

Message from our President

We strive to contribute to the creation of a prosperous and sustainable society.

Eiichiro Kinoshita

Representative Director, President & Executive Officer, ISEKI & Co., Ltd.



Since its establishment in 1926, with the principle and philosophy of our founder Kunisaburo Iseki, “free farmers from exhausting labor” and “products that satisfy customers” as the cornerstone, ISEKI Group has been striving to contribute to the modernization of Japan’s agricultural industry as an integrated manufacturer specializing in agricultural machinery. Over this period, we have consistently pursued efficiency and laborsaving advances in agriculture and have continued to provide products to the market by pioneering the development of a significant amount of revolutionary agricultural machinery and facilities.

In light of the increase in the global population, food issues, food self-sufficiency, land conservation, and global environmental issues, the role agriculture plays is significant, and consequently, we

believe that the social mission of an agricultural machinery manufacturer is becoming increasingly important.

To contribute to agriculture both in Japan and throughout the world, ISEKI will continue its business activities under the basic business philosophy to “provide products that satisfy customers.”

We believe that such activities will lead us to make contributions to the “Sustainable Development Goals (SDGs)” adopted by the United Nations Summit with the targets to be achieved by 2030.

We are committed to making ongoing efforts to fulfill our corporate social responsibility with the aim of “contributing to the creation of a prosperous and sustainable society,” while working on various types of issues in cooperation with our stakeholders.

CSR at ISEKI Group <Management philosophy and fundamental concept of CSR>

*CSR: corporate social responsibility

<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 that customers highly praise,” Kunisaburo used to say. He devoted himself to provide products that made customers happy. The founder’s passion has been inherited in an unbroken line until today 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.

<ISEKI Group Code of Ethical Behavior>

In order for ISEKI Group to fulfill its responsibility as a member of society and achieve development together with society, ISEKI Group has established the “ISEKI Group Code of Ethical Behavior,” which is comprised of the common sense and basic <Fundamental principles> to be observed by all of its members, as well as the more specific <Code of conduct>, both of which serve as the basis for its day-to-day activities.

<Fundamental principles>

1. To comply with laws and regulations
2. To respect basic human rights
3. To respect social common sense
4. To disclose information properly to fulfill social accountability
5. To make efforts for environmental preservation

We aim to resolve social issues through our business while enhancing corporate value.

Contributing to Agriculture in Japan and around the World

Japan has been facing various issues including a decline in the agricultural work force, an aging population, an increase in deserted farmland, etc.

For the growth and development of Japan's agriculture, ISEKI Group provides support from both hard and soft aspects. It offers not only improved agricultural productivity through efficiency improvements and reduced work, the utilization of ICT and robotic technologies, as well as energy-saving, low-cost, and environmentally-friendly products, but also research, verification, dissemination, support, etc., of advanced technologies. ISEKI Group also makes group-wide efforts toward dietary education and "local production for local consumption" activities in an attempt to improve food self-sufficiency.

The total world population in 2050 is expected to reach 9.7 billion people, so there is a need to significantly increase food productivity.

To cope with the recent global needs to increase food production, ISEKI Group is actively ascertaining the various needs in countries and regions such as Europe, North America, China, and the ASEAN countries to provide products accordingly.

Contributing to the development of a recycling-oriented society

With respect to environmental issues, ISEKI Group has positioned a contribution to the development of a recycling-oriented society as one of the management issues of the highest priority and introduced an Environmental Management System (EMS) on a group-wide basis, covering overseas offices as well.

In addition, ISEKI Group has established tangible targets and the promotion and management system since the initial product development phase in an effort for environmental preservation.

To convey the results of these approaches in an easy-to-understand manner to all stakeholders including our customers, ISEKI Group has set environmentally-friendly design standards, and we are promoting the implementation of an "eco-product certification system." Under this system, based on the evaluation results, environmental labels are used only for products that meet our own standards.

Human resource development

ISEKI Group believes that what contributes to the solution of these issues is people. We realize that "human resource development" is essential for us. ISEKI Group has promoted not only the improvement and succession of skills and techniques indispensable at production sites and the development of human resources who are capable of offering comprehensive farm business proposals to our customers or working actively in global fields, but also diversity in the utilization of a wide range of human resources.

ISEKI Group is also committed to providing learning opportunities including training for female farmers who play an important role in agricultural and regional activities and dietary education for children who will bear the future.

Establishing a firm position in domestic and world market

ISEKI & Co., Ltd. is going to mark the 100th anniversary of its foundation in 2025.

It has upheld the Mid-term Vision of establishing a firm position as an integrated manufacturer specializing in agricultural machinery also in the global market by its 100th anniversary of its foundation.

ISEKI is committed to developing products that can compete in the global market and offering farm business proposals while demonstrating its strengths. Through such group-wide efforts, ISEKI aims to strengthen its responses to structural changes in the domestic agricultural industry, expand its overseas businesses and strengthen its organization and governance on a group-wide basis, which will lead to the sustained improvement of corporate value.

2020 Mid-term Management Plan -Henkaku (Change)-

In 2016, ISEKI has formulated the "Mid-term Management Plan" covering a five-year period (2016-2020) as its significant step toward the target vision to be achieved in 10 years. In light of the changes in the environment and other factors since the formulation, in this year, ISEKI has reviewed the strategies for the three years up to 2020 so that the path will surely lead us to the realization of the plan.

ISEKI is going to implement five basic strategies under the 2020 Mid-term Management Plan with "Henkaku (Change)" as the keyword.

ISEKI strives to open up a new future with the essence of ISEKI through CSR activities promoted and strengthened mainly by the company's executives to meet the demands of society and create new value through "Henkaku (Change)" utilizing ISEKI's strengths.

2020 Mid-term Management Plan [2018-2020]

<Corporate philosophy>

We are contributing to agriculture both in Japan and throughout the world by

"providing products that satisfy customers"

<Mid-term Vision>

2025 marks the 100th anniversary of ISEKI Group

"To establish a firm position both in domestic and world market"

<Basic strategies>

◆ Keyword: "Henkaku (Change)"

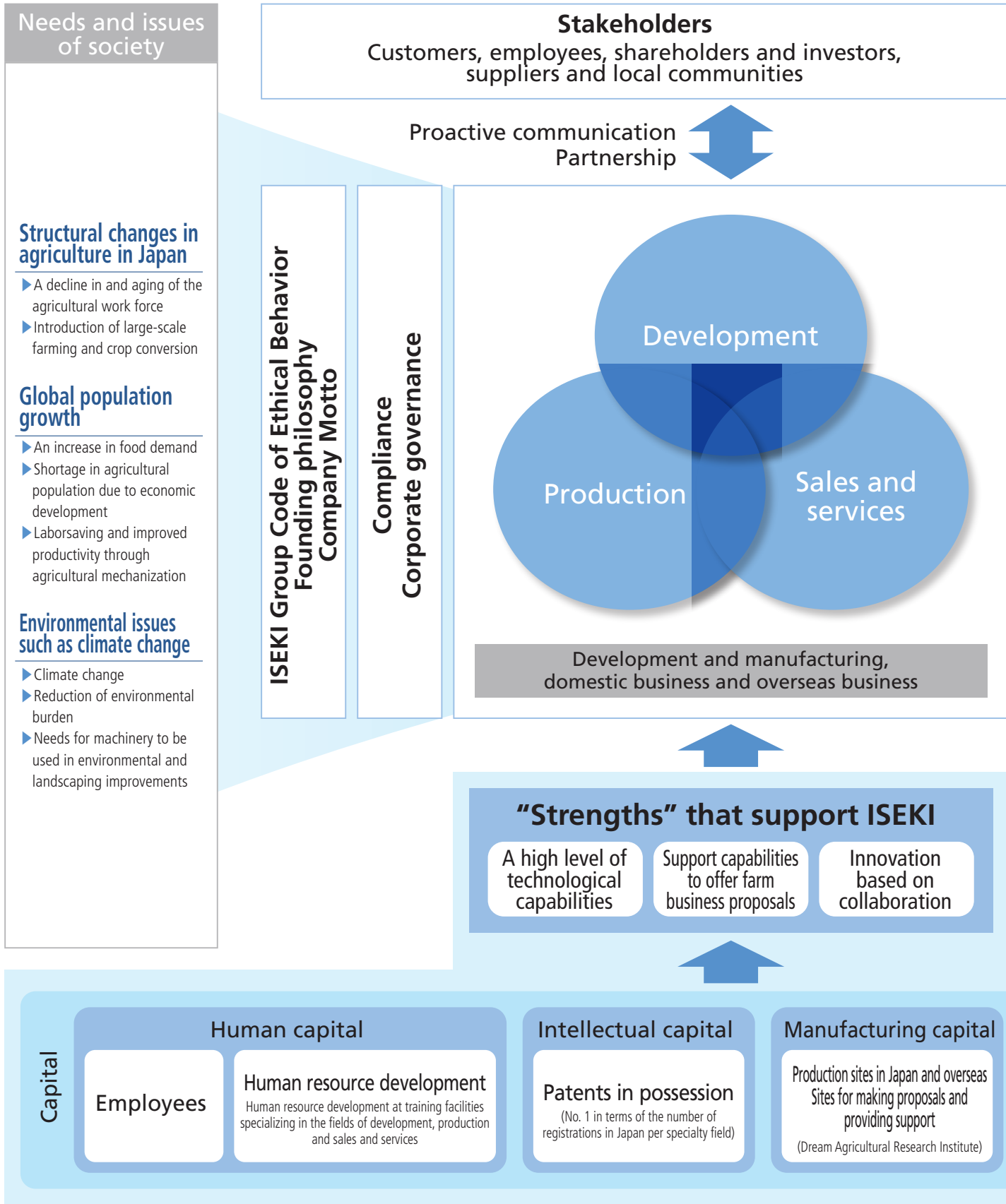
- Ensuring management transparency-
- Commitment to earnings-

◆ Five basic strategies

- 1 Strengthen responsiveness to drastic changes in agriculture in Japan
- 2 Expand overseas businesses
- 3 Strengthen profitability by optimizing development & production
- 4 Make active capital investment for growth
- 5 Enhance corporate value by reinforcing personnel & corporate governance

Resolution of social issues and value creation through ISEKI Group's business

ISEKI Group has worked on the resolution of social issues including agriculture and the continual creation of value utilizing various types of capital through its business. It is ISEKI's corporate philosophy to contribute to agriculture in Japan and around the world through the "provision of products that satisfy customers." ISEKI is committed to contributing to the creation of a prosperous and sustainable society while aiming to continue with the creation of new value.



Value provided to society

Growth and development of agriculture

- ▶ Provision of products and services in response to diverse needs (Contribution to improved productivity through means such as laborsaving and low-cost farming)
- ▶ Proposals and support aimed at attaining promising (i.e., profitable) agriculture

Human resource development

- ▶ Development and strengthening of human resources who undertake manufacturing, services and support at ISEKI Group
- ▶ Development and improvement of human resources across the supply chain
- ▶ Provision of learning opportunities for female farmers and children

Environment

- ▶ Provision of environmentally-friendly eco-products and products that demonstrate outstanding performance in landscaping
- ▶ Contribution to the development of a recycling-oriented society

Contributing to the creation of a prosperous and sustainable society

2020 Mid-term Management Plan Numerical targets

Consolidated net sales
190.0 billion yen

Overseas sales ratio
40%

Operating income
9.0 billion yen

ROE
8.0%

Dividend per share
50 yen

To establish a firm position both in domestic and world market as an integrated manufacturer specializing in agricultural machinery

Social capital

Collaboration with partners

Suppliers, sales agencies, business partners in overseas countries, public administrative authorities, corporations, JA, etc.

Collaborative research and development with research institutions, universities, etc.

Natural capital

Natural resources
(water, atmosphere, soil, sun, etc.)
Energy resources used in production, etc.

Financial capital

Shareholders' equity

CSR management at ISEKI Group

CSR activities at ISEKI Group are aimed at “contributing to the creation of a prosperous and sustainable society” under the mission of contributing to society through agricultural machinery. ISEKI Group has fulfilled its social responsibility through business activities that are conscious of the three aspects of governance, society and the environment; and approaches to improve corporate value by engaging in CSR activities focused on communication with stakeholders.

System for promoting CSR

Establishment of Corporate Social Responsibility Committee

The “Corporate Social Responsibility Committee,” which is chaired by the director in charge of the Corporate Planning Department, a CSR-promotion department, and comprised of the members of the Directors’ Operation Committee for deliberation, and the department heads of CSR-promotion departments for promotion, has been established to promote management activities based on the PDCA cycle.

Meetings of the Corporate Social Responsibility Committee are held twice a year to deliberate matters as follows

- The vision and directions of strategies related to CSR management
- The planning of initiatives to promote CSR on a group-wide basis and relevant management progress
- The planning of initiatives aimed at the penetration and entrenchment of CSR activities.

The Committee submits important matters to the Directors’ Operation Committee and the Board of Directors for their decision.

Promotion of CSR activities

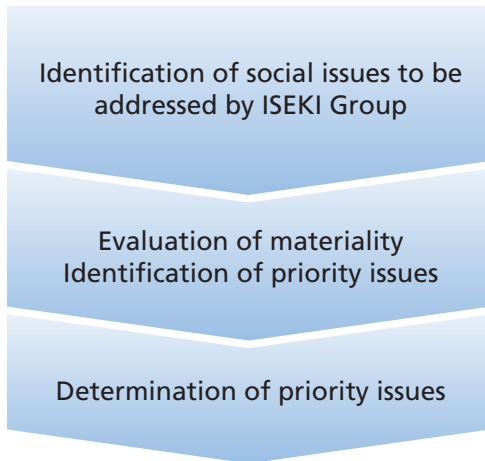
Departments in charge manage the implementation and progress of major items, while relevant meeting bodies report to the company’s executives and conduct verification and evaluation of the progress.

<Major meeting bodies>

Corporate Social Responsibility Committee	Activities in general	Public Relations Liaison Committee
	Customers (products)	Product Planning Committee Advanced Technology Strategic Committee Quality-related Committee
	Employees	Human Resources Committee
	Environment	Environmental Planning Group Meeting
	Compliance	Management Supervisory Committee

Process for making decisions on priority issues

ISEKI Group has identified social issues to be addressed by itself, evaluated them from the perspectives of the “degree of interest of stakeholders” and the “materiality for ISEKI Group” to determine the priority issues, and thereby determined the “priority issues to be addressed by ISEKI Group” as part of its CSR activities.



To respond to the diverse needs and demands that are obtained through communication with its stakeholders, ISEKI Group identified social issues to be addressed by itself in reference to ISO26000, international standards related to corporate social responsibility, the United Nations Sustainable Development Goals (SDGs), etc.

ISEKI Group evaluated the “degree of interest of stakeholders” and the “materiality for ISEKI Group” of the identified social issues to determine the priority issues for each stakeholder in association with the Group’s management strategies.

The identified eight priority issues are determined as the “priority issues to be addressed by ISEKI Group” through deliberation by the Board of Directors.

Topic

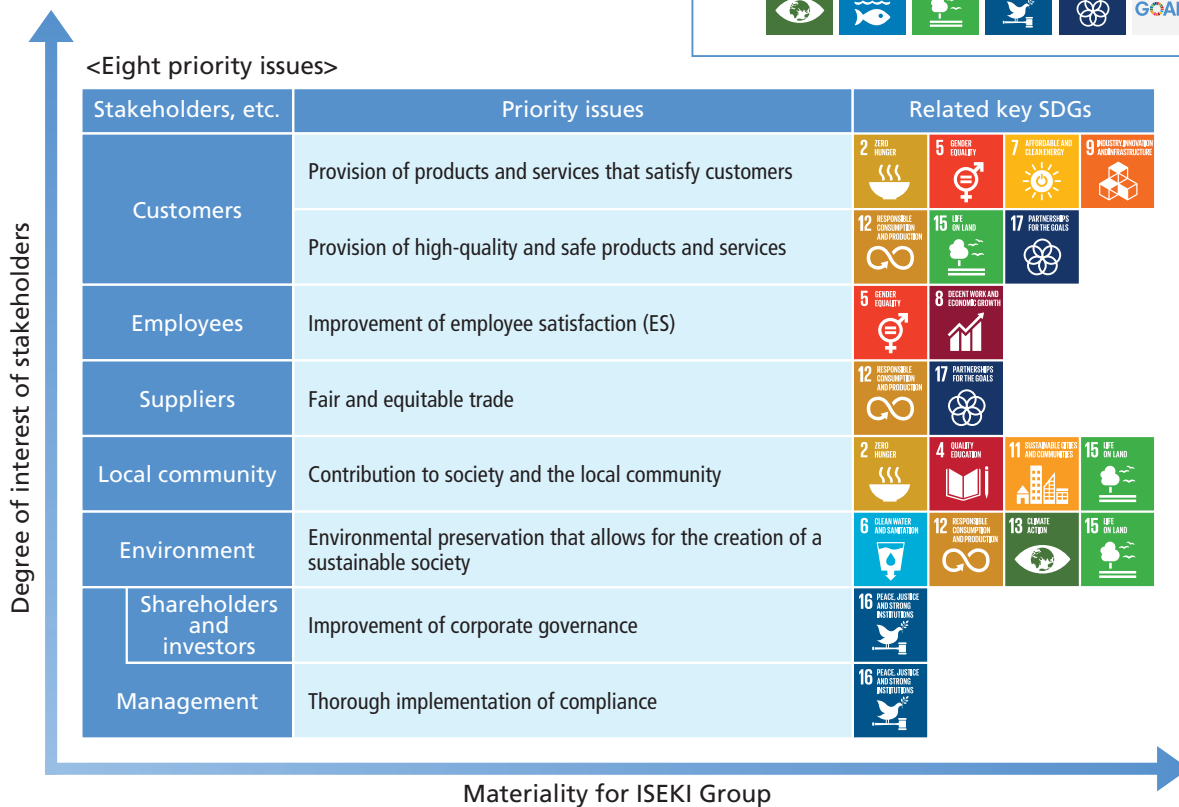
ISEKI Group conducted the “Officers and Executives Seminar” for ISEKI officers and approximately 70 executives of group companies in Japan and overseas in January 2018, with the objectives of deepening, further penetrating, and entrenching the understanding of its CSR activities, where opinions were actively exchanged among the participants.



Priority issues to be addressed by ISEKI Group

The degree of interest of stakeholders and the materiality for ISEKI Group are evaluated and eight items with particularly high materiality are positioned as priority issues. The CSR-promotion departments have established initiatives and targets (KPIs) for the promotion of CSR that are linked with the Mid-term Management Plan and business plans.

In September 2015, the United Nations Summit formulated the "Sustainable Development Goals (SDGs)" comprised of 17 goals and 169 targets to be addressed in a joint effort by the whole world to attain a sustainable society. ISEKI Group is committed to contributing to the demands of global society through its business activities.



Stakeholder engagement

ISEKI Group strives to build a strong relationship of trust with stakeholders through responsible and proactive dialogue. Opinions and requests received through such dialogue will be compiled by departments in charge to be incorporated into business activities and will be reported to the company's executives through Public Relations Liaison Committee meetings held at the beginning of every month.

ISEKI Group discloses information in a fair, timely and appropriate manner with the principle of "working to promptly and accurately disclose information required from inside or outside of the Group in recognition of the importance of social accountability and thereby endeavor to become a company with transparency" at the core.

<Initiatives for enhancement of dialogue>

Stakeholders	Major approach
Customers	Direct dialogue with sales and service representatives, user meetings, trainings, seminars, exhibitions, demonstrations, proposal and support of farm business technologies, corporate websites
Employees	Labor management council, internal IR meetings, Sales subsidiary meetings, house magazines, information magazines, intranet, various training sessions
Shareholders and investors	General shareholders' meeting, quarterly briefing sessions, individual interviews, conference calls, company information session, facility tours, corporate websites
Suppliers	IR information meetings for vendors, dealer meetings, inspections and training workshops, suppliers' business support, the ISEKI group Green Supply Guidelines
Local community	Tours of factories and exhibition halls (IDG: ISEKI Dream Gallery), seminars, events, social contribution activities, volunteer activities

<Initiatives for information disclosure>

Reports and information magazines	<ul style="list-style-type: none"> ▶ Securities Reports ▶ Business Reports ▶ Corporate Governance Reports ▶ CSR Reports ▶ Intellectual Property Reports ▶ Farm business information magazines ▶ Product brochures and DVDs ▶ House magazines, information magazines, etc.
	<ul style="list-style-type: none"> ▶ Timely Disclosure (TDnet) ▶ Corporate websites ▶ Farm business information site, etc.

* The reports and information magazines, etc., are posted on the corporate website (some of those materials are only available in Japanese).

Results and targets of CSR activities

At ISEKI Group, the CSR-promotion departments have established implementation plans and targets to promote CSR activities based on the priority issues that have been determined, as well as the management strategies and important themes. Relevant meeting bodies report to the company's executives, and verify and evaluate the progress. The activity targets and results for FY2017 and the summary of the targets for FY2018 are as follows:

Priority issue	Stakeholder	Management strategy and important theme	Department in charge
Provision of products and services that satisfy customers	Customers	<ul style="list-style-type: none"> ▶ Provision of products and services in response to changes in the domestic agricultural structure (customer needs) ▶ Provision of products and improvement of services in line with the needs of overseas customers ▶ Development and provision of products that create new value taking advantage of advanced technological capabilities 	Business Division Overseas Business Division Development & Production Division
Provision of high-quality and safe products and services		<ul style="list-style-type: none"> ▶ Provision of high-quality, safe and secure products and services that respond to the trust of customers 	
Improvement of employee satisfaction (ES)	Employees	<ul style="list-style-type: none"> ▶ Improvement of employee satisfaction (ES) 	Personnel Department
Fair and equitable trade	Suppliers	<ul style="list-style-type: none"> ▶ Fair and equitable relationship with suppliers (cooperation with suppliers) 	Business Division Overseas Business Division Development & Production Division
Contribution made to society and the local community	Local community	<ul style="list-style-type: none"> ▶ Contribution made to society and the local community 	Business Division Overseas Business Division Development & Production Division
Environmental preservation that allows for the creation of a sustainable society	Environment	<ul style="list-style-type: none"> ▶ Promotion of environmental management ▶ Provision of environmentally friendly business activities, products and services 	Development & Production Division
Improvement of corporate governance	Shareholders and investors	<ul style="list-style-type: none"> ▶ Swift and accurate responses to changes in the management environment and maintenance of fair management 	Corporate Planning Department
Thorough implementation of compliance	Management	<ul style="list-style-type: none"> ▶ Promotion of compliance ▶ Initiatives for fair trade 	Compliance team

Major meeting body	FY2017 targets (excerpt)	FY2017 results (excerpt)	FY2018 targets (excerpt)
Product Planning Committee Advanced Technology Strategic Committee Public Relations Liaison Committee	<ul style="list-style-type: none"> ▶ Development and provision of machinery that responds to customer needs including "advanced technologies," "low-priced" or "vegetable farming-related" features ▶ Strengthening of proposal capabilities through the operation of the Dream Agricultural Research Institute and branches in various regions ▶ Development and provision of new products targeted at China and ASEAN countries ▶ Merchandising based on new technologies ▶ Utilization of intellectual property ▶ Improvement of large maintenance and service facilities and human resource development for service representatives 	<ul style="list-style-type: none"> ▶ Announcement of 19 items and 44 models ▶ Launch of smart agricultural machinery such as rice transplanters equipped with linear-drive assisting systems ▶ Number of visitors to the Dream Agricultural Research Institute for inspection: approximately 7,000 (total); number of cases where guidance regarding the farm business and good agricultural practice (GAP) is provided: 23 ▶ Introduction of large-sized tractors produced in China for use in ASEAN countries and general-purpose combine harvesters ▶ No. 1 in terms of the number of patent application registered in Japan per specialty field (other special machinery sector) and No. 1 in terms of patent allowance rate (announced in 2017) ▶ Number of training sessions on large-sized machinery held: 12 	<ul style="list-style-type: none"> ▶ Development and provision of machinery that responds to customer needs including "advanced technologies," "low-priced" or "vegetable farming-related" features ▶ Strengthening of proposal capabilities through the operation of the Dream Agricultural Research Institute and branches in various regions ▶ Provision of products to new markets through strengthened alliance with strategic partners ▶ Development of new technologies through collaboration with external parties ▶ Utilization of intellectual property ▶ Holding of Service Skills Contests and Support Proposal Results Presentations
Quality-related Committee	<ul style="list-style-type: none"> ▶ Implementation of quality assurance examination for each step such as planning, development and production 	<ul style="list-style-type: none"> ▶ Implementation of quality assurance examination for each step such as planning, development and production 	<ul style="list-style-type: none"> ▶ Implementation of safety training (guidance on delivery, inquiries on conditions of delivered products, etc.)
Human Resources Committee Management Supervisory Committee	<ul style="list-style-type: none"> ▶ Strengthening of human resource development in the fields of development, production and sales and services ▶ Promotion of active participation by females 	<ul style="list-style-type: none"> ▶ Number of participants in various training sessions: 1,429 in total ▶ Female employee ratio: 18% 	<ul style="list-style-type: none"> ▶ Strengthening of human resource development in the fields of development, production and sales and services ▶ Improvement of working environment for females in relation to childcare (such as the introduction of a mentor system)
Public Relations Liaison Committee Environmental Planning Group Meeting	<ul style="list-style-type: none"> ▶ Holding of various types of explanatory meetings, study sessions, etc. ▶ Promotion of green procurement 	<ul style="list-style-type: none"> ▶ Number of IR information meetings for vendors of plants in Japan held: 3 ▶ Certified Green Suppliers ratio: 76% 	<ul style="list-style-type: none"> ▶ Holding of various types of explanatory meetings, study sessions, etc. ▶ Promotion of green procurement
Public Relations Liaison Committee	<ul style="list-style-type: none"> ▶ Support for growth and development of local farming industry ▶ Educational activities regarding food and agriculture 	<ul style="list-style-type: none"> ▶ Number of Nogyojoshi (female farmers) Seminars held: 4 ▶ Number of visitors to the factory tour, ISEKI Dream Gallery: 9,455 	<ul style="list-style-type: none"> ▶ Support for growth and development of local farming industry ▶ Educational activities regarding food and agriculture
Environmental Planning Group Meeting	<ul style="list-style-type: none"> ▶ Reduction of environmental burden through environmentally-friendly business activities ▶ Development and provision of eco-products 	<ul style="list-style-type: none"> ▶ CO₂ emission volume: 28,700t ▶ Ratio of eco-products to domestic sales: 28.7% 	<ul style="list-style-type: none"> ▶ Reduction of environmental burden through environmentally-friendly business activities ▶ Development and provision of eco-products
Directors' Operation Committee Public Relations Liaison Committee	<ul style="list-style-type: none"> ▶ Responses to items regarding Corporate Governance Code that have not been addressed yet ▶ Enhancement of dialogue with stakeholders 	<ul style="list-style-type: none"> ▶ Implementation of the Board of Directors evaluations (questionnaire surveys) ▶ Number of IR information meetings held: 4 	<ul style="list-style-type: none"> ▶ Responses to the results of the Board of Directors evaluations (questionnaire surveys) ▶ Holding of information meetings for individual investors
Management Supervisory Committee	<ul style="list-style-type: none"> ▶ Full dissemination of the importance of compliance 	<ul style="list-style-type: none"> ▶ Number of intragroup training sessions related to compliance held: 41 	<ul style="list-style-type: none"> ▶ Full dissemination of the importance of compliance