

ISEKI Group aims to
"live peacefully with a stable natural environment"

CSR Report

Corporate Social Responsibility Report

by ISEKI & CO., LTD



井関農機株式会社

Aiming to bring about a prosperous community, constantly growing in affluence:

A dream awaited by all the people on earth.

ISEKI Group is in pursuit of food production that secures our daily lives.

The growth of agriculture is a top-priority issue that holds the key to global food problems.

To realize a sustainable growth of agriculture in the future,

ISEKI Group will contribute to the development of agriculture around the world.

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Cover photograph: Cabbage patch in the high plateau of Nagano prefecture
Photograph on the Table of Contents page: "Yoko cherry blossoms" photographed at the Tobe Office of ISEKI

[About Yoko cherry blossoms] After World War II, Mr. Masaaki Takaoka (1909 to 2001), who repented having sent out his students to fight in a war, originated a new cherry tree breed, "Yoko," expressing his wish for peace. A movie made in his memory, entitled "YOKO THE CHERRY BLOSSOM," was filmed on location mainly in Matsuyama city, Ehime prefecture in 2015. The Development & Production Division of ISEKI (Tobe town, Iyo-gun, Ehime prefecture) has about 30 Yoko cherry trees on its premises, which bloom beautifully every year. These trees were planted just after the division's relocation from the Matsuyama city. Yoko cherry blossoms are in full bloom in late March, still in chilly weather, even before Somei Yoshino cherry blossoms bloom, and please the eyes of the ISEKI employees. In the Akasaka Izumi Park nearby, there is a monument for Mr. Masaaki Takaoka who originated the "Yoko" cherry trees and visitors can admire Yoko cherry blossoms around a fountain there.

Message

Social Mission as an Agricultural Machinery Manufacturer

In 2015, ISEKI & Co., Ltd. is celebrating its 90th anniversary.

Since the establishment of the company, with the principle of our founder, "free farmers from exhausting labor" as the cornerstone, ISEKI has been striving to contribute to the modernization of Japan's agricultural industry as a full-time manufacturer specialized in agricultural machinery. Over the period, we have consistently pursued efficiency and laborsaving advances in agriculture and kept providing the products to the market by pioneering the development of a great deal of agricultural machinery and facilities. When we consider the increase of global population, food issues, food self-sufficiency and land conservation, and global environmental issues, the role agriculture plays is significant and, consequently, the social mission of agricultural machinery manufacturer becomes more and more important.

Contributing to Agriculture in Japan and the World

To contribute to agriculture both in Japan and throughout the world, ISEKI Group will continue to operate under the basic business philosophy to "provide products that will satisfy customers".

For the growth and development of Japan's agriculture, we provide support from various points of view.;we offer energy-saving, low cost, and environmental- friendly products that help improve the agricultural productivity, save fuel and fertilizers, and products in which ICT and robot technologies are introduced. We are also promoting to spread cultivation and farm management technologies, supporting the revitalization of deserted farmland and regional activation, and offering support to women, young, and new farmers. We also work on the food education and "local production for local consumption" in an attempt to improve the food self-sufficiency. To cope with the recent global needs to increase food production, we are actively providing products to Europe, North America, China, and ASEAN countries.

Contributing to the development of recycling-oriented society

Regarding environmental issues, including global warming, we set our goal to cooperate in forming recycling-oriented society and position this goal as one of the most important issues of the management. Such efforts include the implementation of an Environmental Management System (EMS) throughout the entire ISEKI group, from our domestic manufacturing locations to the headquarters and sales subsidiaries. Starting from FY2015, we launched the full-scale activities in the overseas locations as well. We implemented tangible targets and management system from initial product development phase in an effort towards environmental preservation. In order to convey the results of these approaches in an easy-to-understand manner to the customers and all stakeholders, we have set environmental-friendly design standards, and we are promoting the implementation of an "eco-product certification system." In this system, based on the evaluation results, environmental labels are used only for products that have met our own standard. In addition, we are actively engaged in various social engagement activities, so that we can contribute to the people in the community.

Importance of human resources development

What we see at the base of these activities and initiatives is people. We realize that human resource development is essential for us. We make sure that skills and techniques, which are indispensable in the production site, are improved and properly passed on. We also make sure to develop human resources who can offer comprehensive farm business proposals to the customers and who can work actively in global fields. We also promote recruitment of foreign nationals and appointment of female managers.

Realizing "prosperous community, constantly growing in affluence"

ISEKI Group positions the contribution to achieving a recycling-oriented society as one of our most important management tasks. We will continue our efforts to realize a "prosperous community, constantly growing in affluence," work on various issues and carry out our social responsibilities together with the stakeholders.



President
Eiichiro Kinoshita

< 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 endeavored to realize laborsaving and further development of agriculture through mechanization.

"We produce good machinery that customers highly praise," Kunisaburo used to say. He devoted himself to provide products and services that made the customers happy. That founder's passion has been inherited in an unbroken line until today as "Iseki's spirit."

< Providing products that please the customers >

Contribute to the mechanization and modernization of agriculture as "all-round agricultural machinery and equipment manufacturer"

Development of two-wheel rice transplanter equipped with backward-tilting seedling tanks

After repeated trial and error, we developed a rice transplanter "PF20" with a plastic float which maintained the constant planting, solving a challenging issue at that time in 1971.

The unique technology of this "two-wheel rice transplanter equipped with backward-tilting seedling tanks" is still used in the current rice transplanters in Japan.

The nickname of this model "Sanae" has become well-known and used as the synonym of ISEKI's transplanter.



Developed the self-threshing combine harvester for the first time in the world

We announced the self-threshing combine harvester in 1966 and launched it in the following year. This is currently the major combine harvester type in Japan. At that time, farmers used the conventional large-sized combine harvesters imported from abroad. Under such circumstances, ISEKI's engineer team endeavored to "produce a combine harvester that satisfies farmers" and that suited the rice farming in Japan. The outcome was the "self-threshing combine harvester" which combined the function of automatic threshing machine and reaper.



Inventions that brought about the innovation in Japan's agriculture

Self-threshing combine harvester and rice transplanter were selected as "100 Postwar Japanese Inventions"!

The First "100 Postwar Japanese Inventions" was announced by the Japan Institute of Invention and Innovation

■ Change of labor hours of rice farming (per 10a)

| | 1954 | 2010 |
|---|------------|-----------|
| Putting seedlings in bed, growing in nurseries, transplanting | 37.55 hrs. | 3.33 hrs. |
| Harvesting and threshing | 57.20 hrs. | 3.54 hrs. |

- Without these two inventions, rural labor powers would not have concentrated in the urban areas that rapidly and the rapid economic growth would not have progressed at that pace.
- In the past, rice farming, especially transplanting and harvesting, was continuous repetition of hard labor. This overwork often caused farmers to suffer from illnesses. Mechanization of transplanting and harvesting was a longtime dream of farmers. In the past, many people have invested fortune out of their pockets in an attempt to improve this situation by invention.
- Rice transplanters and self-threshing combine harvesters are not only utilized in Japan. (Omitted) In the age of internationalization, the technology which was cultivated in the development of transplanters and self-threshing combine harvesters should be utilized soon.

*Excerpt from the announcement of the award announcement. In the "100 Postwar Japanese Inventions," ISEKI's efforts were referred to as a part of description of the combine harvester.

< 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.

To bring about "a prosperous community, constantly growing in affluence"
Establishment of "Dream Agricultural Research Institute (Yumesoken)"

Bringing Agriculture to the Next Stage

ISEKI Group has so far made various proposals including low-cost cultivation such as sparse planting technology to bring about agriculture that inspires hopes for the future.

On the other hand, the agriculture in Japan is undergoing major changes such as introduction of large-scale farming, entry of companies into farm business, conversion staple rice into other crops for full utilization of rice paddies, etc.

ISEKI, which will be more and more required to make proposals to cope with these changes in the future, established the "Dream Agricultural Research Institute (Yumesoken)" that will research, demonstrate, and promote advanced farm business technologies.

Research and demonstration of advanced technologies

Research and demonstration of agricultural machinery equipped with advanced cultivation technologies and cutting-edge technologies such as robot technology and ICT will be conducted through enhanced joint work with administrative agencies, research institutes, universities, JA, and companies,



Human resources development

Human resources development of the group employees will be conducted, turning them into someone who can offer farm business proposals to farmers.



Farm business promotion

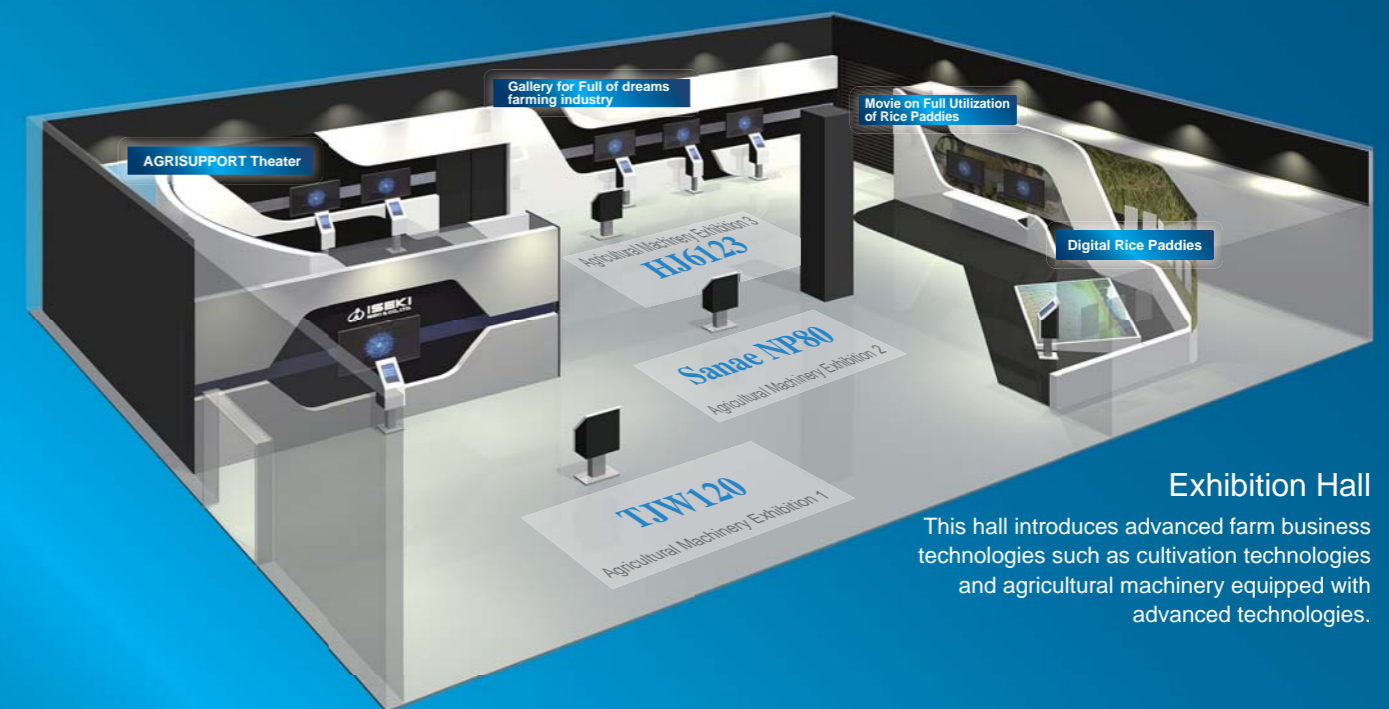
Proposals on farm business in general will be provided to all kinds of farmers including agricultural corporations and large-scale farmers.



Dream Agricultural Research Institute



Exhibition Hall



Exhibition Hall

This hall introduces advanced farm business technologies such as cultivation technologies and agricultural machinery equipped with advanced technologies.

AGRISUPPORT Theater

This theater introduces our ICT-based agricultural support system, "AGRISUPPORT" using visually impactful video. You can experience the operation of a tractor with LEADEYE.



Movies on Full Utilization of Rice Paddies

The screen starts playing video when you set a vegetable-motif cube on it. You can watch movies about the technologies for full utilization of rice paddies.



Digital Rice Paddies

The latest cultivation technologies such as sparse planting and direct seeding are simulated on digital rice paddies.



Outline of our business

Economic report

ISEKI Group is engaged in business activities mainly concerning development and manufacture and sale of agricultural machinery related to rice and vegetable cropping.

< Major products >

We respond to a wide-variety customer needs!

To respond to a wide-variety customer needs, the sales, development, and manufacturing departments work together. We develop products in support of energy-saving and low cost agriculture, environmental preservation and the safety of agricultural work. In domestic business, in addition to the agricultural machinery for rice cultivation, which is our main field, we engage in the mechanization of crops and vegetable cultivation, where the needs for laborsaving are high, and the utilization of advanced technologies, such as introduction of IT in agriculture, use of robots in agricultural machinery and plant factory. In overseas business, we provide products which meet the needs of customers and areas in a wide range of fields, including lawn mowing, light civil work and environmental conservation, in addition to agricultural machinery.

Cultivating & Mowing machinery

Tractors, tillers, high clearance multipurpose vehicles, mowers



Planting machinery

Rice transplanters, vegetable transplanters



Harvesting Machinery

Combine Harvesters, Binders



Combine Harvesters

Combine Harvesters

Combine Harvesters

Binders

Processing Machinery

Dryers, Rice Hullers, Rice Cleaners, Rice Graders, Vegetable Harvesting and Processing Machinery



Dryers

Rice Hullers

Rice Graders

Coin-operated Rice Cleaners

Vegetable Harvesting Machinery

Miscellaneous

Implements, Spare Parts, Agricultural Facilities, etc.



Implement (In-Ridge Partial Fertilizer)

Hydroponics facility

Plant growth diagnosis device

To provide "products that satisfy customers"!

"No. 1 patent allowance rate in Japan!"

"No. 1 open patent per specialty field for 14 consecutive years"

With an aim to "provide products that satisfy customers," ISEKI is actively pursuing the development, introduction, and implementation of new technology.

In the "Patent Administration Annual Report 2015 Edition," ISEKI has secured the No.1 ranking in the following categories:

- No.1 with the number of patent allowance rate in 2014 (Patent allowance rate: 99.2%)
- No.1 with the open patent per specialty field in 2013 (other special machinery sector)

*For details, see the "Intellectual Property Report" and our website.

< Overview of account settlement as of December 2015 at the end of FY2015 >

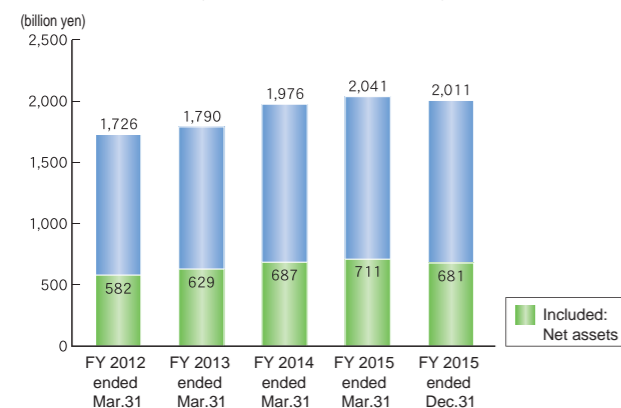
The fiscal year-end has been changed from FY2015.

The fiscal year-end of ISEKI & Co., Ltd and subsidiaries has been change to the period from January 1 to December 31 so that we can improve business management and operation efficiency in terms of budget planning etc. and can disclose management information on a timely and precise manner to improve management transparency.

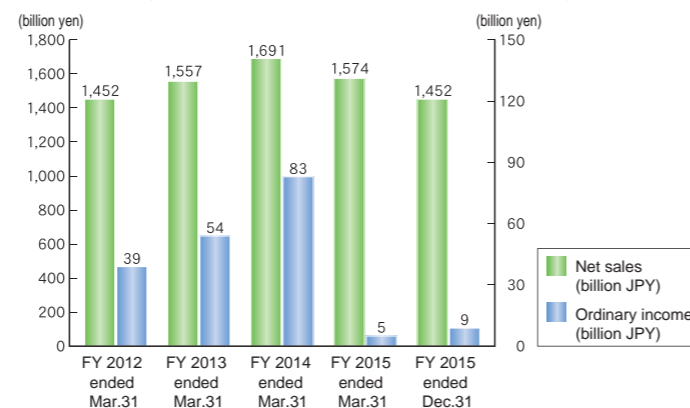
As a transitional treatment, nine-month results were included in the consolidated results for the fiscal year ended 31, 2015.

Note: Two subsidiaries in France only adopt September 31 as their fiscal year-end.

< Total assets trends >



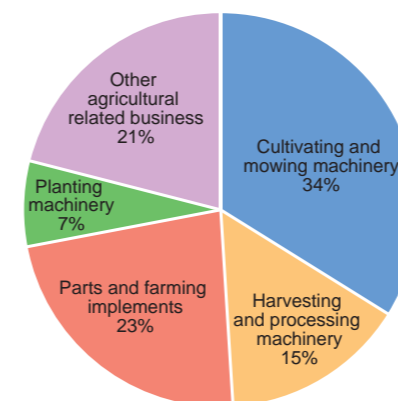
< Achievement trends (consolidated) >



Corporate Social Responsibility Report 2016 by ISEKI & CO., LTD.

Note: As a transitional treatment, nine-month results were included in the consolidated results for the fiscal year ended 31, 2015.

< Sales results per product type in FY ended December, 2015 >



< Company profile >

| | |
|---------------------|--|
| Company Name | ISEKI & CO., LTD. |
| Head Office | 700 Umaki-cho, Matsuyama-shi, Ehime-ken, 799-2692 JAPAN Tel 089-979-6111 Fax 089-978-6440 |
| Tokyo Headquarters | 5-3-14, Nishi-Nippori, Arakawa-ku, Tokyo, 116-8541 JAPAN Tel 03-5604-7602 Fax 03-5604-7701 |
| Foundation | August 1926 |
| Paid-in Capital | 23,344 million yen (as at December 31, 2015) |
| Number of Employees | Consolidated: 6,021 Non-Consolidated: 744 (as at December 31, 2015) |

Corporate Social Responsibility Report 2016 by ISEKI & CO., LTD.

Note: As a transitional treatment, nine-month results were included in the consolidated results for the fiscal year ended 31, 2015.

Domestic business

Economic report

Developing initiatives to cope with the agriculture facing significant changes we will further expand our domestic business!

Domestic agriculture is now undergoing significant changes, which provide the conventional farming just to produce staple rice with various opportunities to grow other crops like feed rice or vegetables. Furthermore, major change is recently occurring due to introduction of large-scale farming, together with the application of IT and robotic technology into the farming. In response to these changes we will enhance our "support capacity to the customers" by providing high-quality marketing services from various points of view and offering proposals that suit farm management of our customers.

Maintenance bases for large-scale farming and introduction of large agricultural machines

To cope with the trend of large-scale farming, we offer "wide line-up of large machines" and "refurbishment of our maintenance bases" in various locations in Japan.



Large maintenance and service facility (Mashiki town, Kumamoto prefecture)

Advanced technology and smart agriculture machinery

We develop and promote the "smart agricultural machinery" and "farm business and management methods," utilizing advanced technologies, such as ICT and robot technology, to improve productivity and efficiency.



GPS guidance for tractors LEADEYE

Auto-control of fertilizer application Variable fertilizing rice transplanter

Measuring yields and moistures of paddy Combine harvester with yield sensor



Autonomous tractor (under development)

Expansion of vegetable machinery to support crop conversion

As to the crop conversion of soybeans, wheat, vegetables, from rice paddies, and the expansion of production, we offer various support with the enhanced line-up that covers the new mechanization system of vegetable farming and know-hows to utilize the machines.



In-Ridge Partial Fertilizer

Dream Agricultural Research Institute (Yumesoken)

- Research and promotion base of advanced farm business that will support domestic agriculture -

We will enhance joint work with administrative offices, research institutes, universities, JA, and companies to reinforce research, demonstration, and promotion of advanced cultivation technologies and agricultural machinery.

<Outline of the activities>

- Advanced farm business technology research
 - (1) Research and demonstration of advanced cultivation technologies, such as low cost agriculture, new strains cultivation, etc.
 - (2) Research and development of advanced agricultural machinery, such as ICT, robot, plant factory, etc.
 - (3) Research of data analysis and effective use of agricultural ICT.
- Farm business promotion
 - (1) Providing consultation of farm business to the farmers, agricultural firms, etc.
 - (2) Human resources development of the group employees, turning them into someone who can offer farm business proposals
 - (3) Offering information on the farm business



Dream Agricultural Research Institute (Yumesoken) and Exhibition Hall (Tsukubamirai city, Ibaraki prefecture)

Farm business proposals to support farmers

To establish the cultivation technologies, such as low cost, laborsaving production and crop conversion, we are engaged in "Agri-Heros support project." In this project, we foster human resources who can make farm business proposals from various points of view to support all kinds of farmers like agricultural firms, large-scale farmers and female farmers etc., hoping that they can play a significant role in domestic agriculture in the future.



Enhancement of support system (nationwide)

To provide support to farmers nationwide, we will establish large maintenance and service facilities at the sales subsidiaries throughout the country and assign staff who have completed trainings in the "Agri-Heros support project" where they learn how to promote cultivation technologies, agricultural machinery application technologies, advanced agricultural machinery, etc.



ISEKI high-tech green house

We research and demonstrate advanced technologies for cultivation and environmental control of the plant factory. Also, we provide trainings to develop human resources in the facility.



ISEKI high-tech green house (Matsuyama city, Ehime prefecture)

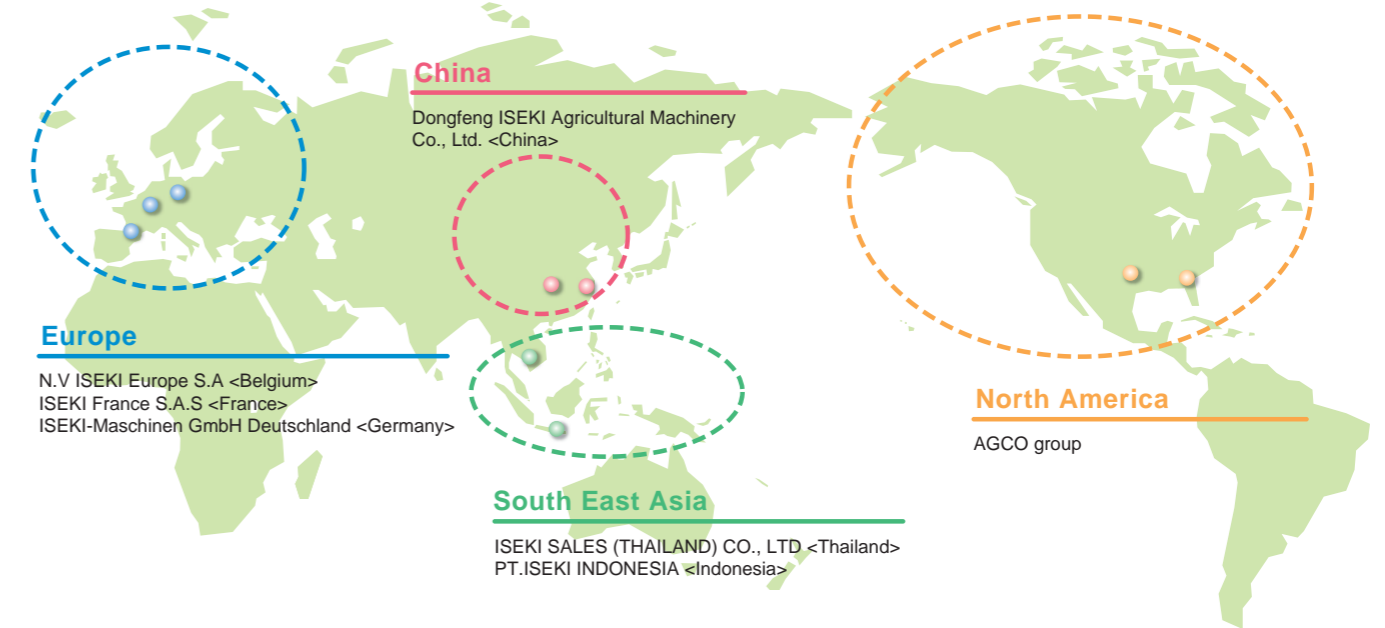
Overseas business

Economic report

In addition to the expansion of business in North America and Europe, we regard the business in China and Southeast Asia as our engine of growth and further accelerate our global strategies.

Carrying out our global strategies, we will strive to maintain an overseas sales ratio of at least 20% and improve profitability.

Main overseas locations and business partners (as at March 31, 2016)



Business in Europe

We will expand sales through initiatives taken by ISEKI France S.A.S

Since the establishment of N.V. ISEKI Europe S.A. in Belgium in 1971, we have introduced products, such as tractors and riding mowers, mainly into the landscaping market and expanded our sales area. Through initiatives taken by our new subsidiary in France, we will further expand the sales by launching new strategic products that meet our customers' requirement.



Full-fledged launch of economy tractors produced in Indonesia in 2016



ISEKI France S.A.S, strategic sales base in Europe

Business in North America

We will increase our market share by full-scale distribution of economy tractors, our strategic product.

In North America, we provide products, such as compact tractors and utility tractors to AGCO cooperation, an agricultural machinery manufacturer with a wide sales network in America, as an OEM supplier. We will expand our market share broader distribution of economy tractors and wider lineup of utility tractors.



Sales start of economy tractors in 2015



Enhancement of utility tractor line

Business in China

We will expand the sales through full-fledged launch of tractors and introduction of new products.

In Chinese market, where agricultural mechanization is advancing rapidly, through the establishment of Dongfeng ISEKI Agricultural Machinery Co., Ltd., we will increase the sales through full-fledged launch of tractors and introduction of new products such as combine harvesters. In 2016, we are constructing a new plant to increase production by supplying not only in China but also in the Southeast Asian market like Indonesia and Thailand.



Full-fledged launch of tractors produced in China in 2016



New plant in Xiangyang, Hubei province

Business in South East Asia

We will try to expand sales through full-scale production at PT. ISEKI INDONESIA and full-fledged launch of strategic tractors.

In the Southeast Asian market, PT. ISEKI INDONESIA, which now reaches full production, will manufacture tractors for the North American and European markets and increase the production for the Asian countries. Also, we will try to establish the ISEKI brand by enhancing the sales of ISEKI SALES THAILAND, which has started selling strategic tractors.



PT. ISEKI INDONESIA, production site for strategic tractors



Strategic tractor for Southeast Asia

CSR initiatives of ISEKI Group

Sociality report

Based on our management philosophy "providing products that satisfy customers", the corporate social responsibility (CSR) of ISEKI Group is to provide products and services that meet the needs of customers in Japan and other countries. and thus earn reasonable profits and share them with shareholders, employees, and community/society in order to bring about an affluent society, increase the corporate value, and ensure sustainable development of the entire group. ISEKI Group needs not only to carry out economic activities but also to fulfill social and environmental responsibilities through business activities. For the sake of our activities, therefore, we determine important issues and goals for business management in accordance with ISO26000 and GRI Guidelines G4 and through communications with stakeholders.

Seven core subjects of ISO26000 standard

ISEKI Group regards the seven core subjects of the international standard ISO26000 as the basic requirements of social responsibilities and thus promotes compliance with these requirements.

They are also treated as the requirements from society in general to check the direction and completeness of a company's initiatives when we evaluate and review them.

Seven core subjects of ISO26000

- (1) Organizational Governance
- (2) Human Rights
- (3) Labor Practices
- (4) The Environment
- (5) Fair Operating Practices
- (6) Consumer Issues
- (7) Community Involvement and Development

ISEKI group's engagement with main stakeholders

ISEKI Group provides various opportunities for hearing the voices of our stakeholders. The feedbacks through dialogue with stakeholders are summarized by the sections in charge and introduced into corporate activities and are also reported to the company's executives in a monthly meeting.

| Stakeholder | Sources of feedbacks |
|----------------------------|---|
| Customer | Sales and after-sales service desk User meetings, trainings and seminars Exhibitions, demonstrations, farm business and technology support Farm business information magazine, product brochures, DVDs Corporate website, inquiry by e-mail, consultation desk Farm business Information site (i-Next) |
| Local community | Publicity during factory tour & in exhibition halls (ISEKI Dream Gallery) Social contribution activities Volunteer activities Corporation with with administrative organization, research institutes, schools, etc. Publicity via Environmental Report and Intellectual Property Report Corporate website, inquiry by e-mail, consultation and report desk Various activities through economic & industrial organizations |
| Shareholders and investors | General shareholders' meeting IR activities Various reports (Securities Report, Annual Report, CSR Report, Intellectual Property Report, etc.) Corporate website, inquiry by e-mail, consultation and report desk Replies to various questionnaires & surveys |
| Suppliers | IR information meeting to vendors Dealer meetings Inspection training workshop, ISEKI group Green Supply Guidelines Corporate website Suppliers' business support |
| Employees | Internal IR meeting, Labor management council, Sales subsidiary meeting House magazine, information magazine, CSR Report, Intellectual Property Report Corporate website, intranet Inquiry by e-mail, counseling and report desk Various trainings on skills development |



Giving questionnaire survey to guests to "ISEKI Dream Gallery"

Holding seminars - Children from the local community -

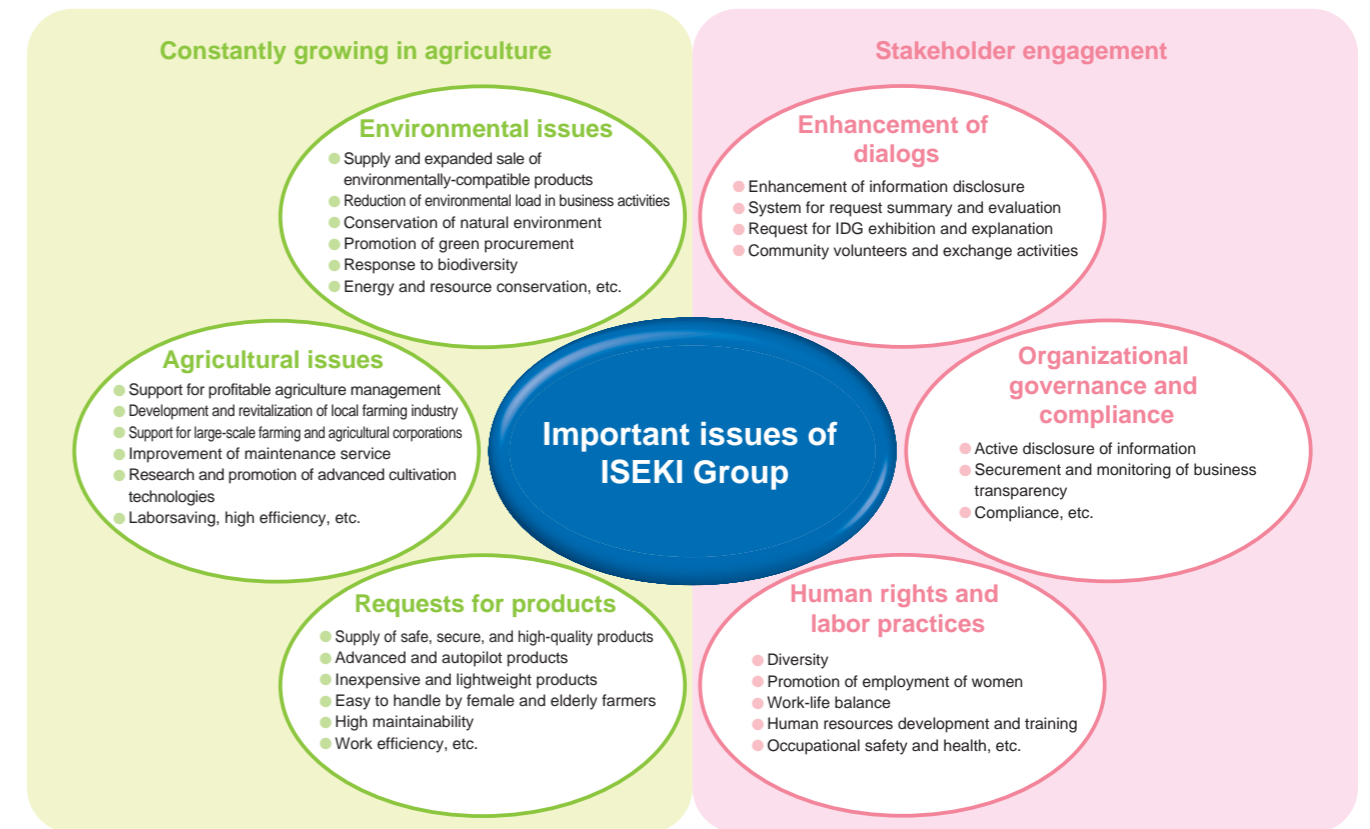


Visit to the company - People from the local community -



Important issues of ISEKI Group

We define the important issues and goals of ISEKI Group based on the seven core subjects of the international standard ISO26000 and opinions and requests that we received in dialogs with stakeholders. Information disclosure, one of the important issues, is conducted in accordance with GRI Guidelines G4 in an effort to improve the transparency, objectivity, and completeness of information.



Examples of initiatives

ISEKI Group evaluated and checked important issues and exercised the following initiatives in 2015. In the future, we will try to further improve dialogs with stakeholders. For details, see the relevant pages.

Seminars and trainings on agricultural machinery - Customers -



Exhibitions and demonstrations - Customers -



| Stakeholder | Core subjects of ISO26000 | | | | | | | See page | Example of initiative |
|----------------------------|---------------------------|-----|-----|-----|-----|-----|-----|----------|--|
| | (1) | (2) | (3) | (4) | (5) | (6) | (7) | | |
| Customer | | | | | ○ | ○ | ○ | 22 to 28 | Research & promotion of ICT, advanced farm management / technologies Agri-Heros support project to revitalize local farming industry After-sales service & product quality assurance Recall & customer consulting service |
| Local community | | | | ○ | | | ○ | 29 to 30 | Publicity at IDG Exchange with local communities & volunteer activities |
| Shareholders and investors | ○ | | | ○ | ○ | | | 31 | Corporate information disclosure & periodical meetings |
| Suppliers | | ○ | ○ | | ○ | | | 31 | Meetings, seminars, & business support |
| Employees | | ○ | ○ | | ○ | | | 32 | Human resources development, work-life balance, employment of women, diversity, occupational safety and health |

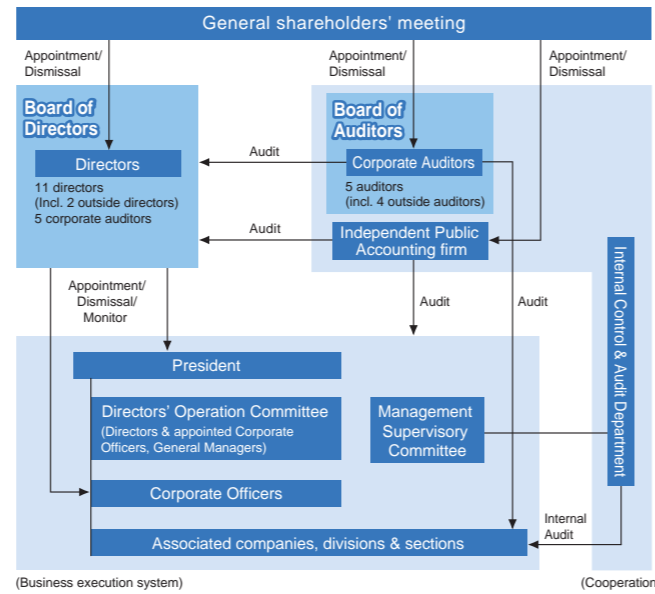
Corporate governance and compliance

Sociality report

Responding quickly and accurately to the changes of our business climate, we operate our corporate management system and maintain fair business operation. To keep up a good relationship with the stakeholders, we are improving corporate governance, developing an internal system and sharing information to disclose important information in a timely manner. The "Corporate Governance Report" is available at our corporate website.

Corporate governance system

Board of Directors makes decisions on basic matters in relation to management as well as matters set forth in laws, regulations and the articles of association. Regarding the business execution, the corporate officers fulfill their duties smoothly as the persons responsible for the various operations. In addition, to manage businesses in a sound manner, Directors' Operation Committee meetings are held twice a month, in principle, in order to share the latest information and discuss and report on how the business should be operated, the existence of risks, and how to prevent and avoid them. Corporate Auditors attend the Board of Directors and Management Supervisory Committee meetings. They audit the operations and assets of our offices and subsidiaries in cooperation with the Internal Audit Department and accounting auditors. Moreover, they strictly check the important agenda at the Directors' Operation Committee meetings and the status of operation execution by Directors to ensure the effectiveness of our corporate governance. We open the Management Supervisory Committee with the chairman of the Board of Directors as the head, all the directors as members and all the auditors as observers to check if compliance is penetrated thoroughly into the Group, as well as check the measures and their status.



Establishment and use of Group Internal Communication System

We have defined the basic policy on internal control to organize the internal control system and revise it if necessary. To secure efficient job execution by directors, various regulations and systems, such as Assignment of Duties Regulations and Internal Control System, were established and important matters are deliberated from various points of view at the Director's Operation Committee. The Internal Control & Audit Department, an organization responsible for the internal audit and monitoring, is placed under the Management Supervisory Committee, which is independent from the business section, to enhance neutrality.

Compliance system

We open the "Management Supervisory Committee" to check if compliance is penetrated thoroughly into the Group. According to an annual plan, we provide compliance trainings to all the group employees continuously to a sense of compliance so that injustice and misconduct will never happen.

Status of approach to fair trade

To ensure fair trade, we prepare and circulate the comprehensive "Action Guidelines" and "Antitrust Compliance Manual" in the company. We also provide trainings to the employees regularly to keep them thoroughly informed. In addition, we enhanced the risk management system by setting up a consultation service desk and conducting a regular audit.

Concerning a bidding of facility construction, ISEKI received a cease and desist order and a surcharge payment order under the Anti-Monopoly Act on March 26, 2015 and February 10, 2016. Also, we received an on-site inspection by the Japan Fair Trade Commission for an Anti-Monopoly Act violation in October 6, 2015 concerning "bidding for orders for construction work comprising facilities for protected horticulture and ancillary facilities which would be placed by local public agencies in the Tohoku region." We are cooperating fully with the investigations. With full recognition of the severity of the case, we established, implemented measures to prevent the recurrence of such misconduct and appointed new management. In terms of organizational structures, we transferred the Management Control Division for the Agri-Plant Business, which is meant to monitor and supervise the facility business, to the Internal Control & Audit Department on May, 2015. In addition, we transferred and placed the Internal & Audit Department under the Management Supervisory Committee that is independent from the business execution divisions. Furthermore, we determined to draw on external personnel in the audits on the facility business. We have also reviewed the code of conduct and manuals for the facility business, while enhancing the training of human resources including those at sales subsidiaries. We assigned one director in charge of the facility business. Under this new system, we will continue to accomplish thorough compliance with all laws and regulations and further enhance the internal control.

To achieve customer satisfaction

Sociality report

To practice efficient farm management and reduce farm production costs, it becomes more and more necessary to obtain a system to support agricultural work through data analysis. Farmers who are going to expand their production have to restructure the production management and cultivation technology. To support them, we are working on the development and promotion of software with the use of ICT.

Agricultural ICT

Strong desire to "make delicious rice and vegetables" and "provide consumers with safe and secure food" have improved the farmer's techniques. Their passion and know-how are extremely important assets which must not be forgotten and should be passed down to the next generations. We developed a system to accumulate records of daily work that enables farmer's experience and intuition to be visualized and stored for the next generations and that helps to realize low cost, high-quality, and more efficient farming.

<AGRISUPPORT>

This system converts the track of work, the use of fertilizer, agrochemical, and machine information into data. Farmers utilize them to improve daily farm work. We have a line of smart agri-machinery with GPS and sensors, etc., to realize, so-called "smart agriculture", precise agriculture.

- Smart agri-machinery with AGRISUPPORT "LEADEYE" for tractors

LEADEYE provides visual guidance for operators who used to depend only on their experience. They are able to know:

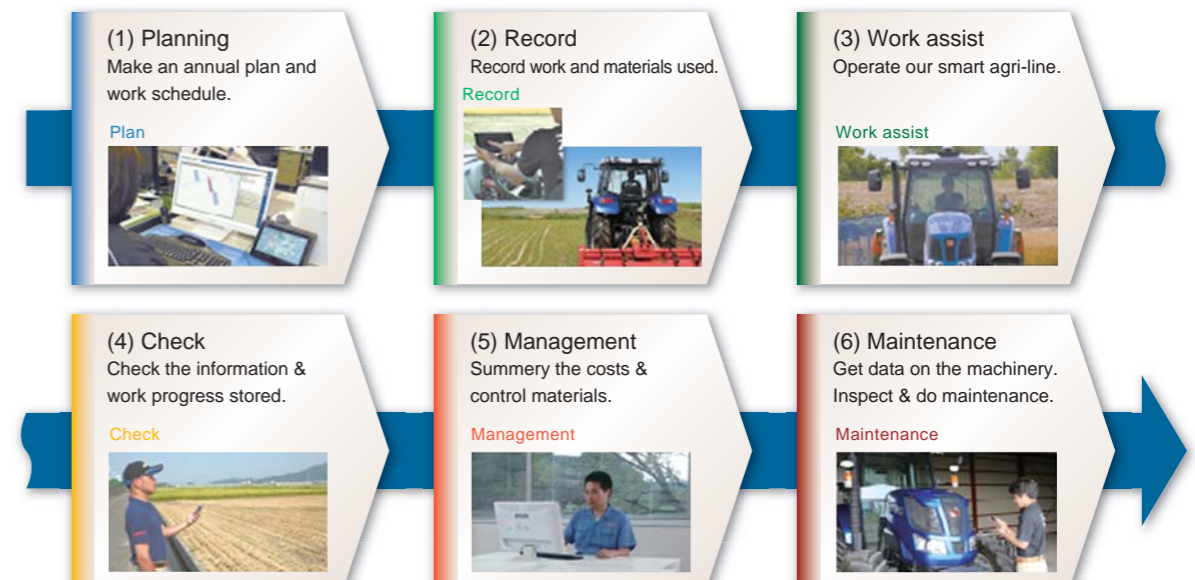
- How far the tractor should travel
- How much work has been done, etc.



<Smart Farmer's Support>

In the past, Farmers depended on their experience and intuition or had to leave many notebooks to describe work procedures in details. Today, it is becoming more difficult to follow these ways as the number of large-scale farmers are increasing and a variety of management styles have been introduced. The Smart Farmer's Support allows farmers to share daily-stored information and provides them with the data to reduce cost and stabilize quality.

■ ICT in the farming



To achieve customer satisfaction

Sociality report

< Agri-Heros support project >

ISEKI Group is working on the "Agri-Heros support project" to back up all farmers. To cope with changes and contribute to the agriculture in Japan, we foster human resources who can provide support to the farmers.

The Agri-Heros support project

1. "Agri-Heroes" stands for all the farmers in Japan. We back them up by fostering the Group's employees so that they can give high-quality services as well as proposals on general farm management, and cultivation techniques.
2. We educate the staff at the sales subsidiaries throughout Japan to support Agri-Heroes.

<Policy of human resource development>

- Persons to be able to make proposals on soil preparation, an essential work to cultivate crops
- Persons to be able to make proposals on techniques to cultivate soybeans, wheat, vegetables and rice as well as to produce them at a lower cost
- Persons to be able to make proposals on farm management using ICT technologies



Training of Agri-Heros support project

At our "Dream Agricultural Research Institute (Yumesoken)" in Tsukubamirai city, Ibaraki prefecture, we hold trainings to develop human resources who can support domestic farmers. In the first-year from April 2014 to November 2015, we completed 15 trainings in total. All the trainees are now making full use of the knowledge they acquired in the trainings to provide support to farms throughout the country. The trainings for the second-year has started in February 2016.



< Initiatives for revitalization of local farming industry >

We are working on "expansion of the products that meet the local needs" and "improvement of support service system" to develop local farming industry.

Development of an all-round cultivation system for vegetable farming

At present, the cultivation of local vegetables is gaining more popularity. We expanded a lineup of vegetable growing machinery and developed an all-round cultivation system for the farming of major vegetables.

Activities at a facility & training center for various farming proposals

In February 2016, ISEKI Kyushu opened the "Dream Agricultural Support Kyushu Training Center (Yumekyuden for short) Kyushu AGRISUPPORT Center," a facility and training center for customers in the entire Kyushu region. For promotion of advanced agricultural machinery, you can visit there to experience the advanced machinery. We also proposal to introduce an all-round cultivation system of vegetable farming.

- Advanced cultivation techniques unique to each region
- Show room where exhibits machinery using advanced technologies: ICT and robot technology
- Adjacent farm to know our machinery & cultivation techniques



Supporting female farmers in the "YUMEARU NOGYOJOSHI PROJECT"

Holding seminars in various parts of Japan

<Seminar on agricultural machines>

We are holding seminars on highly demanded topics such as safe operations and maintenance of agricultural machinery and soil preparation. Topics about agricultural administration are also included through collaboration with public administration, business partners, etc.

At the start in 2014, female farmers gathered from all over Japan to our training center in Ibaraki prefecture. Since they wanted seminars to be held in their own areas, we have started local seminars since 2015 so that many female farmers are able to participate.

Development and market launch of "SHIROPUCHI," a tractor for female farmers

<NOGYOJOSHI Tractor Project>

We collaborated with female farmers and developed a tractor easy for them to handle through identifying problems and requests on agricultural machinery from female point of view : "Women and men are different in strength and physique." and "Women are unfamiliar with agricultural machinery, so we are anxious about operating it."



Special specifications of "SHIROPUCHI" Z15, a tractor for female farmers

| Opinions | Specifications |
|---|-------------------------------------|
| "It's hard to reach the steering wheel and foot pedals." "Exhausted from operating the tractor whole day." | Fore-aft adjustable suspension seat |
| " Too heavy to hold a fuel tank while refueling." | Foldable refueling stand |
| "I want to change the conventional image of agriculture." | Bright white color |
| "Glad if we can avoid being tanned during operation." | Wide canopy |
| "I want to drink something during operation." | Cup holder |
| "It's hard to get on and off from such a big tractor." | Auxiliary grip and sub-step |



To achieve customer satisfaction

Sociality report

< Initiatives for providing a high-quality and quick service system >

In terms of farm management, it is crucial to keep farm work without interruption. The larger the scale of agriculture, the more important it is to use agricultural machinery as planned. Therefore, our large facilities are now available in various parts of Japan to provide high-quality and speedy services for repair and maintenance of agricultural machinery.

Kyushu Agri-Service Center (KASC)



In November 2015, ISEKI Kyushu opened the "Kyushu Agri-Service Center (KASC for short)," where we can provide maintenance service for large agricultural machines throughout the Kyushu region. It covers the entire Kyushu region and supplies quick maintenance service with its large space, cranes and trucks. We also introduced "AGRISUPPORT wagons" to enhance after-the sales services.



AGRISUPPORT wagon

< Approach to the services >

In order for the customers to use our products "securely" and "safely," ISEKI Group is engaged in the service activities.

"Before-sales" service

- **Safety training**
We have safety trainings at our sales subsidiaries so that the customers can use our product safely.
- **Instruction on delivery**
According to our check sheet, we offer delivery instructions to the customer at the delivery time.



After sales service

- **Troubleshooting**
As for the problems on our customer's machinery, our staff from the sales offices and service centers will solve them immediately.
- **Inspection and maintenance**
Up on the customers' request, we will provide the inspection and maintenance so that they can use our product without any anxiety in the next season.
- **Inquiry after conditions**
We inquire after the conditions of new or repaired products after the start of use.

Internal training

At our Training Center in Tsukubamirai city, Ibaraki prefecture, we regularly run courses to the service staff to improve their technical skills.

<Number of people who obtained the national license of agricultural machinery mechanic>
1,316 people in and before 2015

| License | Number of people |
|--------------|------------------|
| First class | 668 |
| Second class | 648 |

< ISEKI's product quality assurance >

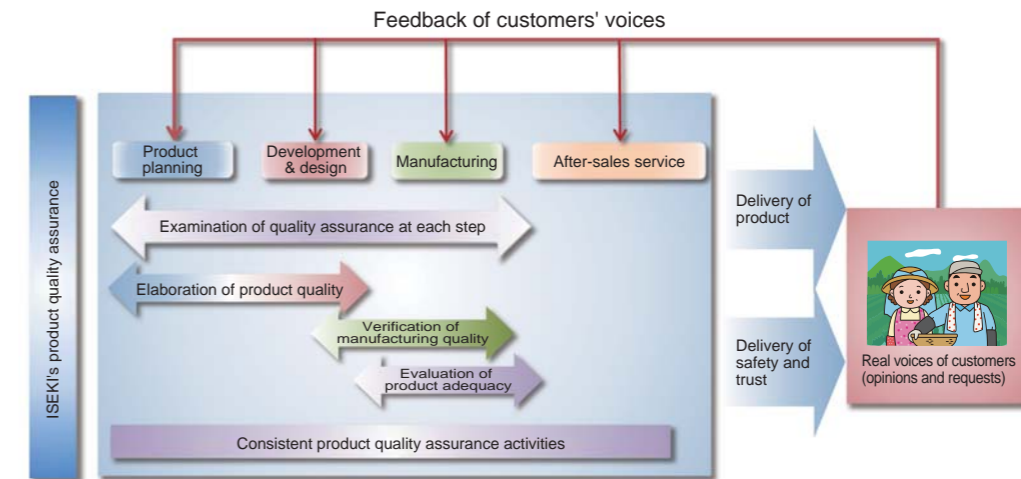
To "provide products that satisfy customers," ISEKI Group listens to "real voices of customers" and develops products that can build trust of customers in the entire process from the product planning to after-sales service.

To improve customer satisfaction

To provide products and services that satisfy customers, we promote ISEKI's product quality assurance by conducting:

- (1) Feedback system of customers' voices,
- (2) Quality assurance examination at each development step,
- (3) Backup system as the whole company.

To realize products that meet the expectation of customers in terms of safety and trust, we listen to the "real voices of customers" and analyze the product quality in every step : product planning, development, design, production and after-sales service. We elaborate the quality in the product planning, development and design phases, examine the manufacturing quality in the next phase, and evaluate the adequacy of the products in the final phase. Likewise, to provide the products that meet the trust of customers, we perform consistent product quality assurance activities.



< Handling recall >

If any problem occurred to products used by customers and we find it necessary to take improvement measures, we check and repair the products immediately, giving first priority to the safety of the customer.

When we launch a recall, we give notice and report to the organizations concerned ^(*) and disclose the information on the website of ISEKI CO., LTD. to draw attention of customers and provide them with information.

Note

Notices on reporting of recall are posted on our website. Please visit the following address:

<http://www.iseki.co.jp/news>

<Numbers of recalls over years ^(*)>

| FY | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|---------|------|------|------|------|------|------|
| Recalls | 6 | 2 | 3 | 3 | 7 | 3 |

*1 Ministry of Land, Infrastructure and Transport, Ministry of Agriculture, Forestry and Fisheries, Ministry of Economy, Trade and Industry, etc.

*2 Number of recalls reported to the Ministry of Land, Infrastructure and Transport

< Customer consulting service and inquiries >

Inquiry services

In the "Contact Us" page of the website of ISEKI CO., LTD., we welcome inquiries from customers by e-mail concerning the topics listed below. Please visit the following address for inquiries:

<http://www.iseki.co.jp/contact>

- (1) Products
- (2) Company in general
- (3) Investor information
- (4) Our environmental initiatives, etc. Please visit the following address for inquiries:

<Number of inquiries in 2015: Approx. 740 in total>

| Subject | Ratio | Number of inquiries |
|--|-------|---------------------|
| Tractors | 26% | 195 |
| Tillers and high clearance multipurpose vehicles | 11% | 81 |
| Rice transplanters | 12% | 85 |
| Combine Harvesters | 10% | 73 |
| Manuals, etc. | 9% | 63 |
| Others | 33% | 239 |

Inquiries can be received both via e-mail and telephone. Each of the departments in charge will reply to them. As for the frequently asked questions, we are improving the information on the corporate website for customers to quickly refer to.

Together with the people in community

Sociality report

< Communication through ISEKI Dream Gallery >

We established exhibition halls called "ISEKI Dream Gallery" (IDG) in manufacturing companies in Matsuyama, Kumamoto and Niigata. The IDGs were built to communicate with elementary and junior high school students visiting there for social studies or food education, as well as visitors and people in the community. IDGs focus on the "history of foundation" of the company and "manufacturing and technology" of the agricultural machinery. They also exhibit and describe our approaches to "the future farming."

● ISEKI Dream Gallery (Matsuyama) renewal to offer a new "rice transplanting game"!

ISEKI Dream Gallery MATSUYAMA is located next to the ISEKI Matsuyama MFG. Co., Ltd. It offers a "3-Step Tour," including IDG and factory tour, to show visitors the manufacturing process of tractors. Since its opening in 2014, it has welcome 6,000 visitors every year. Based on the opinions and requests, three booths were renovated in February 2016.

Advanced technology and ICT section

Exhibition of our flagship machinery & virtual experience of advanced technologies



Learn the process of making rice through our original game

"Rice transplanting game" to learn about the process with fun



Exhibition of an all-round cultivation system of vegetable farming

Full lineup of vegetable growing machinery



If you would like to visit an IDG, see the corporate website for a reservation and other information.

● ISEKI Dream Gallery KUMAMOTO (Kumamoto)

Location: Next to the ISEKI Kumamoto MFG. Co., Ltd. (Mashiki town, Kumamoto prefecture)

Features: Exhibition of "manufacturing and technologies" of combine harvesters; factory tour also available (Opened in October, 2014)

● ISEKI Dream Gallery NIIGATA (Niigata)

Location: Next to Niigata MFG. Co., Ltd. (Sanjo city, Niigata prefecture)

Features: Exhibition focused on rice transplanters and vegetable transplanters; factory tour also available (Opened in April 2015)

< Social contribution activities - for supporting children who will bear the future >

Kids' seminars

- Iyo Bank and ISEKI Matsuyama MFG. Co., Ltd. -



Introduction of Japanese agriculture in classroom

- ISEKI Kumamoto MFG. Co., Ltd. -



Accepting interns

- Development & Production Division of ISEKI & Co., Ltd. -



"Food education" by growing "bucket paddy rice"

(Learning about the process of growing rice) (Niihama city, Ehime prefecture)

- ISEKI Matsuyama MFG. Co., Ltd. -



Host "Manufacturing education" festival

- ISEKI Matsuyama MFG. Co., Ltd. -



Company tour for female science students

- ISEKI Matsuyama MFG. Co., Ltd. -



Organized by Women's Future Development Center, Organization for Diversity Management Female students of the Department of Science and Engineering, Ehime University visited the factory.

< Exchange with communities and volunteer activities >

To make people get better understanding of food, agriculture and agricultural machinery, we offer exhibitions actively at local events. Shown below are how we have relationships with community and do social contribution activities through the use of IDGs.

● Participate and sponsor events

Farmers and Kids Festa 2015 (Chiyoda-ku, Tokyo)



Food in Hometown & Food in Japan National Festival (Shibuya-ku, Tokyo)



Ehime, Matsuyama Sangyo Festival - Sugo-Mono Exhibition 2015 - (Matsuyama city, Ehime)



● Interact with the local community

Tsubame Sanjo Factory Festival (Tsubame and Sanjo cities, Niigata)



IDG Visit and Exchange Festival (Nishi Osaki, Sanjo city, Niigata)



Thanks giving festival for customers (Kamphaeng Phet province, central Thailand)



● Volunteer activities

Shirakawa Day (cleaning activities) (Kumamoto city, Kumamoto)



Shigenobu River Cleanup Campaign (Tanokubo-ku, Toon city, Ehime) - ISEKI Shigenobu -



Rice transplanting event with children - ISEKI Kyushu, ISEKI Labor Union, and ISEKI Kumamoto MFG. Co., Ltd. -



20th Sanae National Children's Drawing Contest

We host this contest annually and have received more than 23,000 drawings in cumulative total.



FY2015 National Best Award winner: "Agriculture by Whole Family" Suzuka Horigome, 10 years old (Miyagi, ISEKI Tohoku)

74th Ehime Prefecture Children's Exhibit of Invention and Devices - ISEKI Award winner -



We received 82 works from elementary and junior high schools as well as boys and girls invention club in the prefecture. Special awards and prizes, including ISEKI Award, were given to 35 works in total. We participate in the reviewing process of this exhibit and grant ISEKI Award every year.

ISEKI Award winner: "Tableware that facilitates scooping of food" The shapes of bowls and lids and the angles of spoons are designed to allow a user to easily scoop food with one hand without dropping it.

For shareholders and investors

Sociality report

To be a good corporate citizen, we will continue to enhance IR activities by holding general shareholders' meetings and quarterly briefing sessions on financial results. As one of our responsibilities, we are committed to disclosing information to shareholders and investors in our reports and corporate website in a precise and timely manner.

Offering information on by various reports and corporate website

The screenshot displays the ISEKI corporate website's IR section. It includes a navigation menu on the left with categories like 'Investor Information', 'Shareholder/Investor Information', 'Company Overview', and 'IR Library'. The main content area features an 'IR Calendar' for 2016, listing events such as the 2016 12-month 1st and 2nd quarter financial results presentations. Below the calendar is an 'IR Library' section with links to various reports, including the Annual Report 2015, Environmental Report, and Financial Statements. A sidebar on the right contains quick links to 'Business Promotion', 'Shareholder Information', and 'IR Calendar'.

Together with the suppliers

ISEKI Group is committed to nurturing human resources; those who can establish a supply chain and handle business issues from a global point of view. With this in mind, we work together with the suppliers to draw out maximum performance from the human resources and expand the business further.

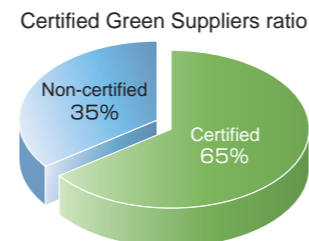
Approach to the human resource development

As the base of human resource development, we provide various trainings at our internal facilities. To expand and develop the business continuously with the suppliers, we are holding variety of ability development programs.

| Location | Training |
|---|---|
| Training Center (Tsukubamirai city, Ibaraki prefecture) | Enhancement of sales and service skills etc. |
| ISEKI Technical Training Center (Matsuyama city, Ehime Prefecture) | Improvement of manufacturing skills etc. |
| Dream Agricultural Research Institute (Tsukubamirai city, Ibaraki prefecture) | Advanced farm business management & techniques, Human resource development of group employees |

Initiatives for suppliers (incl. IR meeting)

To expand and develop business together, we hold IR meetings and company tours for the suppliers. As well as providing business support, we offer information through various meetings and on our corporate website in a transparent manner. In terms of preserving environment, we suppose it essential to cooperate with the suppliers, and we request their understanding and cooperation to attain the "ISEKI Group Green Supply Guidelines". Regarding the suppliers superior in environmental activities, we ask them to be our "Certified Green Suppliers."



Together with the employees

Sociality report

We strive to provide the Group employees with appropriate treatment and opportunities for them to perform actively and strive to create a comfortable working environment so that they can make the most out of life. The priority issues in the human resource strategies are to support the carrier formation of employees, develop wide-ranging human resources, and make the most of female human resources. The company and the employees will collaborate with each other to realize a community that grows constantly in affluence.

Recruitment and human resource development

ISEKI Group recruits people based on their personalities and abilities. Above all, we focus on recruiting those who can actively contribute to the full-scale development of global strategies to increase overseas sales. To fulfill such criteria, we also positively work on mid-carrier recruitment of people with abilities and precious experience. In addition to the trainings divided by their skills and occupation, we offer our employees various programs, such as correspondence or foreign language courses and opportunities to study abroad. We also introduce the "Meister" system so that accumulated experience and skills can be smoothly passed on.



"All ISEKI Group Technical Skills Contest"

In October 2015, the "All ISEKI Group Technical Skills Contest" was held to improve the technical skills of workers at manufacturing sites and to develop young workforce. 30 young employees including those from other countries participated and competed in five categories: "NC lathe," "fineness of machine assembly finishing," and "welding" etc.

Work-life balance initiative

We introduced the following measures to ensure that each employee can lead a more fulfilling life by maintaining a work-life balance. (1) Fixed work location recruitment (2) Flextime system (Not all departments adopted) (3) Implementation of "no-overtime" day, etc.

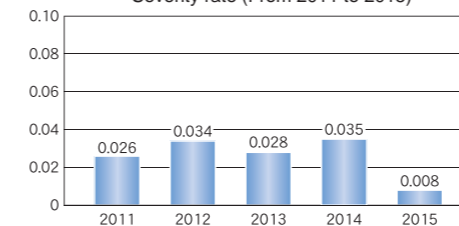
Prohibition of discriminatory treatment

ISEKI Group observes the labor law and works on appropriate employment management, avoiding discriminatory treatment based on nationality, race, religion, sex, disability, etc. and distribute the "Code of Ethical Behavior," which describes these points, to all employees. We educate and instruct the employees to be careful about their language and behavior on a daily bases. As a whistle-blower system, we have established the "Ethical Hotline" through which they can directly inform personnel department and external corporate lawyers with their human rights and privacy highly protected.

Occupational safety and health

Setting up "a healthy and safe workplace" as the code of conduct, we conduct safety and health check according to the working environments of each group company. We try to enhance the awareness of the workers at manufacturing sites to keep up "zero industrial accident" and to reduce accident risks completely.

<Statistics of industrial accidents> Severity rate (From 2011 to 2015)

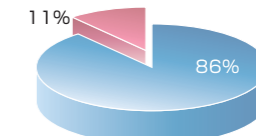


*Severity rate: Number of work days lost per 1,000 working hours
*Target: ISEKI & Co., Ltd. and its four factories in Japan
*Period: Calculated by twelve-month data from April 2015 to March 2016 for comparison with the past data

Diversity initiative

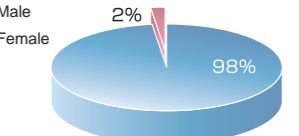
As a part of management strategy, we promote global strategies and diversity in human resources. (1) Recruit foreign nationals continuously (2) Employ more female workers and promote to appointment of women in management (3) Promote physically-challenged people employment We provide the employees having ability and motivation with appropriate treatment and opportunities so that they can perform actively. We also support their carrier formation.

Gender ratios of employees



Now: Low ratio of women

Gender ratios of managers

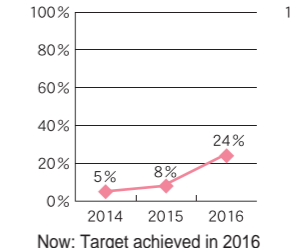


Now: Low ratio of women in the management

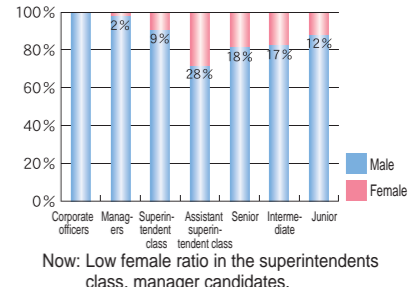
Initiatives regarding the Act of Promotion of Women's Participation and Advancement in the Workplace (April 2016)

Our action plan and targets for utilizing female human resources are follows; (1) At least 20% of all the new employees will be female employees. (2) At least 10% of all the manager candidates will be female employees. In particular, although its number and ratio is low at present, we intend to recruit more women as engineers and take in new ideas from female point of view into product development. In July 2015, in a special authorization system named "Kurumin", run by the Ministry of Health, Labour and Welfare, we were certified as a company that promotes child-care assistance. In order to employ more female workers, we are making efforts not only to appeal our activities to the market but to hold trainings for the group companies, executives and managers for them to get better understandings.

Women in new employees ratio



Female employees ratio by job grade

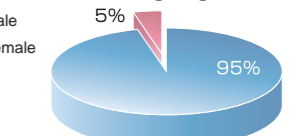


Ratio among general employees



Now: Lower female ratio than general employees

Ratio among engineers



ISEKI group environmental management

Environmental report

ISEKI Group has walked together with agriculture since its establishment and operated on the axis of "agriculture and agricultural machinery." In environmental management, too, we set up the environmental concept of promoting environmental preservation activities to contribute to the formation of a continuously growing society in harmony with nature, society and other business entities. We establish the "Environmental Conduct Guidelines," with which the entire ISEKI Group constructs the management system and make middle- and long-term targets, on which all employees work together.

< Environmental conduct guidelines >

1. Environment-friendly development activities
2. Environment-friendly manufacturing activities
3. Environment-friendly business activities in the office
4. Environment-friendly logistics
5. Biodiversity action
6. Environmental education and information disclosure

< Outline of management >

ISEKI Group promotes environmental activities in each district in accordance with the environmental targets decided in the Director's Operation Committee. Each district follows its own plan and the progress is managed by the Environmental Planning Group Meeting. The activity records and future actions are reported to the Director's Operation Committee.

[Environmental Management System]



Comments from the environment control manager

Hiroaki Kurokawa, General Manager of Production Engineering Department, ISEKI-Matsuyama MFG.
"Seto Inland Sea has incomparable beauty in the world; Green islands are scattered in the blue sea under a clear sky." To protect this precious natural environment, all members of the factory are working together to reduce environmental burdens and promote business activities that contribute to the local community in harmony with the environment.

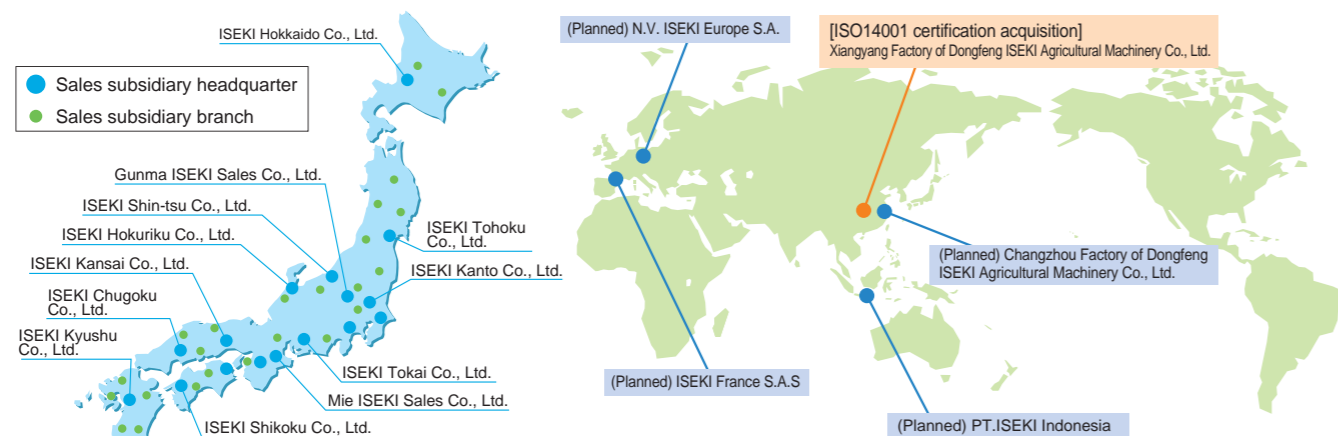


Comments from the environment control manager

Toshio Endo, General Manager of Production Engineering Department, ISEKI-Kumamoto MFG.
To preserve environmental resources such as beautiful nature, countryside, and water of the Kumamoto prefecture in Aso and Amakusa district, we are striving to reduce hazardous materials that might pollute the environment and promoting contribution to the local community and carrying out environment-friendly business activities.

< Domestic sales subsidiaries and overseas locations >

All domestic sales subsidiaries have acquired EA-21 certification and are actively involved in environmental preservation activities, such as reduction of environmental burdens. In overseas locations, we have started carrying out environmental preservation activities, including acquisition of EMS certification. In January 2016, the Xiangyang Factory of Dongfeng ISEKI Agricultural Machinery Co., Ltd., a large production base in China, acquired ISO14001 certification. Other overseas locations are also working to acquire certification by the end of 2016.



Mid-term and long-term environmental targets and FY2015 results

Environmental report

ISEKI Group made the mid-term and long-term environmental targets from the FY ended Mar.2011 to the FY ended Dec.2015. Hereby, we report the results of our major activities in the FY ended Dec.2015. We are going to establish new targets up to 2020.
<About the period of report> The fiscal year end of ISEKI Group changed in FY 2015 ending December 31 instead of March 31. So, nine-month results from April 1 to December 31 are included in Therefore the report.

1. Mid-term and long-term targets, FY2015 results and future targets

| Item | Mid-term & long-term environmental targets | | FY2015 results | | Evaluation | Future targets up to 2020 |
|--|---|--|---|------|------------|--|
| | Target | Amount | Per production unit | Rate | | |
| To realize a low-carbon emission society | Reduction of energy-generated CO ₂ emission | At least 10% reduction the average amount for the period between FY2008 and FY2010 | Per production unit | 93% | △ | 11% reduction per production unit from the result of FY2013; 1.57% reduction per year |
| | | | Total volume | 93% | | |
| To realize a low-carbon emission society | Reduction of energy-generated CO ₂ emissions during transportation | At least 5% reduction per transportation unit (10,000 ton-km) from the average amount for the period between FY2008 and FY2010 | Per transportation unit (10,000 ton-km) | 102% | ○ | 10.5% reduction per transportation unit (10,000 ton-km) from the result of FY2013; 1.5% reduction per year |
| | | | | 114% | | |
| To restrain the use of manufacturing resources | Reduction of total material input | At least 5% reduction per production unit from the average amount for the period between FY2008 and FY2010 | Per production unit | 115% | ○ | 10.5% reduction per production unit from the result of FY2013; 1.5% reduction per year |
| | | | Total volume | 83% | | |
| To build a recycling-oriented society | Reduction of volume of water used | At least 5% reduction per production unit from the average amount for the period between FY2008 and FY2010 | Per production unit | 83% | △ | 51% reduction per production unit from the result of FY2013; 7.3% reduction per year |
| | | | Total volume | 270% | | |
| To build a recycling-oriented society | Reduction of final volume of wastes | At least 25% reduction per production unit from the average amount for the period between FY2008 and FY2010 | Per production unit | 269% | ○ | 14% reduction per production unit from the result of FY2013; 2% reduction per year |
| | | | Total volume | 107% | | |
| To restrain the use of toxic chemical substances | Reduction of used volume of chemical substances subject to PRTR law | At least 20% reduction per production unit from the average amount for the period between FY2008 and FY2010 | Per production unit | 106% | ○ | 19.6% reduction per production unit from the result of FY2013; 2.8% reduction per year |
| | | | Total volume | 93% | | |

2. Challenges of business activities, FY2015 results, and future issues

The results of major activities in FY2015 are described below.

| Category | Items | FY2015 results |
|---------------------------------|--|---|
| Environmental Management | Quality improvement of environmental management system | Expanded the range of the target among the non-production bases in Japan and promoted ISO14001 certification acquisition among overseas bases |
| | Implementation of environmental education | Promoted environmental education |
| | Responses to stakeholders | Collected the opinions and made various opportunities to have dialogs with stakeholders |
| Product development and service | Prohibition, reduction and restraint of use of toxic substances included in procured parts | Offered "certificates" to the suppliers who are active in environmental initiatives |
| | Development of products to reduce environmental burdens | Expanded the lineup of "eco-products" models through promoting the environment conscious design with a product assessment system. |
| | Expansion of product assessments and execution of LCA evaluation | Opened the "ISEKI high-tech green house to demonstrate our plant growth diagnosis devices. |
| | Provision of information contributing to environmental preservation | Provided information about environmental preservation at the corporate website and product manuals |

Having investigated these results and discussed the departments involved, we defined priority issues to be addressed for FY2020.

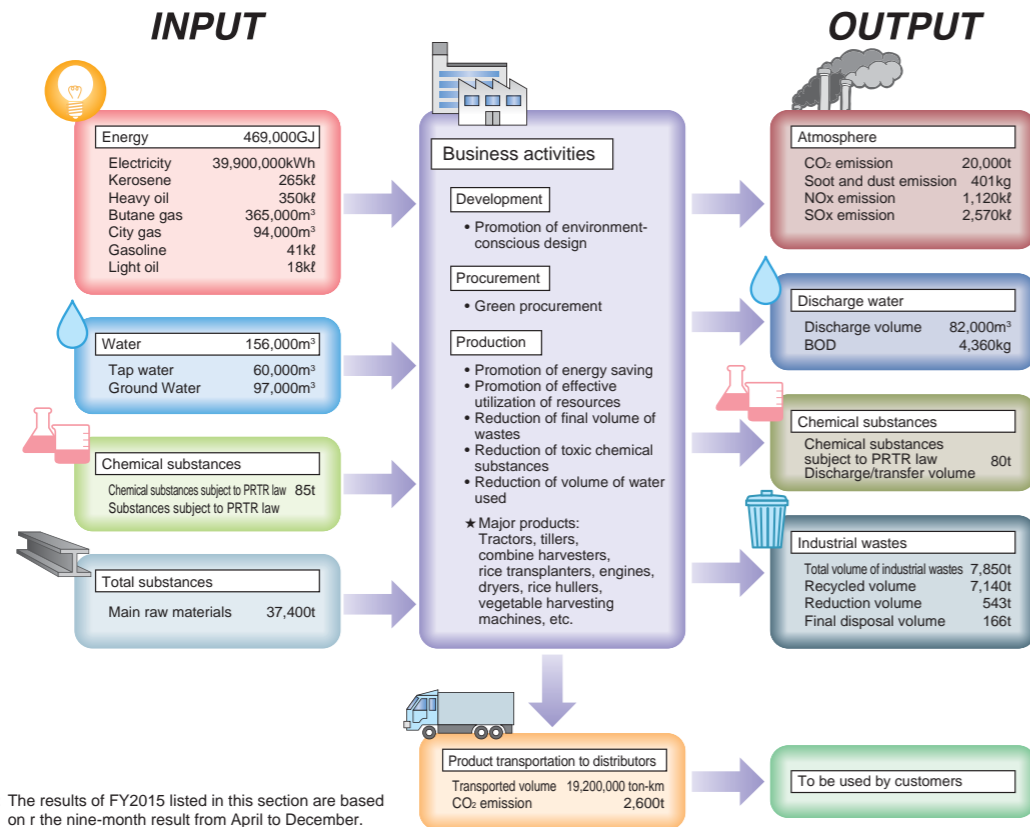
| Future issues to be addressed by FY2020 |
|---|
| To expand the application of EMS to the overseas locations |
| To enhance communication with stakeholders |
| To promote green procurement in collaboration with the suppliers |
| To supply safe and secure products, ensure product quality, and promote the environment-conscious designing |
| To increase the product lineup certified as "eco-products" to achieve 25% of all the domestic sales in 2017 |

Business activities and environmental burdens

Environmental report

[Eco balance]

The four ISEKI group factories in Japan use materials like fuel, electricity, water and other raw materials in the process of production, and discharge chemical substances and industrial wastes subject to carbon dioxide (CO₂) and PRTR law. To continue business activities with less environmental burdens, we always check the volume of materials used for production (INPUT) and discharged volume of chemical substances and industrial wastes (OUTPUT) to reduce discharging such chemical substances and industrial wastes.



Note: The results of FY2015 listed in this section are based on the nine-month result from April to December.

[Eco efficiency]

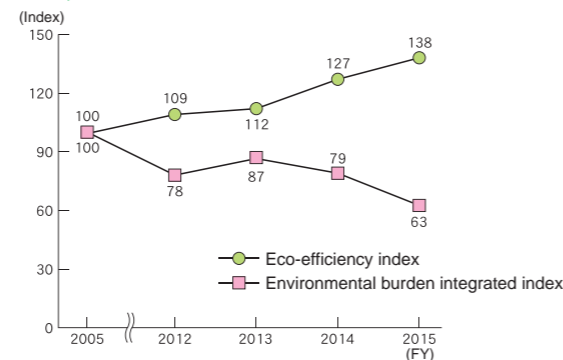
It is important to improve eco-efficiency to realize a sustainable society. Although eco-efficiency is usually calculated by subtracting environmental burdens from the value of a product or service, we adopt our own formula: "eco-efficiency production volume/environmental burdens" and evaluate with the eco-efficiency index and environmental burden integrated index. Compared with the indexes of 100 in FY2005, we improved and achieved eco-efficiency index to be 138 and environmental burden integrated index to be 63 in FY2015.

★Eco-efficiency index: The higher, the more efficient.

★Environmental burden integrated index: The lower the index, the smaller the environmental burdens.

| Item | Integrated coefficient | 2005 | | 2015 | |
|---|------------------------|------------------|------------------|------------------|------------------|
| | | Actual value (t) | Integrated value | Actual value (t) | Integrated value |
| CO ₂ emission volume | 1 | 34,600 | 34,600 | 26,723 | 26,723 |
| Non-methane VOC emission and displacement volume | 239 | 174 | 41,500 | 106 | 25,300 |
| landfilled waste volume | 3 | 2,750 | 8,260 | 221 | 664 |
| Environmental burden integrated values in total | - | - | 84,300 | - | 52,700 |
| Eco-efficiency | - | - | 83.3 | - | 115 |
| Environmental burden integrated values (2005 as reference year) | - | - | 100 | - | 63 |
| Eco-efficiency index (2005 as reference year) | - | - | 100 | - | 138 |

Environmental burden integration and eco-efficiency



Eco-efficiency index & environmental burden integrated index (100 in FY2005)

Environmental risk management

Environmental report

[Actions to comply with Antipollution Laws]

< Establishment of self-directed standards and management in the company >

The four ISEKI group factories in Japan set forth and applied more stringent self-directed control standard values than those set forth in the environment-related laws and regulations. As shown in the table below, we met all the self-directed control standards in FY2015, making progress to reduce environmental pollution.

| Measured item | Unit | ISEKI-Matsuyama & ISEKI-Houei MFG. Co., Ltd. | | | ISEKI-Kumamoto MFG. Co., Ltd. | | | ISEKI-Niigata MFG. Co., Ltd. | | |
|---------------|---|--|---------------------------------|----------------|-------------------------------|---------------------------------|----------------|------------------------------|---------------------------------|----------------|
| | | Regulatory standards | Self-directed control standards | Result in 2015 | Regulatory standards | Self-directed control standards | Result in 2015 | Regulatory standards | Self-directed control standards | Result in 2015 |
| Water quality | Volume of suspended substances (SS) | 600 | 500 | 32 | 200 | 40 | 5.0 | 90 | 45 | 0.7 |
| | Volume of biochemical oxygen demand (BOD) | 600 | 500 | 87 | 25 | 8 | 2 | 60 | 30 | 5.7 |
| | n-hexane (Mineral oil) | 30 | 4 | 2 | 5.0 | 2.4 | Less than 0.5 | 5.0 | 4.0 | 0.11 |
| Air | Particulate | 0.30 | 0.18 | Less than 0.01 | 0.30 | 0.08 | Less than 0.01 | 0.20 | 0.10 | 0.01 |
| | Nitrogen oxide | 260 | 91 | 63 | 250 | 200 | 23 | 230 | 50 | 16 |
| | Particulate (electric casting melt furnace) | 0.10 | 0.08 | 0.03 | - | - | - | - | - | - |

--: Shows standard N/A or not applicable machines

< Frequency of environment data measurement >

| Machine, equipment, and place | Measured item | Measurement frequency | | |
|-------------------------------|---------------|--|-------------------------------|------------------------------|
| | | ISEKI-Matsuyama & ISEKI-Houei MFG. Co., Ltd. | ISEKI-Kumamoto MFG. Co., Ltd. | ISEKI-Niigata MFG. Co., Ltd. |
| Industrial effluent | Water quality | Once a year | Once a year | Once a month |
| Casting melt furnace | Air | Twice a year | - | - |
| Boiler | | Twice a year | Twice a year | Twice a year |
| Lot border line | Noise | Twice a year | Once a year | Once a year |
| | Vibration | Twice a year | - | - |

--: Shows standard N/A or not applicable machines

Environmental accounting

In order to make management decisions on environmental preservation and to provide guidelines for evaluation of our social activities, ISEKI Group adopts the environmental accounting in which we sum up the investments and expenses for the environmental preservation activities. The amount invested for environmental reservation costs (pollution prevention, environmental preservation, and resource recycling costs) in FY2015 (from April to December 2015) was 384 million JPY. The total amount of expenses was 304 million JPY in which we included the investments into diesel engine gas emission control and fuel efficiency improvement to comply with the laws and regulations of Europe, U.S., Southeast Asia and Japan

| Environmental preservation cost | | | | |
|--|--|------------------------------------|------------------------|------|
| Category | Major programs | Amount of investment (in mil. JPY) | Expenses (in mil. JPY) | |
| (1) Cost spent in the business segment | | 276 | 75.5 | |
| Breakdown | 1) Pollution prevention cost | Sewage treatment | 1.2 | 50.7 |
| | 2) Environmental preservation cost | Inverter installation | 275 | 1.3 |
| | 3) Resource recycling cost | Waste treatment | 0.0 | 23.5 |
| (2) Cost required at previous and later stages | Green purchasing | 0.0 | 15.6 | |
| (3) Control activity cost | Maintenance of environmental management system | 81.1 | 41.2 | |
| (4) Research and development cost | Compliance with emission gas regulations | 26.4 | 159 | |
| (5) Community activity cost | Cleaning activity in the communities, social contribution activities | 0.0 | 12.5 | |
| (6) Environment recovery cost | - | 0.0 | 0.0 | |
| Total | | 384 | 304 | |

Coverage: ISEKI-Matsuyama, ISEKI-Kumamoto, ISEKI-Niigata, and ISEKI-Houei MFG. Co., Ltd. and Tobe office

| Economic effects resulting from the environment preservation measures | |
|---|----------------------|
| Details of effect | Amount (in mil. JPY) |
| (1) Reduction of the volume of various resources to be consumed | 3.0 |
| (2) Reduction of environmental burden substances | 33.9 |
| (3) Reduction of energy consumption | 2.9 |
| Total | 39.8 |

The environment preservation measures have two types of effects: Economic and physical (reduction) effects. The effects in FY2015 resulted from recycling of wastes, streamlining of painting methods, use of energy-saving machines, use of processing machines equipped with inverters, etc.

Reduction of environmental burdens

Environmental report

We have four manufacturing sites in Japan: ISEKI-Matsuyama, ISEKI-Kumamoto, ISEKI-Niigata, and ISEKI-Houei MFG. Co., Ltd, and three counterparts in overseas: Changzhou and Xiangyang Factories of Dongfeng ISEKI in China and PT. ISEKI INDONESIA in Indonesia.

The results of FY2015, their reasons, and future actions are described below.

[Reduction of CO₂ emissions]

<Factories in Japan>

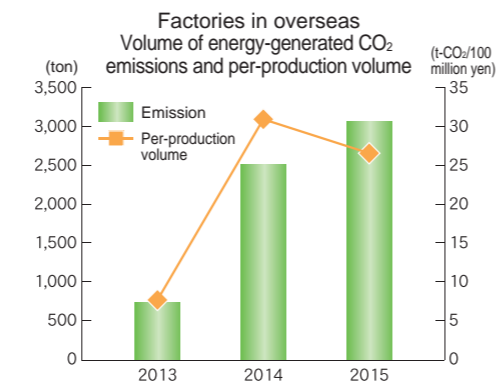
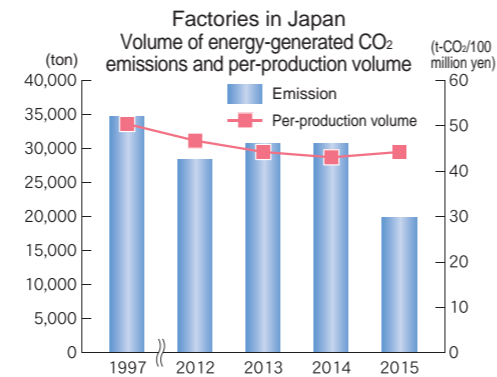
The target was not achieved in FY2015. We will further promote to replace into more energy-saving equipment and implement energy-saving improvement activities at the manufacturing floor.

Volume of energy-generated CO₂ emissions at four factories in Japan

| | 1997 | 2008 | 2009 | 2010 | Average of results of 3 years | - | 2013 | 2014 | FY ended December 2015 |
|--|--------|--------|--------|--------|-------------------------------|------------------|--------|--------|------------------------|
| Total volume (t-CO ₂) | 34,500 | 29,800 | 28,600 | 29,300 | 29,200 | Target | 27,500 | 26,900 | 18,700 |
| | | | | | | Result | 30,300 | 30,200 | 20,000 |
| | | | | | | Achievement rate | 91% | 89% | 93% |
| Per-production volume (t-CO ₂ /100 million yen) | 50.0 | 43.3 | 47.2 | 48.4 | 46.3 | Target | 43.5 | 42.6 | 40.9 |
| | | | | | | Result | 44.0 | 43.0 | 44.1 |
| | | | | | | Achievement rate | 99% | 99% | 93% |

<Factories overseas>

At the Xiangyang Factory of Dongfeng ISEKI in China, new production lines were additionally constructed in FY2015, resulting in a significant increase in the CO₂ emissions. To reduce the total amount of CO₂ emissions, we will apply the energy-saving approaches in Japan to the overseas factories.



[Reduction of CO₂ emissions in product distribution]

We achieved the target in FY2015. We will further promote to improve load efficiency and modal shift to reduce CO₂ emissions.

Volume of energy-generated CO₂ emissions in product distribution in Japan

| | 2008 | 2009 | 2010 | Average of results of 3 years | - | 2013 | 2014 | 2015 |
|---|-------|-------|-------|-------------------------------|------------------|-------|-------|-------|
| 10,000 ton-km | 2,990 | 2,920 | 2,980 | - | - | 3,350 | 2,770 | 1,920 |
| Total volume (t-CO ₂) | 4,740 | 3,920 | 4,180 | - | - | 4,030 | 3,660 | 2,600 |
| Rate (t-CO ₂ /10,000 ton-km) | 1.59 | 1.34 | 1.40 | 1.45 | Target | 1.40 | 1.39 | 1.38 |
| | | | | | Result | 1.21 | 1.32 | 1.35 |
| | | | | | Achievement rate | 116% | 105% | 102% |
| Modal shift rate | 31% | 46% | 43% | - | - | 52% | 52% | 49% |

Note: Modal shift rate = (railway ton-km + sea freight ton-km)/total ton-km

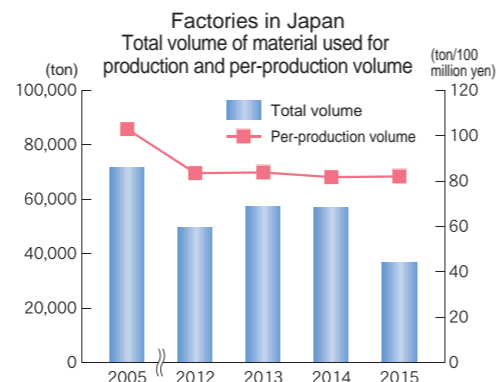
[Reduction of total material input]

Total volume of materials used at the four factories in Japan

We achieved the target in FY2015. We will set forth higher reduction targets to promote the reduction activities.

Total volume of material used for production at four factories in Japan

| | 2005 | 2008 | 2009 | 2010 | Average of results of 3 years | - | 2013 | 2014 | FY ended December 2015 |
|---|--------|--------|--------|--------|-------------------------------|------------------|--------|--------|------------------------|
| Total volume (ton) | 72,100 | 66,000 | 56,900 | 57,600 | 60,200 | Target | 58,400 | 57,800 | 42,900 |
| | | | | | | Result | 57,600 | 57,500 | 37,400 |
| | | | | | | Achievement rate | 101% | 100% | 115% |
| Per-production volume (ton/100 million yen) | 103 | 96.1 | 93.9 | 95.2 | 95.1 | Target | 92.2 | 91.3 | 93.6 |
| | | | | | | Result | 83.7 | 81.9 | 82.3 |
| | | | | | | Achievement rate | 110% | 111% | 114% |



[Reduction of volume of water used]

<Factories in Japan>

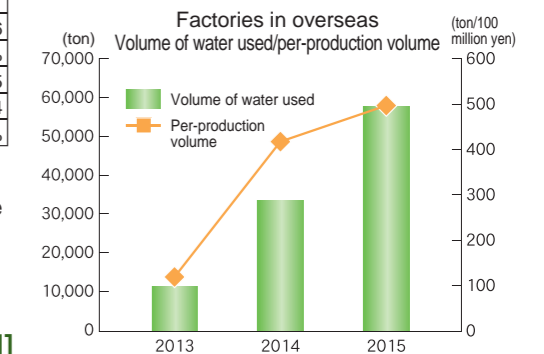
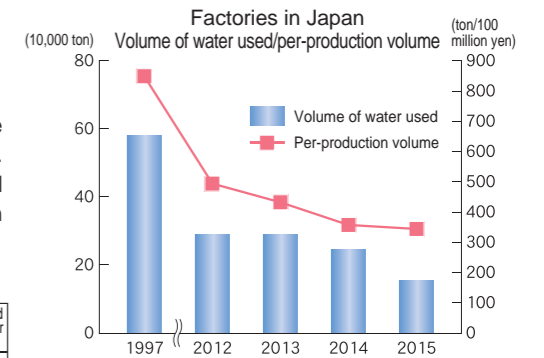
In FY2015, we tried to reduce the volume of water by replacing paint facility the cooling equipment, and improving sewage treatment at the Kumamoto factory. However, we couldn't achieve the target because these were not introduced until the middle of a fiscal year, in August. We will further promote the reduction activities on the manufacturing floor.

Total volume of water used at the four factories in Japan

| | 1997 | 2008 | 2009 | 2010 | Average of results of 3 years | - | 2013 | 2014 | FY ended December 2015 |
|---|------|------|------|------|-------------------------------|------------------|------|------|------------------------|
| Total volume (10,000 ton) | 58.2 | 42.4 | 34.2 | 35.5 | 37.4 | Target | 25.1 | 20.9 | 13.1 |
| | | | | | | Result | 29.4 | 24.8 | 15.6 |
| | | | | | | Achievement rate | 85% | 85% | 83% |
| Per-production volume (ton/100 million yen) | 844 | 617 | 565 | 588 | 590 | Target | 395 | 330 | 285 |
| | | | | | | Result | 427 | 353 | 344 |
| | | | | | | Achievement rate | 92% | 94% | 83% |

<Factories overseas>

The volume of water increased due to an expansion of equipment and an increase in the number of factories.

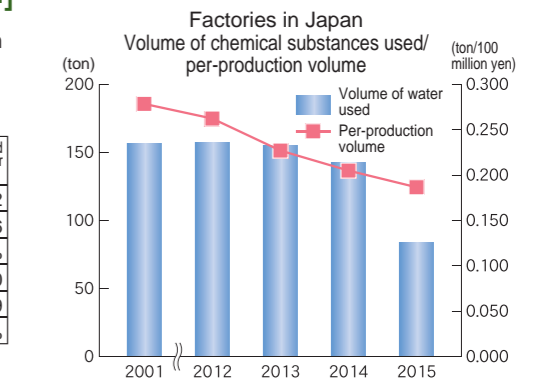


[Reduction of volume of chemical substances used]

We achieved the target in FY2015. We will reconsider the use of paint solvents in all the factories to further promote improvement activities.

Volume of use of chemical substances subject to PRTR law at four factories in Japan

| | 2001 | 2008 | 2009 | 2010 | Average of results of 3 years | - | 2013 | 2014 | FY ended December 2015 |
|---|-------|-------|-------|-------|-------------------------------|------------------|-------|-------|------------------------|
| Total volume (ton) | 157 | 165 | 145 | 149 | 153 | Target | 135 | 128 | 92 |
| | | | | | | Result | 156 | 144 | 86 |
| | | | | | | Achievement rate | 86% | 89% | 107% |
| Per-production volume (ton/100 million yen) | 0.277 | 0.240 | 0.240 | 0.245 | 0.242 | Target | 0.213 | 0.203 | 0.200 |
| | | | | | | Result | 0.226 | 0.205 | 0.189 |
| | | | | | | Achievement rate | 94% | 99% | 106% |



[Reduction of final volume of wastes]

<Factories in Japan>

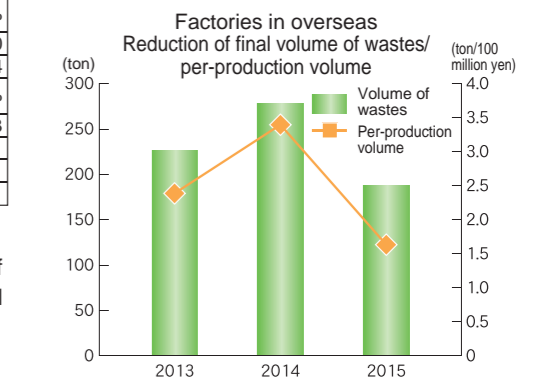
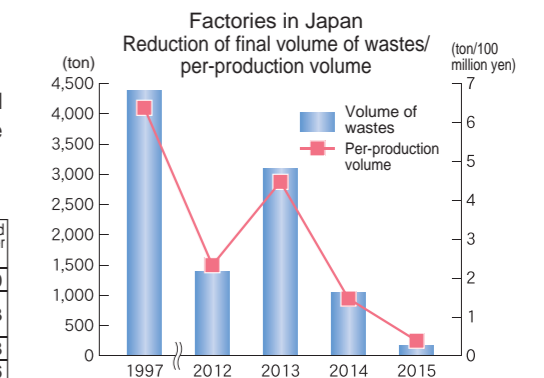
We achieved the target in FY2015 because the ISEKI-Matsuyama MFG. restarted recycling of molding sand in the latter half of FY2014. We will further try to improve the recycling process.

Total volume of wastes at the four factories in Japan

| | 1997 | 2008 | 2009 | 2010 | Average of results of 3 years | - | 2013 | 2014 | FY ended December 2015 | |
|-------------------------------|---|--------|--------|-------|-------------------------------|------|------------------|--------|------------------------|------|
| Industrial wastes | Total volume (t) | 11,900 | 10,400 | 8,990 | 9,390 | - | 10,700 | 10,900 | 7,850 | |
| | Per-production volume (t/100 million yen) | 17.3 | 15.1 | 14.8 | 15.5 | - | 15.6 | 15.5 | 17.3 | |
| Final volume of wastes | Total volume (t) | 4,390 | 754 | 859 | 774 | 796 | Target | 676 | 637 | 448 |
| | Per-production volume (t/100 million yen) | 6.36 | 1.10 | 1.42 | 1.28 | 1.26 | Result | 3,090 | 1,030 | 166 |
| | | | | | | | Achievement rate | 22% | 62% | 270% |
| | | | | | | | Target | 1.07 | 1.01 | 1.0 |
| | | | | | | | Result | 4.49 | 1.47 | 0.4 |
| | | | | | | | Achievement rate | 24% | 69% | 269% |
| Reduction volume (t) | 1,260 | 571 | 483 | 553 | - | - | 636 | 717 | 543 | |
| Recycled volume of wastes (t) | 6,279 | 9,050 | 7,650 | 8,060 | - | - | 6,990 | 9,150 | 7,141 | |
| Final disposal rate (%) | 37 | 7.3 | 9.6 | 8.2 | - | - | 29 | 9.5 | 2.1 | |
| Recycling rate (%) | 53 | 87 | 85 | 86 | - | - | 65 | 84 | 91 | |

<Factories overseas>

After full-fledged production started at the factories overseas, the amount of wastes per-production volume dropped. We will further work on recycling and waste reduction through continuous control of them.



Examples of reducing environmental burdens

Environmental report

< Initiative for reducing environmental burdens with the use of water-based solutions in the honing process >

ISEKI-Matsuyama MFG. replaced the equipment in the cylinder case production line and started using environmental friendly water-based solutions in the honing process instead of an oil-based ones to reduce environmental burdens. This change has led to a reduction of honing oil use, the occurrence of oil mist, and improved the working environments. The change of honing oil has also allowed workers to measure the dimension of cylinders cases during machining which improves the machining accuracy and reduce the machining loss.



FMS line for manufacturing new cylinder cases



Grinding equipment

[Annual reduction]

- The volume of oil-based cutting fluid used reduced: 1,190 L per year
- The cost of cutting fluid reduced: 350,000 yen per year

[Introduction]

June 2015

< Initiative for reducing environmental burden, improving the quality, and cutting costs by updating the paint facilities >

ISEKI-Kumamoto MFG. Co., Ltd. upgraded the D line of the paint facilities. It introduced the latest ones to enhance the painting quality and reduce the environmental burden.

Bio-decomposition technology

The bio-decomposition of waste water from the painting booth significantly helped reduce the cleaning cost of the booth and the burden of discharging waste water on the premises.

Reduction of CO₂ emissions due to reduction of LP gas used

- (1) The combustion efficiency of gas burners significantly improved (5% reduction)
- (2) Upgraded the drying furnace from an open-hearth type to a mound-shaped one with a high heat efficiency (95% reduction)
- (3) Replaced all 20 motors with high-efficiency ones
- (4) Introduced inverter-based speed control system to the places where the energy saving effects are high

Water saving

The cooling equipment at the loading/unloading place for painting hangers was changed from a water-cooled type to an air-cooled one, which reduced the volume of water usage.

[Annual reduction]

- The volume of CO₂ emissions reduced: Approx. 11,800kg-CO₂
- The water used reduced: Approx. 1,500t
- The costs reduced: Approx. 500,000 yen

[Introduction]

August 2015



The painting booth



LPG burner for the drying furnace

Approaches to design for environment

Environmental report

■ Status of certification of eco-products

| Approval year | Ratio to Domestic sales (%) | Certified product | | Eco-product rank |
|---------------|-----------------------------|---|------------------------------------|-------------------|
| 2013 | 4.3 | Combine harvester | HFC330 HFC433 | Eco-product |
| | | Dryer | GML25H 30H 35H 40H 45H | Super-eco-product |
| | | Electric tiller | KDC20 VAB235 | Super-eco-product |
| 2014 | 9.4 | Dryer | GHL50H · 55H · 60H · 65H | Eco-product |
| | | Ride-on rice transplanter | NP50 NP60 NP70 NP80 NP60D | Eco-product |
| | | Combine harvester | HFR463 HFR450 | Eco-product |
| 2015 | 12.7 | — | — | |
| 2016 | | Variable fertilizing rice transplanter with soil sensor | NP80D | Super-eco-product |
| | | Tractor | NTA283·313·343·403·453·503·543·603 | Eco-product |
| | | Eco-Unemaze-Kun | UBS series | Super-eco-product |

In order to promote environment-friendly design, to reduce environmental burden and perform LCA evaluation at each stage of manufacturing, use, and disposal, we execute the product assessment at all product development processes. We use an "eco-product certification system" only to give environmental labels to the products that meet ISEKI's own environment-friendly evaluation standards. We try to provide easy-to-understand information of certified products to customers and all stakeholders increase the number of models of certified products.

< Initiative for NP80D, variable fertilizing rice transplanter with soil sensor >

As the number of large-scale farmers and the size of the paddy fields is increasing, the demand for low-cost farming is more and more growing. Our variable fertilizing rice transplanter automatically controls the amount of fertilizer application according to the depth of plowed soil and its fertility, which reduces plant lodging at the time of harvesting.

Measurement of depth of plowed soil and its fertility value

The soil sensors installed under the right and left auxiliary seedling frames measure the distance to the soil and the depth is calculated based on how much the machine itself sinks into the paddies. Furthermore, the electric resistances provided by the electrode sensor installed in the front wheels tell the fertility value of plowed soil.



NP80D, variable fertilizing rice transplanter with soil sensor

Appropriate fertilizer application to prevent plant lodging at the time of harvesting

The measurement results from the two sensors enable for the rice transplanter to decrease the amount of fertilizer applied in real time to the points where soil is plowed deep and its fertility is high. Appropriate fertilizer application ensures uniform growing of rice plants, and prevents plant lodging caused by excessive fertilizer applied, which helps improve the work efficiency at the time of harvesting. The acquired data can be plotted into farm maps.

Certification as "super-eco-product"

This rice transplanter has been certified as a "super-eco-product" due to the functions of reducing fertilizer and preventing plant lodging, which helps improve work efficiency.

< Initiative for NTA tractor series >

The "NTA series," middle-sized tractors to support the farming industry, have been available since 2013. We brought more environment-friendly new "NTA 3 series" into the market, which equip a new engine complying with the (Tier 4) emission gas regulation in Japan and offer GREENMODE and AGRISUPPORT features.



Tractor NTA 603

Compliance with the (Tier 4) emission gas regulations

In addition to the high torque, low fuel consumption, low noise, electronically-controlled common rail engine, the tractor equips the following:

- Exhaust gas recirculation system (EGR),
- Exhaust gas after-treatment equipment using oxidation catalysts (DOC), and
- Diesel exhaust gas particulate filters (DPF).

These functions help reduce nitrogen oxide (NO_x) formation and realize clean emission that complies with the emission regulations.

Certification as "eco-product"

The NTA 3 series has been certified as an "eco-product" because it complies with the (Tier 4) emission gas regulation and achieves a high heat conductive efficiency and a low fuel consumption.

Coping with energy saving work

GREENMODE is a feature that keeps fuel consumption low during light-duty work as long as large engine torque is not required. Unnecessary torque is limited by controlling the fuel injection. The GREEN NAVI mode, displayed on the LCD monitor can reduce more fuel consumption and realizes energy-saving work.

Approaches to preserve biodiversity

Environmental report

Benefited from the blessings of nature that biodiversity produces, ISEKI Group provides business activities, products and services that take biodiversity into consideration and contributes to the realization of sustainable society in cooperation with various stakeholders, including the local communities.

< Initiatives at ISEKI high-tech greenhouse >



In March 2016, we opened the ISEKI high-tech greenhouse at the premises of ISEKI-Matsuyama MFG. (Umaki-cho, Matsuyama city, Ehime prefecture). It is open to the general public including customers, local residents and children who visit the factory as part of a social study. We will make full use of this facility to research and develop human resources, to show major models of future agriculture as well as to demonstrate the industry's first "plant growth diagnosis devices."

Advanced cultivation and environment control system, MINORI+

- Automatic adjustment and control of optimal temperature, humidity, optical environment, and carbon gas environment
- Remote control from PCs and smartphones and device alarms via e-mail

Plant growth diagnosis device

- Measurement of plants' photosynthesis and display of measurement results in graphs
- Analysis of photosynthesis and environmental information about optimal environmental control to be accumulated
- Battery-operated device without any exhaust gas emission
- Minimum power consumption due to LED irradiation and auto power-on and off function



Pollination by black bumblebees

- Use of black bumblebees that fly around in the greenhouse to pollinate crops
- No burden on the ecosystem because of indigenous species; No permission required from the Ministry of the Environment under the Invasive Alien Species Act



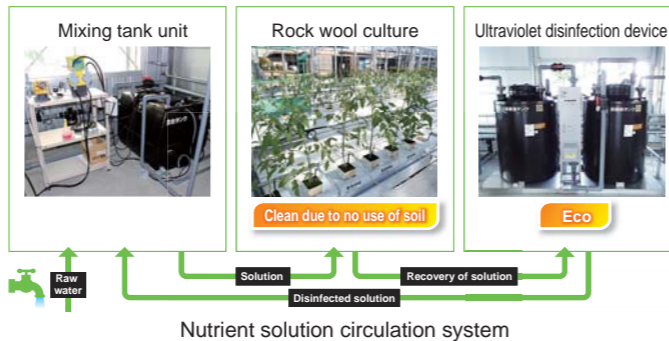
Black bumblebee Training of tomato plants to a height Diagnosis using LED irradiation

Long-term multi-stage cultivation

- Temperature control enables long-term cultivation for 10 months from September to June next year.
- Possible harvesting of about 30 clusters of tomatoes per plant
- Training of tomatoes to a 4-meter height using high eaves to allow light to reach even the leaves in lower layers and facilitate harvesting
- Use of rail-traveling work trucks for laborsaving

Nutrient solution system

- Mixture of nutrient solution along with adjustment of electric conductivity and acidity and culture on rock wool
- Recycling of surplus nutrient solution after ultraviolet disinfection to reduce water and fertilizer and minimize environmental burdens

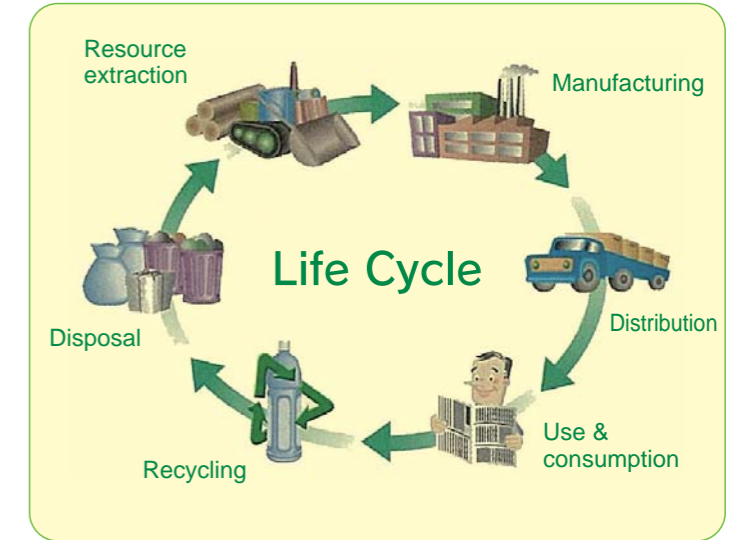
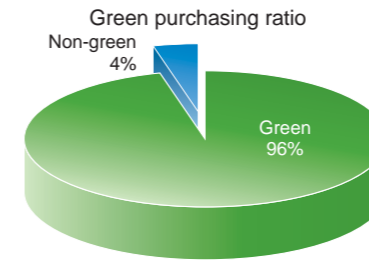


Green purchasing/Green procurement

Environmental report

< Green purchasing initiative >

We promote green purchasing to prioritize products with environmental labels, such as eco marks and GPN (Green Purchase Network) standard products when purchasing office supplies and electric and electronic devices etc.. The total amount of green purchasing of the entire ISEKI group was accounted for 96% of the total purchase in FY2015.

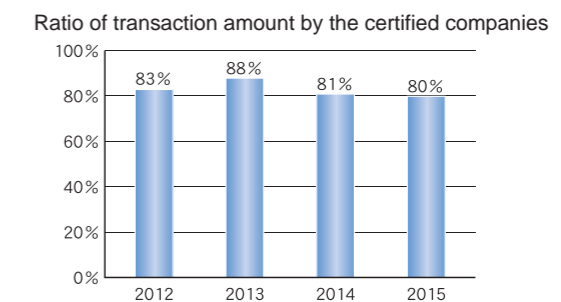


< Green procurement initiative >

ISEKI Group is promoting environmental-friendly design throughout the processes of product development. In addition to the product quality, cost and delivery time, we established "Green Supply Guidelines" to develop products in consideration of environmental preservation with our suppliers.

<Result of green procurement in FY2015>

We have offered "Certified Green Suppliers" to approximately 300 suppliers who are superior in the environmental preservation activities. 65% of the suppliers were certified as green suppliers, the amount of which accounted for 80% of all the transactions. ISEKI Group will make efforts to improve the green procurement ratio.



Green Supplier Certificate

DBJ Environmental Rating

< The highest "DBJ Environmental Rating" ten times in a row >

Every year, ISEKI & Co., Ltd. undergoes the audit for "DBJ Environmental Rating" by the Development Bank of Japan (hereinafter "DBJ"), one of our main financial institutions. Again in FY2015, we obtained the best rating, which proves "doing environment-friendly business activities progressively," ten times in a row.



Certificate

Environmental performance of four factories

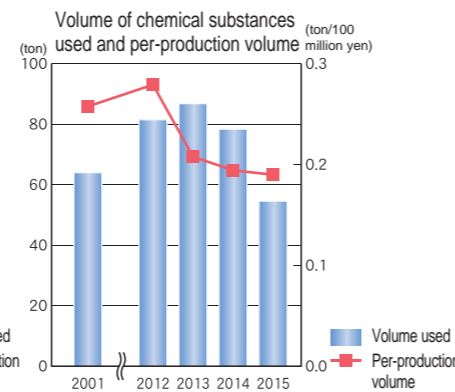
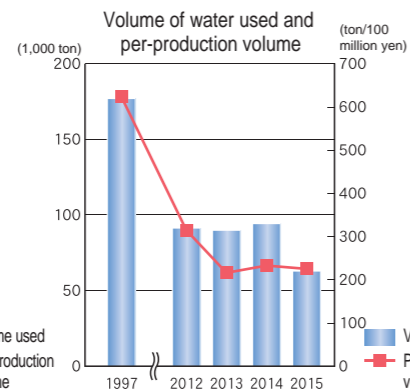
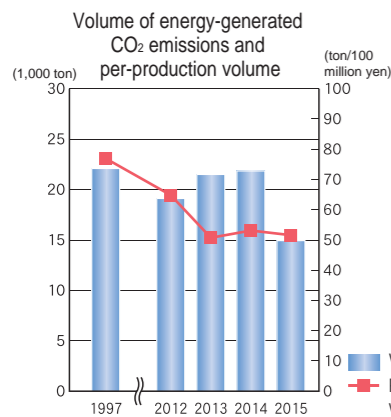
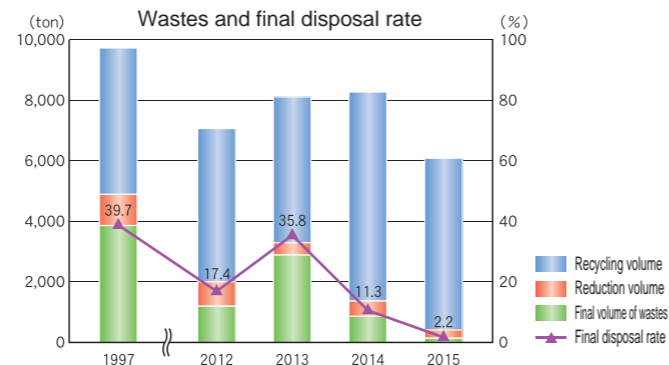
Environmental report

ISEKI-Matsuyama MFG. Co., Ltd.

< Company profile >

| | |
|---------------------|---|
| Address | 700 Umaki-cho, Matsuyama-shi, Ehime prefecture |
| Number of Employees | 559 (As of December 31, 2015) |
| Area | 151,000m ² |
| Major products | Tractors, high clearance multipurpose vehicles, lawnmowers, engines |

< Environmental data >

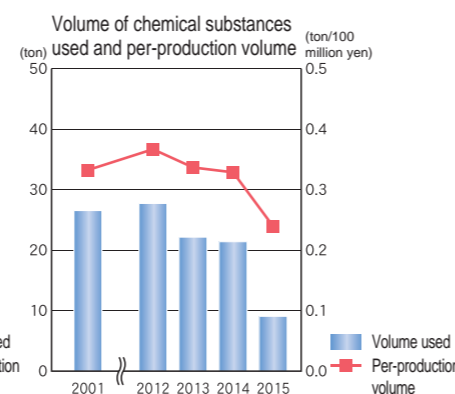
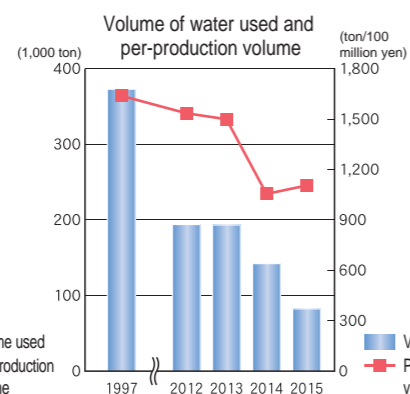
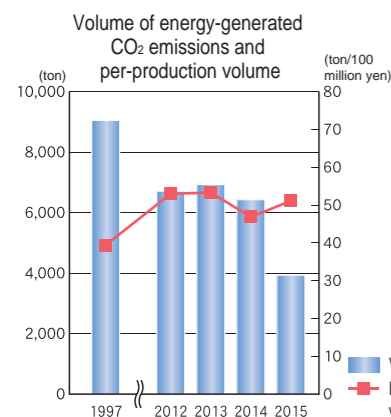
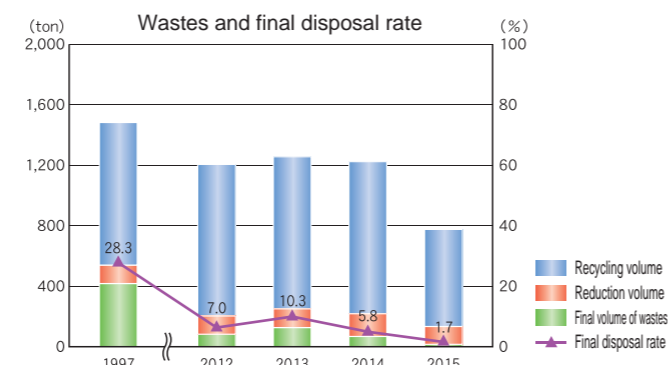


ISEKI-Kumamoto MFG. Co., Ltd.

< Company profile >

| | |
|---------------------|--|
| Address | 1400 Yasunaga, Mashiki-cho, Kamimashiki-gun, Kumamoto prefecture |
| Number of Employees | 261 (As at December 31, 2015) |
| Area | 217,000m ² |
| Major products | Head-feeding combine harvester, multi-crop combine harvesters, carrot harvesters |

< Environmental data >

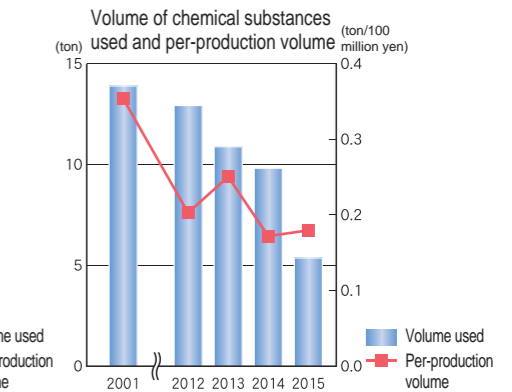
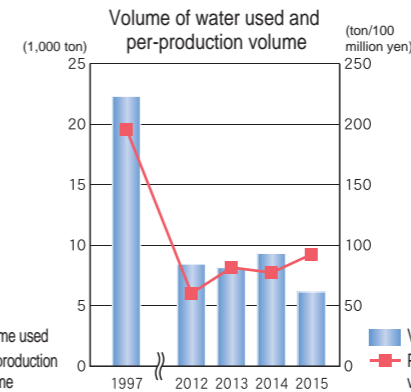
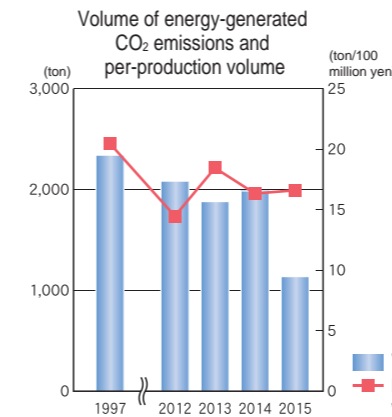
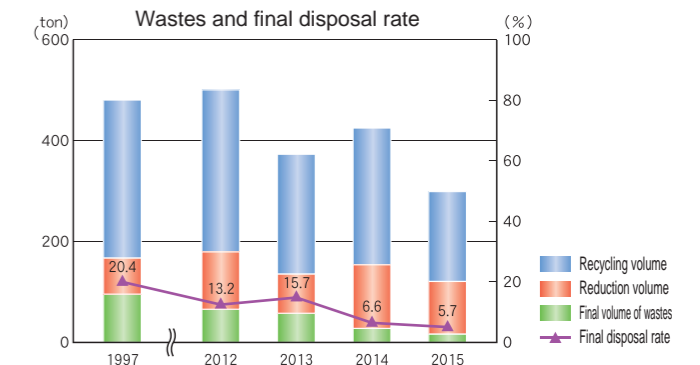


ISEKI-Niigata MFG. Co., Ltd.

< Company profile >

| | |
|---------------------|--|
| Address | 3-12-23 Nishiosaki, Sanjo-shi, Niigata prefecture |
| Number of Employees | 204 (As at December 31, 2015) |
| Area | 29,000m ² |
| Major products | Rice transplanters, rice hullers, vegetable transplanters, binders |

< Environmental data >

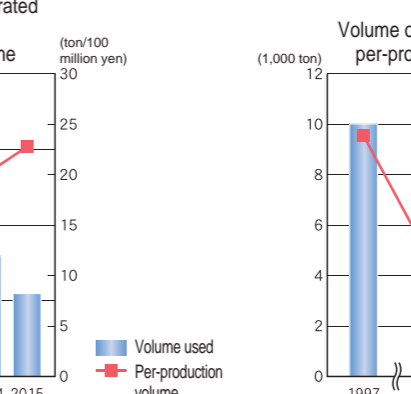
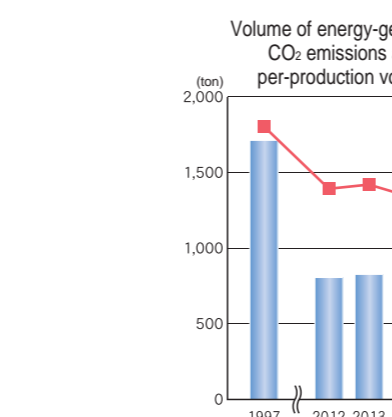
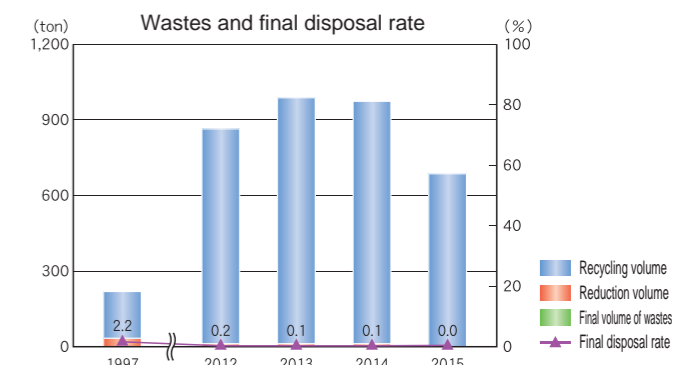


ISEKI-Houei MFG. Co., Ltd.

< Company profile >

| | |
|---------------------|---|
| Address | 878-1 Umaki-cho, Matsuyama-shi, Ehime prefecture |
| Number of Employees | 224 (As at December 31, 2015) |
| Area | 8,959m ² |
| Major products | Cultivators, tillers, system rice cooker, vinegar mixing device |

< Environmental data >



Note: The results of FY2015 for the factories in Japan are based on the nine-month result from April to December.

Note: The results of FY2015 for the factories in Japan are based on the nine-month result from April to December.

Third-party comments

Environmental report

< Third-party comments on environmental preservation activities >

ISEKI & Co., Ltd. is an all-around manufacturer engaged in developing, manufacturing, and selling agricultural machinery.

[About completeness of information in this report]

The CSR report of this year starts with an environmental report that describes environmental policies and environmental management systems and then concisely summarizes the second mid-term and long-term environmental targets from 2011 to 2015 and the results of activities for them together with data (such as reduction of CO₂ emissions, eco balance, measurement of densities of environmental pollutants in discharge water, environmental accounting, reduction of environmental burdens, environment-friendly design, green purchasing, environmental education, and responses to stakeholders). In sum, the company's environmental preservation activities are almost completely covered.

[About important issues and environmental policies]

Since its business activities, depending on their nature, may give significant impacts on the environment, this company recognizes the solution to environmental problems as one of the most important issues. Thus, it clearly defines policies to construct a recycling-oriented system that harmonizes and coexists with the nature and society and ensure continuous development toward the future. These ideas are exceedingly important as corporate ethics of a manufacturer.

[About environmental management system]

The environmental management system consists of the Director's Operation Committee chaired by the CEO at the head office, the Environmental Planning Group Meeting under it, and the Environment Promotion Council at each of the factories. This organization represents ISEKI Group's determination to make concerted efforts together on environmental problems under the leadership of the CEO. First, the Director's Operation Committee sets forth environmental targets. Next, the Environmental Planning Group Meeting encourages the factories to achieve these targets, evaluates activity records, discusses future actions, and reports the results to the Director's Operation Committee. In other words, the management system based on the PDCA cycle is clearly defined, suggesting this company's positive efforts.

[About initiative for reducing environmental burdens]

The achievement rates in FY2015 for the second mid-term and long-term environmental targets resulted in 93% for the CO₂ emissions (per-production volume), 115% for the total volume of materials used, 83% for the volume of water used, and 107% for the volume of chemical substances used, leaving some of the targets unachieved. In the future, achievement rates of 100% or higher are expected for all the items.

The voluntary limit values of sewage pollution concentration are stricter than those required by laws and achieved. Considering this fact, the efforts to environmental pollution control is considered basically sufficient.

[Summary]

As described above, this report is generally well prepared, for most of the environmental conservation activities are properly evaluated based on the actual data and summarized. However, the report would be even better if it contains the reasons for success in reducing environmental loads and specific actions to be taken for the evaluation results.



Faculty of Agriculture, Ehime University
Department of Bio-mechanical Systems,
Laboratory of Environment informatics
and Control

Professor Tetsuo Morimoto



Corporate Executive Officer,
ISEKI & Co., Ltd.
Deputy Chief Operation Officer,
Development & Production Division
Assigned to Environmental
Control Section

Seiji Senba

We have been collaborating with Ehime University for a long time. Since the conclusion of a research collaboration agreement in 2005, we have run endowed courses carried out joint research with the university. Particularly, the Faculty of Agriculture to which Professor Morimoto belongs and the Research Center for High-technology Greenhouse Plant Production have given us special considerations in joint research and development.

I would like to express my gratitude to Professor Morimoto for precious comments on this report. Up to last year, ISEKI Group has been issuing "environmental reports" that included sociality and economic reports with a focus on environmental preservation activities. This year, we improved the contents and issued as a "CSR report." We will further improve the CSR report making full use of the comments given by Professor Morimoto to facilitate understanding by all the stakeholders. To expand the circle of ISEKI fans, we will properly identify what the stakeholders expect of ISEKI Group and what we should do in a society as a corporation and make concerted efforts as ISEKI Group.

Targets of this report

Targets of report

Editing policy: This report is edited to inform all the stakeholders about the economic and sociality reports and environmental preservation activities of ISEKI Group in terms of typical initiatives and characteristic approaches.

Target period: This report mainly summarizes activities carried out from April to December 2015. Some recent activities are also described.

Result report: Due to a change in the fiscal year-end, the results for FY2015 are a nine-month from April to December. The results before FY2015 are a twelve month from April to March of the following year.

Target range: This report describes the activities both in Japan and overseas.

Target organization: This report describes the activities by ISEKI & Co., Ltd., its group companies in Japan and overseas, and sales subsidiaries in Japan. It describes the results of environmental approaches by the four manufacturing companies in Japan and three factories overseas, which are marked with ■ in the following table.

References used for this report

Ministry of the Environment:

"Environmental Reporting Guidelines (2012 Edition)"

"Guide to Descriptions in Environmental Reports (3rd Edition)"

GRI "Sustainability Reporting Guidelines 4th Edition"

Offices and major group companies in Japan

| Office name | Sales subsidiaries | Affiliate companies |
|---|-----------------------------|--------------------------------|
| Head Office | ISEKI Hokkaido Co., Ltd. | ISEKI-Matsuyama MFG. Co., Ltd. |
| Tokyo Headquarters | ISEKI Tohoku Co., Ltd. | ISEKI-Kumamoto MFG. Co., Ltd. |
| Tobe Office | ISEKI Kanto Co., Ltd. | ISEKI-Niigata MFG. Co., Ltd. |
| Kumamoto Office | Gunma ISEKI Sales Co., Ltd. | ISEKI-Houei MFG. Co., Ltd. |
| Tsukubamirai Office | ISEKI Shin-etsu Co., Ltd. | ISEKI-Shigenobu MFG. Co., Ltd. |
| • Technical Service Center | ISEKI Hokuriku Co., Ltd. | ISEKI Matsuyama Factory K.K. |
| • Training Center | ISEKI Tokai Co., Ltd. | ISEKI AGRI Co., Ltd. |
| • Dream Agricultural Research Institute | Mie ISEKI Sales Co., Ltd. | ISEKI Logistics Co., Ltd. |
| Ibaraki Center | ISEKI Kansai Co., Ltd. | ISEKI TLS Co., Ltd. |
| Kansai Office (IMPL) | ISEKI Chugoku Co., Ltd. | |
| | ISEKI Shikoku Co., Ltd. | |
| | ISEKI Kyushu Co., Ltd. | |

Major group companies in overseas

| Subsidiaries overseas | Affiliate companies overseas |
|--------------------------------------|---|
| N.V. ISEKI EUROPE S.A. (Belgium) | ISEKI SALES (THAILAND) CO.,LTD (Thailand) |
| ISEKI France Holding S.A.S. (France) | Dongfeng ISEKI Agricultural Machinery Co., Ltd. (China) |
| ISEKI France S.A.S | Iseki-Maschinen GmbH Deutschland (Germany) |
| P.T. ISEKI INDONESIA (Indonesia) | |

■ : Enterprises and companies with environmental results included in this report

ISEKI Group expresses its deepest condolences to those who have suffered losses from a series of earthquakes struck in Kumamoto areas in 2016. ISEKI Kyushu Co., Ltd. and ISEKI-Kumamoto MFG. Co., Ltd., both of which were affected by the earthquakes, resumed its operation in late April and production in mid-May respectively. We will continue to dedicate all our strength until we achieve full recovery as soon as possible. We ISEKI Group sincerely hope for earliest recovery of the affected areas and will make efforts to offer support for reconstruction of the areas in corporation with local residents.

Achieving Harmony between Human Beings and the Earth



<http://www.iseki.co.jp/>

The CSR report is available for viewing at the corporate website.

ISEKI



ISEKI corporate website "CSR & Environment" - "CSR Report"

<http://www.iseki.co.jp/csr/report/>

Contact about this report

IR and Public Relations Office, ISEKI & CO., LTD.

5-3-14, Nishi-Nippori, Arakawa-ku, Tokyo, 116-8541 JAPAN

TEL: (03) 5604-7602 FAX: (03) 5604-7701

E-mail: kankyo@iseki.co.jp

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