

Domestic Market Strategies

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

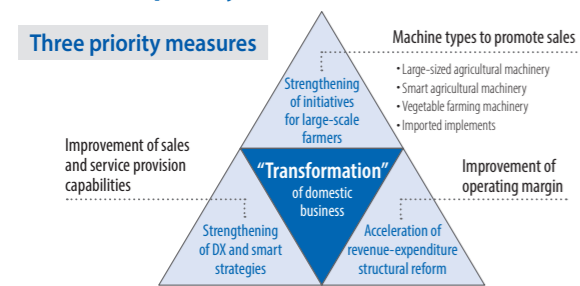
Noriaki Ishimoto
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Although demand for agricultural machinery products declined in the fiscal year ended December 31, 2023, sales increased due to growth in maintenance revenue, a pillar of the revenue-expenditure structural reform, and other revenue. 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.

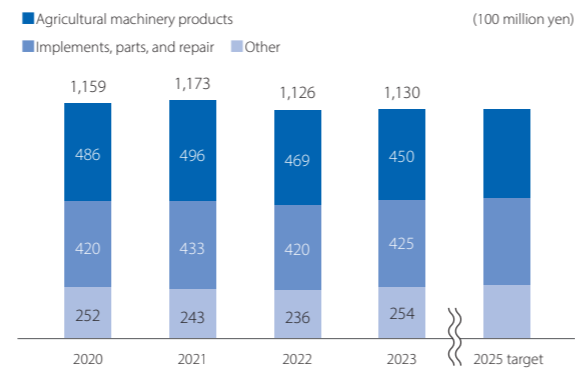
Business policy



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 CO₂ 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

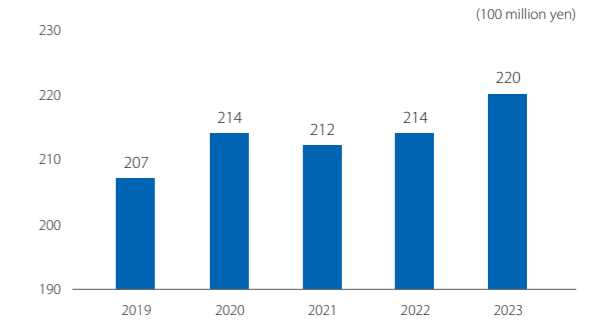
Priority measures 3

Strengthen efforts toward revenue-expenditure structural reform

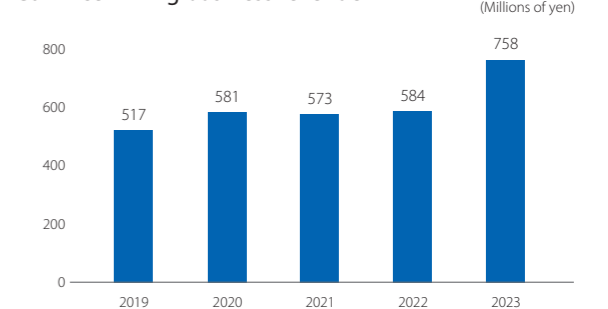
The Company is working to increase maintenance revenue (parts sales and repair fees) which accounts for about 20% of domestic net sales, with the aim of building a stable revenue base that is not affected by the environment of demand for agricultural machinery. Revenue has been steadily increased thanks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

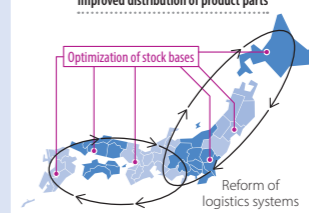
"Improved management efficiency achieved by consolidation of resources"

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

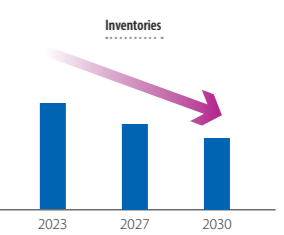
Improved distribution of product parts

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.

