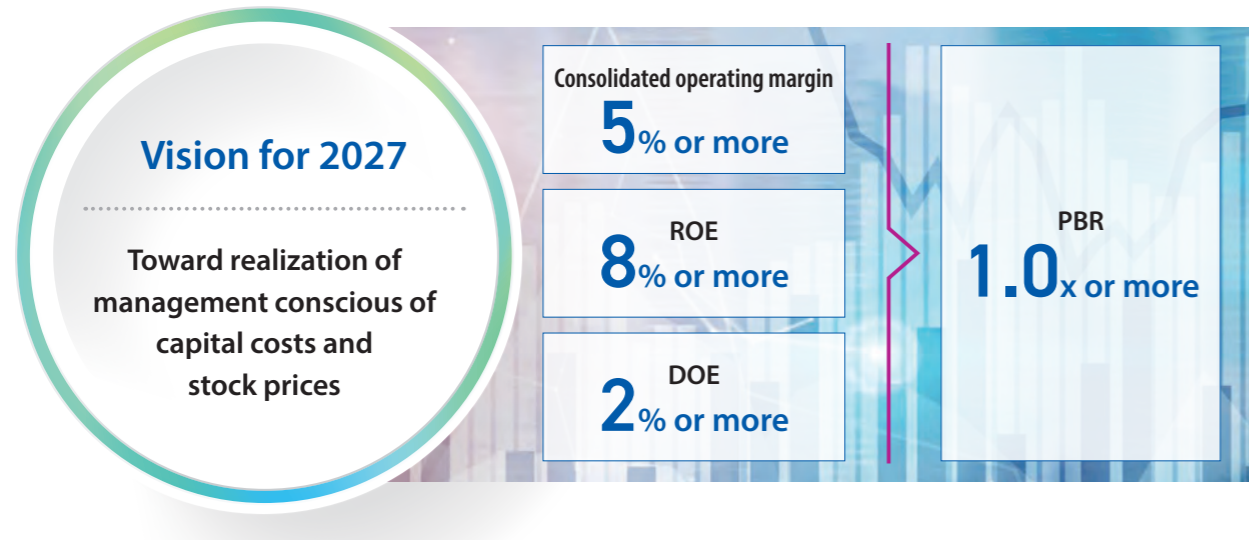


Direction of growth strategy



# 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.

### 1 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%.

### 2 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 <ul style="list-style-type: none"> <li>Net profit margin and operating margin are low compared with other companies and have not satisfied investors' expectations</li> <li>Failed to generate return on capital surpassing investors' anticipated cost of equity</li> </ul>	Improvement of profitability	
		Asset efficiency <ul style="list-style-type: none"> <li>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.</li> <li>Inventory turnover period is lengthening compared with other companies</li> </ul>		Asset efficiency
		Capital strategies (including financial leverage)		
PER	Growth potential	<ul style="list-style-type: none"> <li>Sales and profit growth rates are low compared with other companies</li> <li>The ratio of overseas net sales to total sales is inferior to that of other companies</li> <li>Shareholder returns such as dividend payout ratio are low compared with other companies</li> <li>Debt redemption period is long, requires attention from the perspective of financial soundness</li> </ul>	Cash allocation for growth	
		Information disclosure/dialogue <ul style="list-style-type: none"> <li>Inadequate disclosure of profitability and strength differences between domestic and overseas operations</li> <li>Inadequate disclosure of action targets to achieve management objectives</li> <li>Significant differences between plans and actual results negatively impact plan credibility</li> <li>Governance (oversight function) needs reinforcement</li> </ul>		Bolstering of IR activities and ESG initiatives
	Capital cost			

## Toward improving PBR

- 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
- Asset efficiency**
  - We will endeavor to improve asset efficiency by making investment decisions based on hurdle rates and inventory reduction.
  - P31-32
- 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.
  - P77-78
- 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



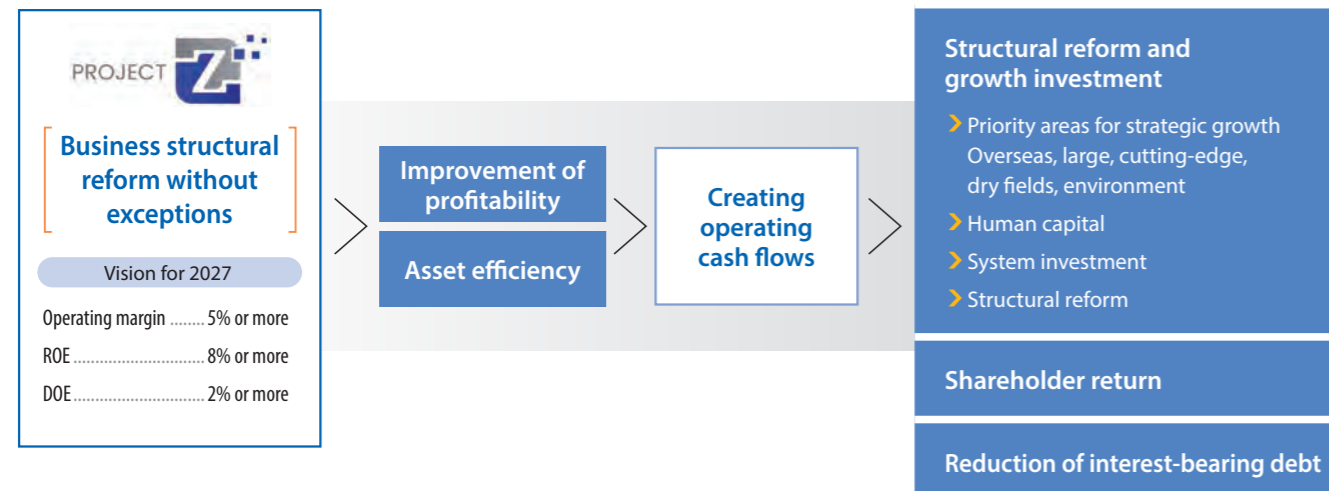
**We provide financial and capital support for Project Z with the aim of realizing sustainable growth and enhancing corporate value.**

**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

### 1 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.

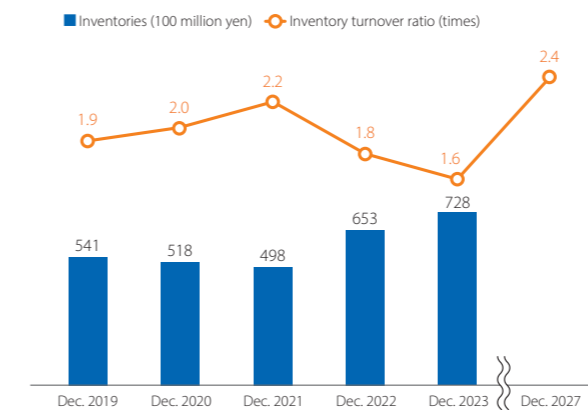
### 2 Cash allocation for growth

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.

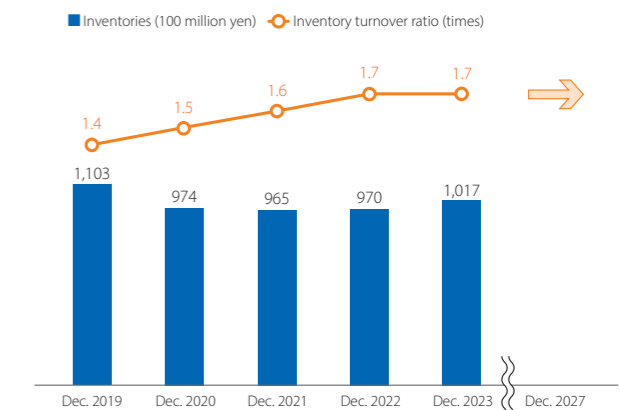
## Shareholder return policy

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.

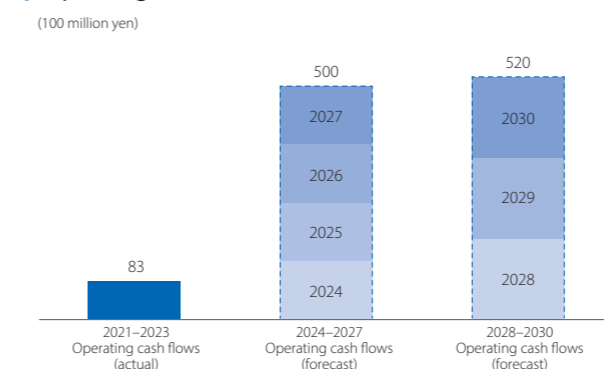
### Inventories



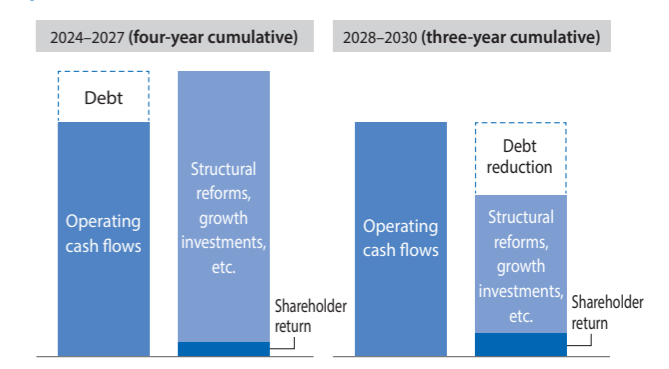
### Non-current assets



### 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.

	<b>Technological capabilities</b>	To develop breakthrough agricultural and landscape machinery and create innovation as a leading company
	<b>Support capabilities to offer farm business proposals</b>	To solve customers' issues from both hard (agricultural machinery) and soft (production management and advanced farm business technologies) aspects
	<b>Innovation based on collaboration</b>	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.

<p><b>Development</b></p> <p><b>ISEKI Basic Engineering Training Center (IETC)</b></p> <p>Nurturing young designers</p>  <p>Number of trainees: 410 in 2023</p> <p><b>Holding of technological research presentations</b></p> <p>Sharing R&amp;D results and invention information to improve Group-wide technology</p>  <p><b>Fortify R&amp;D capability</b></p>	<p><b>Production</b></p> <p><b>ISEKI Technical Training Center (ITTC)</b></p> <p>Nurturing leaders of production sites in Japan and overseas</p>  <p>Number of trainees: 151 in 2023</p> <p><b>Holding of company-wide technology contest</b></p> <p>Representatives from each production site gather to participate in a contest of manufacturing techniques.</p>  <p><b>Improve productivity and enhance quality</b></p>	<p><b>Sales and services</b></p> <p><b>ISEKI Global Training Center (IGTC)</b></p> <p>Nurturing sales and service staff in Japan and overseas</p>  <p>Number of trainees: 510 in 2023</p> <p><b>Holding of service skills contest</b></p> <p>Representatives from sales subsidiaries across Japan gather to show the accuracy and speed of their service skills.</p>  <p><b>Bolster technological and service capability</b></p>
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## Employee roundtable discussion Growth strategy of the ISEKI Group —environmental response—

# 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.

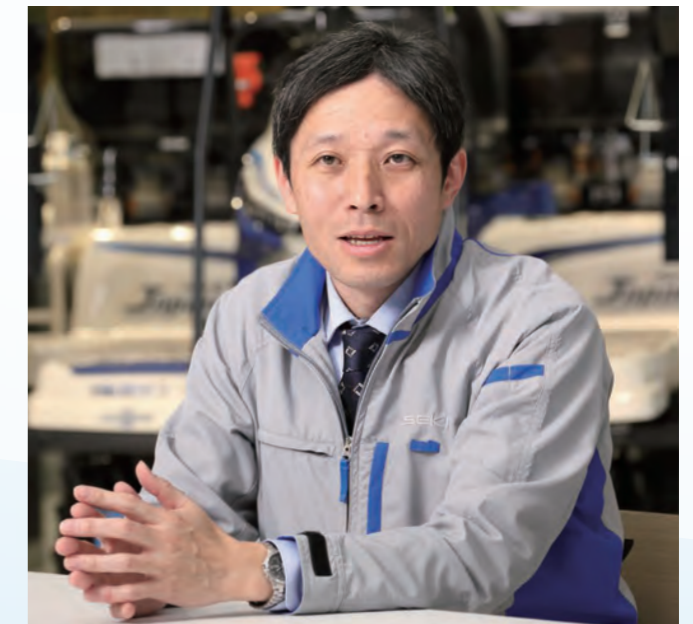
**Kitagawa:** We based the electric riding lawn mower on a small diesel engine model that had been well received in the European market—where environmental awareness is particularly high—as it allows us to respond swiftly to market needs. Although there are still numerous issues to overcome in the electrification 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.**

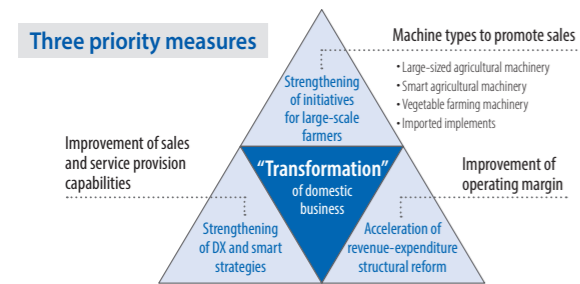
**Noriaki Ishimoto**  
Corporate Officer  
General Division Manager, Business Division



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.

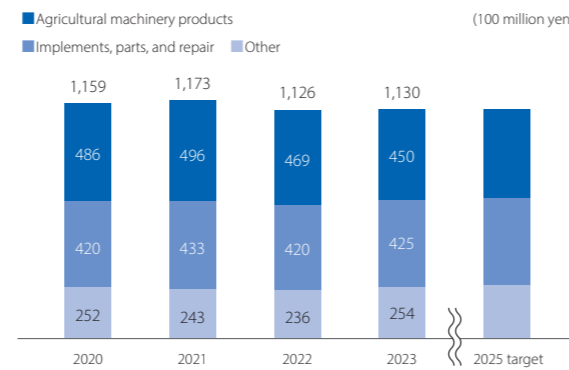
## Business policy



### 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<sub>2</sub> 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 ①

### 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 weed 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 2

### 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

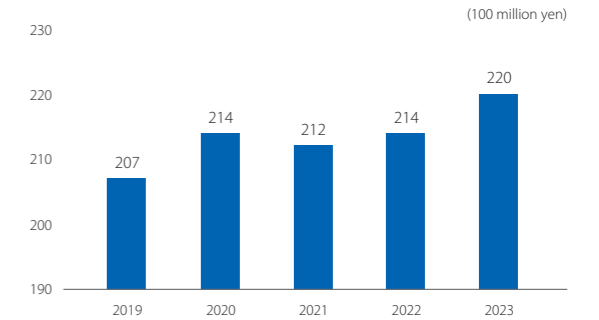
### Priority measures 3

### Strengthen efforts toward revenue-expenditure structural reform

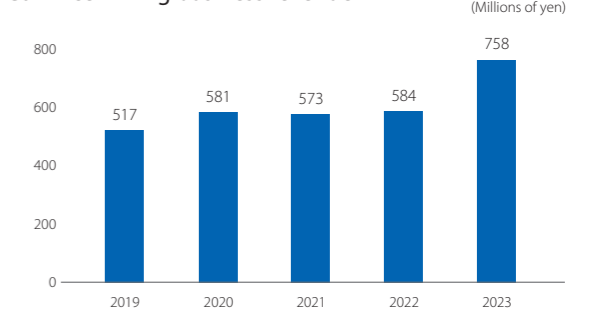
The Company is working to increase maintenance revenue (parts sales and repair fees) which accounts for about 20% of domestic net sales, with the aim of building a stable revenue base that is not affected by the environment of demand for agricultural machinery. Revenue has been steadily increased thanks 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

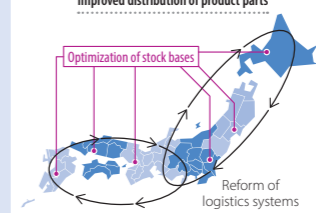
#### "Improved management efficiency achieved by consolidation of resources"

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

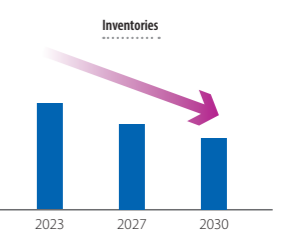
##### Improved distribution of product parts

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



##### Efficient stock management

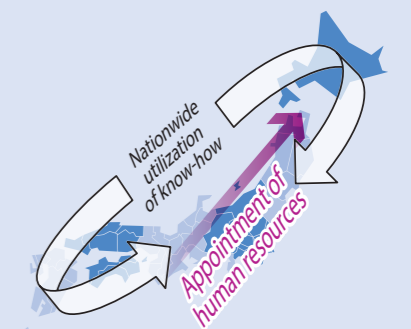
Efficient stock management and stock reduction through nationwide central stock management



#### "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.



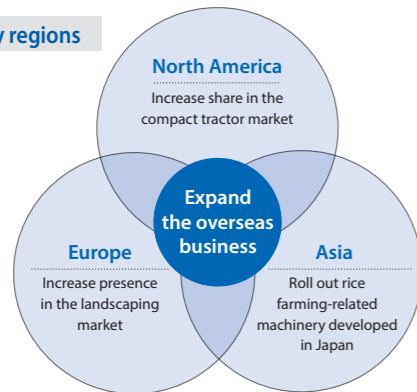
**Kazuya Tani**  
Director & Senior Corporate Officer  
General Division Manager, Overseas Business Division

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.

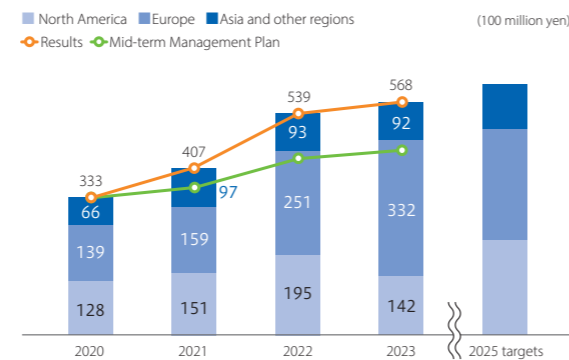
Moreover, with Project Z, we aim to accelerate our growth beyond the objectives established in our Mid-term Management Plan. We will further promote Non-Agri products in particular—which are used by professional users in Europe to maintain landscape and for light work by individual users in North America—as 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



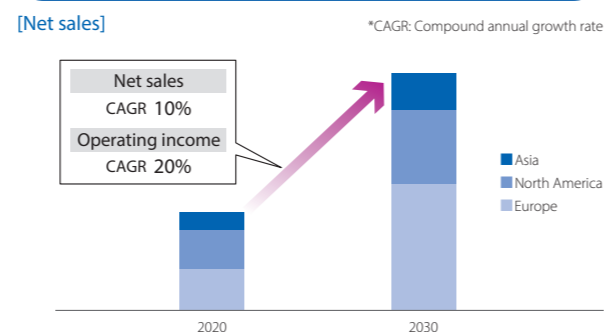
## Net sales



## Measures to realize growth strategies

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

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



\*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

## Priority measures 1

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

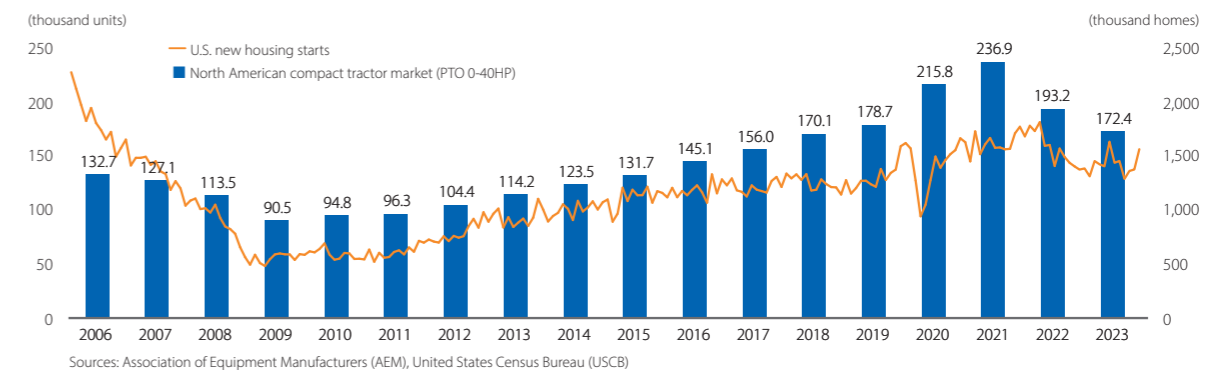
In the North American market, we supply compact tractors with 40HP or less on an OEM basis as the Massey Ferguson brand to AGCO Corporation which is a local partner and a major global manufacturer of agricultural machinery. The products are used mainly by private users for various applications such as 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



## 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 sophisticated 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

## 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

**“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<sub>2</sub> 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.

## 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

## 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

### 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)

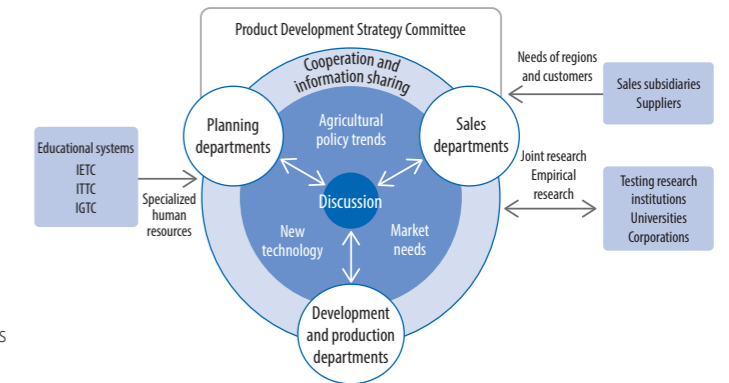
## The Company's characteristics in research and development, production

- 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

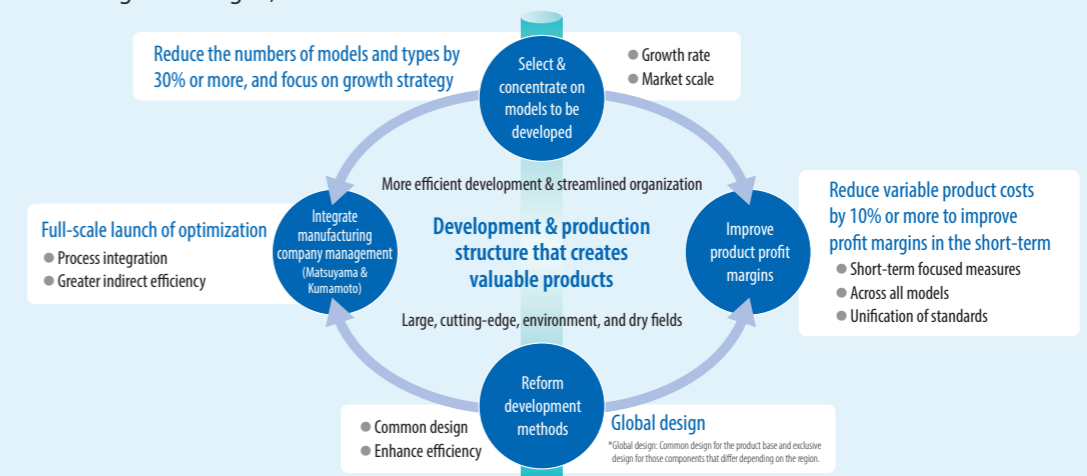
## Measures to realize fundamental structural reforms and growth strategies Project Z

### “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.



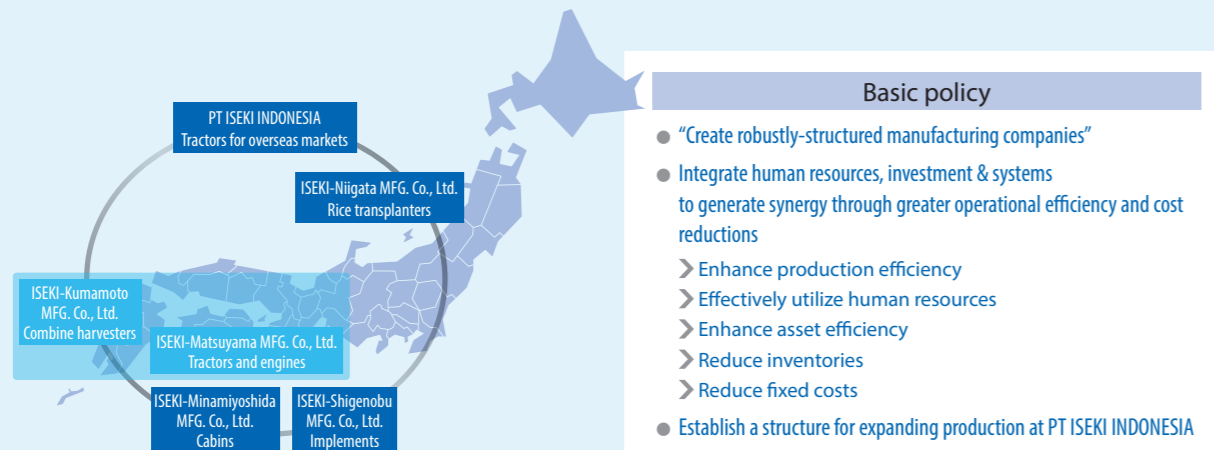
PT ISEKI INDONESIA with strengthened production capacity

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.



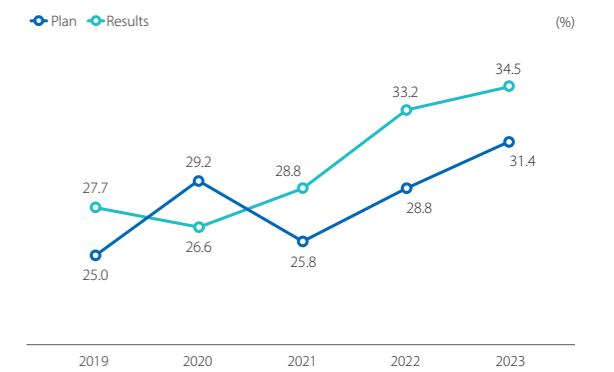
### Procurement: Strengthening supply chain management

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.



## 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.

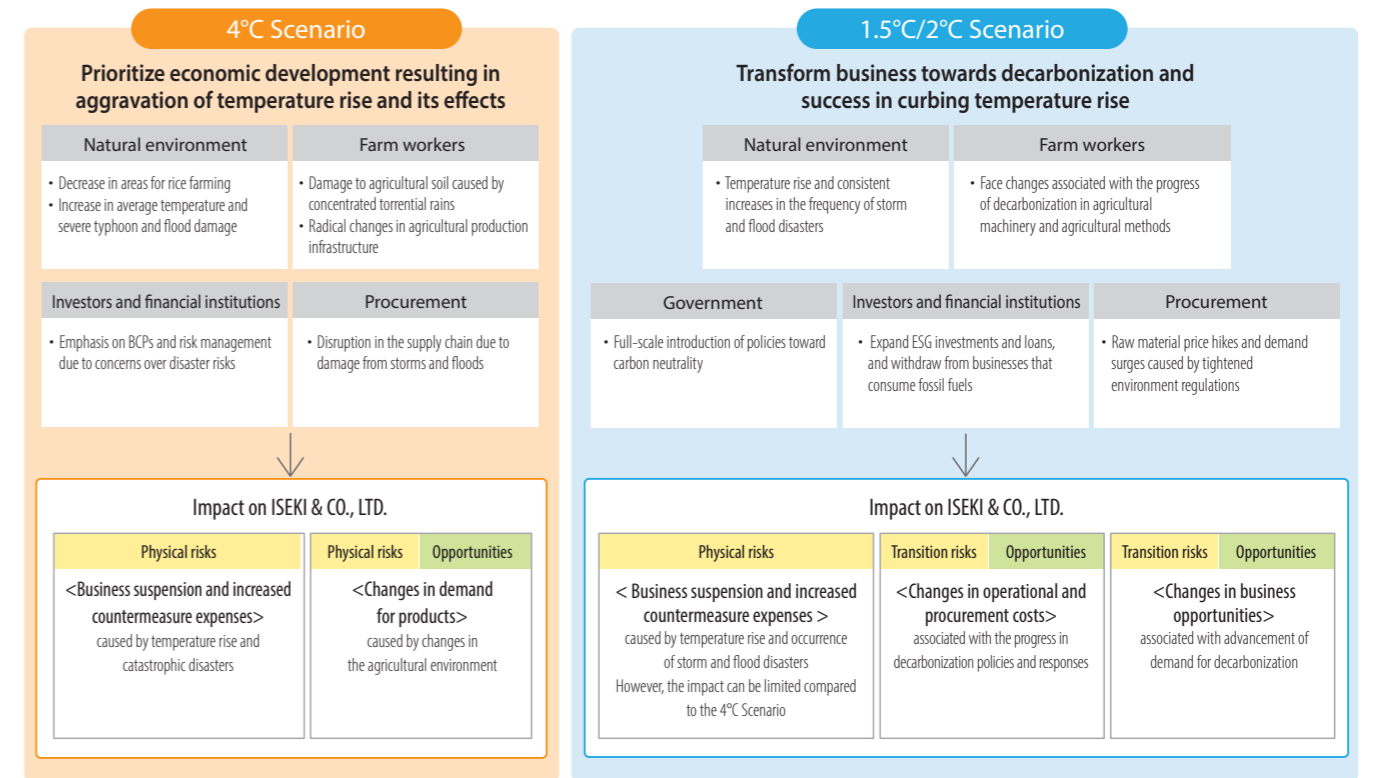
Climate change-related risks and opportunities are managed centrally by the ESG Committee. The Committee meets monthly in principle, examining and deliberating on climate change-related risks and opportunities four times a year. The results of deliberations at the Committee meetings are recommended to 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)



## Risks, opportunities, and countermeasures based on scenario analysis

Risk category	Details	1.5°C/2°C Scenario		4°C Scenario		Timescale for measures	Direction of strategies and measures	Existing initiatives	Future initiatives
		Financial impact	Potential	Financial impact	Potential				
Transition risk	<b>Technology</b> Decline in competitiveness caused by delays in technological development	Medium	Medium	Medium	Medium	Short term	<ul style="list-style-type: none"> <li>R&amp;D of carbon-free agriculture</li> <li>R&amp;D of agricultural machinery that supports agriculture adapted to natural disasters and rising temperatures</li> <li>Provision of increasingly detailed TCFD information disclosures</li> <li>Comprehensive understanding of greenhouse gas emissions and stocktake of reduction plans</li> <li>Close monitoring of global material prices caused by climate change and improvement of material input efficiency</li> <li>Close monitoring of status of water resources with respect to climate change</li> <li>Understanding of detailed flood risks to production and sales bases and supply chain</li> <li>Formulation of BCP that encompasses supply chain</li> <li>Rebuilding of product sales channels in line with changes and reduction of farmable areas</li> <li>Promotion of procurement of renewable electricity and energy conservation</li> <li>R&amp;D of carbon-free agriculture</li> <li>R&amp;D of agricultural machinery that supports agriculture adapted to natural disasters and rising temperatures</li> <li>Close monitoring of trends in subsidy schemes of national and local governments</li> <li>Deliberation of solutions that respond to farm producers' needs</li> <li>Establishment of sustainable infrastructure for agricultural production</li> </ul>	<ul style="list-style-type: none"> <li>Sales of products featuring straight-travel assist systems (tractors, combine harvesters, and rice transplanters)</li> <li>Starting limited sales of electric riding lawn mowers (Dec. 2022)</li> <li>Starting sales of biofuels (HVO)-compatible products</li> <li>Identification of climate change risks and opportunities, scenario analysis</li> <li>Understanding and disclosure of greenhouse gas emissions (Scope 1, 2 &amp; 3)</li> <li>Introduction of International Renewable Energy Certificate (I-REC) at overseas business bases (from 2022)</li> <li>Regular revision of climate change risks and opportunities and reflection in management plans</li> <li>Understanding of greenhouse gas emissions, including sales bases, and revision of scope of reduction targets</li> <li>Consideration of the introduction of ICP</li> <li>Reducing weight of parts using iron, reducing processing waste</li> <li>Recycling of cooling water, use of reclaimed water (stormwater, etc.)</li> <li>Understanding of detailed flood risk of the entire supply chain, including overseas bases</li> <li>Formulation of BCP that encompasses global supply chain</li> <li>Fuel switching and introduction of cogeneration facilities</li> <li>Establishment of energy conservation targets (global production bases)</li> <li>Recognition as risks</li> <li>Preparation of draft decarbonization plan at each production site</li> <li>Creation of a decarbonization roadmap for the entire Group</li> <li>Sales of products featuring straight-travel assist systems (tractors, combine harvesters, and rice transplanters)</li> <li>Starting limited sales of electric riding lawn mowers (Dec. 2022)</li> <li>Starting sales of biofuels (HVO)-compatible products</li> <li>Innovation in environmentally sound agriculture based on collaboration with companies and local governments</li> <li>Business alliance with Faeger Co. Ltd. related to J-Credit</li> <li>Sales of tractors and rice transplanters that are compatible with a farming management system (variable fertilizing map) that utilizes AI</li> </ul>	<ul style="list-style-type: none"> <li>Enhancing lineup of automatic steering-enabled &amp; robotic agricultural machinery</li> <li>R&amp;D of electric agricultural machinery</li> <li>R&amp;D of agricultural machinery adapted to natural disasters and rising temperatures</li> <li>Regular revision of climate change risks and opportunities and reflection in management plans</li> <li>Understanding of greenhouse gas emissions, including sales bases, and revision of scope of reduction targets</li> <li>Consideration of the introduction of ICP</li> <li>Reducing weight of parts using iron, reducing processing waste</li> <li>Recycling of cooling water, use of reclaimed water (stormwater, etc.)</li> <li>Understanding of detailed flood risk of the entire supply chain, including overseas bases</li> <li>Formulation of BCP that encompasses global supply chain</li> <li>Setting targets for renewable energy ratio to energy consumption</li> <li>Establishment of renewable energy power generation facilities</li> <li>Energy consumption efficiency improvement through production optimization</li> <li>Detailed survey of long-term changes in farmable areas</li> <li>Enhancing lineup of automatic steering-enabled &amp; robotic agricultural machinery</li> <li>R&amp;D of electric agricultural machinery</li> <li>R&amp;D of agricultural machinery adapted to natural disasters and rising temperatures</li> <li>Formulation of business plans as for-profit business</li> <li>Demonstration of model cases, nationwide rollout of business</li> </ul>
	<b>Market</b> Decline in sales due to decline in demand caused by needs and social infrastructure status	Large	Small	Medium	Small	Short term			
	<b>Policy</b> 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			
	<b>Reputation</b> Deterioration of reputation among shareholders and other stakeholders, divestment, or plummeting share price	Small	Medium	Small	Medium	Mid term			
	<b>Market</b> 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			
Physical risk	<b>Acute</b> 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			
	Decline in value of existing products	Medium	Small	Large	Medium	Long term			
	<b>Chronic</b> Increase in energy price caused by rise in temperature Rebuilding of product sales channels in line with changes and reduction of farmable areas due to progression of climate change	Small	Large	Small	Large	Long term			
Opportunities	<b>Products and services</b> Increase in demand for agricultural machinery that contributes to energy conservation and greenhouse gas reduction	Large	Small	Medium	Small	Short term			
	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			

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

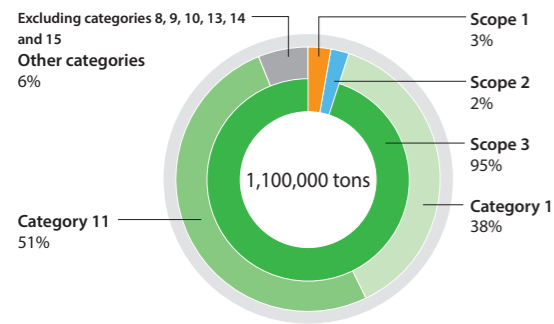
ISEKI Group strives to contribute to the creation of a carbon-neutral and sustainable society by 2050 through "providing innovative products and higher quality of services to the customers."

Indicators	Targets (mid- to long-term environmental targets)
CO <sub>2</sub> 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 <sub>2</sub> reduction targets. We aim to formulate CO <sub>2</sub> 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<sub>2</sub> 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).

## Foundation for sustainable growth

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# Sustainability in ISEKI Group

## Basic Policy (fundamental concept)

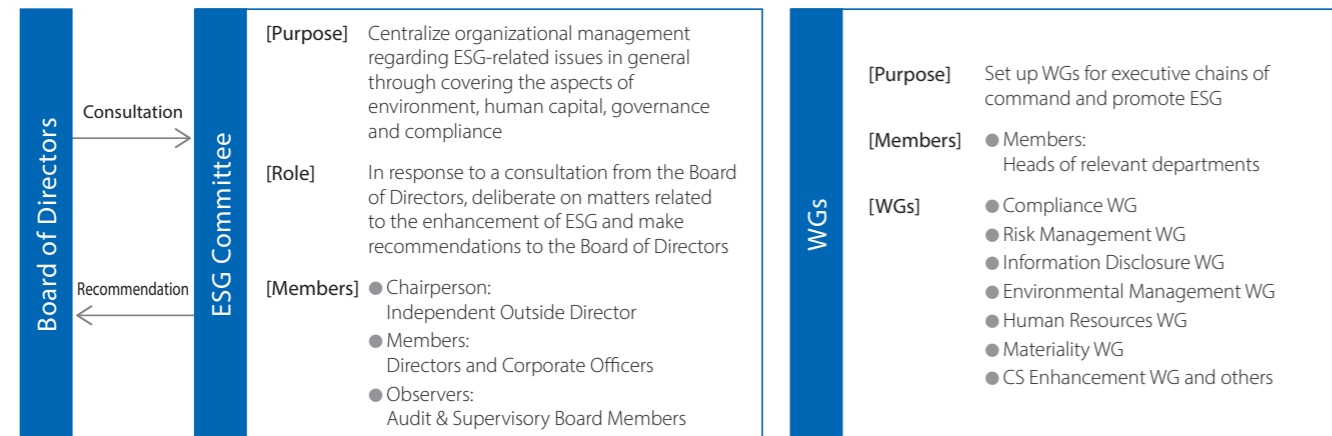
In keeping with the philosophy of our founder, "free farmers from exhausting labor," ISEKI Group sets forth its corporate philosophy as "We strive to contribute to the creation of the prosperous and sustainable society through 'providing innovative products and higher quality of services to the customers.'" We will strive for the realization of a sustainable society, "agriculture and landscape," in cooperation with our stakeholders.

## System for promotion of sustainability

With the aim of centralizing the management of organizations that address ESG-related issues in the Group, we established the ESG Committee in August 2022. The Committee is composed of Directors and Corporate Officers and chaired by an Independent Outside Director.

In principle, Committee meetings are held every month. The Committee examines and deliberates sustainability-related initiatives for the Group as a whole from the perspective of risks and opportunities, and such initiatives include responses to climate change, respect for human rights, and employee health. In addition, the results of deliberations at Committee meetings are submitted as recommendations to the Board of Directors and basic policies, materiality, and other important matters are deliberated and determined by the Board of Directors. This framework enables the management team to strengthen its involvement. Nine working groups (WGs) have also been set up to promote ESG-related activities.

### Promotion system



### Main agenda items at ESG Committee meetings in FY2023

#### Number of meetings held

12 times (January to December 2023)

#### Main agenda items

- Quantification of materiality indicators (KPIs) and annual plans
- Report on results of activities to promote materiality
  - Matters related to environmental management activities
  - Matters related to customer satisfaction surveys
  - Matters related to human capital
  - Matters related to whistleblowing
  - Matters related to information disclosure
  - Matters related to TCFD and climate change
  - Matters related to CSR procurement
  - Matters related to evaluation of initiatives for risks
  - Matters related to labor accidents
  - Matters related to external assessment
- Strengthening of risk management and compliance

# Stakeholder engagement

## Basic Policy (Fundamental concept)

- ISEKI Group strives to build strong relationships of trust with stakeholders by engaging in constructive dialogue with them including direct interaction by senior management.

## Major engagements with stakeholders

ISEKI Group engages in constructive dialogue with stakeholders to accurately understand and meet changing expectations from society. The issues, expectations, etc. obtained through various dialogues are fed back to the Directors, management executives, and related departments by way of distributing reports, etc. to the Board of Directors and other meeting bodies for the purpose of information sharing and reflected in and used for improvement of business activities.

**M** denotes involvement of senior management

Stakeholder	Concept behind the engagement	Opportunities for dialogue
Customers	To provide high-quality and safe products and services that satisfy our customers, ISEKI Group will extend farm business proposals and support, including cultivation techniques, as well as explanation for the application and safe use of agricultural machinery. We will also strive to understand the true needs of customers through dialogue and use this dialogue to improve product development.	Direct dialogue with sales and maintenance staff, User exchange meetings <b>M</b> , Visit <b>M</b> , Trainings, seminars, Exhibitions and demonstrations <b>M</b> , Proposal and support of farm business technologies, Market research
Shareholders and investors	We will bolster corporate governance in order to build long-term trusting relationships with our shareholders and investors. We will engage in constructive dialogue based on our disclosure policy.	General shareholders' meeting <b>M</b> , Quarterly briefing sessions (four times a year) <b>M</b> , Individual meetings <b>M</b> , Information meetings for individual investors and shareholders <b>M</b> , Facility tours <b>M</b> , Issuance of IR-related tools
Suppliers	We will cooperate with our suppliers to create opportunities for mutual improvement so that they can lead to mutual business development including fair and equitable trade towards building a sustainable supply chain.	IR information meetings for vendors <b>M</b> , Dealer meetings <b>M</b> , Superior company tours <b>M</b> , Inspection and meeting with suppliers <b>M</b> , Business report meeting <b>M</b> , Annual general meeting of Ishokai <b>M</b> , Visits (Japan, overseas) <b>M</b>
Local community	We will engage in environmental conservation, activities for community growth and development, and activities for the nurturing of the next generation so as to enable co-existence with the local communities.	Tours of factories and exhibition halls <b>M</b> , CSR activities such as cleaning activities, Exchange of views with local governments, etc. <b>M</b> , Participation in local events <b>M</b>
Employees	We will work on providing a secure and safe workplace, share company information and support for career development towards creating an employee-friendly workplace and nurturing human resources.	Internal IR information meetings <b>M</b> , Collective bargaining <b>M</b> , Labor management council <b>M</b> , Safety and Health Committee, Engagement surveys, Employee meetings <b>M</b> , Various training, Various commendation meets and contests <b>M</b> , Former employees' meeting <b>M</b>

### Dialogues between employees and the management

To disseminate our long-term vision and management strategies to materialize the vision, we engage in employee communication (hold internal IR information meetings) every year, where the management has direct dialogues with employees. In 2024, President and each officer in charge visited each domestic base. President talked directly to employees about the fundamental structural reforms and the measures for "Project Z" to promote growth strategies, which were announced in February, and sincerely answered questions from employees. In this way, the Company strives to face the challenges of transformation with a sense of unity. In addition, in order to reflect the initiatives to operations of each individual, each department held discussion.

This gave me an opportunity to rethink what I myself should do to realize the transformation through Project Z.

It was great to hear explanations from the President. I would like to know more details on initiatives for the future.

I reaffirmed the importance of the operations I am in charge of, and the necessity to increase presence of the overseas business.

I want to constantly explore broad effects by activating cross-organizational communication.



# Intellectual property strategies

## Intellectual property policy

Since its foundation in 1926, ISEKI Group has pursued improvements in agricultural efficiency and laborsaving under the philosophy of its founder “freeing farmers from exhausting labor” and has provided numerous advanced agricultural machinery over the period of about 100 years. In this context, viewing intellectual property and intangible assets as the basis of our management resources, we will strategically leverage them for the future and promote sustainable business development to practice ISEKI Group’s corporate philosophy, “We strive to contribute to the creation of the prosperous and sustainable society through ‘providing innovative products and higher quality of services to the customers.’”

### Intellectual property strategies aligned with management strategies

To put its corporate philosophy into practice, ISEKI Group will seek to create high-quality intellectual property and intangible assets in the development of its global operations and in the advanced technology field, which is a growth market, in addition to its traditional domains of business foundation. ISEKI Group will execute its intellectual property strategies aligned with the management strategies by leveraging the created intellectual property and intangible assets as a core in the pursuit of “from products to services” development.

#### Expansion of intellectual property relating to smart agricultural machinery and data use

Amid the changing environment surrounding Japanese agriculture, advanced technologies that are employed particularly in smart agricultural machinery and data use to enable laborsaving and cost reduction are essential to realize agriculture full of dreams. ISEKI is focusing on the creation of intellectual property relating to such advanced technologies.

We will strive to strengthen our advanced technological capabilities with the aim of achieving a ratio of advanced technology-related proposals to all invention proposals of 60% or more.

#### Creation of intellectual property in landscaping field

Using technologies for agricultural tractors, we have been developing products for landscaping for Europe, such as mowing lawns in parks, road cleaning, and snow clearing work. We apply for patents for technologies related to these products to acquire property rights.

#### Overseas business expansion including monetizing intellectual property

Leveraging our intellectual property and intangible assets (including drawings, know-how, and brands), we are seeking to grant our overseas associated companies and strategic partners licenses through technology transfer to generate profits in various regions of the world. Through this initiative for licensing, we are enhancing collaboration with overseas strategic partners to find business opportunities. For example, we are working to expand products for sale through OEM supply from strategic partners.

### Creation of technology that dominates market

ISEKI positions its proprietary technologies on which patents are pending or granted as “Only i” and uses them in its sales activities. Out of the “Only i” technologies, those equivalent to the technology that dominates the market are positioned as “Super i.”

We will further create “Only i” or “Super i” technologies to strengthen our competitive advantage and improve profitability.

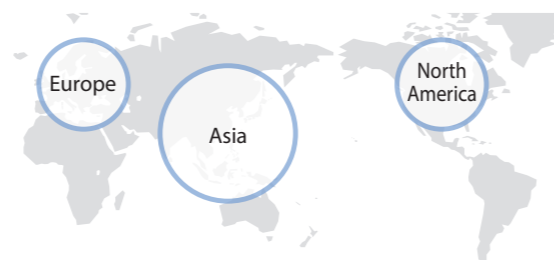
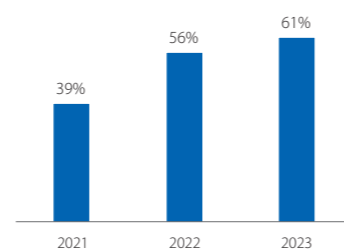


“Only i” symbol



“Super i” symbol

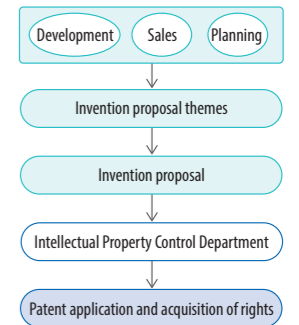
Ratio of advanced technology-related proposals to all invention proposals



## Intellectual property management

### System for promoting intellectual property activities

Taking into consideration research and development themes selected through consensus among the development, sales and planning departments, as well as promising technologies, and market trends and needs, ISEKI Group sets invention proposal themes and strongly drives forward invention proposal activities. Our engineers in charge of different products come together and carry out invention creation activities as a group to draw ideas and thereby improve the quality of inventions and horizontally deploy technologies. We evaluate proposed inventions and select ones from them in consideration of potential and feasibility, and the Intellectual Property Control Department applies for patents for the selected ones to acquire property rights.



### Intellectual property management

Patent application, acquisition of rights, implementation and management of intellectual property are conducted in accordance with laws and regulations and company rules. Through this, we strive to acquire valid rights, protect trade secrets, and respect the intellectual property rights of other companies. For example, in valuation of intellectual property, based on our value calculation standards and in light of conventional wisdom, we make a reasonable evaluation that enables us to determine the value of a technology and calculate the consideration for the transfer of rights and licensing fees. Intellectual property information in Japan and overseas is digitized using an intellectual property management system for the smooth and efficient management of intellectual property. Information about strategies and initiatives for intellectual property and intangible assets is supervised and shared with the management team through reporting to and discussion with the Board of Directors.

### Human resources development for intellectual property

#### Intellectual property training and education

We provide our employees with education about intellectual property, including new recruit training and other training commensurate with years of experience, focusing on a method for coming up with inventions to invigorate their creativity as well as methods for making invention proposals or responding to the rights of other companies. We also provide education for personnel in charge of practical intellectual property to improve their skills.

#### Technological research presentations

In order to manufacture products that will be able to contribute to the changing market environment in Japan and overseas, technological research presentations are held to share the outcomes of research and development and invention information and to provide opportunities for discussion, including senior management, with the aim of raising the standard of the Group as a whole.

## Invention awards

### Internal invention awards scheme

To invigorate intellectual property creation activities, awards are presented to young engineers as an awareness-raising exercise. Internal awards are also presented to promote creation activities by sharing outstanding inventions within the development departments. Through the creation of outstanding inventions, we will pursue the enhancement of ISEKI Group’s competitiveness.

### National and regional awards for inventions

Every year, we nominate inventions that contribute greatly to our business for the Commendation for Invention hosted by the Japan Institute of Invention and Innovation to give an increased incentive to our investors. As of the end of 2023, ISEKI Group received a total of 234 awards including 19 national awards for inventions and 215 regional awards for inventions.

Number of invention awards received (The Japan Institute of Invention and Innovation)

National awards for inventions:	19
Regional awards for inventions:	215
<b>Total:</b>	<b>234</b>

(As of December 2023)

## Outcomes of intellectual property activities

In 2022, the number of the Company’s patent application registrations per specialty field in Japan ranked second in the other special machinery field, and the patent allowance rate of the Company ranked third in all industries.

Our proactive efforts to develop, launch and commercialize new technologies are exemplified by the high number of patent application registrations per specialty field, as well as high patent allowance rates.

### Number of patent application registrations per specialty field

Year	2000–2010	2011	2012–2017	2018	2019	2020	2021	2022
<b>Statistics</b>	Number of laid-open applications per specialty field		Number of patent application registrations per specialty field					
<b>Field</b>	Agriculture and fisheries		Other special machinery					
<b>Rank</b>	No. 1		No. 2		No. 1		No. 2	

### Patent allowance rate

Year	2004–2010	2011	2012–2017	2018	2019	2020	2021	2022
<b>Patent allowance rate*</b>	—	91.8%	—	96.4%	97.7%	98.7%	97.2%	94.6%
<b>Rank</b>	No. 1	No. 2	No. 1	No. 2	No. 1		No. 3	

\*Patent allowance rate = Number of allowed applications / ( Number of allowed applications + Number of rejected applications + Number of withdrawn and abandoned applications)  
Number of withdrawn and abandoned applications = Number of applications withdrawn or abandoned after notification of reasons for refusal

# Human resource strategies

**We will work to optimize human resources within the Group and enhance training to boost the vitality of the ISEKI Group's diverse human resources.**



**Masayuki Fukami**

Director & Senior Corporate Officer  
In charge of Personnel, Corporate Planning, and Investor Relations  
Deputy in charge of Compliance

The ISEKI Group is committed to human capital management, where systems and workplace environments are in place to enable employees to work with passion, and each and every employee demonstrating their knowledge, skills, and experience leads to medium- to long-term corporate value improvement. In light of this, we have set "enhancement of employee engagement" as one of our priority issues (materiality). We are also working on a variety of measures related to "promotion of diversity, equity and inclusion (DE&I) and enhancement of education" and "improvement of engagement score" to maximize the capabilities of the Group's human resources.

For the purpose of promoting DE&I and enhancing education, we have introduced the Group personnel open recruitment system to optimize human resources and raise productivity across the breadth of the ISEKI Group, and cultivate human resources who are willing to take on challenges and initiate change. Furthermore, in addition to actively recruiting mid-career professionals with superior abilities and experience in global and cutting-edge technologies, DX, and other similar fields, we have established a system that will help us secure a diverse workforce. Also, through the upgrading of employee educational programs utilizing tools such as apps, we support voluntary learning opportunities for employees and enhance their skill development.

The engagement score is an important, objective indicator of the bond between the company and its employees. Despite the current discrepancy between the overall satisfaction target and actual results, we believe that, rather than simply improving the score, we must analyze the factors that caused the discrepancy and work to improve them.

The Group will develop human resources who will play leadership roles toward its 100th anniversary of foundation in 2025 and the next 100 years through scientific human resource management.

## ISEKI Group policy for human resources development and policy for workplace environment creation

### Policy for human resources development

ISEKI Group believes what contributes to the solution of various issues is people, who are essential for sustainable business growth and improvement of corporate value.

The Group will direct its efforts toward the securement of core human resources to execute its business strategies, such as cutting-edge technologies and the promotion of globalization. To be a solution provider for agriculture and landscape, we will also bring out the full potential of each employee and develop human resources who actively take on challenges and bring about change, by further enhancing education programs for DX and other purposes.

### Policy for workplace environment creation

Based on the Company motto of providing "a stable workplace to the employees," ISEKI Group aims to provide a safe and secure workplace to its employees as well as to create a rewarding workplace.

On the premise of respect for human rights and thorough compliance, we will work to enhance employee engagement and create a diverse, sound, and transparent workplace environment so that we can develop together with our employees.

## Targets

- Ratio of female employees hired: 20% or more, active recruitment of women in technical fields
- Ratio of female managers: 7% or more (end of 2025)
- Increase in the number of foreign nationals in managerial positions (end of 2025)
- Ratio of mid-career hires in managerial positions: 7% or more (end of 2025)

## Promote diversity, equity, and inclusion (DE&I) and enhance education

The ISEKI Group strives to foster an environment that enables people with diverse backgrounds and personalities to fully demonstrate their capabilities.

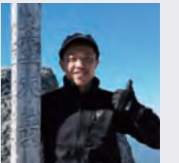
### Optimization of Group human resources

In 2023, we launched the operation of the Group personnel open recruitment system. Our objectives for the system are to improve productivity and organizational vitality by effectively utilizing Group human resources, and showing respect for employee autonomy to enhance engagement and career development. We will utilize the talent management system to continue optimizing the Group's human resources.

#### VOICE— Employees who took advantage of the Group personnel open recruitment system

Kotaro Shimokawa, IST Farm Machinery Co., Ltd.

I transferred to ISEKI & CO., LTD. from domestic sales subsidiary ISEKI Kanto Koshinetsu, and am currently working at sales subsidiary IST Farm Machinery in Thailand. My motivation for applying was the idea that I might be able to form a new career by combining the language study I engaged in as a student with my experience in domestic sales. We are committed to developing farmers and rural communities in the ASEAN region and to expanding our overseas business by leveraging the experience gained in domestic sales in providing products and services.



### Development of global talent

We are focused on personnel development toward the further expansion of our overseas business. In addition to the active dispatch of young and mid-career employees to overseas subsidiaries, in 2023 we introduced Study Sapuri ENGLISH, an online English learning application, on top of our existing training programs to enhance language learning opportunities.

#### VOICE— Employees active overseas Aina Miyauchi, ISEKI Europe GmbH

After being involved for about three years in the development of riding lawn mowers for Europe in the Tractor Technology Department, I have been based in Germany with ISEKI Europe GmbH since 2023, in charge of after-sales service operations and market research for product development. I gained new perspectives and broadened my horizons as an engineer by being exposed to diverse languages, thoughts, and ideas. In the future, I would like to leverage the experience I gained having been stationed overseas in designing and developing machines from a global perspective.



### Initiatives to promote active participation of women

In FY2023, to motivate female employees to pursue their careers and strengthen bonds among employees, we held two roundtable training sessions for management position candidates, with 42 participants. We will continue to boost the ratio of female managers by training management position candidates.

#### Ratio of female managers

2020	2021	2022	2023	2025 (target)
3.7%	4.2%	4.1%	4.6%	7%

\*Data for ISEKI & CO., LTD. (non-consolidated)

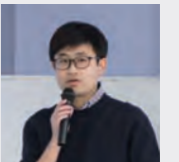
### Skill development through enhanced educational programs

We support self-development by providing a host of educational programs for the purpose of employee skill development and reskilling. We reviewed our existing distance education system and launched an online learning platform that allows employees to take approximately 12,000 different courses according to their challenges and objectives. We also expanded content, including an educational app that allows employees to consume content by audio to take full advantage of their spare time. We also dispatch our employees to graduate schools for working adults (The Graduate School of Project Design).

#### VOICE— Employees studying at graduate school for working adults

Yo Murayama, North America & Oceania Sales & Marketing Department, Overseas Business Division, ISEKI & CO., LTD.

Following my assignment overseas at PT. ISEKI INDONESIA, I am currently responsible for sales for distributors in North America and Oceania. In 2023, I enrolled in The Graduate School of Project Design, a graduate school where working professionals can build and plan new businesses. I am inspired by people with varying backgrounds from different industries and generations, and learn and come to new realizations on a daily basis. I feel that this is a valuable experience. I can only express my gratitude to the company, my colleagues, and my family for supporting me in balancing study and work. I have one year left in the master's program, and I will continue to enjoy myself as I give my best effort in my job and education.



### Strengthen mid-career recruitment

With the aim of enhancing our organizational strength, we are reinforcing our mid-career recruitment. The ratio of mid-career hires in managerial positions in 2023 was 8.5%. Moreover, in 2023, we diversified our recruitment system by starting career registration, return-to-job (reemployment of former employees), and referral recruitment (employee referral). We will increase the matching rate between our company and applicants, while also strengthening our organizational capabilities.

#### Ratio of mid-career hires in managerial positions

2020	2021	2022	2023	2025 (target)
5.3%	5.3%	6.4%	8.5%	7% or more

\*Data for ISEKI & CO., LTD. (non-consolidated)

## Human resource strategies

### Data related to human capital

#### ● Indicators related to human capital

Ratio of female employees	Female-to-male pay ratio (permanent employees)	Retention rate of new graduates after three years	Utilization rate of paid leave (permanent employees)	Employment rate of people with disabilities
14.7%	73.7%	91.7%	66.6%	2.02%

\*Data for ISEKI & CO., LTD. (non-consolidated)  
 \*In the personnel and wage systems, there is no difference based on gender. Differences in the ratio of personnel by job qualification, a high rate of female employees selecting region-specific positions, and differences in the work system result in a wage difference between male and female employees.

### Toward enhancement of employee engagement

ISEKI Group is working on the enhancement of employee engagement to retain talented personnel and create employees who actively engage in corporate growth. We are working primarily on the provision of a secure and safe workplace, support for career development, and development and utilization of diverse human resources. At the same time, we conduct regular engagement surveys and monthly pulse surveys to assess the status of our employees' engagement.

#### ➤ Engagement survey target and results

	August 2023 (result)	March 2024 (result)
Overall satisfaction rate	51.6%	49.0%
Response rate	80.2%	84.4%
Items with high satisfaction rate	Workstyle, interpersonal relationship	Workstyle, environment conducive to growth
Issues	Wage system, personnel system	Wage system, personnel evaluation system

February 2025 (target)

Overall satisfaction rate **70.0%**

#### ➤ Initiatives in response to engagement survey results

The overall satisfaction rate shown by the most recent engagement survey was 49.0%. Unfortunately, there is a huge gap between the result and the target rate of 70.0%. The survey results show low rates of satisfaction with the items such as wage system, while high rates with workstyle, interpersonal relationship, and environment conducive to growth.

ISEKI Group has worked to enhance its welfare system in an effort to improve the overall satisfaction rate and introduced an open recruitment system for the entire ISEKI Group to allow employees with high motivation to expand career opportunities. In April 2024, the Group introduced the Thanks Point Program to further improve the rates of satisfaction with interpersonal relationship and organizational culture. Although the program has just been introduced, it helps employees actively communicate with each other across the departments or offices. Regarding our wage system, which is one of the issues, we will strive to improve the wage level along with improvement of profitability we pursue under Project Z and also perform an in-depth review of our personnel evaluation system.

#### ➤ Introduction and utilization of 360-degree evaluation

In 2022, the 360-degree evaluation system for managers was introduced to facilitate the growth of personnel in managerial positions and enhance organizational capabilities. The system is intended to facilitate further growth of our managers by feeding evaluation results back to them. At the same time, we utilize evaluation results for planning a human resources development curriculum by taking into account the strengths and weaknesses of our human resources that have been identified by the results.

#### ➤ Initiatives to realize work-life balance

ISEKI Group is promoting various measures and improving the environment for employees to allow its employees to adopt diverse workstyles that suit their stages of life. In particular, when an employee notifies us of childbirth, we let the employee and his or her supervisor know about the childcare leave system and encourage the employee to take the leave. This is intended to create an environment where both male and female employees readily take childcare leave and return to their work.

#### ● Status of utilization of paid leave (permanent employees' average)

2022	2023
65.3%	66.6%

\*Data for ISEKI & CO., LTD. (non-consolidated)

#### ● Ratio of male employees who took childcare leave

	2022	2023
Ratio	42.1%	72.2%
Average days of leave	32 days	49 days

\*Data for ISEKI & CO., LTD. (non-consolidated)

### Promotion of health & productivity management

ISEKI Group announced the Health & Productivity Management Declaration in 2021 and has been certified as a health & productivity management outstanding organization (the large enterprise category) for three consecutive years since 2022. The Group also joined the Health & Productivity Management Alliance in June 2023 with the aim of promoting employees' health and improving productivity and will continue to implement initiatives to further realize employees' well-being through referring to examples of initiatives by other companies.



#### Health & Productivity Management Declaration

Viewing healthy and stable living of individual employees as the driving force behind the development and business activities of a corporation, ISEKI Group has engaged in maintaining its employees' health since its foundation. Looking ahead to the 100th anniversary of its founding in 2025, ISEKI Group has now declared that it will further promote health & productivity management in mutual collaboration with ISEKI Health Insurance Association and ISEKI Labor Union to ensure that all people playing active roles at the Group can spend healthy and fulfilling days.

#### ISEKI Group health basic policy

We will work to maintain and promote the health of individual employees and enable the enhancement of employee engagement and sustainable growth of the Group by implementing measures focusing on three kinds of health as follows:

- 1 Physical health
- 2 Mental health
- 3 Living health

### Occupational safety and health management

Setting up "a healthy and safe workplace" as the code of conduct, ISEKI Group strives to manage occupational safety and health in a group-wide effort. Iseki Group carries out safety and health activities reflecting the actual situations of each company and office and implements safety checks at manufacturing subsidiaries to promote awareness-raising at the sites, thereby striving to reduce accident risks. The Group has established ISEKI Safety Promotion Center as a place for experiencing near-accidents and offers employees to have a simulated experience of specific occupational accidents to improve safety awareness. Since lost time accidents increased at its manufacturing subsidiaries in 2022, the Group worked to improve its occupational safety control system by enhancing safety education and equipment inspections. As a result, the industrial accident severity rate for 2023 improved from the figure in the previous year.

#### ● Statistics of industrial accidents: severity rate (%)

2020	2021	2022	2023
0.000	0.004	0.260	0.016

\*Severity rate: Number of work days lost per 1,000 working hours  
 \*Scope: ISEKI & CO., LTD. and its three factories in Japan

#### Policies Concerning Safety

**"Safety takes precedence over everything"**  
 – promoting initiatives to achieve "zero" industrial accidents –

Implementation of risk assessment based on risk-prediction activities

- Identifying risks and hazards in operations, taking risk reduction measures, and thereby preventing accidents from occurring.

Provision of safety education

- Thoroughly entrenching awareness of safety once again through education provided at the Safety Promotion Center so as to build a framework that prevents any industrial accidents.

### Respect for human rights, Prohibition of discriminatory treatment

#### ▶ Basic Policy (Fundamental concept)

It is stipulated in ISEKI Group Code of Ethical Behavior to "respect basic human rights and not engage in any act of discrimination or harassment on the grounds of nationality, race, creed, gender and disabilities." The Code of Ethical Behavior is distributed to all employees. The Group instructs them to, among other things, "always respect human rights of others by periodically providing employees with education" and "pay extra attention to their speech and behavior so as not to commit acts that ignore others' human rights, such as harassment."

# Environmental management

## Environmental Vision

ISEKI Group will aim for the creation of a sustainable society by 2050, including carbon neutrality through "providing innovative products and higher quality of services to the customers."

## Basic Environmental Policy

ISEKI Group promotes environmental activities that contribute to achieving harmony among nature, society and corporations with the aim of creating a sustainable society.

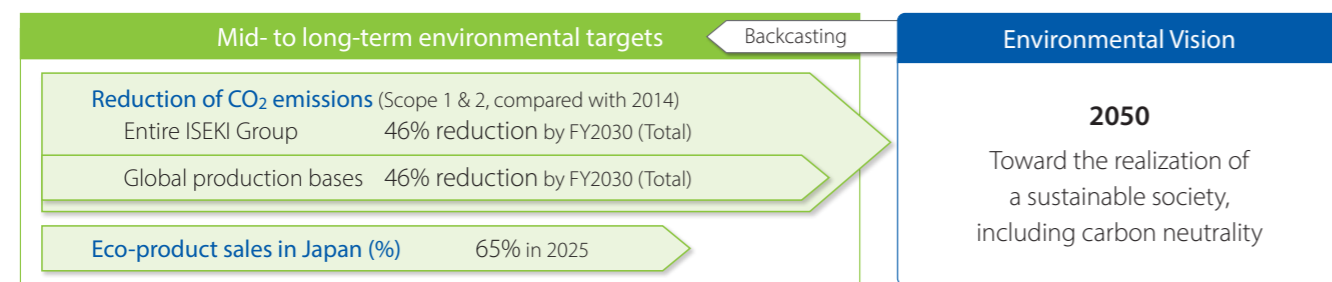
- 1 Maintain environmental management system and its functional applications
- 2 Promote dissemination of business activities and products and services to achieve carbon neutrality
- 3 Comply with environmental laws, regulations, and standards
- 4 Conduct environmental education and information disclosure

### System for promoting environmental management

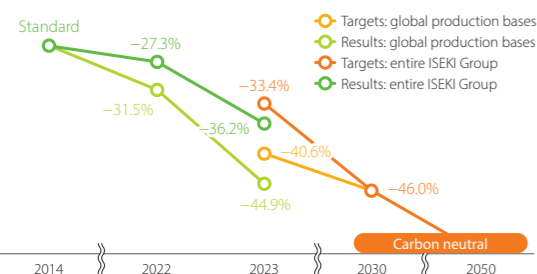
The Environmental Management Working Group (WG) promotes the Basic Environmental Policy throughout the Group, aiming to realize our Environmental Vision by managing progress toward our mid- to long-term environmental targets through compilation of activity results for each office, and by discussing measures related to the Task Force on Climate-related Financial Disclosures (TCFD) (P62). Matters discussed by the Working Group are reported to and deliberated by the ESG Committee (P53).



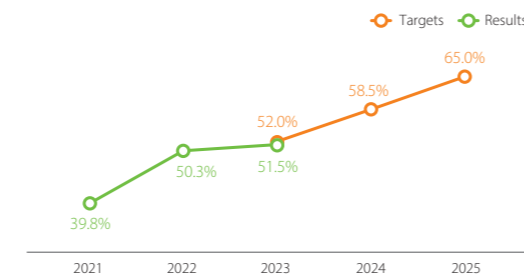
## Mid- to long-term environmental targets



### Reduction of CO<sub>2</sub> emissions (Scope 1 & 2)



### Eco-product ratio in domestic sales



\*Entire ISEKI Group: Consolidated business bases of ISEKI Group in Japan and overseas  
 \*Global production bases: ISEKI-Matsuyama MFG. Co., Ltd., ISEKI-Kumamoto MFG. Co., Ltd., ISEKI-Niigata MFG. Co., Ltd., ISEKI-Shigenobu MFG. Co., Ltd., PT. ISEKI INDONESIA  
 \*The CO<sub>2</sub> emission factor changes every year based on the power source composition ratios of the individual electricity companies. (Emission factors for each electricity company [Ministry of the Environment] were used as a reference.)  
 \*Please refer to the Company's website for information about the eco-product certification system

## Major activity results in promoting environmental management

	Mid-term environmental targets (per net sales)	FY2023 Targets and result evaluation			
		Targets	Results	Evaluation	
Development of recycling-oriented society	Standard compared with FY2013 Four manufacturing bases in Japan	Reduction of volume of water used	(43)%	(53)%	○
		Reduction of final volume of waste	(64)%	(69)%	○
Manufacturing resources		Reduction of total material input	(17)%	(34)%	○
Toxic chemical substances		Reduction of used volume of chemical substances subject to PRTR law*	(36)%	(45)%	○

\*The system and law under which the national government compiles data about the release and transfer of chemical substances and makes the results publicly available each year

### Revision of FY2030 targets

In light of the situation in which results have reached or are about to reach the targets as well as legal amendments, we have revised the targets.

- Changes**
- Volume of water used: The base year has been shifted due to expansion of the range of sites subject to monitoring to include global production bases.
  - Final volume of waste and total material input: The targets have been raised for us to pursue further reductions.
  - Used volume of chemical substances subject to PRTR law: The target is under review since substances subject to the law have increased due to legal amendments.

Mid- to long-term environmental targets (per net sales)	Scope	Standard	FY2030 Targets
Reduction of volume of water used	Global production bases	Compared with FY2014	(41)%
Reduction of final volume of waste	Four manufacturing bases in Japan	Compared with FY2013	(71)%
Reduction of total material input			(35)%
Reduction of used volume of chemical substances subject to PRTR law		Compared with FY2023	Under review

\*Four manufacturing bases in Japan: ISEKI-Matsuyama MFG. Co., Ltd., ISEKI-Kumamoto MFG. Co., Ltd., ISEKI-Niigata MFG. Co., Ltd., ISEKI-Shigenobu MFG. Co., Ltd.

\*Please refer to the Company's website for the historical results of environmental burden reduction by base.

\*The FY2023 figures of used volume of chemical substances subject to PRTR law were calculated on substances that had been subject to control before the legal amendments.

### TOPIC

## Reduction of CO<sub>2</sub> emissions through switching to LNG fuel and introduction of cogeneration system

In September 2023, the fuels used for boilers and drying furnaces at ISEKI-Matsuyama MFG. Co., Ltd. were switched from the heavy oil and butane gas to liquified natural gas (LNG), which emits limited CO<sub>2</sub>. ISEKI-Matsuyama MFG. renewed the equipment to LNG boilers and built a cogeneration system to utilize waste heat produced by a gas engine power generation facility that runs on LNG. This initiative is expected to enable ISEKI to reduce its annual CO<sub>2</sub> emissions by approx. 1,400 tons. We plan to eventually switch the fuel for the equipment from LNG to carbon neutral methane (synthetic methane).



## Initiatives for preservation of biodiversity

Agriculture is closely linked to the natural benefits (ecological services) produced by biodiversity. ISEKI Group has set down guidelines and strives to ensure that due consideration is paid to biodiversity in its business activities.

**Biodiversity Guidelines** <https://www.iseki.co.jp/sustainability/environment/conservation/> (in Japanese)

### Case study: Alleviation of burden on soil and water by reducing the use of herbicides

As one initiative for sustainable agriculture, ISEKI Group is working to promote and expand environmentally sound agriculture including organic farming. The Aigamo-Robo weeding robot (for details, please refer to P38) suppresses the development and growth of weeds. This promises to reduce the use of herbicides, alleviating the burden on soil and water (i.e., contamination), thereby preserving ecological services.



Aigamo-Robo, an automatic weeding robot

## Evaluation by third parties (DBJ Environmental Rating)

In March 2024, ISEKI received the highest rating as one of the "Companies doing environment-friendly business activities progressively," 18 times in a row, by the Development Bank of Japan Inc., in receiving loans under the DBJ Environmentally Rated Loan Program.

- Highly evaluated points**
- 1 ISEKI is performing environmental management throughout the Group including Group companies and supply chains.
  - 2 ISEKI is committing itself to contributing to the environment through the widespread dissemination of products certified as eco-products.
  - 3 ISEKI is promoting initiatives aimed at solving agriculture-related issues through its business from a mid- to long- term perspective.





# Efforts to improve quality and customer satisfaction

## Basic Policy (Fundamental concept)

- ISEKI Group works to provide consistent product quality assurance from product planning to sales and after-sales service while reflecting the opinions from the market in product development and improvement so as to offer products developed from the customers' perspective in a timely manner.
- The Group takes all possible measures for quality control and makes prompt responses in good faith should any quality-related issues arise.

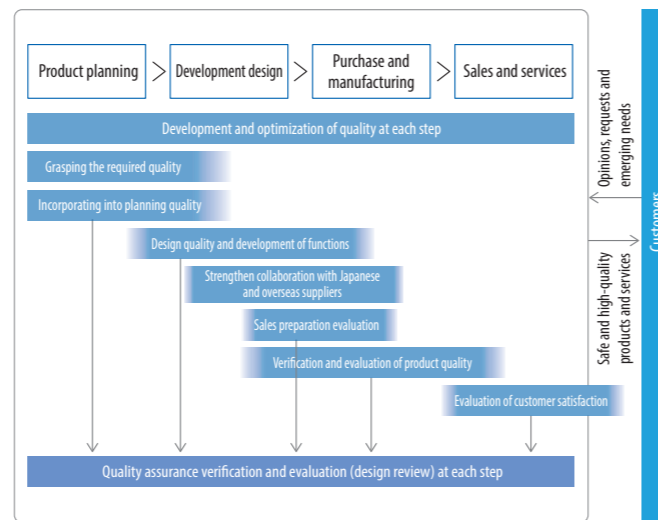
## Product development reflecting the voices of customers

ISEKI Group has a seamless quality assurance system in place, where quality assurance verification and evaluation are conducted (design is reviewed) in every step from product planning, development and design to purchase, manufacturing, sales, and services with the aim of providing products that are safe and respond to the trust placed by the customers.

In product development, ISEKI Group grasps the requirement details based on the voice of customers (opinions, requests, and emerging needs) and utilizes them in product planning and build them into functions in development and design, ultimately reflecting them in purchase and manufacturing. In each step, the Group carries out evaluation and verification of quality optimization from various aspects. ISEKI Group also gathers customer opinions through service activities to provide operating instructions upon delivery and inquire on the conditions of the delivered products and has built a mechanism that feeds back those opinions for development and improvement, reflecting those in developing safe, high-quality products.

At a meeting held by the Quality Improvement Committee every month, ISEKI checks the status of activities for quality improvement, reports if there has been a quality deficiency issue, and discusses matters including measures against the deficiency and recurrence prevention measures.

### Flow of how voices of customers are reflected in product development

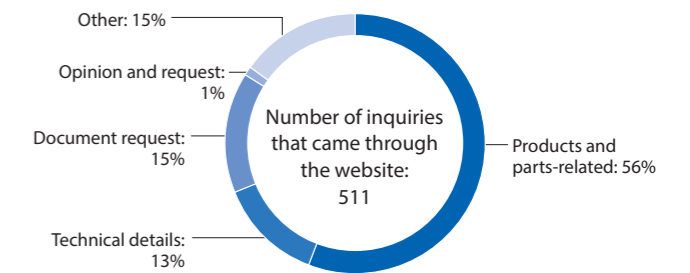


## Responses to and support for customers

We strive to respond to inquiries, queries, and comments from customers correctly, promptly in a sincere manner (target of within one business day), with the aim of enhancing customer satisfaction. The valuable opinions from customers are fed back to senior management and relevant departments and are used to develop better products, as well as for sales and service activities.

In FY2023, the number of inquiries that came through the Company's website was 511. For matters that receive a large number of inquiries, ISEKI Group discloses them on its website so that other customers can make best use of them.

### Contents of inquiries regarding products from customers (FY2023)



## Development of human resources to improve quality and customer satisfaction

ISEKI Group conducts various education programs, with the aim of developing products and engaging in sales and service activities so that customers can use ISEKI's products safely and with peace of mind.

### Early nurturing young designers

In the training focusing on the integrated system for automating rice farming, young designers learn not only models they are responsible for but also a series of farm work and machine operation processes from soil maintenance to crop drying processing. This program helps them to develop products from customers' viewpoint.

### Education to improve service skills

We hold service skills contests that our service staff nationwide are entitled to participate, in addition to encouraging them to obtain certified qualifications. ISEKI works to improve the Group-wide technological and service capabilities to provide services that customers feel reassured.



## Responses to quality defects

When an issue occurs in products, ISEKI promptly performs inspections and repairs of the products giving the utmost priority to customers' safety. When we launch a recall, we notify and report to the concerned authorities<sup>\*1</sup> without delay, disclose information, and strive to draw attention of and provide information to customers. We share information on quality deficiencies internally in order to prevent the recurrence of the same deficiency.

### Number of recalls by fiscal year<sup>\*2</sup>

	2019	2020	2021	2022	2023
Number of recalls	2	0	4	1	1

<sup>\*1</sup> Ministry of Land, Infrastructure, Transport and Tourism, Ministry of Agriculture, Forestry and Fisheries, Ministry of Economy, Trade and Industry, etc.

<sup>\*2</sup> Number of recalls filed with the Ministry of Land, Infrastructure, Transport and Tourism

● Please find the link below to access important notifications of recalls:  
<https://www.iseki.co.jp/news/> (in Japanese)

## Customer satisfaction surveys

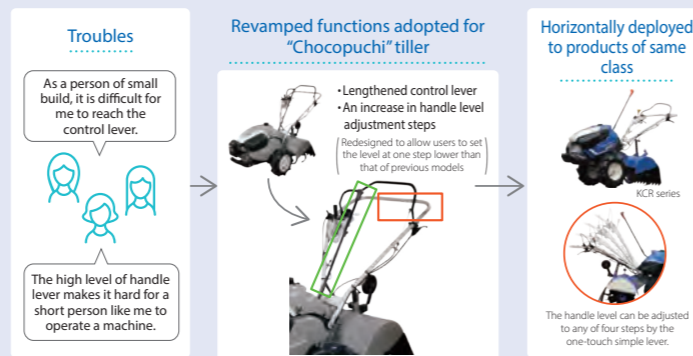
To offer products and services of higher quality, we conduct customer satisfaction surveys targeting customers in Japan. The CS Enhancement Working Group promotes the activity. The survey results are reported to the ESG Committee, fed back to relevant departments, and utilized for the development of products and services.

## Standardization of functions created from voices of female farmers

Approximately 40% of farm workers are women and they play important roles in farming and community activities. ISEKI Group participates in the NOGYOJOSHI (female farmers) project by the Ministry of Agriculture, Forestry and Fishery (MAFF) and has been developing agricultural machinery products incorporating the opinions and ideas of female farmers. The agricultural machinery incorporating the voices of women is user-friendly for many users who have similar troubles, and ISEKI has horizontally deployed some of the functions to its other products and standardized them.

In recent years, such products have attracted attention as an example of gendered innovations.

### Example of standardization: "Improvements in handle lever and its level"



## Initiatives to ensure safe use

To ensure customers' safe and comfortable machine operation, ISEKI Group works to develop products with enhanced security and safety features.

In the service support, ISEKI Group provides operating instructions upon delivery of purchased products. In addition, we provide regular inspection and maintenance services to reduce mechanical trouble during season and support customers' planned farm work.

In recent years, ISEKI Group has upgraded service maintenance facilities to respond to larger-sized machinery associated with an increase in size of farm business, striving to provide quick maintenance services.



The BF series of tractors equipped with safety features such as a seat belt reminder to urge an operator to fasten the seat belt and a sensing function to detect the operator's leaving off the seat and stop the power take-off (PTO)



ISEKI Kyushu's Miyakononojo Service Workshop, where a facility for large-scale maintenance has been installed

# DX promotion

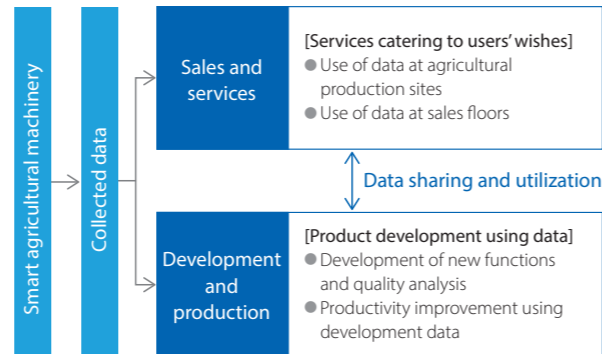
## Business model transformation through DX

By focusing on providing not only products, but also the best solutions leveraging digital technologies—including information and know-how—ISEKI Group is seeking to transform its business model from products to services through DX.

According to statistics by the Ministry of Agriculture, Forestry and Fisheries, the number of agricultural entities engaged in data-based farming accounted for 26% of the total agricultural population in Japan in 2023, marking an increase of 2.8% from the previous year and increasing year by year. ISEKI Group will continue contributing to improved agricultural productivity by supplying smart agricultural machinery leveraging ICT and robot technology as well as providing services that combine data particularly obtained from smart agricultural machinery with its know-how such as farm business technologies. In addition, we will continue to work on business reforms through digitalization in sales, service, development and at production sites.

\*Ministry of Agriculture, Forestry and Fisheries, "2023 Survey on Movement of Agricultural Structure"

### Overall picture of use of digital technology



### Reinforcement of sales by enhancing efficiency of sales activities

We introduced i-Magazine, a support tool for centralized management of data about products and parts and information including quotations and sales journals, at wide-area sales companies in Japan to promptly provide solutions to customers' issues and lead to work style reforms for our employees by making sales activities more efficient.



### Improvement of productivity through digitalization at production sites

We have visualized complicated operating instructions and automated part of inspection processes by introducing an electrical components inspection system using digital technology. As a result, the number of man-hours has decreased to less than one tenth of that consumed in conventional processes while inspection items are increased to stabilize quality.

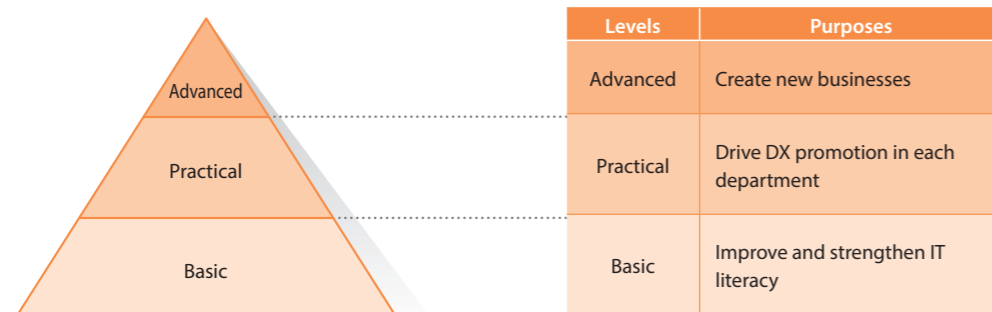


## Development of DX and digital talents

ISEKI Group focuses on the development of DX and digital talents based on the "policy for human resources development" to respond to labor shortage and a rapid change in the market environment resulting from a decline in work force caused by the declining birthrate and aging population.

Our education is provided at three different levels that consist of the "basic level" aimed at improving and strengthening IT literacy, the "practical level" intended to enable trainees to drive DX promotion in their departments, and the "advanced level" at which trainees' skill is further enhanced with the creation of a new business in view.

In DX ISEKI Group aims for, it is essential that employees conversant with internal operations at actual sites play an active role. Through education at the basic level, we intend to enable our human resources to acquire the skills of solving issues and effectively performing operations and services and strengthen their skill in using digital technologies. We then provide professional education at the practical and advanced levels to further promote the development of DX and digital talents.



# Initiatives for society

## Basic Policy (Fundamental concept)

### Suppliers

To achieve its social responsibility, together with its suppliers, across the entire supply chain, ISEKI Group's basic policy is that "the relationship with suppliers should be fair and equitable and it will not abuse its privileged position in the trade to give unfair and disadvantageous treatment to suppliers."

### Local communities

The basic rules of ISEKI Group include "to actively contribute to local communities as a member responsible for society." ISEKI Group works on contributing to society through its business activities aiming for the mid- to long-term development of local communities.

## Promotion of CSR procurement

In order to jointly promote, with its suppliers, procurement activities that take social responsibility into account, ISEKI Group has established ISEKI Group CSR Procurement Guidelines, promoting CSR procurement. The Group checks the status of suppliers' initiatives for CSR through questionnaire surveys, and reconfirms contents and make improvement proposals, etc. in relation to suppliers whom CSR risks are concerned for. We work to strengthen cooperation with suppliers through actions such as explaining the state of ISEKI Group's management and CSR procurement at business report meetings and IR information meetings for vendors and holding superior company tours. In 2023, we held two business report meetings and six training sessions for major suppliers to our factories in Japan to have opportunities for dialogue.

### Matters requested to suppliers

- 1 Customer satisfaction and quality assurance
- 2 Legal compliance and ethical corporate activities
- 3 Respect for human rights and creation of a healthy and safe workplace
- 4 Environmental preservation and green procurement
- 5 Co-existence with local communities and international cooperation
- 6 Management transparency and accountability

Initiative undertaken in 2023	Target	Result
Rate of responses to CSR procurement questionnaire surveys	80%	86%

For details, please refer to the Company's website. <https://www.iseki.co.jp/sustainability/social/supplychain/> (in Japanese)

## Initiatives for complying with the Act against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors and prevention of corruption

The Group provides continuous education and training concerning the Act against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors (the "Subcontract Act") and compliance to ensure fair and equitable transactions with suppliers. Regular reports on the status of our initiatives for education and training are made from the Compliance Working Group to the ESG Committee. In FY2023, ISEKI was subject to no legal action under the Subcontract Act.

- 1 Reaffirmation of what violates the Subcontract Act and compliance with recurrence prevention measures
- 2 Explanation on the details of recurrence prevention measures; Ethical Hotline
- 3 Participation in an outside seminar on the Subcontract Act
- 4 Compliance education (Code of Ethical Behavior, Casebook of Scandals, etc.)
- 5 CSR education (CSR procurement guidelines, etc.)

## Co-existence with local communities

ISEKI Group has proactively conducted social contribution activities to co-exist with local communities. For the development of local communities, we are working to contribute to society through business activities.

### Activities for contribution to the local community and environment

We conduct cleaning activities in local communities and at our offices as part of corporate citizen activities oriented to the local community and environmental education for employees.



Beach cleaning using tractors and specially made implements

### Education activities for next generation

We conduct food and agricultural education for the next generation through activities such as holding drawing contests, exhibiting products at food and agricultural events, and holding visiting lectures.



Visiting lecture focusing on agriculture and SDGs

### Activities for development of local communities in collaboration with local governments

We conduct activities to contribute to the realization of sustainable agriculture through initiatives in collaboration with local governments and other partners throughout Japan.



Partnership agreement with Uda City, Nara Prefecture on creation of production areas for agriculture in harmony with the environment

For details, please refer to the Company's website. <https://www.iseki.co.jp/sustainability/social/contribution/> (in Japanese)

# Message from an Outside Director



## Further reinforcing governance to boost corporate value

**Atsushi Iwasaki**

Outside Director

● Chair of Board of Directors / Chair of Nomination and Compensation Committee / Chair of ESG Committee

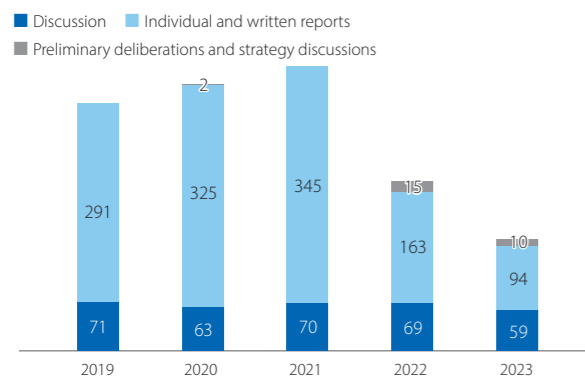
### Q Please tell us about your efforts to revitalize the Board of Directors.

I was appointed Chair of the Board of Directors in March 2022. Despite this being the **first time that an Outside Director had assumed the chairmanship** of the Company, the first thing we set out to accomplish was to **reform the Board of Directors**.

Step one was to **improve agenda setting**. I felt that the Board used to have a large number of items on its agenda and that the time allotted for each individual item was insufficient. To ensure sufficient time could be dedicated to corporate strategy and other major directional matters, the monetary standard for the regulations of authority pertaining to the Board of Directors was raised significantly, and authority was transferred to the Directors' Operation Committee. Since there was a risk, however, of missing qualitatively important matters by taking only this action, I myself observe all meetings of the Directors' Operation Committee, and when I determine that a matter should be brought up for discussion or reported to the Board, I give instruction as appropriate.

The second is to **upgrade the advance explanation**. A few days prior to each Board of Directors meeting, we conduct a pre-briefing for Outside Directors to ensure that they have a deep understanding of pertinent issues. In many cases, materials from Directors' Operation Committee meetings were used to provide explanations. In some instances, though, internal terminology was often used,

### Breakdown and number of agenda items for Board of Directors' meeting



making it somewhat unclear what was to be discussed. We strive to ensure that Board meetings operate efficiently by clarifying issues during pre-briefings and directing additions to the executive summaries as needed.

The third was the **establishment of a new management strategy discussion**. There are many issues that Board members should discuss, even if they do not actually make a Board meeting agenda. The time saved by streamlining Board meetings is allocated to discussions on management strategy. Intellectual property strategy is one such example. During such management strategy discussions, the Board does not record minutes and opinions are freely and openly exchanged.

### Q How would you characterize the operation of the Nomination and Compensation Committee?

The Company has implemented institutional reforms for both the nomination and compensation systems.

First, with respect to nominations, we have **changed the composition of the Board of Directors**, as approved at the ordinary general meeting of shareholders in March 2024. In concrete terms, the number of Directors has been changed from six internal Directors and three Outside Directors to **five internal Directors with the number of Outside Directors unchanged. Two female Outside Directors—including one with corporate management experience—have been appointed to ensure diversity**. We believe that this will allow for discussion from a perspective that wasn't possible previously.

Next, with respect to compensation, we **revised the Directors' compensation system** in March 2022. What had been essentially only fixed compensation will now consist of basic compensation, performance-linked evaluation compensation, and performance-linked stock-based compensation. The aim is to clearly link Directors and Corporate Officers to business performance and shareholders' value, and to heighten their awareness of the contribution to boosting corporate value.

In relation to performance-linked evaluation compensation, **interviews with internal Directors by Outside Directors were instituted as a regular practice**. While we have frequent opportunities to come in contact with executives who work at

the Tokyo headquarters, such opportunities are rare with those stationed in Matsuyama, a key location of the ISEKI Group. As such, once each year, Outside Directors visit Matsuyama to meet with all Directors who work there. The results of these interviews are then fed back to the Nomination and Compensation Committee for assessment.

As you see, we have reformed our nomination and compensation systems, but we are not finished yet. Based on the opinions of our stakeholders, we will continue to make improvements.

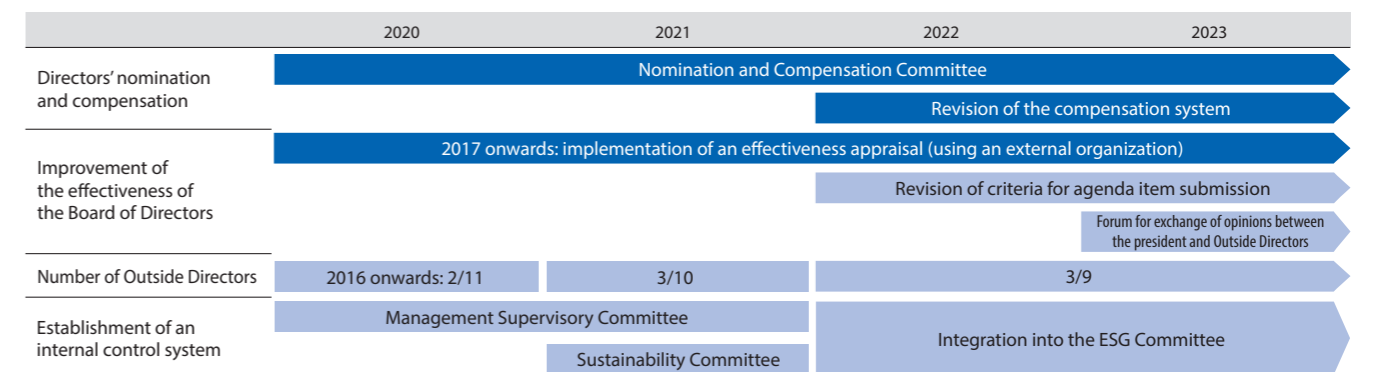
### Composition of Directors' compensation \*Excluding Outside Directors



### Q Please share with us about your plans to reinforce ESG initiatives.

Following the developmental dissolution of the previous Management Supervisory Committee and the Sustainability Committee, the Company newly established the ESG Committee in August 2022 as an advisory body to the Board of Directors. I chair the Committee, and its members include Directors and Corporate Officers. Audit & Supervisory Board Members serve as observers. The purpose of the Committee is to **manage the organization centrally** by covering issues related to ESG in general, including environment, human capital, governance, and compliance. Until now, there have been a number of meeting bodies, such as the Sustainability Committee and the Risk Management Control Committee. These were formed in response to the needs of the moment. With the establishment of the new ESG Committee, the previous meeting bodies have been **reorganized into working groups (WGs) to promote ESG**. There are currently nine WGs—some permanent, such as compliance and environment, and some temporary, such as the 100th anniversary WG. With regard to operations, we are able to respond flexibly to occasional changes in the environment. The most important discussions conducted by the WGs are reported to the ESG Committee to share the information among its members.

### History of governance reinforcement



### Q What are your expectations for the future of the ISEKI Group?

The aforementioned major governance reform initiatives are but one aspect of corporate management. As indicated in our basic strategy, "enhancement of corporate value by strengthening profits and reinforcing corporate governance," **it is of utmost importance for a company to secure appropriate earnings**. With regard to this point, as an Outside Director, I regret that the Company is off the track of the Mid-term Management Plan formulated in 2021. Meanwhile, in a sense, I see this positively as a **prime opportunity for real change**, and I intend to continue to make various proposals from my perspective as an Outside Director. I view the following two points as being of particular significance.

The first is a **swift response to changes in the environment**. Our earnest corporate culture is one of our strengths, but we tend to respond slowly to change. Delays in decision-making can be fatal when attempting to expand overseas operations. We have established a structure within which the Board of Directors spends sufficient time discussing major directions and then delegates authority to the executive side once a determination has been made. I feel that, when matters are progressing as planned, reports should be brief. When there are major changes in the environment, however, the Board of Directors should return to the discussion and undertake bold changes in course.

The second is to **further promote selection and concentration**. This is a theme that is typically incorporated into mid-term management plans and is generally advocated by all companies, but I'm afraid I must say that our company's efforts are inadequate. Decisions on management resource allocation should be based on timely and appropriate analysis, because it is difficult to generate consolidated profitability with an omnidirectional strategy that is considerate of everyone in the Company.

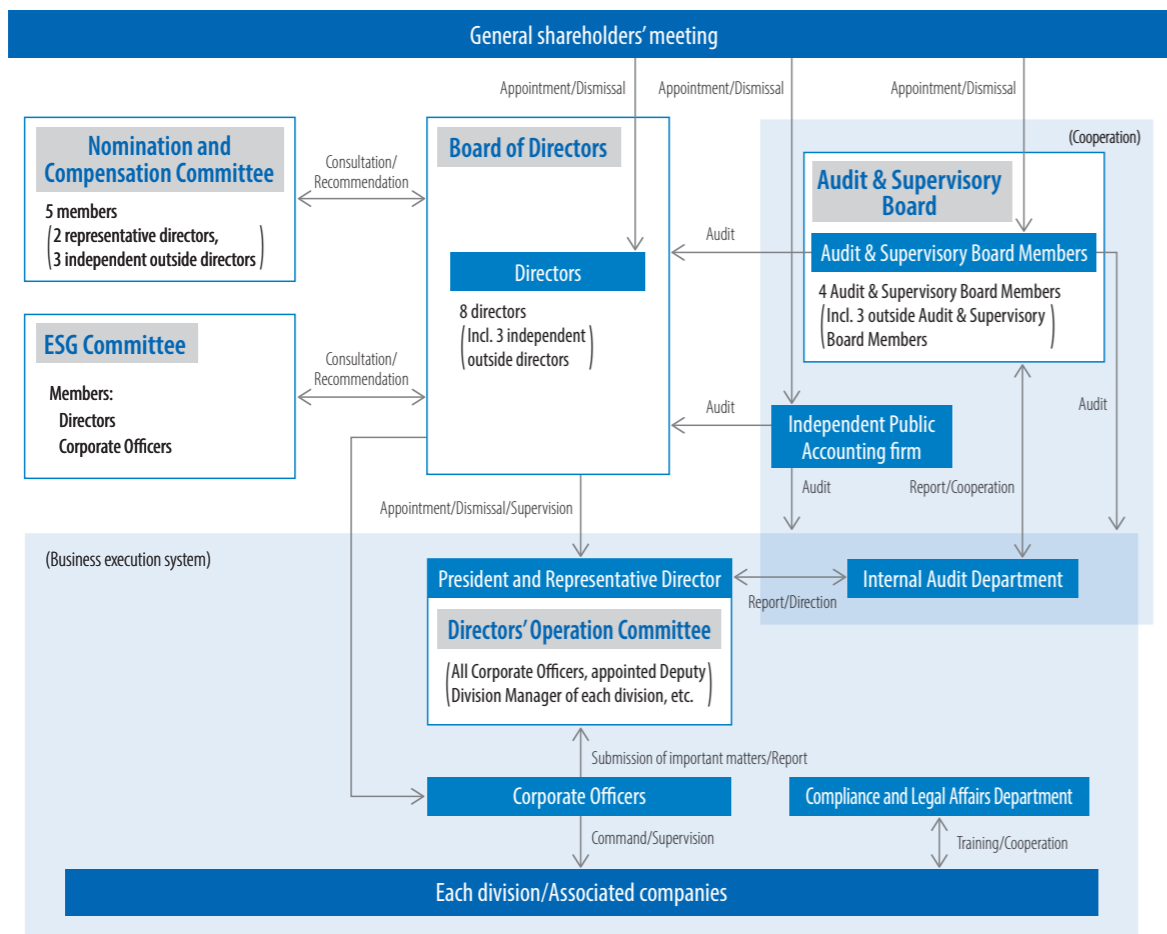
I understand that it can be difficult to navigate the distance between Outside Directors and the executive side. I believe, however, that **it is of utmost importance to maintain a moderate sense of tension while communicating sufficiently**. The year 2025 marks 100 years since the Company was founded. We are committed to making a contribution—however small—to ISEKI's sustainable development and to satisfying the expectations of our stakeholders. We would be grateful for your continued support and encouragement.

# Corporate governance

## Basic Policy (Fundamental concept)

ISEKI has operated its management system with the purpose of swiftly and accurately responding to changes in the management environment and maintaining fair management. In addition, achieving stable growth and improvement in corporate value over the medium to long term is the top priority of our management. In order to maintain a positive relationship with our stakeholders such as shareholders, customers, suppliers, local communities, and employees, we have endeavored to expand and improve our corporate governance. We acknowledge the importance of establishing an internal system that provides stakeholders with important information in a timely and appropriate manner and reinforcing corporate governance on a group-wide basis. Based on that recognition, we have established administrative rules for group companies and a reporting structure to maintain fair business practices and share information.

### Corporate governance system



With regard to business execution, Corporate Officers steadily fulfill their responsibilities for the execution of business they have been made in charge of by the Board of Directors. In principle, the Directors' Operation Committee, which consists of all Corporate Officers, Deputy Division Managers designated by the chairperson, and others, meets twice a month. The Committee shares the latest information, and discusses and receives reports on how we should develop our business, where risks exist, and how we can prevent the risks from manifesting. We thus strive for sound corporate management.

## Attendance to the Board of Directors and other Committee meetings (January to December 2023)

	Shiro Tomiyasu	Hajime Odagiri	Yukio Nawata	Masayuki Fukami	Shuichi Jinno	Kazuya Tani	Atsushi Iwasaki	Shoji Tanaka	Kazuo Nakayama
Board of Directors	17/17	17/17	17/17	17/17	17/17	17/17	17/17	17/17	17/17
Nominations and Compensation Committee	9/9	9/9	—	—	—	—	9/9	9/9	9/9
ESG Committee	12/12	12/12	12/12	12/12	12/12	12/12	12/12	12/12	12/12

## Main meeting bodies and committees

● Internal  
● External (incl. Independent)  
● Internal Chair/Chairperson  
● Independent external Chair/Chairperson

Board of Directors	Overview	The Board of Directors makes decisions on basic managerial matters, as well as matters specified in laws and regulations and the Articles of Incorporation. To make prompt decisions, regular Board of Directors meetings are held once a month and extraordinary Board of Directors meetings are held as necessary.
	Members	<p>Chair: Independent Outside Director</p> <p>Internal Directors ..... 5 <span style="color: #0070C0;">●●●●●</span></p> <p>Independent Outside Directors ..... 3 <span style="color: #0070C0;">●●●</span></p> <p style="text-align: right;"><b>Ratio of Independent Outside Directors 38%</b></p>
Audit & Supervisory Board	Overview	The Audit & Supervisory Board consists of four Audit & Supervisory Board Members, of which three are Outside Audit & Supervisory Board Members. Audit & Supervisory Board Members attend the Board of Directors meetings and other important meeting bodies. They decide audit policies independently and carry out audits of our offices and Group companies in cooperation with the internal audit department and the Independent Public Accounting firm. In addition, they monitor the management and ensure the effectiveness of corporate governance by strictly checking important agenda items at Directors' Operation Committee and other meetings and the status of business execution by Directors.
	Members	<p>Chair: Internal Audit &amp; Supervisory Board Member</p> <p>Internal Audit &amp; Supervisory Board Member ..... 1 <span style="color: #0070C0;">●</span></p> <p>Outside Audit &amp; Supervisory Board Members ..... 3 <span style="color: #0070C0;">●●●</span></p> <p style="text-align: right;"><b>Ratio of Outside Audit &amp; Supervisory Board Members 75%</b></p>
Nominations and Compensation Committee	Overview	ISEKI has established the Nominations and Compensation Committee as a consultative body of the Board of Directors regarding nomination and compensation of Directors, etc. The Committee deliberates and reports to the Board of Directors on compensation of Directors and Corporate Officers, in addition to matters on nominations, such as proposals of agenda items of general shareholders' meetings regarding appointment and dismissal of Directors, selection and removal of Corporate Officers, and appointment and dismissal of Representative Directors.
	Members	<p>Chairperson: Independent Outside Director</p> <p>Internal Directors (Representative Directors) ..... 2 <span style="color: #0070C0;">●●</span></p> <p>Independent Outside Directors ..... 3 <span style="color: #0070C0;">●●●</span></p> <p style="text-align: right;"><b>Ratio of Independent Outside Directors 60%</b></p>
ESG Committee	Overview	ISEKI has established the ESG Committee as a consultative body of the Board of Directors regarding ESG-related issues. It mainly discusses matters related to the enhancement of ESG and submits recommendations to the Board of Directors. Audit & Supervisory Board Members are requested to attend the Committee meetings as observers. We ask for their input as necessary.
	Members	<p>Chairperson: Independent Outside Director</p> <p>Directors and Corporate Officers</p>

## Corporate governance

### Directors' compensation system

Since FY2022, the compensation for Directors of the Company consists of basic compensation (money), performance-linked evaluation compensation (money), and newly introduced performance-linked stock-based compensation using trust. The overview of the Directors' compensation system after the revision is as follows.

#### ▶ Basic Policy (Fundamental concept)

Toward the realization of ISEKI's goals/basic business philosophy of contributing to the creation of the prosperous and sustainable society through providing innovative products and higher quality of services to the customers, the management executives are responsible for "transforming" ISEKI Group, leading it to sustainable growth, and striving to improve its corporate value in the medium and long term. To fulfill such responsibilities, the basic policy of our Directors' compensation is to adopt a system which can make the compensation function as a sound incentive, making it clear that compensation of management executives shall be linked to business results including shareholders' value and medium- and long-term results.

#### Overview of compensation

Compensation	Method of provision	Percentage in total compensation (rough estimate)		Details
		(Internal) Directors	Outside Directors	
Basic compensation	Money	60%	100%	Monthly pay an amount decided in consideration of job responsibility, etc. of each Director.
Performance-linked evaluation compensation	Money	30%	—	Annually pay an amount decided according to a level of performance indicator for each business year, as well as a degree of achievement of indices/targets, etc. set in advance for individual Directors based on management issues.
Performance-linked stock-based compensation	Shares of the Company	10%	—	Compensation based on a stock delivery trust system Deliver shares of the Company, in principle, upon Director's retirement according to the number of points awarded to each Director each business year, based on the share delivery rules provided by the Board of Directors. A certain ratio of shares of the Company are sold in cash and provided as money.

The level of total compensation is determined in consideration of levels in the industry or other similar-sized companies.  
A total amount of the basic compensation and the performance-linked evaluation compensation shall be within the range resolved at the 98th Ordinary General Meeting of Shareholders held on March 30, 2022 (no more than 360 million yen per year).  
The upper limit of the amount of the performance-linked stock-based compensation shall be within the range resolved at the 98th Ordinary General Meeting of Shareholders held on March 30, 2022 (148 million yen, maximum amount of total cash to be contributed by the Company as the fund to acquire shares of the Company necessary to deliver to Directors (excluding Outside Directors) during the coverage period of four years from the business year ended December 31, 2022 to the business year ending December 31, 2025).

The compensation for individual Directors shall be finalized and resolved at a Board of Directors meeting based on reports from the Nomination and Compensation Committee after deliberation. The Committee is chaired by an Independent Outside Director and mainly composed of Independent Outside Directors. When details of compensation, etc. for individual Directors are determined, the Nomination and Compensation Committee considers multiple matters including consistency with the decision policy. Therefore, the Board of Directors basically respects the report and deems that the details are consistent with the decision policy.

#### ▶ Audit & Supervisory Board Members' compensation system (Reference)

The upper limit of Audit & Supervisory Board Members' compensation was resolved to be no more than 8 million yen per month at the 85th Ordinary General Meeting of Shareholders held on June 26, 2009. The compensation for individual Audit & Supervisory Board Members is determined through discussion among Audit & Supervisory Board Members.

### Composition of the Board of Directors, and Policy on the Appointment of Directors, etc.

The Company's Board of Directors is composed of Directors with a diversity of different fields of specialization and experience. Proposals for election and dismissal of Directors to the General Meeting of Shareholders and selection and removal of Representative Directors are considered in accordance with the following criteria.

#### 1 Criteria for the appointment of Directors

- Has appropriate personalities as Director
- Has outstanding leadership
- Has abundant capability, knowledge, and experience in the specialized field
- Appointment is considered in a comprehensive manner taking into account the Company's situation and governance structure at that time

#### 2 Criteria for the selection of Representative Directors

- Fulfills the appointment criteria for Directors
- Has a company-wide perspective as well as abundant capability, knowledge, and experience in corporate management
- Experience in the overseas business is considered
- Appointment is considered in a comprehensive manner taking into account the Company's situation and governance structure at that time

#### 3 Criteria for dismissal of Directors and the removal of Representative Directors

- Upon committing an act that violates laws, regulations, and the Articles of Incorporation
- When acknowledged that it is difficult to perform duties due to deteriorating health
- When acknowledged to have significantly damaged the Company's corporate value
- When acknowledged to have lost the capabilities and quality stipulated by the appointment or selection criteria

The appointment of Corporate Officers is based on comprehensive consideration from the perspective of whether they will be able to execute management and business duties accurately and responsibly in accordance with the basic management policy decided by the Board of Directors.  
Proposals to the General Meeting of Shareholders regarding the election of Audit & Supervisory Board Members are based on comprehensive consideration from the perspectives of whether candidates possess knowledge and experience in finance, accounting, and their fields of specialization, and whether they understand all aspects of the Company's business.

Proposals to the General Meeting of Shareholders regarding the election of Outside Directors and Outside Audit & Supervisory Board Members are based on comprehensive consideration from the perspectives of whether candidates possess abundant knowledge and experience in their respective fields, and whether they will be able to utilize this knowledge and experience to strengthen the Company's supervisory function, in addition to the independence requirements stipulated under the Companies Act. In addition to the independence criteria prescribed by the Tokyo Stock Exchange, the Company requires Outside Directors and Outside Audit & Supervisory Board Members to satisfy its Independence Standards for Outside Directors/Audit & Supervisory Board Members. In addition, the Company selects candidates for the position of Outside Director or Outside Audit & Supervisory Board Member who will be able to accurately advise and supervise the Company's management, with an emphasis on a high degree of specialization and abundant experience.

### Cross-Shareholdings

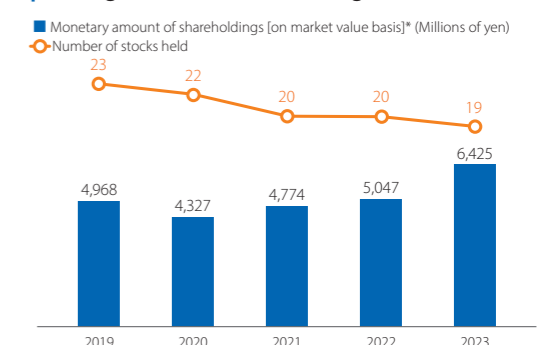
The Company believes that maintaining and strengthening long-term, stable business relationships with trading partners through the process of manufacturing and selling agricultural machinery leads to the enhancement of the Company's medium- to long-term corporate value and is crucial to stably deliver "products that satisfy customers" as an integrated manufacturer specializing in agricultural machinery. For this reason, the Company holds shares in other companies where deemed necessary for the purpose of contributing to the enhancement of the Company's medium- to long-term corporate value through the maintenance and reinforcement of harmonious business relationships vital for the Company's business activities.

The significance of each shareholding, in terms of factors such as its benefits and risks, and with reference to the cost of capital, is validated each year by the Board of Directors. Where, as a result of this validation, it is deemed that a shareholding is not meaningful because it cannot be expected to contribute to enhancing the Company's medium- to long-term corporate value, the sale of that shareholding will be considered.

#### ▶ Criteria for the exercise of voting rights

The Company makes comprehensive decisions regarding the exercise of voting rights associated with each shareholding, based not only on the management policy and business status of the issuing company and whether exercising voting rights will lead to the enhancement of the Company's medium- to long-term corporate value, but also through dialogue and other communication with the issuing company, as necessary, concerning whether this would contribute to the common good of shareholders.

#### Changes in cross-shareholdings (listed stock)



\*The monetary amount of shareholdings increased due to an increase in share prices

Corporate governance

**Toward the improvement of the effectiveness of the Board of Directors**

To further facilitate the roles of the Board of Directors, ISEKI has implemented a self-appraisal and analysis program for individual senior officers since 2017. The appraisal is done through a third-party organization, adopting methods for canvassing personalized opinions with individual questionnaires and individual interviews for all Directors and Audit & Supervisory Board Members.

<p><b>Target</b></p> <p>All Directors and Audit &amp; Supervisory Board Members</p>	<p><b>Main items for appraisal</b></p> <ul style="list-style-type: none"> <li>● Members and operation of and discussions at Board of Directors meetings</li> <li>● Monitoring function for Board of Directors meetings</li> <li>● Support system for Directors and Audit &amp; Supervisory Board Members</li> <li>● Training</li> <li>● Dialogue with shareholders (investors)</li> <li>● Own efforts and review</li> </ul>
<p><b>Methodology of questionnaire</b></p> <p>Anonymous survey</p>	<p><b>Efforts for analysis of results and solution of issues</b></p> <ul style="list-style-type: none"> <li>● Analysis of the results of questionnaires and interviews at a third-party organization</li> <li>● Debriefing sessions organized by a third-party organization</li> <li>● Implementation of initiatives toward a solution</li> </ul>
<p><b>Methodology of interview</b></p> <p>Individual interview to targeted subjects by a third-party organization</p>	

**(Reference) Results of questionnaire**

Please see below for some of the results of FY2023 questionnaire.

The questionnaire about "members of Board of Directors meetings" was given in the form of an open-ended question. "Operation of Board of Directors meetings" and "discussions at Board of Directors meetings" were assessed on a scale of one to five.

	YoY change	Key opinions, questions where assessment has been changed
Members of Board of Directors meetings	— (open-ended question)	<ul style="list-style-type: none"> <li>● The number of the Board of Directors is large</li> <li>● The appointment of Directors who have experience in manufacturing department is desired</li> <li>● The development and appointment/promotion of female talents to Directors or managers are required</li> </ul>
Operation of Board of Directors meetings	↗	<ul style="list-style-type: none"> <li>● Timing for submission of matters to and the number of items to be deliberated at the Board of Directors</li> <li>● Timing for advance briefings on matters to be deliberated at Board of Directors meetings, and contents of the briefings</li> <li>● Quality of presentations at Board of Directors meetings</li> </ul>
Discussions at Board of Directors meetings	↘	<ul style="list-style-type: none"> <li>● Setting of KPIs so as to enable the Company to achieve sustainable growth in financial and non-financial aspects</li> <li>● A regular review of business portfolio from the perspective of sustained profitability and capital cost</li> <li>● Discussions about the contents and quality of information to be disclosed, methods of disclosure, etc. toward the enhancement of information disclosure</li> </ul>

**Initiatives to support Outside Directors and Outside Audit & Supervisory Board Members**

The following initiatives are implemented to support Outside Directors and Outside Audit & Supervisory Board Members.

Distribution of materials and advance briefing	We distribute materials for Board of Directors meetings in advance and hold an advance briefing on important agenda items to be brought up for discussion to the Board of Directors.
Briefing on businesses and office tour for newly appointed Outside Directors and Outside Audit & Supervisory Board Members	We provide newly appointed Outside Directors and Outside Audit & Supervisory Board Members with an opportunity of a briefing on ISEKI Group's businesses and a tour of an office other than the Group's Tokyo Headquarters after they assume their offices.

**Messages from newly appointed Outside Directors**

**Generating singular value through highly transparent, multifaceted management decisions**

My name is Eiko Kisogawa, and I have been newly appointed as an Outside Director. I previously worked in the life insurance industry, where I was involved in operational reforms based on customer feedback, executing system projects, establishing processes related to risk management, and overall corporate management. Though we are in different industries, I believe that the fundamentals of business are the same: how to capitalize on customers' requests or potential needs and transform them into products or services, and how to make new proposals beyond the imagination of customers. My intent is to leverage my experience and information to the fullest.

Looking at Japan's business environment, there are quite a few issues, including climate change and economic turmoil sparked by wars in other countries. In resolving these global issues, Japanese companies are expected to play a key role. Naturally, it is important that we continue to be staying close to our customers from a global perspective and be a company that resolves social issues, and further increase our significance of existence. As an Outside Director, I will work to ensure a transparent, rational management decision-making process through multilateral discussions from an independent, objective standpoint. At the same time, I intend to heighten the effectiveness of the Board of Directors by confirming the major direction of our corporate strategy to achieve our unique value creation, and by supervising the execution of the Board's duties. To achieve sustainable growth and raise our corporate value over the medium- to long-term, I am committed to building a more robust management structure based on the corporate philosophy and corporate culture that we have held in high regard since the Company was founded.



Eiko Kisogawa Outside Director

**As an attorney, a woman, and an "outsider"**

My name is Fumiko Kishimoto, and I have recently been appointed as an Outside Director. During my 24 years as an attorney, I have resolved various disputes—mostly civil cases—ranging from inheritance-related matters for individual clients to legal matters for small and medium-sized companies. Five or so years ago, I began serving as an outside director and as an audit and supervisory board member for other companies, and am learning about corporate management in a more earnest way.

Given my background, I realize that what is expected of me as an Outside Director is a professional perspective on legal matters as an attorney, a female outlook with regard to diversity, and a layperson's viewpoint—in the most positive sense—in our area of business.

While continuing to work toward a deeper understanding of our company and industry, I will first sincerely acknowledge the current situation to strengthen the ISEKI Group's corporate governance and compliance. I will then determine what is necessary for the Company to achieve sustainable growth, and identify current issues. I believe that my role is to monitor risks and opportunities that I am able to see from my perch as an outsider to the Company and the industry. If I have any questions, I do not hesitate to raise them, and I believe that such efforts will lead to a more active Board of Directors and management with a sense of urgency.

I will do everything possible to make a positive impact on this company with its rich history while considering the expectations of our shareholders, investors, and other stakeholders, and I look forward to your continued support.






Fumiko Kishimoto Outside Director





# List of officers

Directors		Corporate management/ Management strategy	Finance	Sales/ Marketing	Overseas businesses	Development and manufacturing	Compliance/ Legal affairs/Audit	ESG/ Sustainability	Personnel	IT/Data
	<b>Shiro Tomiyasu</b> Representative Director President & Executive Officer	Apr. 1980 Joined The Dai-ichi Kangyo Bank, Limited (currently Mizuho Bank, Ltd.) Apr. 2011 Managing Executive Officer, Mizuho Bank, Ltd. Jun. 2015 Advisor, Chuo Fudosan Co., Ltd. Jan. 2016 Advisor of the Company Mar. 2016 Director & Senior Corporate Executive Officer of the Company Assistant to President Responsible for Corporate Planning Department Responsible for Public & Investor Relations Section Responsible for Personnel Department In charge of Financial Department Jan. 2017 Director & Vice President Executive Officer of the Company In charge of Corporate Planning Department and Public & Investor Relations Section Mar. 2019 Representative Director, President & Executive Officer of the Company (to present)	●	●				●		
	<b>Hajime Odagiri</b> Representative Director & Senior Corporate Executive Officer	Apr. 1987 Joined ISEKI & CO., LTD. Nov. 2008 General Manager, Vegetable Machinery Engineering Department of the Company Dec. 2010 Senior General Manager, Agri-Implements Department of the Company Jun. 2014 President, Iseki-Changzhou Mfg. Co., Ltd. Sales Branch Office Jan. 2016 Corporate Officer and Deputy Division Manager, Business Division of the Company Mar. 2016 Representative Director & President, ISEKI Hokkaido Co., Ltd. Jul. 2018 Chairman & President, Dongfeng Iseki Agricultural Machinery Co., Ltd. Jan. 2019 Senior Corporate Officer of the Company Jan. 2020 General Division Manager, Development & Production Division of the Company Mar. 2020 Director & Senior Corporate Officer of the Company Mar. 2022 Representative Director & Senior Corporate Executive Officer of the Company (to present) Nov. 2023 Leader of "Project Z" of the Company (to present)	●	●	●	●		●		●
	<b>Masayuki Fukami</b> Director & Senior Corporate Officer	Apr. 1985 Joined ISEKI & CO., LTD. Dec. 2004 General Manager, Kanto Sales Department of the Company Jan. 2007 Representative Director & President, Ibaraki ISEKI Sales Co., Ltd. Dec. 2008 Executive Managing Director, ISEKI Chugoku Co., Ltd. Jan. 2011 Executive Managing Director, ISEKI Kyushu Co., Ltd. Dec. 2011 Representative Director & President, ISEKI Kyushu Co., Ltd. Jul. 2015 Corporate Officer of the Company Jan. 2019 Senior Corporate Officer of the Company Mar. 2019 Director & Senior Corporate Officer of the Company (to present) Apr. 2019 In charge of Personnel Department of the Company Deputy in charge of Corporate Planning Department and Public & Investor Relations Section Deputy in charge of Compliance (to present) Jan. 2022 In charge of Personnel, Corporate Planning, and Investor Relations of the Company (to present)		●			●	●	●	
	<b>Shuichi Jinno</b> Director & Senior Corporate Officer	Apr. 1985 Joined ISEKI & CO., LTD. Apr. 2008 General Manager, Office Automation Department of the Company Dec. 2011 General Manager, Public & Investor Relations Section of the Company Oct. 2013 General Manager, Personnel Department of the Company Jun. 2015 Director & Corporate Officer of the Company In charge of Personnel Department In charge of Compliance Mar. 2016 In charge of Office Automation Department of the Company Jan. 2017 Deputy in charge of Compliance of the Company Dec. 2018 In charge of IT Planning Department of the Company Apr. 2019 Deputy in charge of Financial Department of the Company Jan. 2022 In charge of Finance, IT Planning, Operation Efficiency Improvement of the Company Aug. 2022 In charge of Finance, IT Planning of the Company (to present) Jan. 2023 Director & Senior Corporate Officer of the Company (to present)		●			●		●	●
	<b>Kazuya Tani</b> Director & Senior Corporate Officer	Apr. 1992 Joined ISEKI & CO., LTD. Apr. 2009 Representative Director & President, N.V. ISEKI EUROPE S.A. Jan. 2015 Representative Director & President, ISEKI France S.A.S. Oct. 2017 General Manager, Overseas Business Control Department and General Manager, Europe Sales & Marketing Department of the Company Jan. 2020 Corporate Officer of the Company General Division Manager, Overseas Business Division (to present) Mar. 2020 Director & Corporate Officer of the Company Jan. 2024 Director & Senior Corporate Officer of the Company (to present)		●	●					

(As of March 31, 2024)

Outside Directors		Corporate management/ Management strategy	Finance	Sales/ Marketing	Overseas businesses	Development and manufacturing	Compliance/ Legal affairs/Audit	ESG/ Sustainability	Personnel	IT/Data
	<b>Atsushi Iwasaki</b> Director [Significant concurrent position] Certified public accountant Outside Independent	Nov. 1990 Joined Century Audit Corporation (currently Ernst & Young ShinNihon LLC) Mar. 1991 Registered as a certified public accountant Mar. 1997 Registered as a real estate appraiser Aug. 2005 Retired from Shin Nihon & Co. (currently Ernst & Young ShinNihon LLC) Sep. 2005 President, Iwasaki Certified Public Accountant Office (to present) Jun. 2013 Director of the Company (to present) Jun. 2015 Outside Audit & Supervisory Board Member, NH Foods Ltd. Jun. 2016 Outside Audit & Supervisory Board Member, OLYMPUS CORPORATION Jun. 2019 Outside Director, NH Foods Ltd. Outside Director, OLYMPUS CORPORATION	●	●			●	●		
	<b>Eiko Kisogawa</b> Director [Significant concurrent position] MARUBUN CORPORATION Outside Director (Member of the Audit & Supervisory Committee) Outside Independent	Apr. 1984 Joined American Family Life Assurance Company of Columbus (currently Aflac Life Insurance Japan Ltd.) Apr. 2004 General Manager of Operations Division of American Family Life Assurance Company of Columbus Jan. 2010 General Manager of Administration Planning Department 2 of American Family Life Assurance Company of Columbus Jan. 2011 General Manager of Policy Maintenance Department of American Family Life Assurance Company of Columbus Jan. 2012 Vice President of Policy Maintenance Department, Premium Accounting Department 1 and Premium Accounting Department 2 of American Family Life Assurance Company of Columbus Jan. 2013 Vice President of Corporate Value Enhancement Program of American Family Life Assurance Company of Columbus Jan. 2016 President Chief Executive Officer of Aflac Payment Services Co., Ltd. Jan. 2018 Vice President of Administration Management Department and Customer Services Promotion Department of American Family Life Assurance Company of Columbus Jan. 2021 Corporate Adviser of Aflac Life Insurance Japan Ltd. Jun. 2023 Outside Director (Member of the Audit & Supervisory Committee), MARUBUN CORPORATION (to present) Mar. 2024 Director of the Company (to present)	●				●	●		●
	<b>Fumiko Kishimoto</b> Director [Significant concurrent positions] Attorney Outside Director (Audit and Supervisory Committee Member), NIHON DENGI CO., LTD. Outside Independent	Apr. 1998 Entered the Legal Training and Research Institute, Supreme Court of Japan Mar. 2000 Graduated from the Legal Training and Research Institute, Supreme Court of Japan Apr. 2000 Registered as an attorney (Joined Tokyo Bar Association) Joined Azusa Sogo Law Office Jun. 2019 Outside Director (Audit and Supervisory Committee Member), NIHON DENGI CO., LTD. (to present) Sep. 2021 Representative, Azusa Sogo Law Office (to present) Mar. 2024 Director of the Company (to present)					●	●		

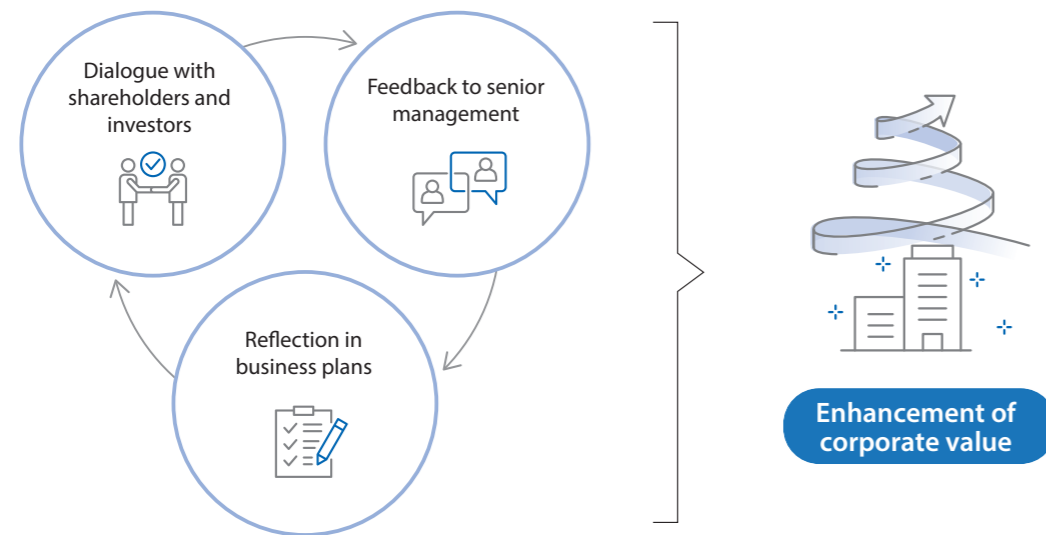
## Audit & Supervisory Board Members

	<b>Masato Machida</b> Full-time Audit & Supervisory Board Member Reason for appointment He has advanced knowledge, having experienced in various fields of corporate planning, information systems, development and manufacturing. Accordingly, as the Company believed that he would appropriately audit the performance of duties by Directors, he has been appointed as Audit & Supervisory Board Member.		<b>Yasuji Fujita</b> <span style="background-color: #0070C0; color: white; padding: 2px;">Outside</span> Full-time Audit & Supervisory Board Member Reason for appointment He has extensive experience and a wide range of insight including expertise in finance cultivated through his many years of work at a financial institution. Accordingly, as the Company believed that he would appropriately audit the performance of duties by Directors, he has been appointed as Outside Audit & Supervisory Board Member.
	<b>Kentarō Morimoto</b> <span style="background-color: #0070C0; color: white; padding: 2px;">Outside</span> Full-time Audit & Supervisory Board Member Reason for appointment He has a wide range of insight, including extensive experience and expertise in finance and agriculture, forestry and fisheries in general, cultivated through his many years of work at a financial institution. Accordingly, as the Company believed that he would appropriately audit the performance of duties by Directors, he has been appointed as Outside Audit & Supervisory Board Member.		<b>Mami Taira</b> <span style="background-color: #0070C0; color: white; padding: 2px;">Outside</span> <span style="background-color: #808080; color: white; padding: 2px;">Independent</span> Audit & Supervisory Board Member Reason for appointment She has specialized knowledge and extensive experience related to accounting and tax practices as a certified public accountant and certified tax accountant. Accordingly, as the Company believed that she would appropriately audit the performance of duties by Directors, she has been appointed as Outside Audit & Supervisory Board Member. [Significant concurrent positions] Certified public accountant, Certified tax accountant, Outside Director (Audit and Supervisory Committee Member), Suzuden Corporation and External Director (Audit & Supervisory Committee Member), FOOD & LIFE COMPANIES LTD.

# Dialogue with shareholders and investors

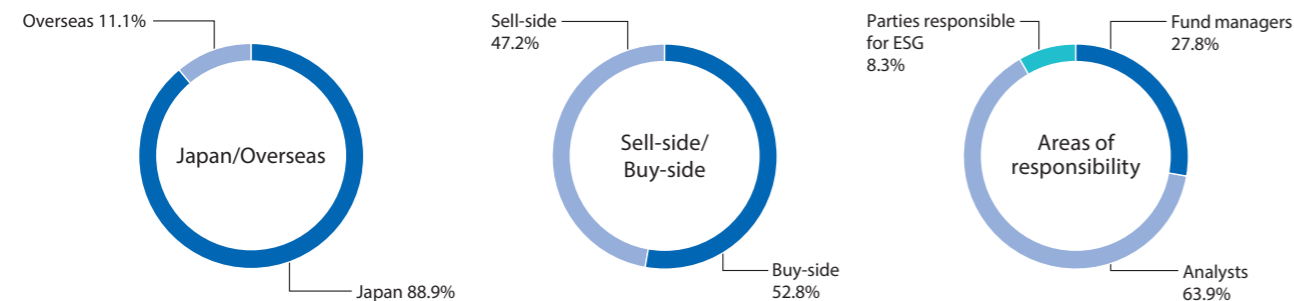
## Basic Policy (Fundamental concept)

- The Company believes that, in achieving sustainable growth and enhancing its corporate value in the medium to long term, an important initiative is to build relationships of trust with shareholders and investors by explaining its management policies in detail and engaging in constructive dialogue with them. Dialogue with shareholders and investors is managed by officers in charge of business administration departments (the Public & Investor Relations Section, Corporate Planning Department, Financial Department, and General Affairs Department). These officers and departments actively engage with stakeholders through various opportunities including quarterly briefing sessions. Opinions obtained from dialogues are used to enhance information disclosures, fed back to senior management, and utilized for our business strategies. We believe that a series of these steps are essential for sustainable growth and the enhancement of our corporate value in the medium to long term.
- Our basic policy in information disclosure is to "disclose information properly to fulfill social accountability" and "endeavor to promptly disclose accurate information required from inside or outside of the Group in recognition of the importance of social accountability and thereby become a company with transparency." To win fair evaluation from all our stakeholders and ensure management transparency, ISEKI Group strives for fair, equitable, timely, and appropriate information disclosure keeping with the purpose and meaning of fair disclosure rules.



## Status of dialogue with stakeholders (FY2023)

### Attributes of stakeholders who participated in dialogue



### Main themes and matters of interest

<b>Performance-related matters</b> Management strategies	<ul style="list-style-type: none"> <li>ISEKI Group's strengths</li> <li>Demand trends in businesses</li> <li>Mid-term measures and progress</li> <li>Management conscious of capital cost and capital efficiency</li> <li>Management system for business portfolio</li> </ul>	<b>ESG-related matters</b>	<ul style="list-style-type: none"> <li>Status of response to climate change</li> <li>Status of initiatives related to human capital</li> <li>Members of Board of Directors</li> </ul>
		<b>Share price and shareholder return</b>	<ul style="list-style-type: none"> <li>Issues and responses related to share price and PBR</li> <li>Direction of shareholder return policy</li> </ul>

## Opportunities for dialogue and ISEKI's coordinators

Types of dialogue	ISEKI's coordinators	2023 results	Method of meetings, sessions, etc.
Ordinary general meeting of shareholders	All Directors and Audit & Supervisory Board Members	Once	Face-to-face
Quarterly briefing sessions	All executive directors	4 times	<ul style="list-style-type: none"> <li>Online or hybrid of online and face-to-face</li> <li>Briefing presentation materials and the substance of questions and answers posted on the Company's website</li> </ul>
Individual meetings	Director in charge of investor relations, Director in charge of Finance, General Manager of Public & Investor Relations Section, and General Manager of Financial Dept.	21 times	Online or face-to-face
Presentation meeting	President and Representative Director, Director in charge of investor relations, and others	(held in 2022)	Online
Facility tours/New product presentations	President and Representative Director, Director in charge of investor relations, and others	2 times	Face-to-face
Facility tour for individual shareholders	President and Representative Director, Director in charge of general affairs, and others	Once	Face-to-face
Respond to inquiries	IR and general affairs departments	As required	Dialogue through the website, phone, email, etc.
(Reference information) Interviews with institutional investors and securities analysts	Conducted by an external contractor	5 times	Online

### TOPIC

### ISEKI conducts facility tour for individual shareholders

On November 18, 2023, ISEKI conducted a facility tour for individual shareholders at its Tsukubamirai Office, with the aim of letting its shareholders deepen the understanding of the Company's business activities and initiatives. With 55 shareholders joining the facility tour, the Company explained an overview of ISEKI Group and its initiatives aimed at promoting environmentally sound agriculture and smart agriculture. The shareholders watched a demonstration of a robot rice transplanter in addition to a tour of the exhibition hall at the Dream Agricultural Research Institute and a section for machines sold overseas and vegetable farming machinery.



## Feedback to management executives

Opinions from shareholders and investors, their interests, and matters of concern learned through dialogue are reported as necessary to the management executives in a timely manner under the supervision of Public & Investor Relations Section. Information relating to the Company's business is fed back to related departments as needed to have it reflected in and used for improvement of business activities.

Details	Method of reporting	Frequency	Target
Individual meetings with investors or analysts Opinions, requests, etc. from shareholders and investors Indicators related to shares and share price information Reports on IR activities	An overview of the interview is reported	Each time	All Directors
	Information including an overview of the interviews and the status of share price is reported at a meeting of the Public Relations Liaison Committee	Monthly	Directors' Operation Committee members
	Information including an overview of the interviews and the status of share price is reported at a meeting of the Board of Directors	Every quarter	Members of the Board of Directors
Other reports (related to shareholders and investors)	Opinions from shareholders and investors and topics of great interest are reported at a top executive meeting	Monthly	President and Representative Director, and Director in charge of investor relations
	Information including shareholder composition and trends in shareholdings by institutional investors and others are reported as necessary	Each time	Directors' Operation Committee members, and others

## Example that ISEKI incorporated shareholder views learned from dialogues

Opinions, requests, etc.	Response by ISEKI
Revisions or improvements in items concerning human rights and conflict minerals in the CSR Procurement Guidelines	We revised the CSR Procurement Guidelines in November 2021. The guidelines clearly indicate responsible mineral procurement and the prohibition of forced labor and child labor. <a href="https://www.iseki.co.jp/global/english/sustainability/social/">https://www.iseki.co.jp/global/english/sustainability/social/</a>



# Risk management

## Basic Policy (Fundamental concept)

- Our risk management regulations define factors potentially leading to physical, economic and reputational losses and disadvantages as risks. The aim of our risk management is to prevent risks from manifesting and minimize losses, and to contribute to smooth business operations, soundness of assets and maintenance of corporate credit.
- We identify and evaluate risks surrounding the Group and take appropriate measures, such as putting in place management standards and regulations, as well as monitoring and response mechanisms.

## Risk management system

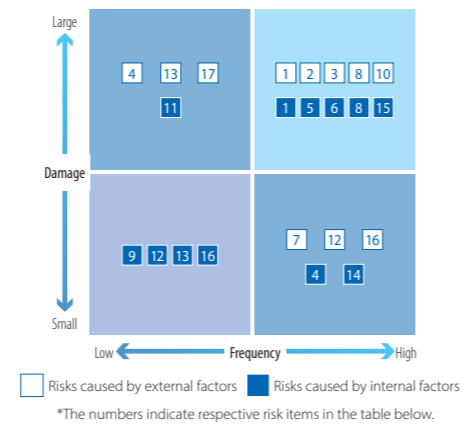
The Risk Management Working Group (WG) periodically identifies and evaluates risks, reevaluates magnitude of damage and frequency of occurrence, and examines countermeasures to foreseeable risks, in accordance with the risk management regulations to minimize the risk of causing damage or disadvantage to ISEKI Group under the supervision of Corporate Planning Department.

### Risk management system diagram



## Risk mapping

ISEKI Group manages risks by dividing them by cause, either external factors or internal factors, and then classifying by the magnitude of damage when risks become obvious and the potential frequency of occurrence. Note that the risk mapping chart indicates the maximum risks.



## Typical risks and mitigation measures

Major risks that could affect ISEKI Group's future financial performance are as shown below. We recognize the possibility of the occurrence of such risks and strive to avoid their occurrence and take proper measures should they occur.

Risk item	Risk description	Response to risks	YoY change
<b>1</b> Changes in economic conditions and the environment of agriculture	<ul style="list-style-type: none"> <li>Risks unique to the agricultural machinery market</li> <li>Aging of farm workers</li> <li>Decreasing number of farm households due to labor shortage</li> <li>Weakening of purchasing sentiment due to price volatility of agricultural products</li> <li>Reduced demand for agricultural machinery due to weak economy</li> </ul>	<ul style="list-style-type: none"> <li>Build sales network and formulate strategies while anticipating changes in the market</li> <li>Divide prefecture-based sales areas into blocks and optimally allocate business bases and personnel within the blocks</li> <li>Establish core bases within the blocks to deal with large-scale farmers</li> <li>Keep pace with the government's Strategy for Sustainable Food Systems, MIDORI</li> <li>Propose solutions for farm business, as well as products that contribute to the introduction of organic agriculture</li> </ul>	→
<b>2</b> Exchange rate fluctuations	<ul style="list-style-type: none"> <li>Appreciation of Japanese yen resulting in decreased price competitiveness of export products</li> <li>Influence of exchange rate fluctuations in converting financial statements of our foreign subsidiaries to Japanese yen</li> </ul>	<ul style="list-style-type: none"> <li>Conduct export transactions in both foreign currencies and Japanese yen</li> <li>Procure raw materials and parts from overseas</li> <li>Mitigate short-term risks by taking advantage of buying forward contracts</li> </ul>	→
<b>3</b> A price hike of raw materials, difficulty in procurement, and confusion in the supply chain	<ul style="list-style-type: none"> <li>Risks associated with procurement from suppliers</li> <li>Higher manufacturing costs due to rapid increases in procurement prices</li> <li>Decreased production caused by prolonged tightening of supplies</li> <li>Undermined trust in and reputation of our products caused by supplied goods</li> <li>Risk of delayed shipment in shipment and transportation of products</li> <li>Shortage of shipping containers and trucks (Japan's 2024 logistics problem)</li> </ul>	<ul style="list-style-type: none"> <li>Pass on soaring raw material prices to product prices</li> <li>Use multiple suppliers in both procurement and shipment, and ensure multiple transportation means, etc.</li> <li>Order early and secure sufficient inventories when the supply of parts, etc. are expected to be delayed</li> <li>Conduct supplier credit checks, as well as CSR procurement questionnaires that include items on respect for human rights</li> <li>Optimize transportation means such as truck, vessel, and railroad containers and shorten freight waiting time</li> </ul>	↗
<b>4</b> Dependency on specific customers or suppliers	<ul style="list-style-type: none"> <li>Change of business policy, business depression or bankruptcy of our specific customers or suppliers</li> </ul>	<ul style="list-style-type: none"> <li>Keep stable partnership and sustain sound partnership through the following measures</li> <li>Communicate regularly with suppliers</li> <li>Strengthen top-level relationship</li> </ul>	→
<b>5</b> Competition with other companies	<ul style="list-style-type: none"> <li>Risk of losing competitive advantage against competitors in obtaining intellectual property rights in Japan and competing in other matters</li> <li>Develop products with high functionality and in compliance with smart agriculture</li> <li>Reduce prices following the decreased demand for decreases in agricultural materials</li> <li>Risk of losing competitive advantage in responding to changes in the business environment, such as diversifying needs and increasing environmental awareness in overseas countries</li> </ul>	<ul style="list-style-type: none"> <li>Add higher value in Japan to maintain competitiveness and obtain intellectual property</li> <li>Propose solutions along with selling products</li> <li>Increase future-oriented development themes, such as ICT, automation, and other themes related to smart agriculture, as well as themes that contribute to carbon neutrality</li> <li>Increase presence in overseas markets</li> <li>Launch electrification products for the European market</li> <li>Supply large-sized products and products equipped with cutting-edge technology to East Asia, where market characteristics are similar to those in Japan</li> </ul>	→

↗ Increase  
 → Same level  
 ↘ Decrease

Risk item	Risk description	Response to risks	YoY change
<b>6</b> Serious defects in products and services	<ul style="list-style-type: none"> <li>Claim for a large amount of damages, etc. caused by our services or products developed and manufactured by us</li> <li>Occurrence of serious defects</li> <li>Loss of trust in the Group and our products</li> </ul>	<ul style="list-style-type: none"> <li>Establish quality control and quality guarantee systems to offer products that satisfy customers</li> <li>Strictly adhere to set processes, such as the process to examine whether to move on to the next stage for commercialization (design review)</li> <li>Carry product liability insurance, etc.</li> </ul>	→
<b>7</b> Stock market fluctuation	<ul style="list-style-type: none"> <li>Impairment loss, loss on valuation, or loss on sale associated with significant decline in stock and market prices</li> </ul>	<ul style="list-style-type: none"> <li>Reassess the significance of cross-holding of shares every year at the Board of Directors' meetings, based on the risks and benefits of holding each stock</li> </ul>	→
<b>8</b> Price decline in land and other fixed assets	<ul style="list-style-type: none"> <li>Decline in profitability associated with significant deterioration of business environment, or impairment loss caused by market price decline, in relation to other fixed assets owned by the Group</li> </ul>	<ul style="list-style-type: none"> <li>Promote and follow up on "Project Z" initiatives</li> <li>Operational efficiency improvement and cost reduction through integrating the operations of factories (Matsuyama and Kumamoto)</li> <li>Integrate sales subsidiaries in Japan to streamline indirect operations and review distribution systems to lower distribution costs</li> <li>Keep track of the progress of the above measures at departments in charge of performance management, and discuss countermeasures if an incident that leads to declined profitability is detected</li> </ul>	↗
<b>9</b> Government regulations on environmental issues, etc., and occurrence of related difficulties	<ul style="list-style-type: none"> <li>Cost burdens in case of escalated public regulations of environmental issues or market demand in Japan and overseas</li> <li>Corrective measures undertaken against environmental issues, lawsuits, and other troubles</li> </ul>	<ul style="list-style-type: none"> <li>Reduce environmental burden of business activities</li> <li>Production: Monitor regulated substances and other data on environmental burden, and engage in production activities that contribute to the reduction of environmental burden</li> <li>Other than production: Develop products compliant with environment regulations in Japan and overseas, and promote the sale of eco-products, which contribute to the reduction of environmental burden</li> <li>Properly handle waste at consolidated subsidiaries in Japan and overseas, in accordance with laws and regulations</li> </ul>	→
<b>10</b> Risks derived from international business	<ul style="list-style-type: none"> <li>Risk of hampered product supply due to restrictions on the supply chain and production and sales activities</li> <li>Unexpected changes in each country's tax systems, laws and regulations, and trade policies</li> <li>Conflict over Taiwan, in Ukraine, Middle East region, etc.</li> <li>Risks that hinder business development mainly in Asia</li> <li>Immature level of technologies</li> <li>Unstable labor-management relationships</li> </ul>	<ul style="list-style-type: none"> <li>Collect and analyze the following information from local subsidiaries and share and review such information with concerned parties</li> <li>Each country's employment situation, as well as changes in their tax systems, laws and regulations, and trade policies</li> <li>Media coverage and government directives concerning geopolitical risks</li> <li>Review operation forms and supply chains as necessary, based on the information obtained through the above channels and the results of analysis of such information</li> </ul>	↗
<b>11</b> Risk of legal violation	<ul style="list-style-type: none"> <li>Loss of ISEKI Group's credibility and impediment to its business activities if any of executives or employees of the Group should conduct any acts that violate laws and regulations</li> </ul>	<ul style="list-style-type: none"> <li>Ensure thorough compliance by formulating ISEKI Group Code of Ethical Behavior</li> <li>Ensure compliance</li> <li>Ensure overall management by Director in charge of Compliance</li> <li>Promote and follow up on initiatives under the leadership of the Compliance WG</li> <li>Establish relevant systems, such as the group-wide whistle-blower system (Ethical Hotline) and internal and external third-party help desks</li> </ul>	→
<b>12</b> Risk of natural disasters, unexpected accidents, spread of infectious disease, etc.	<ul style="list-style-type: none"> <li>Risks that directly or indirectly affect ISEKI Group's business activities</li> <li>Natural disasters including earthquakes, typhoons, and floods</li> <li>Unexpected accidents</li> <li>Outbreak of infectious diseases</li> </ul>	<ul style="list-style-type: none"> <li>Diversify risks associated with natural disasters and establish business continuity plans</li> <li>Take out various insurance against fire, wind and flood damage</li> <li>Continue to discuss support and alternative ways to carry on with important operations</li> <li>Establish a response headquarters led by the President, collect information, and give instructions promptly, if a contingency occurs</li> <li>Reduce impact on business activities in the event of contingency</li> <li>Adopt flexible workstyles, such as working from home and staggered attendance</li> <li>Take advantage of the internet for meetings and event administration</li> </ul>	→
<b>13</b> Business alliances, joint ventures and strategic investment with other companies	<ul style="list-style-type: none"> <li>Risk of the occurrence of a conflict of interest between the parties concerned in business alliances or joint ventures, hindering the maintenance of the alliances</li> <li>Risk of not obtaining the expected results and/or effects or needing more-than-expected time and expenses with regard to strategic investment including acquisitions</li> </ul>	<ul style="list-style-type: none"> <li>Ensure close cooperation at each level, from the top management to the working level</li> <li>Deliberate and discuss in proceeding with business alliances, investment, and lending</li> <li>Deliberate at the Board of Directors and Directors' Operation Committee meetings</li> <li>Deliberation and monitoring by investment management committee</li> <li>Discuss measures to minimize the financial impact when intended effects are considered unlikely to be achieved</li> </ul>	→
<b>14</b> Debt	<ul style="list-style-type: none"> <li>Increased borrowing costs due to a hike in interest rate</li> <li>Increase in borrowings caused by increased inventories</li> <li>Obligation to pay back loans early if financial covenants in contracts with financial institutions are triggered</li> </ul>	<ul style="list-style-type: none"> <li>Reduce interest-bearing debt</li> <li>Enhance the capability to create cash flows by improving profitability and reducing inventories</li> <li>Secure credits to diversify financing methods</li> <li>Reduce inventories through efficient stock management following management integration of wide-area sales subsidiaries in Japan</li> <li>Prepare for rapid fluctuation of interest rates</li> <li>Combine various loan conditions such as fixed interest rates</li> </ul>	↗
<b>15</b> Ensuring of human resources, shortage of human resources	<ul style="list-style-type: none"> <li>Decrease in the Group's competitiveness due to failure in securing and developing human resources necessary for business</li> </ul>	<ul style="list-style-type: none"> <li>Recruit and develop human resources</li> <li>Strengthen mid-career recruitment and introduce referral recruitment and a return-to-job system</li> <li>Strengthen programs to develop global talent, human resources for DX, etc., in line with business strategy</li> <li>Provide support for career development through the Group's open recruitment system</li> <li>Create a sound, employee-friendly workplace environment</li> <li>Enhance employee engagement by using the talent management system</li> </ul>	→
<b>16</b> Information security	<ul style="list-style-type: none"> <li>Stagnation of operations and decline in credibility due to information leakage or system halt/breakage, etc. caused by the following incidents</li> <li>Unauthorized access due to cyberattack</li> <li>Computer virus infection</li> </ul>	<ul style="list-style-type: none"> <li>Continuously improve the information security management system</li> <li>Establish management regulations (electronic information security, management of information infrastructure)</li> <li>Enhance security measures by using a data center and cloud service</li> <li>Use a service that monitors unauthorized external access</li> <li>Take out cyber insurance to prepare for contingencies</li> </ul>	→
<b>17</b> Climate change	<ul style="list-style-type: none"> <li>Changes in supply and demand arising from changes in system of crops and a reduction in agricultural land, as well as impacts on the Group's overall business activities including product lineup and sales volume</li> <li>Scenario where temperature rise is limited to below 2°C</li> <li>Increase in operation costs due to stricter regulations imposed by the government, etc.</li> <li>Increase in procurement costs due to the progress in decarbonization</li> <li>Loss of business opportunities due to failure to meet the demand associated with decarbonization</li> <li>Scenario where temperature rise is 4°C</li> <li>Damage to production and sales bases, including supply chains, due to intensifying typhoon and flood damage</li> <li>Decrease in demand for agricultural machinery for rice farming, in response to deterioration in rice quality and decline in the area of land available for rice production</li> </ul>	<ul style="list-style-type: none"> <li>Take the following measures under the 2°C scenario [Impact reduction]                             <ul style="list-style-type: none"> <li>Utilize renewable energy, such as solar power</li> <li>Power boilers with waste heat from in-house power generation facilities</li> </ul> </li> <li>[Business opportunities]                             <ul style="list-style-type: none"> <li>Electrify agricultural machinery</li> <li>Introduce smart agricultural machinery and robotic agricultural machinery that improve the efficiency of farm work</li> <li>Promote farming methods that contribute to the reduction of methane emissions from rice paddies</li> <li>Business alliances with other companies regarding J-Credit initiatives</li> </ul> </li> <li>Take the following measures under the 4°C scenario [Impact reduction]                             <ul style="list-style-type: none"> <li>Continuously review business continuity plans</li> <li>Review product lineup and sales channels</li> </ul> </li> <li>[Business opportunities]                             <ul style="list-style-type: none"> <li>Introduce technology to replace agricultural work with robotic agricultural machinery</li> <li>Perform autonomous analysis of weather data and growth data using AI</li> </ul> </li> </ul>	→

# Compliance

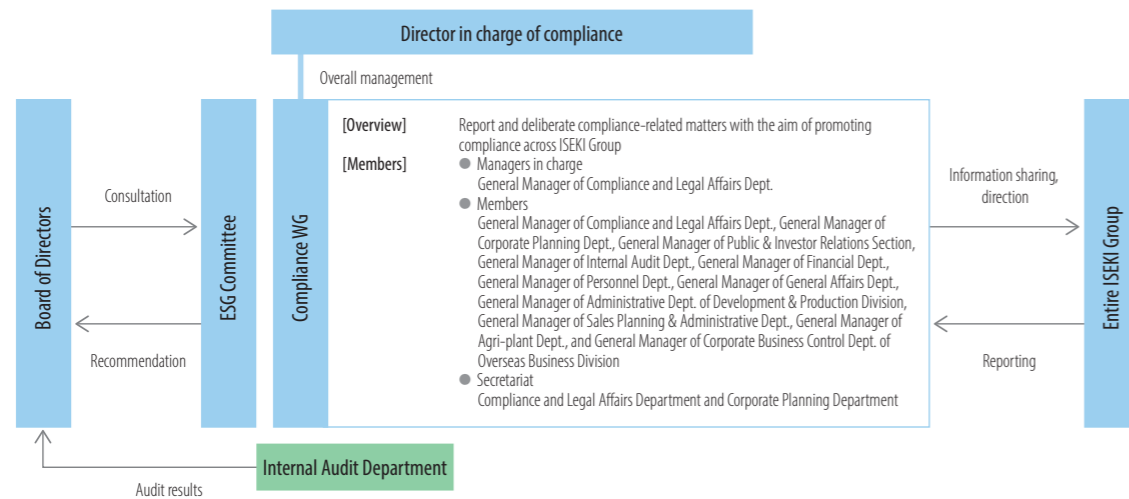
## Basic Policy (Fundamental concept)

- ISEKI Group will fulfill its responsibilities as a member of society and promote healthy and transparent management.

## Compliance system

To prevent misconduct and scandals from occurring, ISEKI Group ensures thorough compliance under the leadership of the Compliance Working Group (WG), which consists of departments in charge of the overall management of each division. The Director in charge of Compliance is responsible for the overall management of the WG. The Compliance and Legal Affairs Department is responsible for ensuring that Group employees maintain and enhance awareness toward ethics, and promoting overall compliance activities. The Department also administers the Compliance WG as the secretariat.

Monthly reports on compliance activities are made to the ESG Committee, which is comprised of Directors and Corporate Officers and chaired by an Independent Outside Director. In addition, the Internal Audit Department audits the status of compliance activities and reports the results to the Board of Directors, the President and Representative Director, Outside Directors, and Audit & Supervisory Board Members.



## Compliance education and enlightenment activities

To raise awareness of each individual employee toward compliance, ISEKI Group is implementing various training programs and enlightenment activities for employees in a planned way.

### Activities for enlightenment

#### <Activities for compliance penetration and enlightenment>

#### Thorough implementation of the "ISEKI Group Code of Ethical Behavior"

In 2023, the Company has revised and distributed the "ISEKI Group Code of Ethical Behavior" to all employees of the Group to ensure once again that all business activities meet corporate ethical requirements.

#### Awareness-raising by issuing "Compliance News"

The Company issues the quarterly "Compliance News" bulletin. With a focus on priority compliance initiatives, it contains information such as messages from the management team and examples of practical measures undertaken by employees. We thus work to raise compliance awareness among employees.

### Training activities

Every year, the Company carries out a wide range of training programs concerning compliance themes in the day-to-day conduct of business affairs, especially on points warranting special attention.

#### Incorporation into company-wide events and rank-based training programs

Training name	Target
Sales subsidiary president meetings	Presidents of sales subsidiaries
Manager meetings	Managers of affiliated companies
Rank-based training programs	Employees of each rank

#### Training by theme

Training name	Target
Training related to whistle-blower system	All employees
Harassment (abuse of authority) prevention	All employees
Personal information protection	All employees
Basic training for Subcontract Act	All employees*
Training for Subcontract Act	Development departments*
Response to anti-social forces	All employees
Unfair competition prevention	Employees in middle and higher ranks*
Prevention of bribery involving foreign public officers, etc.	Overseas departments, overseas subsidiaries
Facility personnel training	Facility departments

\*Conducted by ISEKI & CO., LTD. (non-consolidated)

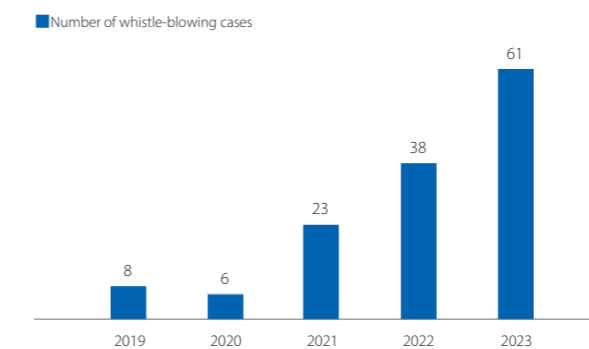
## Examples of initiatives undertaken

### Whistle-blower system

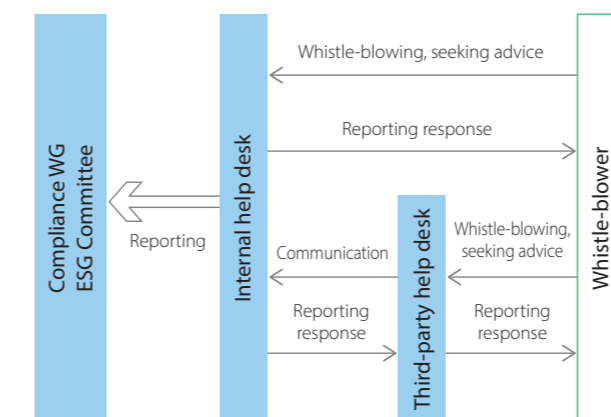
ISEKI Group has a group-wide whistle-blower system (Ethical Hotline) for the use of all employees, retirees and suppliers. The aim is to enable early detection of problems within the Company and minimize risks caused by the occurrence of corporate scandals. In addition to an internal help desk established in the Compliance and Legal Affairs Department, an external third-party help desk independent from management executives has been set up, in light of the purposes of the Corporate Governance Code. The third-party help desk provides support in multiple languages including English, Chinese, Thai, and Indonesian.

In 2023, the degree to which the whistle-blower system is known across the Group increased mainly due to an updated poster for the system and distribution of portable cards to employees again, and thus the system handled 61 cases. The cases were responded with consideration given to the protection of whistle-blowers and privacy of relevant parties, and their summaries have been reported to the ESG Committee.

### Number of whistle-blowing cases



### Whistle-blower system diagram



### Initiatives to eliminate anti-social forces

The ISEKI Group Code of Ethical Behavior sets out that the Group will not have any relationship whatsoever with anti-social forces. To fulfill our social responsibilities for ensuring sound business operations and eliminating anti-social forces, we have established the Rules for Response to Anti-Social Forces. Under the leadership of Representative Directors, we are working on the creation and enhancement of relevant internal systems in cooperation with external specialized institutions.

Furthermore, we set out specific procedures in the Anti-Social Forces Response Manual and offer in-house education programs to ensure that our officers and employees can respond properly to anti-social forces.

### Initiatives for fair trade and prevention of corruption

ISEKI Group ensures that all employees of the Group have a fair and equitable relationship with suppliers, which is set out in ISEKI Group Code of Ethical Behavior.

We have formulated conduct guidelines and a manual for compliance with the Anti-Monopoly Act and educated our employees on the Subcontract Act, thereby thoroughly ensuring fair and equitable transactions as the entire Group.

In addition, initiatives aimed at achieving appropriate price pass-through, which ISEKI Group has implemented in accordance with "the Guidelines on Price Negotiation for Appropriate Pass-through of Labor Costs" published by the Japan Fair Trade Commission, are monitored by the Compliance WG.

Furthermore, the Basic Rules on the Prevention of Bribery Involving Foreign Public Officers, etc. have been established to prevent corruption involving foreign public officers, etc. and ensure fair transactions. We work to ensure thorough compliance with the Rules mainly at overseas bases and overseas Group companies.

In FY2023, the Group was subject to no legal action due to corrupt practices.

### Initiatives for protecting personal information

To ensure proper handling of personal information, ISEKI Group has established and published the "Personal Information Protection Policy." To prevent leakage of and damage to personal information, the Personal Information Handling Regulations sets out specific ways to handle personal information, as well as the establishment of appropriate measures for safe management. We strive for appropriate management of personal information by ensuring thorough compliance with relevant rules through periodic education and awareness-raising for officers and employees.

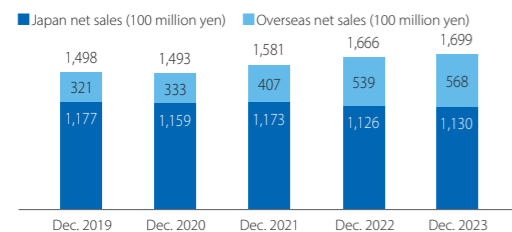
Being aware of the importance of the protection of personal information, we will keep providing relevant information to officers and employees and working to strengthen the protection of personal information both in Japan and abroad.

# Financial and non-financial data

## Financial highlights (FY2023)

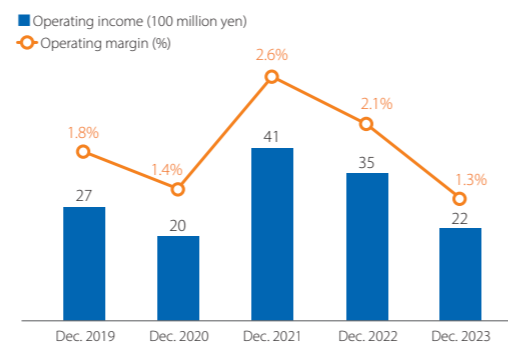
### Net sales

Net sales came to 169.9 billion yen, up 3.2 billion yen year on year, hitting a record high. [Japan] Sales rose due to growth in maintenance revenue, a pillar of the revenue-expenditure structural reform, including spare parts and repair/maintenance, as well as construction of facilities. [Overseas] Despite a decline in sales in North America and Asia, sales increased in Europe due to firm demand even after the price increases, as well as ISEKI Germany becoming a consolidated subsidiary in the second half of the previous fiscal year. Accordingly, overseas sales increased as a whole, hitting a record high for the third consecutive year.



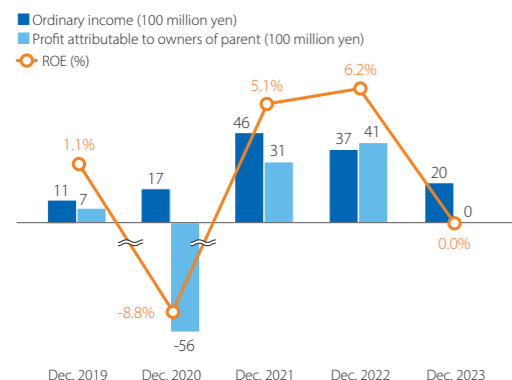
### Operating income / Operating margin

Although gross profit increased mainly due to the effect of price revisions, operating income was 2.2 billion yen, down 1.2 million yen year on year due to an increase in selling, general and administrative expenses. Operating margin declined by 0.8% year on year to 1.3%.



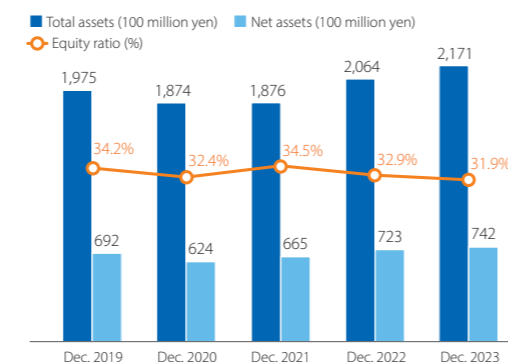
### Ordinary income / Profit attributable to owners of parent / ROE

Ordinary income came to 2.0 billion yen, down 1.6 billion yen year on year. Profit (loss) attributable to owners of parent decreased by 4.0 billion yen year on year to 0.03 billion yen due in part to absence of gain on change in equity and gain on step acquisitions recorded in the same period of the previous year.



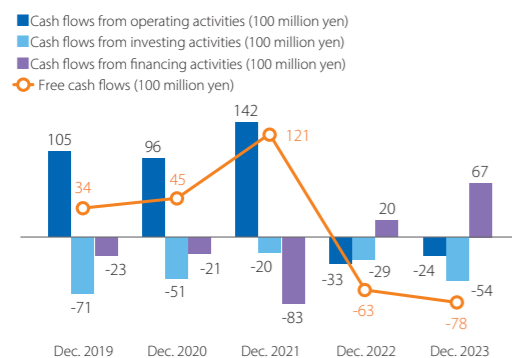
### Total assets / Net assets / Equity ratio

Total assets increased by 10.6 billion yen year on year to 217.1 billion yen due to an increase in inventories resulting from a decrease in demand for agricultural machinery products in Japan and an increase in local inventories at overseas subsidiaries. Net assets came to 74.2 billion yen, up 1.8 billion yen year on year due in part to increases in valuation difference on available-for-sale securities and foreign currency translation adjustment.



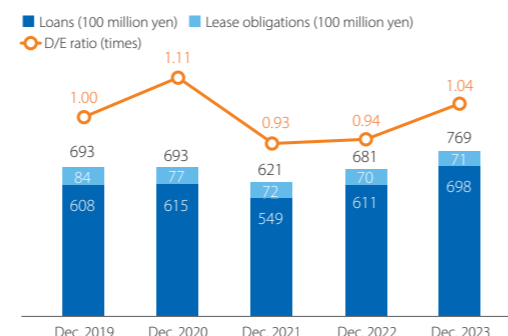
### Cash flows

In the cash flows from operating activities, the net cash outflow was 2.4 billion yen due in part to an increase in inventories and a decrease in notes and accounts payable-trade. In the cash flows from investing activities, the net cash outflow was 5.4 billion yen mainly due to capital investment. As a result, in the free cash flows, the net cash outflow was 7.8 billion yen. In the cash flows from financing activities, the net cash inflow was 6.7 billion yen mainly due to an increase in interest-bearing debt.



### Interest-bearing debt / D/E ratio

Interest-bearing debt came to 76.9 billion yen, up 8.7 billion yen year on year mainly due to an increase in loans. D/E ratio, which shows the soundness of finance, was 1.04 times.



## Consolidated financial summary (Millions of yen)

	96th FY (Dec. 2019)	97th FY (Dec. 2020)	98th FY (Dec. 2021)	99th FY (Dec. 2022)	100th FY (Dec. 2023)
<b>Results of Operations</b>					
Domestic sales	117,717	115,907	117,396	112,638	113,060
Overseas sales	32,181	33,397	40,795	53,991	56,855
Net sales	149,899	149,304	158,192	166,629	169,916
Gross profit	44,507	43,476	46,841	49,890	50,359
Operating income	2,745	2,084	4,147	3,534	2,253
Ordinary income	1,108	1,702	4,687	3,762	2,092
Profit (loss) attributable to owners of parent	723	(5,641)	3,196	4,119	29
<b>Financial Position (at the end of the fiscal year)</b>					
Cash and deposits	8,404	10,787	14,850	10,749	9,901
Notes and accounts receivable – trade	19,675	21,780	21,537	27,574	26,917
Inventories	54,179	51,847	49,871	65,331	72,842
Other	4,900	5,564	4,843	5,758	5,660
Total current assets	87,159	89,979	91,103	109,414	115,322
Property, plant and equipment	98,346	86,287	84,962	83,919	84,553
Intangible assets	1,288	1,967	2,290	2,309	2,489
Investments and other assets	10,717	9,193	9,328	10,848	14,737
Total non-current assets	110,352	97,449	96,581	97,076	101,780
Total assets	197,511	187,428	187,684	206,491	217,102
Notes and accounts payable – trade	37,752	36,872	39,279	45,500	41,734
Short-term loans payable (including current portion of long-term loans payable)	39,351	37,460	30,210	40,291	40,642
Other	12,630	11,814	11,852	12,397	13,088
Total current liabilities	89,735	86,147	81,342	98,189	95,465
Long-term loans payable	21,525	24,114	24,728	20,811	29,167
Net defined benefit liability	3,059	3,144	2,912	3,244	6,207
Deferred tax liabilities for land revaluation	5,759	4,097	4,097	4,097	4,097
Other	8,180	7,504	8,042	7,802	7,948
Total non-current liabilities	38,524	38,861	39,780	35,956	47,420
Total liabilities	128,259	125,009	121,123	134,146	142,886
Shareholders' equity	52,840	50,346	53,567	57,023	56,367
Accumulated other comprehensive income	14,641	10,310	11,201	10,978	12,955
Subscription rights to shares and non-controlling interests	1,770	1,762	1,792	4,342	4,892
Total net assets	69,252	62,419	66,561	72,345	74,215
Total liabilities and net assets	197,511	187,428	187,684	206,491	217,102
<b>Cash flows</b>					
Cash flows from operating activities	10,509	9,694	14,233	(3,375)	(2,459)
Cash flows from investing activities	(7,104)	(5,167)	(2,039)	(2,984)	(5,416)
Free cash flows	3,404	4,526	12,194	(6,360)	(7,875)
Cash flows from financing activities	(2,396)	(2,179)	(8,338)	2,033	6,722
Net increase (decrease) in cash and cash equivalents	981	2,383	4,048	(4,101)	(848)
<b>Information Per Share (Yen)</b>					
Net assets	2,987.2	2,683.1	2,864.5	3,006.7	3,065.1
Profit (loss)	32.0	(249.6)	141.4	182.1	1.3
Cash dividends	30.0	—	30.0	30.0	30.0
<b>Management Indicators</b>					
Equity ratio (%)	34.2	32.4	34.5	32.9	31.9
ROE (%)	1.1	(8.8)	5.1	6.2	0.0
ROA (%)	0.4	(3.0)	1.7	2.0	0.0
CCC (months)	3.4	3.4	2.8	4.0	5.0
D/E ratio (times)	1.00	1.11	0.93	0.94	1.04

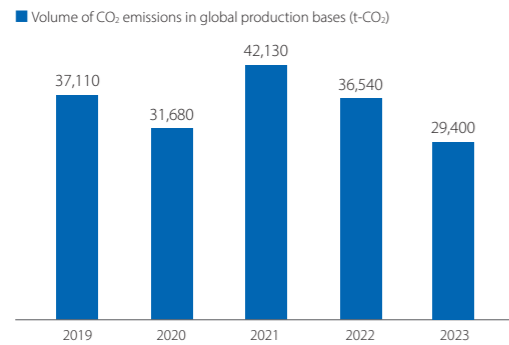
Notes 1 ROE (Return on equity) = Profit/(Equity at the beginning of the fiscal year + Equity at the end of the fiscal year)/2  
 2 ROA (Return on assets) = Profit/Total assets  
 3 CCC (Cash conversion cycle) = Days sales outstanding + Days of inventory outstanding – Days payable outstanding  
 4 D/E ratio = Interest-bearing debt/Net assets

## Financial and non-financial data

### Non-financial highlights (FY2023)

#### Volume of energy-generated CO<sub>2</sub> emissions in production Environment

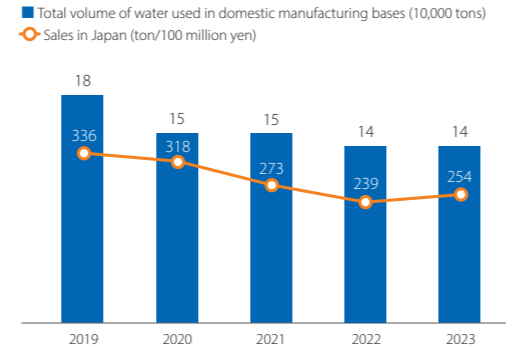
We are working to reduce CO<sub>2</sub> emission volumes in our production activities to create a decarbonized society.



\*Japan: ISEKI-Matsuyama MFG. Co., Ltd., ISEKI-Kumamoto MFG. Co., Ltd., ISEKI-Niigata MFG. Co., Ltd., ISEKI-Shigenobu MFG. Co., Ltd.  
Overseas: PT. ISEKI INDONESIA  
\*The CO<sub>2</sub> emission factor for domestic electricity is revised every year based on values published by the Ministry of the Environment.

#### Volume of water used in production Environment

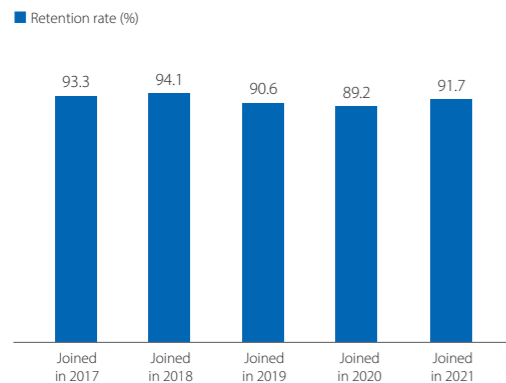
We are working to reduce volume of water used in production to mitigate environmental burdens.



\* Japan: ISEKI-Matsuyama MFG. Co., Ltd., ISEKI-Kumamoto MFG. Co., Ltd., ISEKI-Niigata MFG. Co., Ltd., ISEKI-Shigenobu MFG. Co., Ltd.

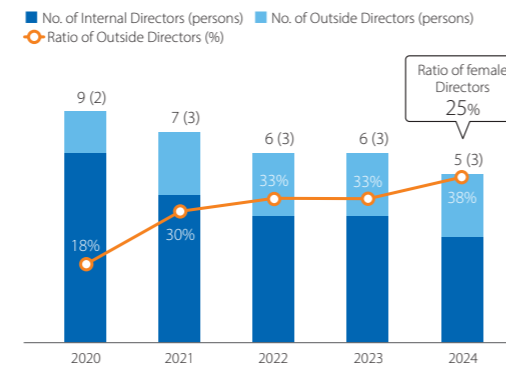
#### Retention rate in three years from joining non-consolidated Human resources

The retention rate of new graduates in three years is at a high level of above approximately 90%.



#### No. of Directors / Ratio of Outside Directors Governance

From FY2024, the ratio of Outside Directors and the ratio of female Directors became respectively 38% and 25%.



#### Progress of activities that would have impacts on achieving SDGs (We have concluded a loan contract "Mizuho Positive Impact Finance" since March 2023)

Impacts	KPI	2023 Results	Impacts	KPI	2023 Results
Water (quality) / Air / Soil	Reduction of used volume of chemical substances subject to PRTR law (per net sales) (Compared with 2013)	45.2%	Employment	Utilization rate of paid leave	66.6%
	Reduction of volume of water used (per net sales) (Compared with 2013)	53.4%		Ratio of managers hired mid-career	8.5%
Resource efficiency & safety	Reduction of total material input (per net sales) (Compared with 2013)	34.1%	Inclusive and sound economy	Ratio of women hired	19.0%
	Reduction of CO <sub>2</sub> emissions (Scope 1 & 2) (Total) (Compared with 2014)	44.9%		Ratio of female managers	4.6%
Climate	Initiatives to reduce CO <sub>2</sub> emissions (Scope 3)	*See below	Education / Inclusive and sound economy / Food	Participation in the NOGOYOSHII (female farmers) project	4 times
	Reduction of final volume of waste (per net sales) (Compared with 2013)	69.2%		Resource efficiency & safety / Climate / Air	Eco-product ratio in domestic sales
Food	Percentage of invention proposals related to advanced technologies toward higher agricultural productivity	61.0%	Biodiversity and ecological services / Food		Land area organically farmed (rice)

\*Refinement of data in Category 1, and promotion of research and development in Category 11

## Company information / Stock information

### Company information (As of December 31, 2023)

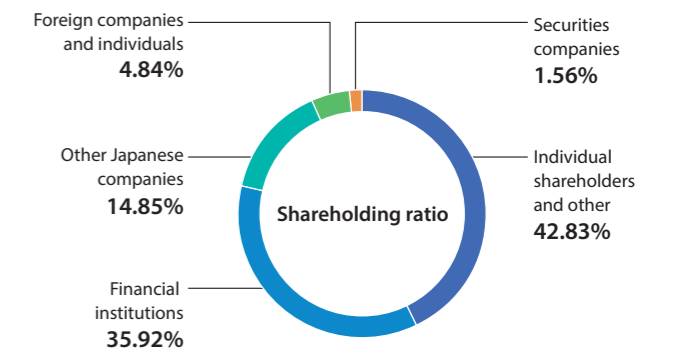
**Company name:** ISEKI & CO., LTD.  
**Head office:** 700 Umaki-cho, Matsuyama-shi, Ehime-ken, 799-2692 JAPAN  
**Tokyo headquarters:** 5-3-14, Nishi-Nippori, Arakawa-ku, Tokyo, 116-8541 JAPAN

**Foundation:** August 1926  
**Paid-in capital:** 23,344 million yen  
**Number of employees:** Consolidated: 5,457  
Non-Consolidated: 774

### Stock information (As of December 31, 2023)

**Company code:** 6310  
**Total number of authorized shares:** 69,000,000 shares  
**Shares issued and outstanding:** 22,872,034 shares (excluding treasury stock of 112,959 shares)  
**Number of shares per trading unit:** 100 shares  
**Number of shareholders:** 19,238  
**Stock Exchange on which its shares are listed:** Prime Market of the Tokyo Stock Exchange  
**Business year:** From January 1 through December 31  
**Ordinary general meeting of shareholders:** Late March every year  
**Record date:** Ordinary general meeting of shareholders / Year-end dividend: December 31 every year  
**Shareholder register administrator and Account management institution for special accounts:** Sumitomo Mitsui Trust Bank, Limited  
1-4-1 Marunouchi, Chiyoda-ku, Tokyo

### Status of distribution of shares held by type of shareholder



### Major shareholders (top 10)

Name of major shareholder	Number of shares held (shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,211,600	9.66
Mizuho Bank, Ltd.	1,070,800	4.68
Iseki kabushiki hoyukai (Company's Stockholding Co-op.)	981,554	4.29
The Norinchukin Bank	868,785	3.79
Custody Bank of Japan, Ltd. (Trust Account)	865,800	3.78
Sumitomo Mitsui Trust Bank, Limited	800,000	3.49
Iseki eigyo-hansya group syain mochikabukai (Business-selling Group Holdings)	728,200	3.18
The Iyo Bank, Ltd.	580,042	2.53
Sompo Japan Insurance Inc.	434,500	1.89
The Kyoei Fire and Marine Insurance Company, Limited	352,700	1.54

(Note) Shareholding ratios are calculated after the deduction of treasury stock. The treasury stock does not include 254,700 shares of the Company held by Custody Bank of Japan, Ltd. (Trust Account) as trust property of a stock delivery trust for officers.

### Share price trends

