



Corporate Social Responsibility Report

# CSR Report 2018



**ISEKI & CO., LTD**



## Contents

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### ■ CSR at ISEKI Group

Message from the President .....	3
Resolution of social issues and value creation through business .....	5
CSR management at ISEKI Group .....	7
Results and targets of CSR activities .....	9

### ■ Corporate information

Corporate information.....	11
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### ■ Business development at ISEKI Group

Development and production .....	13
Domestic business development .....	17
Overseas business development .....	21

### ■ Governance

Corporate governance .....	24
Compliance .....	25

### ■ Social

Communication with customers.....	26
Communication with employees .....	29
Communication with investors and shareholders ...	32
Communication with suppliers .....	32
Communication with local communities .....	33

### ■ Environment

ISEKI Group environmental management .....	35
Environmental targets and results .....	37
Initiatives for environmentally-friendly design .....	38
Reduction of environmental burden in production ...	39
Preservation of biodiversity .....	41
Evaluation by third parties .....	41

### ■ Third-party comments

Third-party comments .....	42
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# We strive to contribute to the creation of a prosperous and sustainable society.

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.

## Editing policy

### ■ Editing policy

This report is edited to introduce the corporate value of ISEKI Group exerted through activities in the three areas of “governance,” “social” and the “environment” among the business activities of ISEKI Group to a wide range of stakeholders in an easy-to-understand manner.

### ■ Covered period

From January 2017 through December 2017  
Part of this report includes information in and after January 2018.

### ■ Scope

As a general rule, this report covers the activities of ISEKI & Co., Ltd. and ISEKI Group’s associated companies in Japan and overseas. Notes will be added in this report when the range of activities and/or data is limited in certain part hereof.

### ■ Referenced guidelines

- ▶ GRI\*: “Sustainability Reporting Guidelines 4th Edition”
  - ▶ Ministry of the Environment: “Environmental Reporting Guidelines (2012 Edition)” and “Guide to Descriptions in Environmental Reports (3rd Edition)”
- \*GRI is an international organization established with the objective of the creation and dissemination of international guidelines regarding sustainability reporting by corporations.

### ■ Structure of CSR Report

- ▶ CSR Report  
This report comprehensively covers the CSR activities undertaken by ISEKI Group.
- ▶ Website  
A section titled “Environment” has been placed within the website to publish environmental site reports, environmental, social and governance (ESG) data, etc.



## Message from our President

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

**Eiichiro Kinoshita**

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



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

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

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

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

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

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

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

\*CSR: corporate social responsibility

#### <Spirit of ISEKI – Passion of founder –>

#### "I want to free farmers from exhausting labor"

Agriculture was hard work, done by hand and with the help of animal power. To change this, Kunisaburo Iseki, the founder, realized laborsaving through mechanization and endeavored to further develop agriculture.

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

#### <Company Motto>

Our management philosophy is to provide:

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

and thereby we will fulfil our social mission.

#### <ISEKI Group Code of Ethical Behavior>

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

#### <Fundamental principles>

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

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

## Contributing to Agriculture in Japan and around the World

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

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

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

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

## Contributing to the development of a recycling-oriented society

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

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

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

## Human resource development

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

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

## Establishing a firm position in domestic and world market

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

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

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

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

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

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

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

### 2020 Mid-term Management Plan [2018-2020]

#### <Corporate philosophy>

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

**"providing products that satisfy customers"**

#### <Mid-term Vision>

2025 marks the 100th anniversary of ISEKI Group

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

#### <Basic strategies>

##### ◆ Keyword: "Henkaku (Change)"

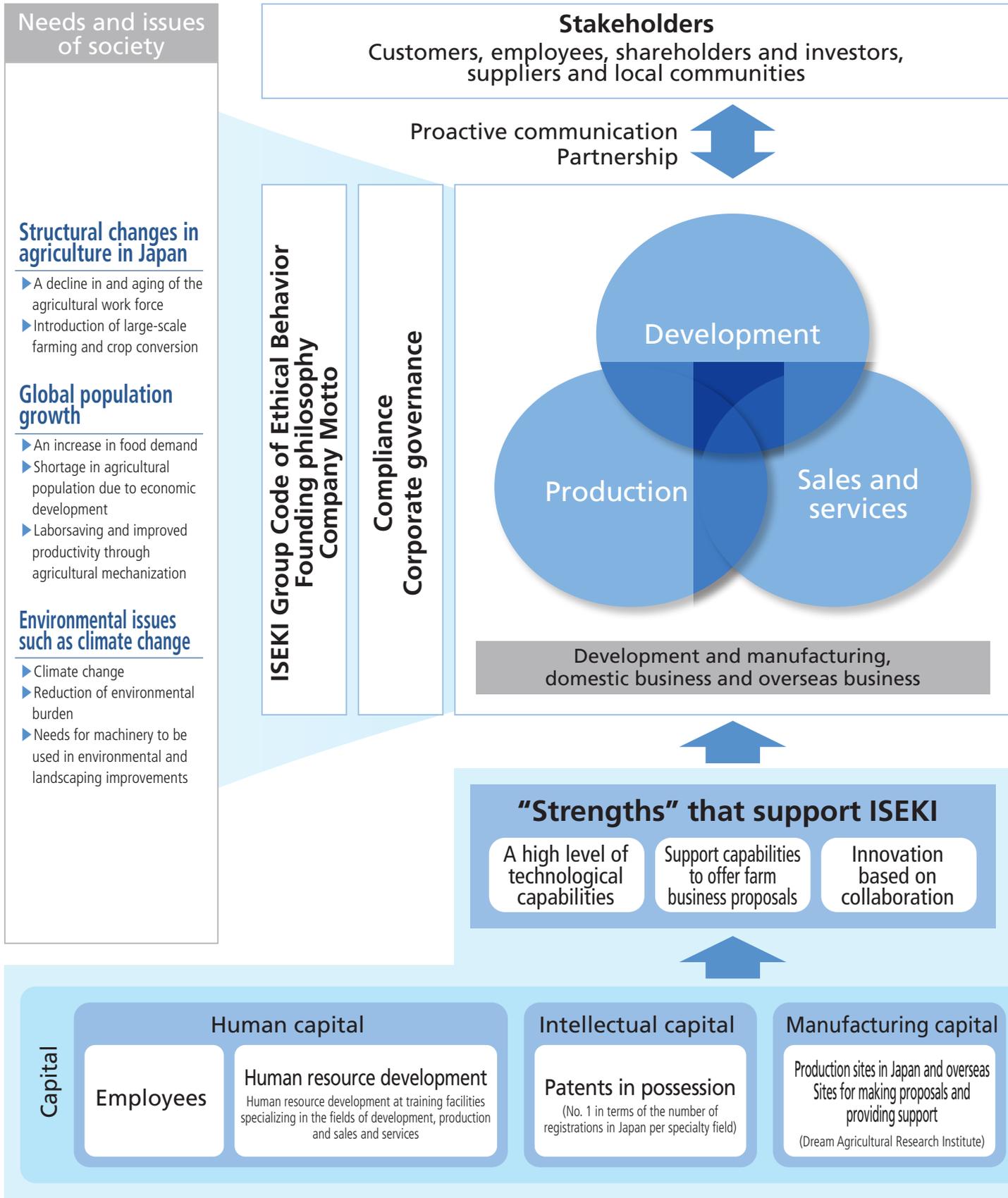
- Ensuring management transparency-
- Commitment to earnings-

##### ◆ Five basic strategies

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

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

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



## Value provided to society

### Growth and development of agriculture

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

### Human resource development

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

### Environment

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

Contributing to the creation of a prosperous and sustainable society

## 2020 Mid-term Management Plan Numerical targets

Consolidated net sales  
**190.0 billion yen**

Overseas sales ratio  
**40%**

Operating income  
**9.0 billion yen**

ROE  
**8.0%**

Dividend per share  
**50 yen**

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

### Social capital

#### Collaboration with partners

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

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

### Natural capital

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

### Financial capital

Shareholders' equity

## CSR management at ISEKI Group

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

### System for promoting CSR

#### Establishment of Corporate Social Responsibility Committee

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

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

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

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

#### Promotion of CSR activities

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

#### <Major meeting bodies>

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

### Process for making decisions on priority issues

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



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

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

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

#### Topic

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



## Priority issues to be addressed by ISEKI Group

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

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



## Stakeholder engagement

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

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

### <Initiatives for enhancement of dialogue>

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

### <Initiatives for information disclosure>

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

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

## Results and targets of CSR activities

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

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

Major meeting body	FY2017 targets (excerpt)	FY2017 results (excerpt)	FY2018 targets (excerpt)
Product Planning Committee Advanced Technology Strategic Committee Public Relations Liaison Committee	<ul style="list-style-type: none"> <li>▶ Development and provision of machinery that responds to customer needs including "advanced technologies," "low-priced" or "vegetable farming-related" features</li> <li>▶ Strengthening of proposal capabilities through the operation of the Dream Agricultural Research Institute and branches in various regions</li> <li>▶ Development and provision of new products targeted at China and ASEAN countries</li> <li>▶ Merchandising based on new technologies</li> <li>▶ Utilization of intellectual property</li> <li>▶ Improvement of large maintenance and service facilities and human resource development for service representatives</li> </ul>	<ul style="list-style-type: none"> <li>▶ Announcement of 19 items and 44 models</li> <li>▶ Launch of smart agricultural machinery such as rice transplanters equipped with linear-drive assisting systems</li> <li>▶ Number of visitors to the Dream Agricultural Research Institute for inspection: approximately 7,000 (total); number of cases where guidance regarding the farm business and good agricultural practice (GAP) is provided: 23</li> <li>▶ Introduction of large-sized tractors produced in China for use in ASEAN countries and general-purpose combine harvesters</li> <li>▶ No. 1 in terms of the number of patent application registered in Japan per specialty field (other special machinery sector) and No. 1 in terms of patent allowance rate (announced in 2017)</li> <li>▶ Number of training sessions on large-sized machinery held: 12</li> </ul>	<ul style="list-style-type: none"> <li>▶ Development and provision of machinery that responds to customer needs including "advanced technologies," "low-priced" or "vegetable farming-related" features</li> <li>▶ Strengthening of proposal capabilities through the operation of the Dream Agricultural Research Institute and branches in various regions</li> <li>▶ Provision of products to new markets through strengthened alliance with strategic partners</li> <li>▶ Development of new technologies through collaboration with external parties</li> <li>▶ Utilization of intellectual property</li> <li>▶ Holding of Service Skills Contests and Support Proposal Results Presentations</li> </ul>
Quality-related Committee	<ul style="list-style-type: none"> <li>▶ Implementation of quality assurance examination for each step such as planning, development and production</li> </ul>	<ul style="list-style-type: none"> <li>▶ Implementation of quality assurance examination for each step such as planning, development and production</li> </ul>	<ul style="list-style-type: none"> <li>▶ Implementation of safety training (guidance on delivery, inquiries on conditions of delivered products, etc.)</li> </ul>
Human Resources Committee Management Supervisory Committee	<ul style="list-style-type: none"> <li>▶ Strengthening of human resource development in the fields of development, production and sales and services</li> <li>▶ Promotion of active participation by females</li> </ul>	<ul style="list-style-type: none"> <li>▶ Number of participants in various training sessions: 1,429 in total</li> <li>▶ Female employee ratio: 18%</li> </ul>	<ul style="list-style-type: none"> <li>▶ Strengthening of human resource development in the fields of development, production and sales and services</li> <li>▶ Improvement of working environment for females in relation to childcare (such as the introduction of a mentor system)</li> </ul>
Public Relations Liaison Committee Environmental Planning Group Meeting	<ul style="list-style-type: none"> <li>▶ Holding of various types of explanatory meetings, study sessions, etc.</li> <li>▶ Promotion of green procurement</li> </ul>	<ul style="list-style-type: none"> <li>▶ Number of IR information meetings for vendors of plants in Japan held: 3</li> <li>▶ Certified Green Suppliers ratio: 76%</li> </ul>	<ul style="list-style-type: none"> <li>▶ Holding of various types of explanatory meetings, study sessions, etc.</li> <li>▶ Promotion of green procurement</li> </ul>
Public Relations Liaison Committee	<ul style="list-style-type: none"> <li>▶ Support for growth and development of local farming industry</li> <li>▶ Educational activities regarding food and agriculture</li> </ul>	<ul style="list-style-type: none"> <li>▶ Number of Nogyojoshi (female farmers) Seminars held: 4</li> <li>▶ Number of visitors to the factory tour, ISEKI Dream Gallery: 9,455</li> </ul>	<ul style="list-style-type: none"> <li>▶ Support for growth and development of local farming industry</li> <li>▶ Educational activities regarding food and agriculture</li> </ul>
Environmental Planning Group Meeting	<ul style="list-style-type: none"> <li>▶ Reduction of environmental burden through environmentally-friendly business activities</li> <li>▶ Development and provision of eco-products</li> </ul>	<ul style="list-style-type: none"> <li>▶ CO<sub>2</sub> emission volume: 28,700t</li> <li>▶ Ratio of eco-products to domestic sales: 28.7%</li> </ul>	<ul style="list-style-type: none"> <li>▶ Reduction of environmental burden through environmentally-friendly business activities</li> <li>▶ Development and provision of eco-products</li> </ul>
Directors' Operation Committee Public Relations Liaison Committee	<ul style="list-style-type: none"> <li>▶ Responses to items regarding Corporate Governance Code that have not been addressed yet</li> <li>▶ Enhancement of dialogue with stakeholders</li> </ul>	<ul style="list-style-type: none"> <li>▶ Implementation of the Board of Directors evaluations (questionnaire surveys)</li> <li>▶ Number of IR information meetings held: 4</li> </ul>	<ul style="list-style-type: none"> <li>▶ Responses to the results of the Board of Directors evaluations (questionnaire surveys)</li> <li>▶ Holding of information meetings for individual investors</li> </ul>
Management Supervisory Committee	<ul style="list-style-type: none"> <li>▶ Full dissemination of the importance of compliance</li> </ul>	<ul style="list-style-type: none"> <li>▶ Number of intragroup training sessions related to compliance held: 41</li> </ul>	<ul style="list-style-type: none"> <li>▶ Full dissemination of the importance of compliance</li> </ul>

# Corporate information

## Company profile

Company name:	ISEKI & CO., LTD.
Head office:	700 Umaki-cho, Matsuyama-shi, Ehime-ken, 799-2692 JAPAN
Tokyo headquarters:	5-3-14, Nishi-Nippori, Arakawa-ku, Tokyo, 116-8541 JAPAN
Foundation:	August 1926
Paid-in capital:	23,344 million yen
Number of employees:	Consolidated: 5,760 (Development and Production Section: 1,830; Sales Section: 3,538; and Other Sections: 392) Non-Consolidated: 730

(as at December 31, 2017)

## Details of business and offices in Japan and overseas

ISEKI Group develops its business activities centered around the development, production and sales of agricultural machinery related to rice farming, vegetable farming, etc. ISEKI and its associated companies that engage in agriculture-related businesses are associated with one of the following three sections: "Development and Production Section," "Sales Section" and "Other Sections."

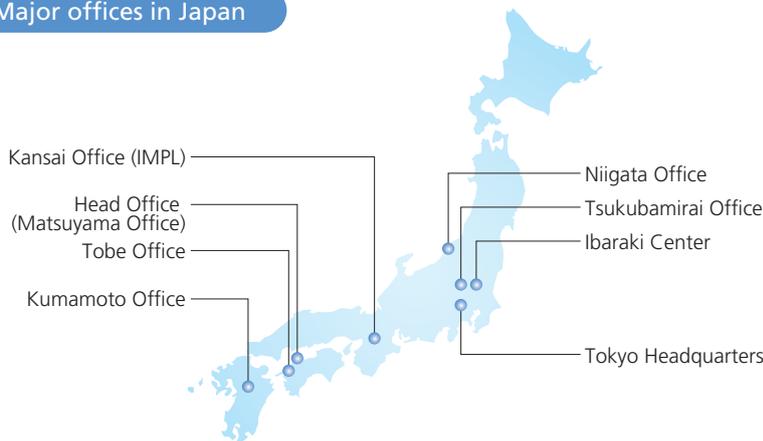
### Development and Production Section

The development and design of agricultural machinery are mainly conducted by ISEKI & Co., Ltd., while the production of agricultural machinery and parts processing related thereto are conducted by associated companies.

### Sales Section

In Japan, ISEKI Group conducts sales activities mainly through its sales subsidiaries across the country. In overseas countries, ISEKI Group conducts sales activities through its associated companies, local sales agencies, etc.

### Major offices in Japan



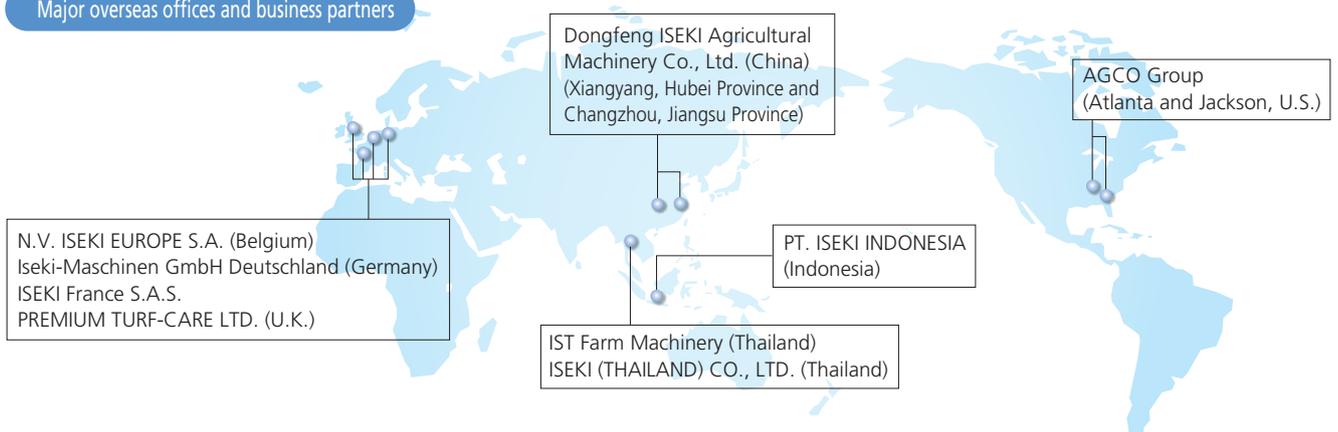
### Sales subsidiaries

ISEKI Hokkaido Co., Ltd.	ISEKI Tokai Co., Ltd.
ISEKI Tohoku Co., Ltd.	Mie ISEKI Sales Co., Ltd.
ISEKI Kanto Co., Ltd.	ISEKI Kansai Co., Ltd.
Gunma ISEKI Sales Co., Ltd.	ISEKI Chugoku Co., Ltd.
ISEKI Shin-etsu Co., Ltd.	ISEKI Shikoku Co., Ltd.
ISEKI Hokuriku Co., Ltd.	ISEKI Kyushu Co., Ltd.

### Associated companies

ISEKI-Matsuyama MFG. Co., Ltd.	ISEKI Matsuyama Factory K.K.
ISEKI-Kumamoto MFG. Co., Ltd.	ISEKI AGRI Co., Ltd.
ISEKI-Niigata MFG. Co., Ltd.	ISEKI Logistics Co., Ltd.
ISEKI-Shigenobu MFG. Co., Ltd.	ISEKI TLS Co., Ltd.
	Kita-Nihon Shodo K.K.

### Major overseas offices and business partners



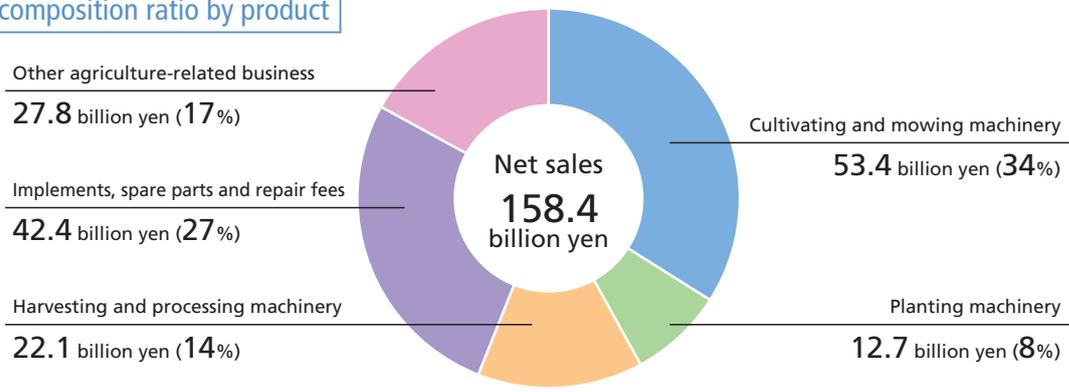
## Major products

<p><b>Cultivating and mowing machinery</b> Tractors, tillers, high-clearance multipurpose vehicles and mowers</p>  <p>Tractors</p>  <p>Mowers</p>	<p><b>Planting machinery</b> Rice transplanters and vegetable transplanters</p>  <p>Rice transplanters</p>  <p>Vegetable transplanters</p>	<p><b>Harvesting and processing machinery</b> Combine harvesters, binders, harvesters, rice hullers, dryers, rice graders and vegetable harvesting and processing machinery</p>  <p>Combine harvesters</p>  <p>Rice hullers</p>	<p><b>Implements, spare parts and repair fees</b></p>  <p>In-ridge partial fertilizer (implements)</p> <p><b>Other agriculture-related business</b> Agricultural facilities and materials</p>  <p>Hydroponics facilities</p>
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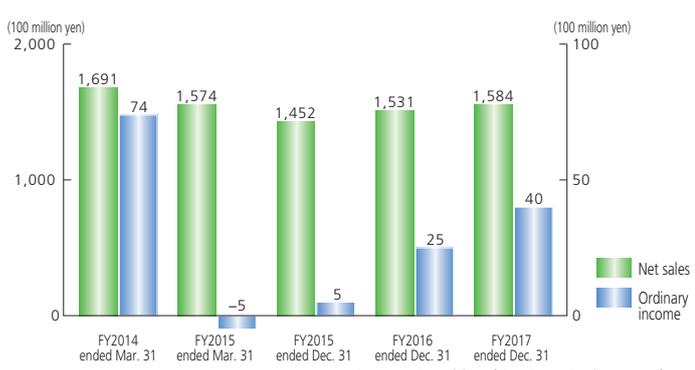
## Financial highlights (Overview of the operating results for the fiscal year ended December 2017)

<p>Net sales (consolidated) <b>158.4 billion yen</b></p>	<p>Operating income (consolidated) <b>4.0 billion yen</b></p>	<p>Ordinary income (consolidated) <b>4.2 billion yen</b></p>	<p>Profit (consolidated) <b>2.8 billion yen</b></p>
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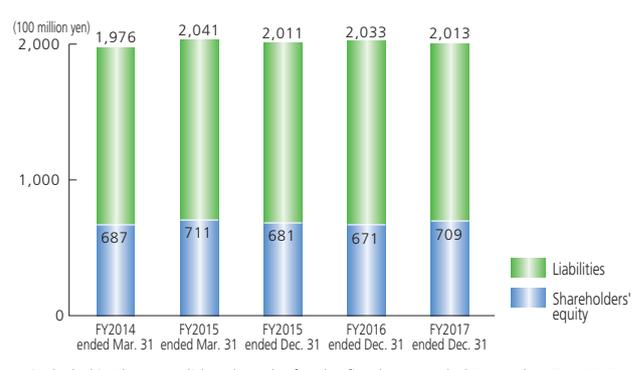
### Net sales composition ratio by product



### Consolidated operating results



### Total assets (liabilities and shareholders' equity)



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

## Development and Production

### We strive to contribute to agriculture in Japan and around the world by drawing on its technological capabilities.

The environment surrounding agriculture is drastically changing.

In Japan, structural changes, such as the introduction of large-scale farming due to the consolidation of farmland, conversion into field crop and vegetable farming, etc., have progressed. Meanwhile, the world has been facing major issues such as an increase in food production following population growth and the preservation of the global environment.

We are engaged in research and development as well as production activities under the motto of contributing to agriculture in Japan and around the world by accurately recognizing such changes and issues and by providing products that satisfy customers.

In order to establish a firm position as an integrated manufacturer specialized in agricultural machinery both in the domestic and global markets with an eye toward the 100th anniversary of our founding in 2025, we will work to “strengthen profitability by optimizing development and production” with “advanced technologies,” “low prices,” “crop conversion” and the “global environment” as the keywords with our technological capabilities mobilized to the fullest extent.



**Osamu Hyodo,**  
Director & Senior Corporate Officer, General  
Division Manager, Development &  
Production Division

## Social issues

	Social issues	Diverse needs
Domestic market	Issues arising out of structural changes in agriculture <ul style="list-style-type: none"> <li>▶ Consolidation of farmland and the introduction of large-scale farming</li> <li>▶ Conversion into field crop and vegetable farming</li> </ul>	Laborsaving and lower costs Simple specifications and low prices High efficiency and durability Increase in the size of machinery Field crop and vegetable farming machinery Utilization of advanced technologies and application of robotic technologies Environmental consideration
Global market	Issues of global population growth and an increase in food production <ul style="list-style-type: none"> <li>▶ Mechanization of agriculture</li> </ul>	

## Initiatives at ISEKI

### Product development aiming at the creation of new value taking advantage of ISEKI's advanced technological capabilities

ISEKI provides products that respond to changes in the market in a timely manner by thinking independently, taking on the challenge with an all-out effort for the resolution of social issues surrounding agriculture, and achieving *Henkaku* (Change) to a “strong manufacturing group.”

Priority strategic areas in research and development

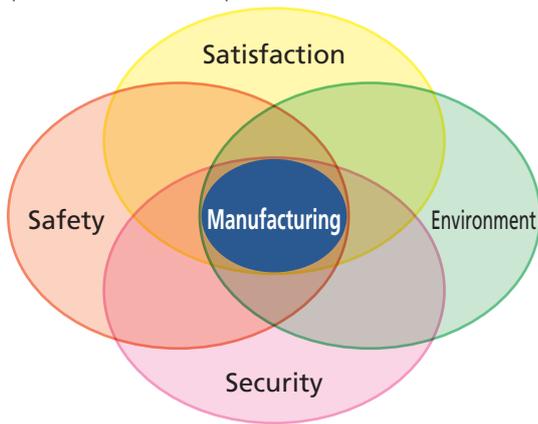
1. Achievement of smart agriculture based on “advanced technologies”
2. Development of “low-priced” agricultural machinery that meets various needs
3. Establishment of integrated vegetable growing system that accommodate “crop conversion”
4. Promotion of development of eco-products that are friendly to the “global environment”

# Research and development and intellectual property strategies that support manufacturing

In terms of the activities to create core technologies for agricultural machinery and related products and intellectual outcomes such as the inventions and creations obtained through such activities, ISEKI works on "business activities that place importance on intellectual property," where rights in relation to such activities and intellectual outcomes are strategically registered and utilized and thereby result in the creation of new value.

## Starting point of manufacturing

ISEKI sets "satisfaction," "safety," "security" and "environment" as the starting point of manufacturing and promotes research and development based on these points.



## Research and development system

The development, production and marketing departments work together to demonstrate their overall capabilities and promote research and development. ISEKI determines the direction for the product strategy and research and development based on the needs and market trends in each region and carries out planning and proposals that promptly meet the needs of domestic and overseas customers.

ISEKI collaborates with test and research institutions, universities, etc., to promote joint research and development with the aim of achieving swift and efficient technology development.

## Joint research in FY2017

Research institutions:  
**12** themes

Universities:  
**2** themes

## Development of high-quality and low-cost products

ISEKI works to produce high-quality and low-cost products based on manufacturing technologies cultivated over many years.

A system for proposing improvements targeting quality improvement, cost reduction and man-hour reduction has been put in place under which active improvement activities are conducted including 57,000 proposals made in FY2017. Value engineering (VE) activities that allow for cost cutting through improvements in products designing and manufacturing methods, parts procurement methods, etc., are also conducted to manufacture products at a lower cost.

## Education on intellectual property and transfer of creation techniques

ISEKI Group proactively undertakes education on intellectual property and creativity so as to invigorate creativity on a group-wide basis and demonstrate its technological capabilities to the fullest extent. Level-specific education on intellectual property according to the number of years of experience has enabled the creation of advanced technologies and high-quality inventions.

Meanwhile, the transfer of invention and creation expertise from veteran engineers to young engineers is promoted with the aim of invigorating and facilitating the development of creative skills and creation activities.

**ISEKI Group works to strengthen human resource development by setting up training facilities specialized in "development" and "production," respectively.**

For more details, please refer to "Communication with employees" on p. 29.

## Mutual study within the group

### Holding of technology research presentations

Technology research presentations are held annually for parties including the company's executives to share the outcomes of research and development and invention information and to conduct repeated discussions with the aim of raising the level of such matters on a group-wide basis.

In addition, ISEKI Group invites external experts, etc., to present lectures on relevant themes in the pursuit of technological studies and knowledge improvement.



## Innovations taking advantage of ISEKI's advanced technological capabilities

Since its foundation in 1926, ISEKI has developed and provided to markets a great deal of revolutionary agricultural machinery ahead of others, driven by the passion, "I want to free farmers from exhausting labor." Such proactive technology development efforts to develop, launch and commercialize new technologies are exemplified by the high number of patent application registrations in Japan per specialty field, awards received in recognition of the inventions, and high patent allowance rates. ISEKI endeavors to differentiate its products from those of competitors by taking advantage of its "strengths" that by this intellectual property.

### Number of patent application registrations in Japan per specialty field **No. 1** in the "other special machinery sector"

Year	2000-2006	2007-2014	2016
Category	Number of laid-open patent applications per specialty field		Number of patent application registrations per specialty field
Specialty field	Agriculture and fishery	Other special machinery	Other special machinery
Rank	No. 1		

The Patent Administration Annual Report has previously published the number of laid-open patent applications in Japan per specialty field (the results for the year before the previous one); however, starting from the 2017 edition, the results of the number of patent application registrations in Japan per specialty field for the previous year (2016) are being published.

### Patent allowance rate **No. 1** in "all industries"

Year	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Patent allowance rate (%)	84.6	83.7	90.4	89.3	85.8	88.5	91.8	91.8	94.7	97.0	99.2	97.5	100
Rank	No. 1							No. 2	No. 1				

Patent allowance rate = number of patent allowances / (number of patent allowances + number of decisions of refusal + number of withdrawals and abandonments)

### Representative innovations taking advantage of ISEKI's technologies



1963



1971



Commenced business with fully-automated rice hullers

1926

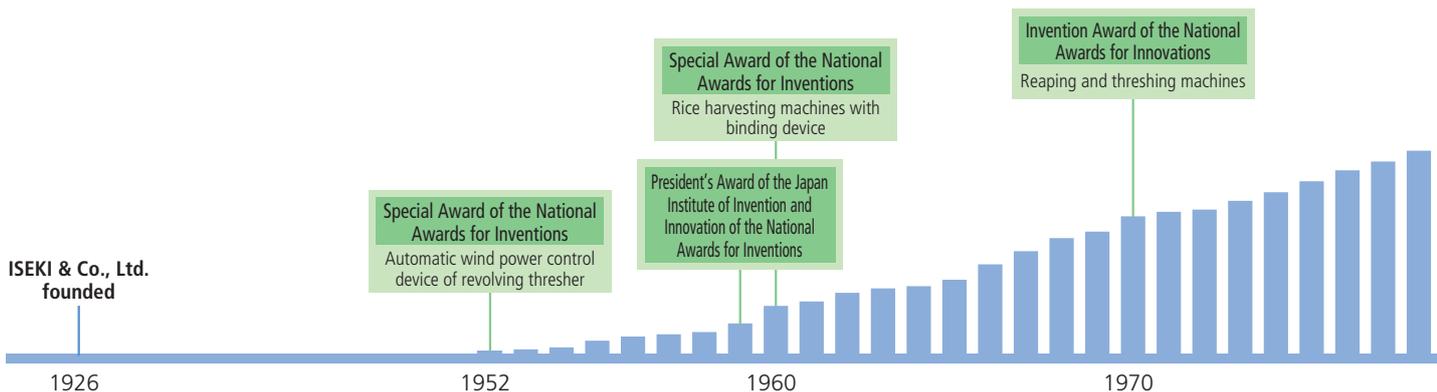


Development of world's first auto-threshing combine harvesters

1966

Selected as one of the "100 Postwar Japanese Inventions"

- Major awards and recognitions
- ▶ "Invention Award of the National Invention Award" (reaping and threshing machines)
  - ▶ "President's Award of the Association to Commemorate a Century of Agricultural Experimentation and Research" (development and dissemination of auto-threshing combine harvesters for commercial use)



## Research and development targeting further evolution

ISEKI aims to further enhance the strategic research and development of a wide variety of products in collaboration with administrative organs, research institutions, universities, JA, corporations, etc. ISEKI is committed to contributing to the sustainable development of agriculture in Japan and around the world by creating new value through research and development taking advantage of the strengths of ISEKI.



Manned monitoring-based robot tractors (slated to be put on the market in 2018)

Received Special Development Award under the Development Award of the Japanese Society of Agricultural Machinery and Food Engineers (2016)

Development of industry's first plant growth diagnosis device

Received the 7th Robot Award: Award of Excellence

Development of industry's first variable fertilizing rice transplanter

Development of a rotary-type transplanting rod that has changed the times

Development of industry's first combine harvester capable of seven-row reaping



1986

2009

2015

2016

1978



Development of large-sized tractors produced in Japan



Development of ride-on rice transplanters

The Asahi Shimbun Award of the National Awards for Inventions

Travel units for seedling planters

Invention Award of the National Awards for Inventions

Methods of raising of seedlings

Encouragement Award of the Director-General of the Science and Technology Agency of the Regional Awards for Inventions

Gear-change transmission devices for combine harvesters

Encouragement Award of the Minister of Education, Culture, Sports, Science and Technology of the Regional Awards for Inventions

Speed control units for power vehicles

Encouragement Award of the Commissioner of the Japan Patent Office of the Regional Awards for Inventions

Cultivating and mowing rotors for ride-on rice transplanters

215 awards and recognitions up to FY2017

Iseki has received awards from the Japan Institute of Invention and Innovation every year.

Number of awards received (cumulative total: as of December 2017)

National Awards for Inventions: 18 (including 2 special awards)

Regional Awards for Inventions: 197 (including 34 special awards)

1980

1990

2000

2010

2017 (Year)

## Domestic business development

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

Agriculture in Japan has been facing the advancement of structural changes, such as the introduction of large-scale farming due to the consolidation of farmland, conversion into field crop and vegetable farming, the entrance of corporations into the agricultural industry, development into the sixth sector industrialization, etc., owing to the structural reform that aims to transform agriculture into a growth industry.

We will respond to changes in the market from both hard and soft aspects with a basic strategy of “strengthening responsiveness to drastic changes in agriculture in Japan.”

We are committed to contributing to the sustainable development of agriculture in Japan by proposing “laborsaving and highly-profitable agriculture” as the “Supporter for the farming industry full of dreams.”



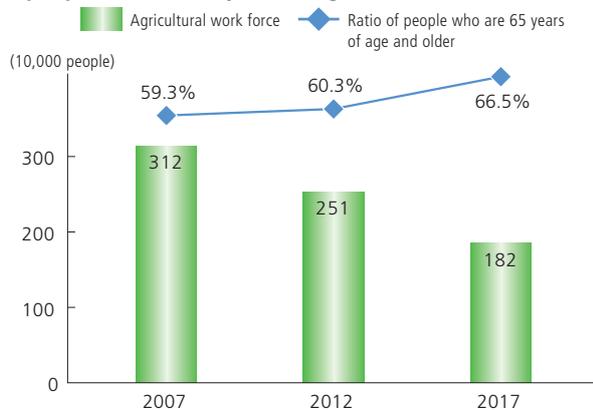
**Yukio Nawata,**

Director & Managing Corporate Officer, General Division Manager of the Business Division

## Social issues

- ▶ A decline in agricultural work force
- ▶ Aging of agricultural work force (an increase in the ratio of people who are 65 years of age and older)

### ■ Agricultural work force and, among which, the ratio of people who are 65 years of age and older



\* Excerpt from the “Statistics concerning Agricultural Work Force” published by the Ministry of Agriculture, Forestry and Fisheries

- ▶ A significant increase in production of vegetables  
→ **Additional production of 2 million tons**
- ▶ Reduction of production cost in wetland rice cultivation  
National average in 2011:  
16,000 yen/60kg → **Reduction of 40% is expected**

### ■ Production targets by item under the Basic Plan for Food, Agriculture and Rural Areas

		2013	2025
Item (10,000 tons)	Rice for staple food	859	752
	Rice for rice flour	2	10
	Rice for feed	11	110
	Wheat	81	95
	Soybean	20	32
	Vegetable	1,195	1,395

\* Excerpt from the “Basic Plan for Food, Agriculture and Rural Areas” published by the Ministry of Agriculture, Forestry and Fisheries and the “Japan Revitalization Strategy”

## Initiatives at ISEKI



### Proposals and support to attain the farming industry full of dreams (i.e., profitable agriculture)

Amid the drastic changes in the environment surrounding agriculture, ISEKI works, as the Supporter for the farming industry full of dreams, to help producers attain agriculture full of dreams (i.e., profitable agriculture) by making wide-ranging farm business proposals from both hard (agricultural machinery) and soft (production management and farm business technologies) aspects.

Proposals aimed at new-age agriculture

1. Product lineup tailored to a wide variety of needs
2. Enhancement of products in response to the introduction of large-scale farming and services including the establishment of large-scale facilities
3. Strengthening of capabilities for offering farm business proposals and support with the Dream Agricultural Research Institute acting as a hub

## Product lineup tailored to a wide variety of needs

### Product lineup that includes simple and low-priced specifications to achieve low-cost agriculture

The products are designed to make proposals that are tailored to customer needs, ranging from simple specifications contributing to the reduction of production material costs to rich specifications incorporating automated technologies that utilize laborsaving ICT and other advanced technologies on the back of the labor shortage. ISEKI Group provides a wide-ranging product lineup centered around tractors, rice transplanters and combine harvesters with the aim of reducing production costs for rice farming.

The TJX series, large-sized tractors with simple specifications, are offered at low prices with carefully selected functions while having ample basic features, and contribute to the reduction of production material costs.



TJX3 series tractors



NP series rice transplanters (simple specifications)



HX series combine harvesters

### Supporting improved productivity through mechanization

Efforts toward creating areas for producing vegetables using rice paddies have been spreading to various locations.

Under the situation where mechanization in the field of vegetable farming has been slower compared with rice farming, ISEKI Group has been working on the development and commercialization of vegetable farming machinery that is suited for the cropping systems in the region. ISEKI Group provides support, along with expertise on how to utilize agricultural machinery, to promote the mechanization of vegetable farming.

Received "2017 Development Award" of the Japanese Society of Agricultural Machinery and Food Engineers



Fully-automated vegetable transplanter PVZ1

## Enhancement of products in response to the introduction of large-scale farming and services including the establishment of large-scale facilities

### Provision of smart agricultural machinery aimed at laborsaving

ISEKI Group is working to develop and promote the widespread use of smart agricultural machinery and farm business management software that utilize advanced technologies such as ICTs and robot technologies with a view to achieving improved productivity and efficiency.

Amid aging and a decline in the agricultural work force, advanced technologies are expected to contribute to laborsaving and the elimination of the shortage of skilled operators.



Straight-travel assisting rice transplanters that make planting in a straight line easier for new farmers who are not accustomed to the machine operations



All-round cultivation system for rice farming that utilizes ICTs and advanced technologies

### Establishment and improvement of large maintenance and service facilities

ISEKI Group has been establishing and improving large maintenance and service facilities capable of handling swift maintenance and services for large-sized machinery that supports the introduction of large-scale farming in all regions across the country.



Chiba Service Center, ISEKI Kanto Co., Ltd.



Obihiro Maintenance Factory, ISEKI Hokkaido Co., Ltd.

Strengthening of capabilities for offering farm business proposals and support with the Dream Agricultural Research Institute acting as a hub

Strategic hub for farm business proposals and support

夢 南 五 農 業 総 合 研 究 所



Dream Agricultural Research Institute (Yumesoken)

ISEKI Group has been working on initiatives for the research, verification and dissemination of smart agricultural machinery that utilizes advanced farm business technologies and other advanced technologies and for the development of human resources capable of offering farm business proposals by strengthening collaboration with administrative organs, research institutions, universities, JA, corporations, etc.

ISEKI Global Training Center (IGTC)

Various training programs are provided for not only employees of ISEKI Group, but also sales and service representatives at suppliers (sales agencies) with the aim of developing human resources.



A wide variety of activities aimed at research, verification and dissemination

The institution supports customers' farm management through a wide variety of activities aimed at research, verification and dissemination.

- ▶ Research and verification concerning cultivation technologies in collaboration with administrative organs, research institutions, universities, etc.
- ▶ Utilization of rice paddies (conversion into soybean, barley or vegetable farming)
- ▶ Support aimed for obtaining GAP certification
- ▶ Proposing cultivation technologies to entrants from other industries and new entrants
- ▶ Support for cultivating regions' traditional crops
- ▶ Support for restoring deserted farmland and regional revitalization in collaboration with administrative organs, etc.
- ▶ Working on a project to support female farmers in Japan ("YUMEARU NOGYOJOSHI OEN" project)

<Support aimed at obtaining GAP certification>  
Seventy staff members (instructors) support the obtaining of GAP certifications including JGAP and ASIAGAP.



Development of professional human resources

Strengthening of farm business proposal capabilities

- ▶ Agri-Heroes Support Project Training (farm business proposals)
- ▶ Team TJ Training (use of large-sized machinery)



Strengthening of technical service capabilities

- ▶ Various training programs provided by the ISEKI Global Training Center (technical services)



\* GAP (Good Agricultural Practice; agricultural production management): A production process management initiative for ensuring the sustainability of food safety, environmental preservation, industrial safety, etc., in agriculture.

## Operation of branches of the research institution

ISEKI has been working on initiatives for community-based research, development and verification as well as farm business proposal and dissemination activities attuned to customers' farm management based on the knowledge and technologies acquired through various training programs, in collaboration with administrative organs, research institutions, universities, JA, corporations, producers, etc.

### Initiatives concerning data-based wetland rice cultivation and management in collaboration with administrative organs and private enterprises

ISEKI Co., Ltd and ISEKI Shin-etsu Co., Ltd. are participating in the "Smart Agriculture Inter-business Cooperation Demonstration Project" at Niigata City that has received designation as a National Strategic Special Zone. Under the project, the participating corporations are combining their respective innovative technologies and making efforts to achieve further laborsaving, lower costs and higher quality of rice farming by consolidating and centrally managing information obtained using ISEKI's smart agricultural machinery and participating corporations' remote sensing systems (drones and artificial satellites) in the farm business management system.



### Initiatives aimed at the mechanization of sesame seed cultivation

The mechanization of sesame seed cultivation is difficult, which has made the import percentage of sesame seeds high. In response to this, ISEKI Co., Ltd and Mie ISEKI Sales Co., Ltd. are working to mechanize sesame seed cultivation in collaboration with the National Agriculture and Food Research Organization, Mie Prefecture Agricultural Research Institute and sesame seed processors and manufacturers to support sesame seed production in Japan and field development for production of sesame seeds.

This initiative is undertaken with the support of the "special scheme project on vitalizing management entities of agriculture, forestry and fisheries" of the Bio-oriented Technology Research Advancement Institution of the National Agriculture and Food Research Organization.



### Collaboration among industry, government, and academia on NOGYOJOSHI (female farmers) Project; Initiatives for buckwheat cultivation

ISEKI Co., Ltd and ISEKI Kanto Co., Ltd. have formed a collaborative relationship on the NOGYOJOSHI Project among industry, government, and academia, for the first time in Japan, with Tokyo University of Agriculture and Ami Town Farming Liaison Council of Ibaraki Prefecture. This effort has contributed to the mechanization of buckwheat cultivation.



## Overseas business development

### We will “expand overseas business” by further accelerating the development of business on a global scale.

Amid the upsurge of the global population, an increase in food production is a global issue. I believe that the role that we - agricultural machinery manufacturers - play will become even more important in view of producing and providing food more efficiently.

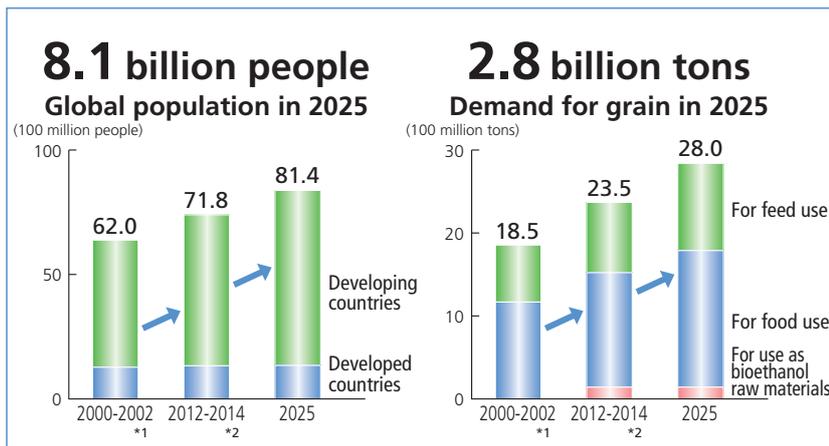
In the Mid-term Management Plan, we position “North America,” “Europe,” “China” and “ASEAN” as the four pillars of its overseas business and sets the overseas sales ratio target for the group, including equity-method affiliates, of 40% to be achieved by 2020. The environment surrounding us has, however, recently been changing quite rapidly and significantly in each region.

We will push forward with the global strategies, in addition to the existing community network, so that we can fully-accommodate these changes and establish a firm position as an agricultural machinery manufacturer in the global market as well.



**Yoshiyuki Toyota,**  
Director & Executive Vice President, General  
Division Manager, Overseas Business Division

## Social issues



\* Excerpt from “World Food Supply and Demand Trends and Projections in the Medium- and Long-Term” published by the Policy Research Institute, Ministry of Agriculture, Forestry and Fisheries (March 2016)  
\* 1: Average of three years between 2000 and 2002 \* 2: Average of three years between 2012 and 2014

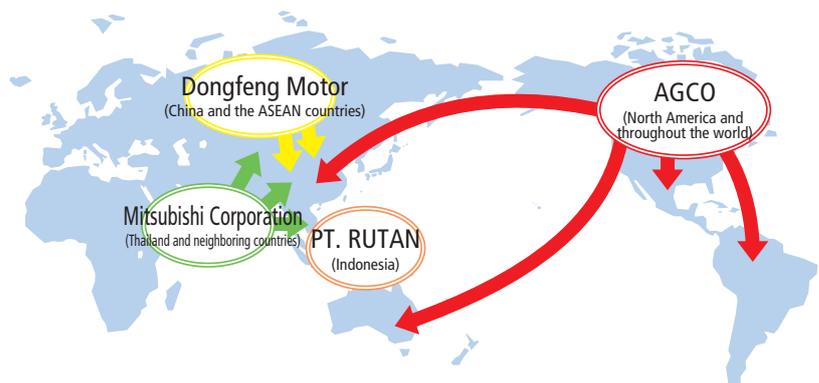
- **Approximately 80%** of rice production and consumption is in the **Asian region.**
- Consumption has increased following the population growth.  
2012-2014(\*2): 410 million tons  
→ 2025: 470 million tons **+15%**
- An increase in the production volume per area is indispensable.  
⇒ **Productivity improvement**
- A decline in agricultural work force following industrialization  
⇒ **Laborsaving through mechanization**

## Initiatives at ISEKI

### Strengthening of collaboration with strategic partners

ISEKI provides products that meet the needs in each market around the world by thoroughly implementing market-orientated strategies in such markets.

ISEKI believes that the supply of agricultural machinery that can contribute to improved productivity, laborsaving, etc., through the strengthening of collaboration with strategic partners and the building of a global production system would open the way for the resolution of the issues facing the world such as population growth, an increase in food production, etc.



## Business in the ASEAN region

In the ASEAN region, where remarkable economic rise has been made in recent years, an increase in food production and a decline in agricultural population following industrialization have become social issues.

IST Farm Machinery Co., Ltd., a sales subsidiary and joint venture with Mitsubishi Corporation has been working on the development and sales of products that meet the local needs. Going forward, ISEKI will push forward with not only the strengthening of the business foundation in Thailand by expanding the dealer network, etc., but also sales expansion into neighboring countries. In addition, ISEKI (THAILAND) Co., Ltd. was established in 2016 as a local subsidiary that is engaged in the development, procurement and sales of implements that are suitable for the environment where they are used. A parts center has also been established to build a system for providing swift after-sales services. Through these and other efforts, ISEKI is striving to proactively expand the business in the region.



IST Farm Machinery Co., Ltd.

## Business in China

China is facing the issues of having a population of more than 1.3 billion and an increase in food production, and there is an increasing need for large-sized agricultural machinery, agricultural machinery equipped with advanced technologies and environmentally-friendly machinery on the back of increasing the scale of agricultural management bodies and the consolidation of farmland.

ISEKI established an office for the production and sales of rice transplanters and combine harvesters in Jiangsu Province in 2003, and a joint venture with the Dongfeng Motor Group in Hubei Province in 2011, which were consolidated into Dongfeng ISEKI Agricultural Machinery Co., Ltd. in 2014.

A new factory was established in Xiangyang, Hubei Province in 2017 with an eye toward further business expansion. The factory is engaged in the manufacture of products such as rice transplanters and high-horsepower tractors that meet the needs of the market. ISEKI will continue strengthening the collaboration with the strategic partner, Dongfeng ISEKI and expand the business.



Dongfeng ISEKI Agricultural Machinery Co., Ltd.

### Topic

## Introduction of environmentally-friendly side-row fertilizing rice transplanters

In China, there is an increasing need for agricultural machinery that helps reduce the burden on environment.

ISEKI has been providing a lineup of side-row fertilizing rice transplanters that enable high-performance operations and the reduction of water pollution.



## Global production system

### PT. ISEKI INDONESIA

Strengthening of initiatives for establishing a system for an increase in production

A production base of tractors for overseas markets that meet the need for low prices.

Since the commencement of the production of tractors for the North American market in 2014, the company has expanded the lineup of models mainly for North America, ASEAN countries and Europe. The production volume topped 10,000 units in 2018, which is equivalent to the current production capacity and is expected to reach 20,000 in 2021. In response to this, ISEKI intends to enhance the production capacity by establishing a production system with the aim of speedily supplying products to markets and improving productivity.

	Production capacity/year (units)
2017	10,000 units
2019	15,000 units
2021	20,000 units



### Xiangyang Factory, Dongfeng ISEKI

An export and production base for China and ASEAN countries

The factory produces rice transplanters, high-horsepower tractors, general-purpose combine harvesters for ASEAN countries, etc., as the export and production base for China and the ASEAN region.

## Business in Europe

In Europe, where especially high environmental awareness is observed in the world, ISEKI's tractors and ride-on mowers are actively used in the field of landscaping, such as lawn mowing in parks as well as cleaning and snow removal on roads.

ISEKI started its business in Europe in the 1960s and established N.V. ISEKI Europe S.A. in Belgium in 1971, disseminating the ISEKI brand in Europe, mainly in France and Germany. ISEKI France S.A.S. was established in 2014 as a core sales base to strengthen partnerships with sales agencies in European countries and provide products that the markets demand. ISEKI intends to further heighten its presence while maintaining a high market share and service capabilities by taking advantage of its strengths accumulated through more than 50 years of history in Europe.



ISEKI France S.A.S.

### Topic

#### Introduction of mowers into the market of landscaping machinery for professional users

ISEKI has been delivering, in response to demand for professional use in the landscaping market, higher-output and more efficient front mowers with grass collection features (SF200 series) that enable stable operations even on slopes.

ISEKI products are widely used by many professional users in Europe who recognize them as "having excellent adaptability and operating performance and being capable of realizing highly-efficient operations."



SF200 series

## Business in North America

ISEKI provides compact tractors of less than 40 horsepower and utility tractors of less than 100 horsepower to the agricultural machinery manufacturer AGCO Corporation which has a broad sales network in the U.S., etc., on an OEM basis. The products are used by a wide variety of users ranging from general consumers for hobby use to professional farmers.

Going forward, ISEKI intends to further strengthen the collaboration with AGCO Corporation and the quality of the ISEKI products that enjoy high recognition, and further expand the business not only within North America, but also into Central and South America.



### Topic

#### Received the "3rd Party Supplier of the Year 2017" award from AGCO

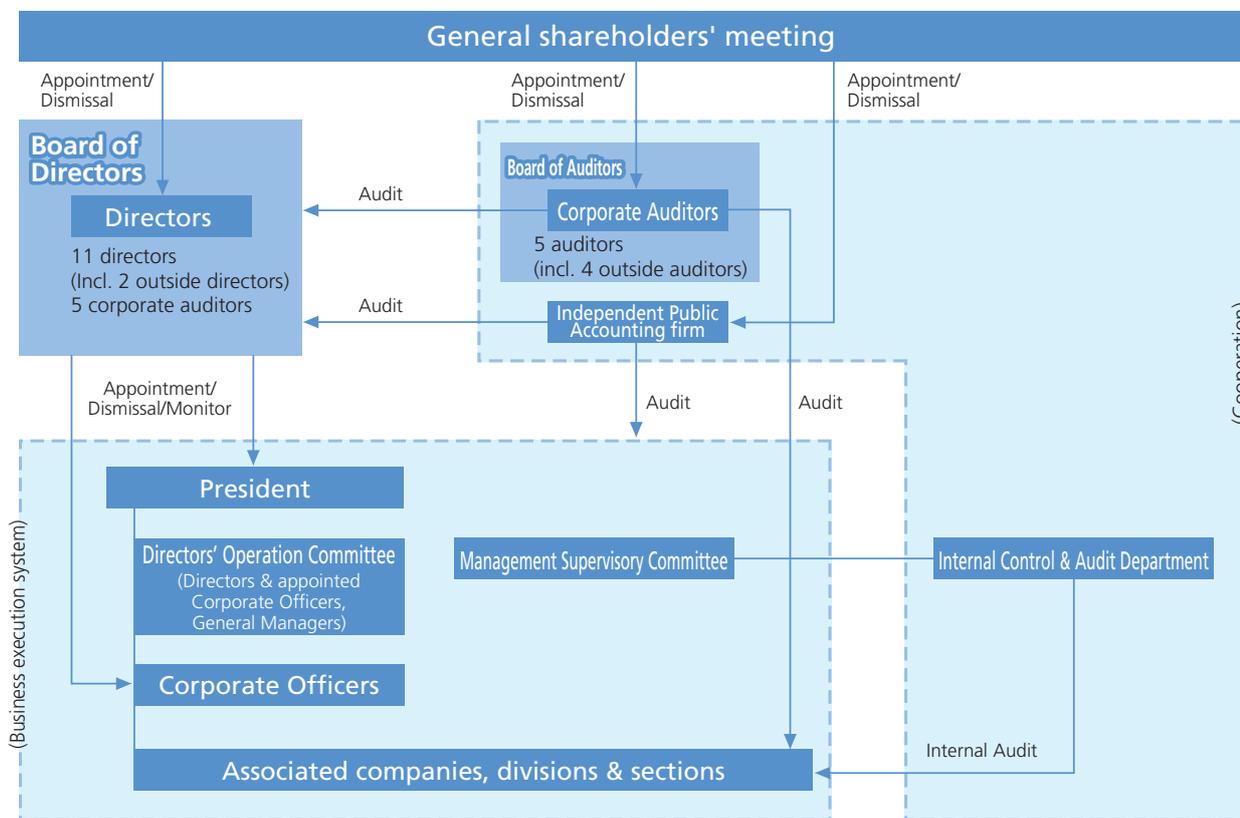
ISEKI received the "3rd Party Supplier of the Year 2017" award in recognition of its product quality at a ceremony for commending excellent suppliers held by AGCO.



# Corporate governance

## Corporate governance system

The main purpose of our management system is to respond quickly and accurately to changes in our business climate and to maintain fair business operations. Achieving sustainable growth and improvement in corporate value over the medium and long term is our top priority of management. To maintain favorable relations with our stakeholders including shareholders and customers, we are endeavoring to expand and improve our corporate governance.



### Board of Directors/ Directors' Operation Committee

Meetings are held once or more per month to make 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 at least twice a month 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.

### Management Supervisory Committee

We hold the Management Supervisory Committee once a month 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 to check the measures and their status to establish and maintain internal control system.

### Information disclosure with transparency

With the aim of ensuring information disclosure with transparency, ISEKI has established a system for disclosing material information to stakeholders in a timely and appropriate manner in ways such as ensuring appropriate business operations and sharing information by creating group-wide management regulations and building a reporting system.

### Board of Auditors

Corporate Auditors attend the Board of Directors and Management Supervisory Committee meetings. They independently formulate audit policy and 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 monitor management status and ensure the effectiveness of our corporate governance.

### Outside Directors and Outside Auditors

Two Outside Directors are appointed to introduce external perspectives into management, further strengthen the supervisory function on business execution and further improve the transparency. In addition, the Board of Auditors is set up with five Corporate Auditors including four Outside Auditors to enhance and reinforce the auditing system and strengthen the monitoring of management.

**Number of Outside Directors: 2**

**Number of Outside Auditors: 4**

# Compliance

## Promotion of compliance

In order to continue with its compliance-focused management, ISEKI Group works to make the importance of compliance thoroughly understood and enforced by “each and every one” of the group members with the aim of raising compliance awareness.

### System for promoting compliance

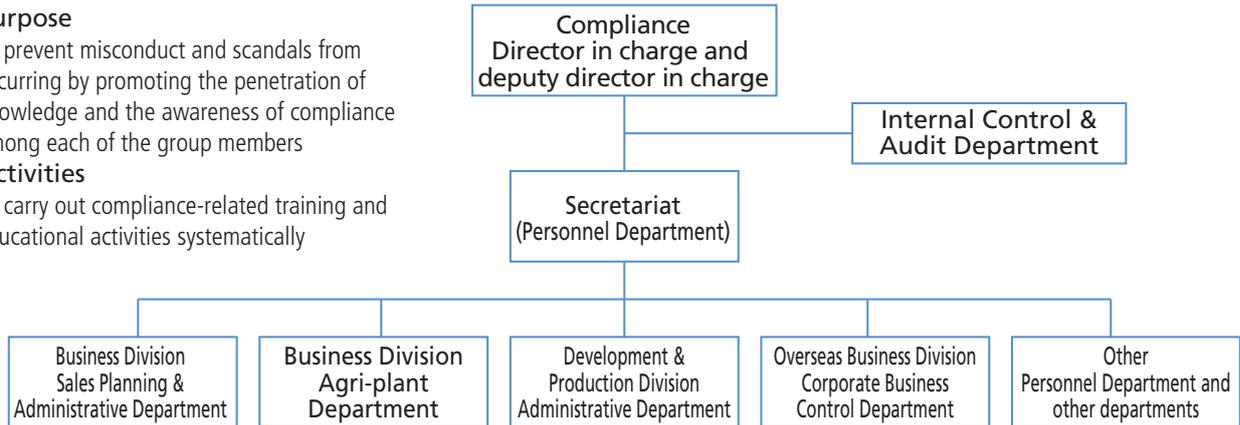
The Compliance team established as an intragroup organization promotes compliance under the leadership of the director in charge of compliance.

◆ **Purpose**

To prevent misconduct and scandals from occurring by promoting the penetration of knowledge and the awareness of compliance among each of the group members

◆ **Activities**

To carry out compliance-related training and educational activities systematically



### Activities for penetration and education on compliance

- ◆ Distribution of the pamphlet “ISEKI Group Code of Ethical Behavior” to all group members
- ◆ Inclusion of information into group house magazines
- ◆ Issuance of “Compliance News” on a quarterly basis to introduce initiatives at each workplace

### Compliance training

- ◆ Incorporation into company-wide events and educational training programs
  - Sales subsidiary president meetings, manager meetings, executive training, newly-appointed manager training, newly-hired employee training
- ◆ Individual training programs
  - Sales subsidiary employee meetings of sales departments
  - Facility personnel training of facility departments
  - Specialized employee training of development departments



Compliance training

### Whistle-blower system

ISEKI Group has set up a group-wide whistle-blower system (Ethical Hotline) in order to establish an open corporate culture. Posters on the system are posted at each office to make the method of use widely known by all employees.

#### <Whistle-blower system (overview)>

Scope of informants	<ul style="list-style-type: none"> <li>• All employees and retired employees of ISEKI Group</li> <li>• All suppliers and their employees</li> </ul>
Channels for reporting	<ul style="list-style-type: none"> <li>• Staff organization channel</li> <li>• Personnel Department channel</li> <li>• External channel (lawyers)</li> </ul>
Matters to report	<ul style="list-style-type: none"> <li>• Violations of laws and regulations</li> <li>• Matters related to violations of internal regulations including the “Code of Ethical Behavior,” the Work Regulations, etc.</li> </ul>

### Initiatives for fair trade

ISEKI works to prevent the recurrence of any event that would result in a cease and desist order, etc., under the Anti-Monopoly Act by steadily implementing measures therefor which have been formulated in response to the receipt of such orders, etc., in relation to facility construction.

### Initiatives for protecting personal information

The Privacy Policy concerning the handling of personal information is formulated and internal regulations concerning the management of personal information are created and maintained. ISEKI Group works to appropriately protect personal information by carrying out activities for even further awareness and education on such protection for employees.

## Communication with customers

ISEKI Group works to improve customer satisfaction through various communications, with the principle of "the provision of products and services that satisfy customers through our customer satisfaction (CS) improvement activities" at the core.

### Initiatives for supporting customers' farm management

#### Activities for the dissemination and support of advanced farm business technologies

ISEKI Group works on the dissemination and support of advanced farm business technologies to support customers' farming full of dreams (i.e., profitable agriculture). Efforts by ISEKI Group to resolve issues include direct dialogues between sales and service representatives and customers and proposals and support through exhibitions, various seminars and farm business information magazines.

#### Initiatives for dissemination and support

ISEKI Group provides products and information useful for farm management, such as the latest agricultural machinery, through exhibitions, demonstrations, various seminars, etc. In addition, the "Dream Agricultural Research Institute (Yumesoken)" accepts a number of inspections by agriculture-related parties such as producers, administrative organs, research institutions, and JA, sending out various types of information.



Holding of seminars in response to requests from producers



Visitors to "Yumesoken" for inspection:  
approximately **7,000** (in total)

#### Activities through use of websites and information magazines

ISEKI Group sends out information on farm business, advanced technologies, etc., to its customers through the website and the farm business information magazine "FARM ISLAND," etc., whereby the experience of employees and initiatives undertaken by customers are broadly introduced in an easy-to-understand manner.

In addition, a system has been adopted that allows sales and service representatives to propose products to customers using, in addition to catalogs, videos on smartphones, tablets and other devices. Parts catalogs are also available for browsing to realize speedier repairs.



Specially-set-up website introducing advanced technologies and advanced farm business technologies



Farm business information magazine

## Initiatives for the improvement of maintenance services

ISEKI Group engages in various service activities with the aim of allowing customers to use agricultural machinery that they have purchased safely and securely. In addition, as systematic operations are of importance in farm management, ISEKI Group works on the human resource development of service representatives within Japan and overseas with the aim of providing high-quality and prompt services in the maintenance of agricultural machinery.

### Maintenance service activities

#### Service activities

##### ■ Presale services

- ▶ Safety training  
Carrying out of safety training at sales subsidiaries across Japan
- ▶ Instructions on test operations upon delivery  
Provision of instructions on how to operate the machinery at the time of its test operations based on a check sheet

##### ■ After-sales services

- ▶ Troubleshooting  
Prompt repairs of any defects
- ▶ Inspections and maintenance  
Provided for the purpose of allowing customers to use their machinery safely
- ▶ Inquiries on the conditions of delivered products  
Proactively performing inquiries on the conditions of new vehicles and vehicles that have received services that have been delivered and in use



#### Agricultural machinery mechanics

**1,760** (total number of people up to FY2017)  
(Grade 1: 1,114; Grade 2: 646)

The representatives obtain various types of certifications and qualifications to strengthen their ability to provide services to customers.

### Topic

## Carrying out of the "OK Campaign" across ISEKI Group

ISEKI Group carries out the "OK Campaign" on a group-wide basis whereby pointing and calling are performed before and after operations at sites where maintenance and repair services and the development and production of agricultural machinery are implemented to provide safe, secure and reliable products and services to customers.

The campaign is also promoted from the perspective of preventing industrial accidents as the performance of appropriate pointing and calling leads to the improved safety and accuracy of operations.

#### <Holding of Service Skills Contests>

ISEKI Group plans to hold a Service Skills Contest for all service representatives with less than five years of service with the aim of developing young employees in a shorter period of time.



ISEKI carries out the OK Campaign with the participation of all members!



### Service and support activities overseas

#### ■ Improvement of service and support systems

ISEKI Group has built service and support systems for providing prompt responses to customers through means such as building the Parts Depot Center for European countries and the local subsidiary ISEKI (THAILAND) Co., Ltd. for ASEAN countries.



ISEKI (THAILAND) Co., Ltd.

#### ■ Human resource development for service representatives

ISEKI Group supports the improvement of the ability of distributors to provide services by holding workshops locally and providing technical training at the ISEKI Global Training Center in Japan for service representatives of the overseas distributors.



A technical workshop for the European distributors

## Product quality assurance

ISEKI Group works to provide product quality assurance that responds to the trust of customers in its manufacturing processes, covering everything from product planning to sales and after-sales services in pursuit of the provision of products that satisfy customers. In addition, the basic rule of ISEKI Group is to "take all possible measures for quality control and make prompt responses in good faith should any quality-related issues arise."

### To improve customer satisfaction

ISEKI Group carries out consistent product quality assurance activities across the group in the processes covering everything from product planning and development to manufacturing, sales, and services with the aim of providing safety products that respond to the trust of customers. In quality assurance, ISEKI Group implements the "refinement of quality," "verification of manufacturing quality" and "evaluation of merchantability" based on the opinions of customers. ISEKI Group also provides instructions on test operations upon delivery, performs inquiries on the conditions of delivered products, etc., as part of the "service activities" and takes steps such as feeding back the opinions of customers. In such ways, ISEKI Group conducts quality assurance examinations.



### Handling of recall

When an issue occurs in products requiring improvement measures, ISEKI promptly performs inspections and repairs of the products giving the utmost priority to customers' safety.

When we launch a recall, we give notice and report to the organizations concerned <sup>(\*)1</sup> and disclose the information on the website of ISEKI CO., LTD. to draw attention of customers and provide them with information.

#### <Number of recalls in each fiscal year <sup>(\*)2</sup>>

FY	2013	2014	2015	2016	2017
Number of recalls	3	7	3	5	6

Information related to recalls can be found on our website.  
<http://www.iseki.co.jp/news>

<sup>\*1</sup> Ministry of Land, Infrastructure, Transport and Tourism, Ministry of Agriculture, Forestry and Fisheries, Ministry of Economy, Trade and Industry, etc.  
<sup>\*2</sup> Number of recalls reported to the Ministry of Land, Infrastructure, Transport and Tourism

### Initiatives for customer consulting services and inquiries concerning the products

Inquiries and consultation concerning the products are accepted by phone, email, etc., and the department in charge promptly provides in-depth answers. ISEKI works to take measures for matters that receive a large number of inquiries by, for example, making the number and variety of items and explanations posted on the website richer.

#### <Number of inquiries by email in FY2017>

Subject	Number of inquiries	Ratio
Tractors	96	22
Tillers and high clearance multipurpose vehicles	58	13
Rice transplanters	56	13
Combine harvesters	40	9
Manuals, etc.	27	6
Other	165	37
Total	442	100

## Communication with employees

One of the principles set forth in the Company Motto of ISEKI Group is to provide “a stable workplace to the employees,” and one of the basic rules of ISEKI Group is to “aim for creating a healthy and safe working environment where employees can feel that their work is rewarding.” ISEKI Group works on the provision of a secure and safe working environment to employees, support for the career development, cultivation and utilization of diverse human resources and other initiatives as its priority issues.

### Human resource development at ISEKI Group

ISEKI Group has a wide variety of training programs ranging from the “Agri-Heroes Support Project Training” to strengthen farm business proposals for customers and the “Team TJ” training specially designed for proposals utilizing large-sized tractors and implements to trainings divided by their skills and occupation, 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.

#### Initiatives for developing global human resources undertaken at ample and specialized training facilities – three pillars for human resource development –

ISEKI Group has put in place a system for developing human resources specialized in either of the following three fields: “development,” “production” or “sales and services.”

ISEKI Group works to strengthen its human resource development efforts through specialized training programs provided by the “IETC,” where we nurture young designers who play a role at development sites, the “ITTC” to nurture human resources of production sites in Japan and overseas and the “IGTC” to raise human resources in the fields of sales and services in Japan and overseas, contributing to the realization of manufacturing that is trusted by customers and the provision of innovative products and services.

#### Development

**IETC** ISEKI Engineering Training Center

Nurturing young designers



Number of trainees: 490

#### Production

**ITTC** ISEKI Technical Training Center

Nurturing leaders of production sites in Japan and overseas



Number of trainees: 126

#### Sales and services

**IGTC** ISEKI Global Training Center

Nurturing sales and service representatives in Japan and overseas



Number of trainees: 813

(Number of trainees in FY2017)

#### Holding of All ISEKI Group Technical Skills Contests

Skills contests covering whole ISEKI Group are held with the aim of improving the technical skills of workers at manufacturing sites in Japan and overseas and nurturing younger employees. The contests serve as a venue for competition of artisanal skills of worksites in categories of “NC lathe,” “fineness of machine assembly finishing,” “welding,” etc.

The level of technical skills possessed by workers of overseas sites is getting higher year after year: in FY2017, a participant from Indonesia won the award of excellence in the category of “fineness of machine assembly finishing.”



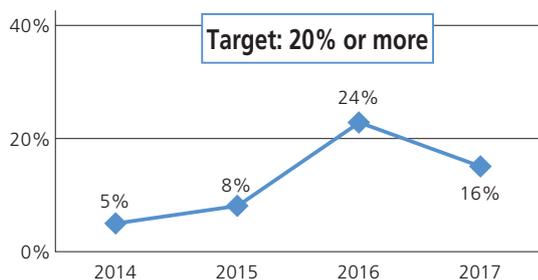
## Utilization of diverse human resources

ISEKI Group works on promotion of diversity as one of its management strategies, whereby diverse human resources are utilized. ISEKI Group has placed a strong emphasis on mid-career recruitment of people with expertise and valuable experience as well as new college graduate recruiting, with recruitment decisions made based on personalities and abilities. The career development of employees is supported through proper treatment of employees who possess a wide variety of abilities and are highly motivated, creating opportunities to play active role so as to secure outstanding talents.

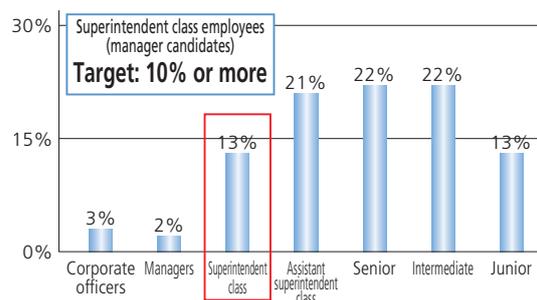
### Initiatives for promotion of active participation by females

ISEKI Group works on promotion of active participation by females as part of utilization of diverse human resources. At present, the ratio of female employees to employees in general positions is 18% and to employees in technical positions, 4%. ISEKI Group is committed to increase the number of female employees in technical positions in the future and incorporate new ideas from the female point of view into product development as well. In addition, ISEKI Group continues its efforts toward increasing the ratio of female employees in the superintendent class, who are manager candidates.

<Ratio of newly-hired female employees>



<Ratio of female employees by level> (as of December 31, 2017)



### VOICE

#### Voice of a female manager

Rie Kaneda, Head of Secretary's Office, ISEKI & Co., Ltd.

I have worked in domestic sales & marketing departments since joining the company and I have been in the position of the Head of the Secretary's Office since 2014, conducting operations related to schedule management of officers and their activities at external parties, etc.

Understanding and cooperation of our family is indispensable for employees to develop their career. Speaking of my family, I shared the household chores with my husband just from the beginning of

our marriage, and thanks to this and other efforts, I could strike a balance between family life and my work.

For more females to play a role in society even more actively, I believe that it would be important to reexamine the ways males work, too. I am determined to make further advancement in my career as one of the female managers so that I can make the organization an attractive one where everyone can envision their career as "playing an active role as a manager," regardless of gender, and I will pour all my energy into this goal for the future.



### Continuation of recruitment of employees of foreign national

ISEKI Group works to recruit employees of foreign national on a continuous basis, which is indispensable for its global business expansion.

### VOICE

#### Voice of an employee of foreign national

Feilong Yin, Overseas Business Division, ISEKI & Co., Ltd.

I studied about automobiles at university in China and advanced to university in Japan with the hope to deepen my knowledge even further. I joined ISEKI & Co., Ltd. because the company has been expanding its business in China and believed that I could make full use of my abilities.

Since joining the company, I have been engaged in operations related to China in overseas business departments and tackling with various types of operations including making various arrangements in cooperation with technical departments and overseas manufacturing subsidiaries, conducting research on local markets and providing accompaniment service for customers visiting from China.

The Chinese market is growing year after year and my workload is increasing. However, I am trying to strike a balance between my family life and work by proactively participating in not only work, but also child rearing and achieving well-organized style of living

I have a passion for contributing to agriculture around the world by delivering labor-saving products to overseas countries and achieving automation and efficiency improvement in the future. I am diligently working on my day-to-day duties toward the achievement of that goal.



### Promote physically-challenged people employment

ISEKI Group is promoting the recruitment of people with disabilities by providing accommodation that allows for individuals with or without disabilities to demonstrate their abilities.

<Ratio of employees with disabilities>

2014	2015	2016	2017
1.98%	2.08%	1.92%	2.19%

### Prohibition of discriminatory treatment and respect for human rights

It is stipulated in its Code of Ethical Behavior that ISEKI Group requires its employees to "respect fundamental human rights and not engage in any act of discrimination or harassment on the grounds of nationality, race, creed, gender and disabilities," which is distributed to all employees.

In-house training is carried out on a periodic basis where employees are instructed on respect for human rights at all times, the prohibition of any act in defiance of the integrity of other people including harassment and the need for due care of speech and conduct on a daily basis in their day-to-day operations and engagement with society.

## Promotion of work-life balance

### Support for flexible work styles

ISEKI Group supports flexible work styles of employees by setting up various systems accommodating changes in their life stages and the need for support and nursing care. In addition, ISEKI Group works to improve the rate of taking paid leave and childcare and nursing leave, regardless of gender, so that each employee can lead a more fulfilling life by maintaining a work-life balance.

#### Various systems

- (1) Fixed work location recruitment
- (2) Flextime system that allows for setting flexible working hours (Not all departments adopted)
- (3) Implementation of "no overtime" day to reduce overtime work
- (4) Systems for taking leave and selecting shortened working hours for child rearing
- (5) Systems for taking leave and selecting shortened working hours for nursing care

#### Targets promoted until 2020

- (1) An increase in the number of days for which annual paid leave is taken in a planned manner  
**5 days (2017) → 8 days**
- (2) Rate of taking annual paid leave **70%**  
\* For union members

### Initiatives for the Next-Generation Act

ISEKI Group has formulated and implemented action plans based on the Japan's Law on the Promotion of Measures to Support the Development of the Next Generation. In July 2015, ISEKI Group was certified under the special authorization system named "Kurumin" run by the Ministry of Health, Labour and Welfare as a company that promotes childcare assistance.

#### <Details of the action plans>

1. Creation and maintenance of a working environment where work-child care balance can be readily achieved
  - Widely communicating the system for supporting work-child care balance
2. Promotion of active participation by female employees caring for children
  - Participation in seminars and training workshops for career advancement
  - Introduction of systems to provide support after coming back to work, including a mentor system
  - Provision of training targeted at promoting active participation by females as part of training for managers and mid-level employees
3. Reexamination of work styles
4. Carrying out of activities to support child rearing in local communities



## Promotion of health management for employees

ISEKI Group ensures that health checkups and stress checks for employees are implemented. Educational activities are undertaken in such ways as providing mental health seminars and health-promoting walking programs as opportunities to think about health management and mental healthcare for employees including managers.

Holding of a mental health seminar



## Initiatives for thorough management of occupational safety and health

Setting up "a healthy and safe workplace" as the code of conduct, ISEKI Group thoroughly manages occupational safety and health on a group-wide basis.

ISEKI Group carries out safety and health activities in line with the actual situations of each company and office and promotes awareness at sites of manufacturing subsidiaries by implementing safety checks and thereby works to reduce accident risk completely aiming to achieve "zero industrial accidents."

Experiencing near-accidents at the safety training hall



#### <Statistics of industrial accidents: severity rate>

2013	2014	2015	2016	2017
0.028%	0.035%	0.008%	0.000%	1.760%

\* Severity rate: Number of work days lost per 1,000 working hours

\* Scope: ISEKI & Co., Ltd. and its three factories in Japan

\* Period: For 12 months from April to March of the following year for years in or before 2014 and nine months from April to December for 2015 (due to a change in the fiscal year-end) and 12 months from January to December since 2016.

In January 2017, an employee at a manufacturing subsidiary lost his life due to an industrial accident. In response, we carried out a safety audit at each and every workplace within the group and formulated measures to prevent recurrence. We have been pulling together in an effort to prevent accidents from happening ever again and maintain occupational safety.

#### Policies concerning safety

- "Safety takes precedence over everything"**  
**- promoting initiatives to achieve "zero" industrial accidents -**
- Implementation of risk assessment based on risk-prediction activities
    - ▶ Identifying risks and hazards in operations, taking risk reduction measures and thereby preventing accidents from occurring
  - Provision of safety education
    - ▶ Thoroughly entrenching awareness of safety once again through education provided at the safety training hall so as to build a framework that prevents any industrial accidents

## Communication with shareholders and investors

### Enhancement of constructive dialogue

ISEKI Group believes that the understanding of shareholders and investors is indispensable for achieving sustained growth and the improvement of corporate value over the medium to long term. In order to establish a long-term relationship of trust with shareholders and investors, ISEKI Group engages in IR activities focused on constructive dialogue such as explaining the management policy in an easy-to-understand manner.

#### Running of shareholder-focused general shareholders' meetings

ISEKI Group has built an environment where it is made easier for shareholders to attend general shareholders' meetings and runs the meetings in a shareholder-focused manner.

Electronic exercise of voting rights over the Internet is made available with the aim of facilitating voting.

In addition, visualized business reports are prepared for shareholders to deepen the understanding of ISEKI more.

#### Information disclosure in a fair, timely and appropriate manner

ISEKI Group discloses information in a fair, timely and appropriate manner with the aim of improving constructive dialogue.

Insider information-related regulations are formulated for the proper management of such information. The period from the day following the last day of a fiscal year to the day on which earnings reports are made is designated as a quiet period within which dialogue with investors is restricted.

#### Aiming to improve dialogue in IR activities

A department in charge of IR is established to improve IR activities.

Briefing sessions for analysts and institutional investors by officers are held on a quarterly basis.

Individual meetings, conference calls, etc., are also provided mainly by the department. The contents of dialogue are fed back to the company's executives and related departments by way of reporting to meeting bodies, distribution of reports, etc., for the purpose of information sharing.

ISEKI Group works to enhance information disclosed through IR seminars for individual investors and websites with the aim of improving opportunities for dialogue with individual investors.

Tours of the factories and the "Dream Agricultural Research Institute" are provided for deeper understanding of our activities.

## Communication with suppliers

### Fair and equitable trade

The basic rule of ISEKI Group is that "the relationship with suppliers should be fair and equitable and it will not give unfair and disadvantageous treatment to suppliers, abusing its privileged position in the trade." ISEKI Group believes that the building of a supply chain and developing human resources inside and outside the company is indispensable to achieve sustainable growth as a corporation in the rapidly changing business environment. For these reasons, ISEKI Group cooperates with its suppliers so as to tie the relationship to mutual business development.

#### Initiatives for developing human resource development

ISEKI Group provides suppliers with opportunities for training and study sessions at ISEKI's human resource development facilities with the aim of improving their skills, knowledge and capabilities of providing sales and technology services. Various types of ability development programs are undertaken with suppliers by making effective use of the human assets of the group. A training program for nurturing successors of dealerships was provided as part of such training and the 34th-year trainees completed their one-year training in March 2018.

In addition, supplier companies provide ISEKI Group employees involved in purchasing with training on the characteristics and functionalities of products with the aim of raising the level of such employees. Through this and other means, ISEKI Group and suppliers work to educate each other.

#### Initiatives for complying with the Act against Delay in Payment of Subcontract Proceeds, Etc., to Subcontractors

Checks and supervision have been entrenched in each group company, including checks and balances based on systems and monitoring through audits.

Continuous education concerning the Act against Delay in Payment of Subcontract Proceeds, Etc., to Subcontractors is also provided.

#### IR efforts for vendors and other initiatives

IR information meetings are held for vendors of the domestic factories to provide explanations and dialogue with the company's executives on matters such as the status of management and the management policy. ISEKI Group provides company tours for suppliers through which suppliers observe good practices and the latest initiatives, and also works on the implementation of supplier audits and business support to allow ISEKI Group and suppliers to expand and develop business together.

#### Promotion of green procurement

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."



## Communication with local communities

The basic rule of ISEKI Group is “to actively contribute to local communities as a member responsible for society” and “to contribute to local society while affording respect for laws and regulations, practices and culture of the country when doing business overseas.” ISEKI Group works on various initiatives aiming for the development of local communities.

### Communication toward the development of the next generation

ISEKI Group is proactively working on initiatives for developing the next generation for local communities.

As an agricultural machinery manufacturer, ISEKI Group provides opportunities for experiencing and learning the joy and excitement of agriculture and manufacturing by, for example, holding lectures for elementary school students and manufacturing events and displays at food and agricultural events.

FY2017 results		Summary
Holding of lectures	4 times	▶ A dietary education project “ISEKI Sanae Seedling Production” for producing rice
Displaying at food and agricultural events	6 times	▶ Exhibition of agricultural machinery and holding of workshops experiencing vegetable seedling planting, rice milling, etc.
Participation in local events	2 times	▶ Co-sponsoring and booth exhibition in the National Sports Festival & National Sports Festival for People with Disabilities in Ehime Prefecture ▶ Participation in the “Fureai Festival” held by the local residents' association
Cooperation with projects undertaken by educational institutions, etc.	3 times	▶ Acceptance of university students in the “Tour for Female Science Students” ▶ Acceptance of local high-school students and the provision of lectures for them as part of the “Super Global High School” project promoted by the Ministry of Education, Culture, Sports, Science and Technology ▶ Acceptance of local junior-high and high-school students for hands-on learning of employment and occupation
Holding of the Sanae National Children's Drawing Contest	1,383 items	▶ Holding of the 22nd drawing contest with agriculture-related theme
Holding of or participation in manufacturing-related events	2 times	▶ Holding of a manufacturing event for elementary school students during summer vacation ▶ Participation in the Ehime Prefecture Children's Exhibit of Invention and Devices and presentation of the ISEKI Award as a judge



The work that received the Best Award in the 22nd Sanae National Children's Drawing Contest



Exhibition at the “Farmers and Kids Festa”

#### Promotion of dietary education

As a promotional partner of “Food Action Nippon,” which is an approach to raise the food self-sufficiency ratio, ISEKI Group passes down the significance of food production through delivering agricultural machinery. As part of such efforts, ISEKI Group promotes local production for local consumption for its employees, their families and the local community with the aim of promoting “local production for local consumption,” while undertaking educational activities such as dietary education through agriculture and agricultural machinery to increase the food self-sufficiency rate.

#### Activities of FOOD ACTION NIPPON



— Nationwide basic message —

**Wish that the children of the future will never be badly off for food.**

**“Delighted by our customers, we ISEKI carry it over to the unborn generations.”**

### Communication through factory tours

ISEKI Group sends out information on agriculture and agricultural machinery through factory tours to each of the factories in Matsuyama, Kumamoto and Niigata and tours to the exhibition hall “ISEKI Dream Gallery (IDG),” while working to improve dialogue with customers, local community residents and other stakeholders.

Number of visitors in FY2017: **9,455**

Major improvements made based on the requests, opinions, etc., given through visitor questionnaires are as follows:

- ▶ Improvement of the contents of exhibition concerning advanced technologies and vegetable farming-related machinery
- ▶ Installation and improvement of tour facilities (tour pathways, etc.)



## Communication toward the growth and development of local communities

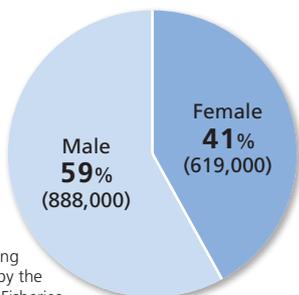
ISEKI Group undertakes various activities as the "Supporter for the farming industries full of dreams" to solve issues faced by local communities for sustainable development.

### Supporting active participation by female farmers with the "YUMEARU NOGYOJOSHI Project"

#### <Social issues>

Female farmers play an important role in agriculture and local activities. Promotion of their even greater active participation is called for.

Core farmers (male/female ratio)



\* Excerpt from the "Statistics concerning Agricultural Work Force" published by the Ministry of Agriculture, Forestry and Fisheries



ISEKI Group has been taking part in the "NOGYOJOSHI Project" promoted by the Ministry of Agriculture, Forestry and Fisheries since November 2013. Out of its hope for even greater active participation by female farmers, ISEKI Group has been holding seminars on how to operate agricultural machinery for them. In addition, ISEKI Group has commercialized agricultural machinery that is "easy to use for everyone," incorporating opinions and requests from female farmers.

Number of female farmers, etc., who participated in ISEKI's projects: **527** (cumulative total since 2013)

Number of agricultural machinery seminars held across Japan: **24** (cumulative total since 2013)

Number of agricultural machinery models developed in collaboration with female farmers: **3** (cumulative total since 2015)



## Environmental preservation activities

ISEKI Group participates in cleaning activities around each factory and in local areas as part of its community-based activities as a corporate citizen.

ISEKI Group also undertakes tree-planting activities in support of the "Promotion Group of Town Development with Forests," which is led by Iyo Bank in Ehime Prefecture.

Number of activities undertaken in FY2017: **9**



## Activities to support recovery efforts following the Kumamoto Earthquake

ISEKI Group has been providing support for recovery efforts following the "2016 Kumamoto Earthquake."

Immediately following the earthquake, ISEKI Group made its grounds available for use as a disaster volunteer center, provided donation and supported farmers who were unable to plant rice in their rice paddies to convert their crops to soybeans. More recently, ISEKI Group supported activities such as removing rocks and stones in the fields in the hope of the earliest possible revitalization of agriculture in Kumamoto prefecture.



## ISEKI Group environmental management

### We strive to contribute to the creation of a sustainable society.

We position environmental preservation as one of the priority issues that enables the creation of a sustainable society and proactively works on environmental management under the concept of "Eco vision."

More specifically, we have introduced an environmental management system (EMS) on a group-wide basis to set specific targets and establish a system for promoting group-wide corporate activities under the management system for all processes ranging from the early stage of product development and production to product distribution and sales and services. It is specified in the mid- and long-term environmental burden reduction targets to achieve a "26% reduction of CO<sub>2</sub> emissions by 2030 (compared with the FY2013 results)" and environmental activities are promoted to that end. In addition, we utilize an "eco-product certification system" to promote the reduction of environmental burden through environmentally-friendly design.

We continue to work on the reduction of environmental burden on a group-wide basis from the both aspects of business activities and products, based on environmental preservation activities and environmental management that are in harmony with nature and society, with the objective of contributing to the creation of a sustainable society.



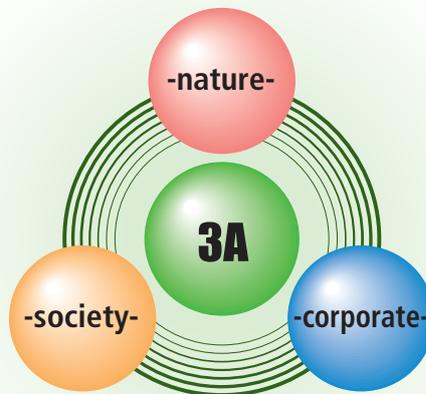
**Seiji Senba,**

Managing Corporate Officer, Deputy Chief  
Operation Officer, Development &  
Production Division, Assigned to  
Environmental Control Section

## Eco Vision

Under environmental management at ISEKI Group, all members of the group participate in environmental preservation activities by following "Environmental Concept," "Basic Environmental Policy" and "Environmental Conduct Guidelines" based on "Eco Vision."

### management on the Axis of Agriculture and Agricultural machine (3A)



#### Environmental Concept (Green Circle)

ISEKI Group is committed to contributing to the creation of a sustainable society under the concept of "management on the Axis of Agriculture and Agricultural machine (3A)" through activities that aim to achieve harmony among nature, society and corporations.

#### Basic Environmental Policy

1. Maintain environmental management system and its functional applications
2. Reducing elements of our business activities and products which may be causing stress on the environment
3. Compliance with environmental laws, regulations, and standards
4. Environmental education and information disclosure

#### Environmental Conduct Guidelines

1. Development activities considering environment  
Recycling and reduction of noise, vibration, fuel consumption, emission gas, and environmental stress substances
2. Environment-friendly manufacturing activities  
Prevention of (air, water, noise, and vibration) pollution, energysaving, resource-saving, and purchasing green
3. Office activities considering environment  
Energy-saving and resource-saving
4. Distribution and logistics considering environment  
Improvement of transportation (packing material, more efficient transportation), disposal
5. Development of biodiversity  
Promotion of tree-planting activities of Iseki Group
6. Environmental education and information disclosure  
Environmental education to be offered to employees, participation in social activities and information disclosure

## System for promoting environmental management

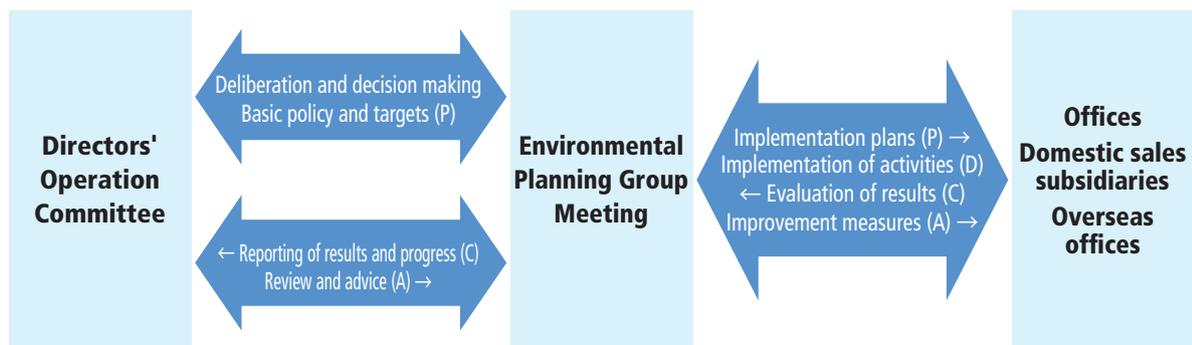
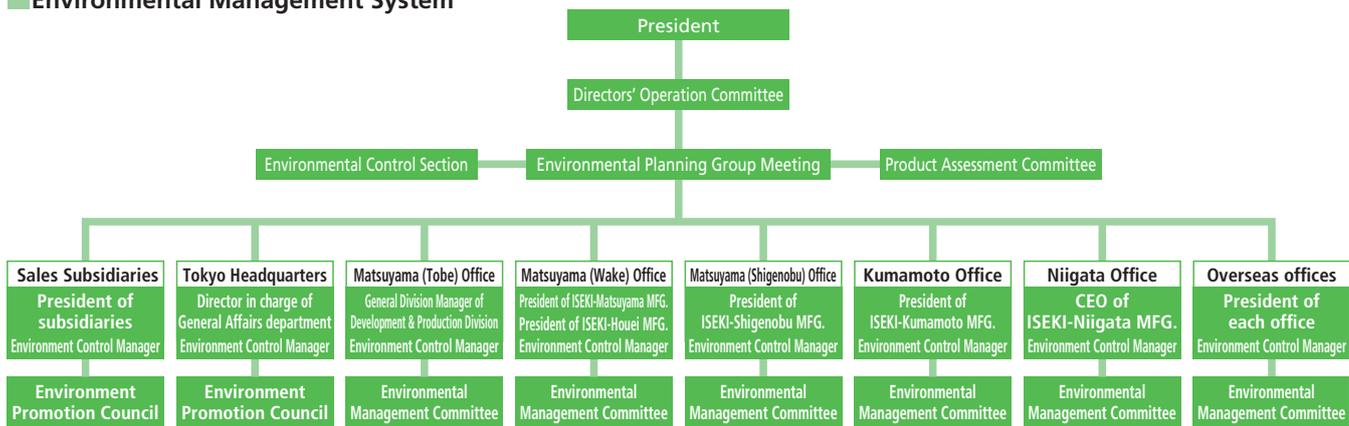
ISEKI Group promotes environmental management on a group-wide basis.

The Directors' Operation Committee chaired by the President deliberates and decides upon action plans and targets based on the Basic Environmental Policy. ISEKI Group works on environmental management centered around a Plan-Do-Check-Action (PDCA) cycle by establishing an intragroup environmental management system with the Environmental Planning Group Meeting serving as the core.

The Environmental Planning Group Meeting implements the environmental targets and action plans deliberated and decided upon by the Directors' Operation Committee across the group and manages the progress thereof. The Meeting summarizes the action plans, targets and results and responses to important environmental issues of each office based on the status of their activities and escalates and reports them to the Directors' Operation Committee. Upon receipt of the review results from the Directors' Operation Committee, the Meeting horizontally implements them to the offices. Chief Managers and Environment Control Managers who promote environmental control activities are put in place in each office to strengthen this system to promote environmental management.

In FY2017, the Environmental Planning Group Meeting held four meetings and made reports/escalations to the Directors' Operation Committee four times.

### Environmental Management System



## Acquisition of environment-related certifications at ISEKI Group

ISEKI Group has acquired EMS certification (ISO14001 and EA21) at manufacturing bases in Japan and overseas and non-production bases including domestic sales subsidiaries, and carries out environmental preservation activities in line with their respective business activities and regional characteristics.



\* ISO14001: An international standard for environmental control stipulated by the International Organization for Standardization

\* EA21 (Eco Action 21): A Japan-specific environmental management system (EMS), which is formulated by the Ministry of the Environment

For more details, please refer to the website.

## Environmental targets and results

ISEKI Group works on environmental management by introducing an environmental management system (EMS) on a group-wide basis and has set new mid-term environmental burden reduction targets for Japan covering 2016 to 2020. The results of environmentally-friendly business activities in FY2017 and the future issues are as indicated below.

### Mid-term environmental burden reduction targets by 2020 and activity results in FY2017

#### Major activity results in FY2017 in promoting the environmental management system

Major activity targets in FY2017	Major activity results in FY2017
Further promotion of the environmental management system	Acquisition of EA21 Certification by Tsukubamirai Office
Improved environmental awareness of employees	Provision of environmental education (twice) and participation in cleaning activities
Prohibition, reduction and restraint of use of toxic substances included in procured parts	Improved green procurement ratio through the promotion of certification acquisition by suppliers and information provision
Development of environmentally-friendly products through implementation of the product assessment system and life-cycle assessment (LCA) evaluation	Addition of four "eco-product" certified models through the promotion of environmentally-friendly design
Development and sales of products in consideration of biodiversity	Full-fledged launch of variable fertilizing rice transplanters with soil sensor
Promotion of environmental burden reduction in production	See below

#### Promotion of environmental burden reduction in production activities

	Mid-term environmental burden reduction targets by 2020		FY2017 targets	FY2017 achievement rate		Rating
To realize a low-carbon emission society	Reduction of CO <sub>2</sub> emission	Reduction of 11% by 2020 Reduction of 1.57% per year	Reduction of at least 6.3%	Per production unit	89%	△
				Emission volume	97%	△
	Reduction of CO <sub>2</sub> emissions during transportation	Reduction of 10.5% by 2020 Reduction of 1.5% per year	Reduction of at least 6%	Per transportation unit (10,000 ton-km)	101%	○
Manufacturing resources	Reduction of total material input	Reduction of 10.5% by 2020 Reduction of 1.5% per year	Reduction of at least 6%	Per production unit	97%	△
				Input	105%	○
To build a recycling-oriented society	Reduction of volume of water used	Reduction of 51% by 2020 Reduction of 7.3% per year	Reduction of at least 29%	Per production unit	114%	○
				Volume of water used	123%	○
	Reduction of final volume of waste	Reduction of 14% by 2020 Reduction of 2% per year	Reduction of at least 8%	Per production unit	130%	○
				Volume of waste	141%	○
Toxic chemical substances	Reduction of used volume of chemical substances subject to PRTR law	Reduction of 19.6% by 2020 Reduction of 2.8% per year	Reduction of at least 11%	Per production unit	144%	○
				Volume of chemical substances used	155%	○

\* Targets and results per production unit with FY2013 used as reference

\* Targets and results per transportation unit (10,000 ton-km) for the reduction of energy-generated CO<sub>2</sub> emissions during transportation

\* Scope: Three factories in Japan (ISEKI-Matsuyama MFG. Co., Ltd., ISEKI-Kumamoto MFG. Co., Ltd. and ISEKI-Niigata MFG. Co., Ltd.)

### Priority issues and targets for the future

- ▶ Raising the level of environmental burden reduction activities at domestic sales subsidiaries and overseas offices
- ▶ Further promotion of green procurement in collaboration with suppliers and initiatives for CSR procurement
- ▶ Provision of safe and secure products, product quality assurance and further promotion of environment-conscious designing

FY2030

CO<sub>2</sub> emission volume: Reduction of **26%**  
(compared with FY2013)

FY2020

Ratio of eco-products: **30%**  
(sales ratio in Japan)

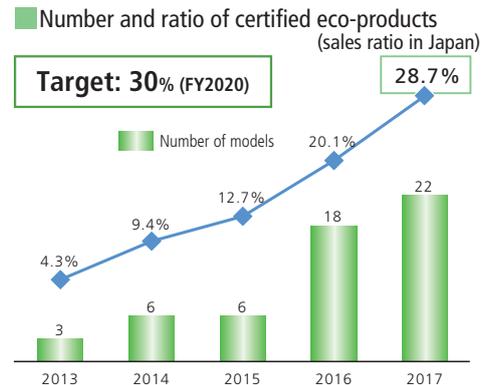
\* ISEKI-Houei MFG. Co., Ltd. merged with ISEKI-Matsuyama MFG. Co., Ltd. in January 2018.

# Initiatives for environmentally-friendly design

## Eco-product certification system

ISEKI Group promotes environmentally-friendly design by implementing product assessment including life-cycle assessment with the aim of reducing the environmental burden in each of the stages of manufacture, use by customers and disposal in the entire product development process.

The "eco-product certification system" is a program under which environmental labels are granted only to the products that meet the ISEKI-original evaluation criteria. Information on the certified products is delivered to customers through catalogs and websites in an easy-to-understand manner. ISEKI Group is committed to continuing the provision of environmentally-friendly products.



### Eco-products certified in FY2017 and thereafter

As of April 2018

Certified product	Certification rank	Key point for certification			FY of certification
		Energy-saving and laborsaving	Reduction of environment-burdening substances	Resource-saving	
System rice cookers	AR3 series	Eco-product	Reduced time for rinsing rice	Water-saving	2017
Tractors	BIG-T7700 series		Improved fuel efficiency	Engine compliant with the Act on Regulation, Etc., of Emissions from Non-road Special Motor Vehicles of 2014 is mounted	
	TJX series			Engine compliant with the Act on Regulation, Etc., of Emissions from Non-road Special Motor Vehicles of 2014 is mounted	
	RTS series			Reduced manufacturing time thanks to the reduction of the number of parts	
Variable fertilizing rice transplanters with soil sensor	NP80 with straight-travel assist	Super-eco-product	Laborsaving Reduced plant lodging	Reduced fertilizer loss	2018
Rice transplanters	NP80 with straight-travel assist	Eco-product	Laborsaving		
Combine harvesters	HJ6115, HJ5101			Engine compliant with the Act on Regulation, Etc., of Emissions from Non-road Special Motor Vehicles of 2014 is mounted	

### Examples of certified products

#### OPERESTA NP80D, variable fertilizing rice transplanters with soil sensor with straight-travel assisting system



This rice transplanter, certified as a super-eco-product, is a "variable fertilizing rice transplanter" that enables laborsaving and lower cost by reducing plant lodging and the amount of fertilizer through its optimal application, having the additional "straight-travel assisting function" that enables easy and straight-line planting for anyone.

The automated straight-travel operations enable the mitigation of operator fatigue and improvement in operational efficiency. In addition, no adjustment in the amount of water in rice paddies is required even if the markings are not visible due to water at the time of rice planting, which contributes to water-saving and the preservation of quality for agricultural water.

Certification as super-eco-product

#### Energy-saving and laborsaving

- ▶ Laborsaving
- ▶ Speedy straight-travel operations
- ▶ Mitigation of operator fatigue
- ▶ Improvement in operational efficiency thanks to reduced plant lodging<sup>(\*)</sup>
- ▶ Control and mowing operations after rice planting are made easy

#### Resource-saving

- ▶ Reduction of fertilizer loss<sup>(\*)</sup>
- ▶ Saving and preservation of agricultural water

#### Reduction of environmental burden

- ▶ Reduction of water and soil pollution<sup>(\*)</sup>



\* 1: Effect of variable fertilizing using soil sensor

# Reduction of environmental burden in production

The environmental burden reduction results in FY2017 and the trend in recent years in production at three domestic factories and three overseas factories are as indicated below.

## Creation of a low-carbon society

### Reduction of CO<sub>2</sub> emissions

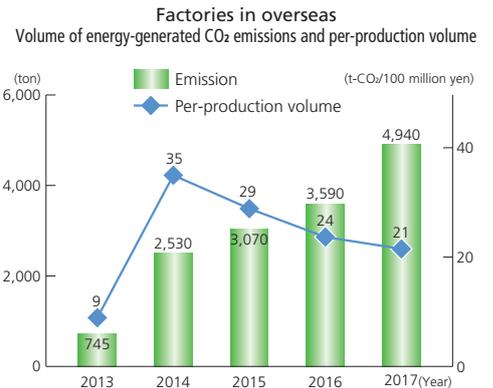
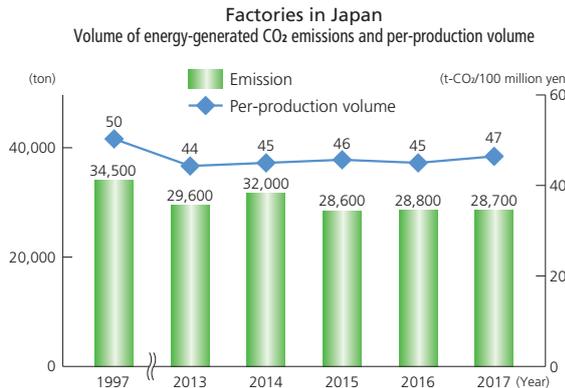
#### In Japan

The target was not achieved as the electricity consumption in processing increased due to an increase in the rate of production of parts, etc., although the emission volume is slightly lower than the previous year. ISEKI Group continues with improvement activities at sites toward the achievement of the target.

#### Overseas

The CO<sub>2</sub> emission volume increased following the expansion of the production scale at Dongfeng ISEKI Agricultural Machinery Co., Ltd. (Xiangyang Factory) and PT. ISEKI INDONESIA, while the ratio to the production volume decreased thanks to the full-fledged operation of the production lines.

**Factories in Japan**  
 <Emission volume>  
 FY2017 target:  
 27,700 tons  
 Achievement rate: 97%  
 <Per-production volume>  
 FY2017 target:  
 42 t-CO<sub>2</sub>/100 million yen  
 Achievement rate: 89%



Note: In order to assess the trend of reduction in Japan since before, the electricity emission factor 0.378 kg-CO<sub>2</sub>/kWh is used for the calculation.

### Reduction of CO<sub>2</sub> emissions in product distribution

The target in terms of the ratio to cargo transportation volume was achieved. The modal shift rate of at least 50% was maintained for three consecutive years. ISEKI Group works to reduce CO<sub>2</sub> emission volume and improve the modal shift rate by further promoting the improvement of loading efficiency.

	2013	2014	2015	2016	2017		
					Target	Result	Achievement rate
Cargo transportation volume (10,000 ton-km)	3,180	2,900	2,800	2,710	—	2,520	—
CO <sub>2</sub> emission volume (t-CO <sub>2</sub> )	4,340	4,150	3,660	3,400	—	3,200	—
Ratio to cargo transportation volume (t-CO <sub>2</sub> /10,000 ton-km)	1.37	1.43	1.31	1.25	1.28	1.27	101%
Modal shift rate	47%	38%	52%	54%	—	53%	—

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

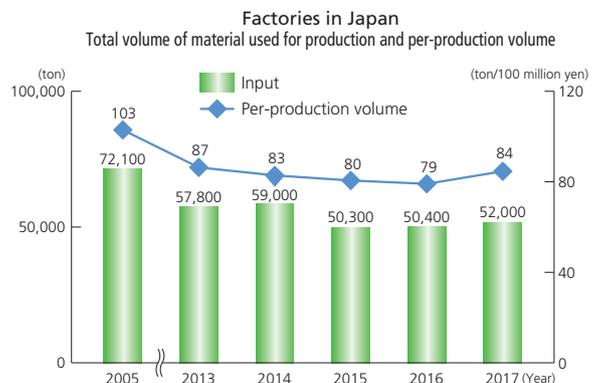
## Reduction of manufacturing resources

### Reduction of total material input

Although the input target was achieved, the target in terms of the per-production volume was not achieved as the material input increased due to an increase in the rate of production of parts, etc. Going forward, ISEKI Group will promote improvement activities, as well as reduction activities, to achieve the target in terms of per-production volume.

#### Factories in Japan

<Input>  
 FY2017 target:  
 54,300 tons  
 Achievement rate: 105%  
 <Per-production volume>  
 FY2017 target:  
 82 t/100 million yen  
 Achievement rate: 97%



\* The results for years in and after 2013, the reference year, are calculated for the period from January to December due to a change in the fiscal year-end in 2015. Accordingly, they do not match the data in the reports issued in the past.

\* Scope: Factories in Japan (ISEKI-Matsuyama MFG. Co., Ltd., ISEKI-Kumamoto MFG. Co., Ltd. and ISEKI-Niigata MFG. Co., Ltd.), overseas factories (Dongfeng ISEKI Agricultural Machinery Co., Ltd. (Xiangyang Factory and Changzhou Factory) and PT. ISEKI INDONESIA

\* ISEKI-Houei MFG. Co., Ltd. merged with ISEKI-Matsuyama MFG. Co., Ltd. in January 2018.

## Development of recycling-oriented society

### Reduction of volume of water used

#### In Japan

The targets for both the volume of water used and the per-production volume were achieved. ISEKI Group will promote further reduction activities at sites.

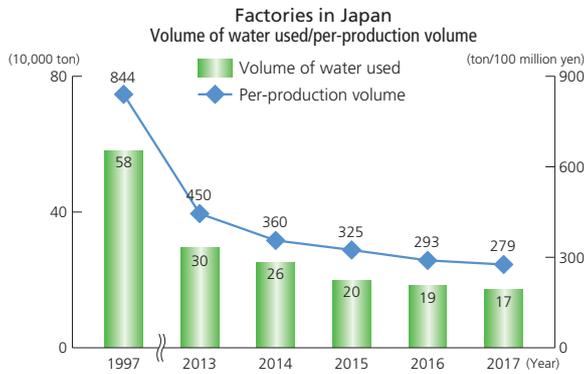
#### Overseas

The volume of water used increased following increases in the production lines and offices; however, the per-production volume decreased. ISEKI Group implements initiatives in Japan at overseas factories as well and works to achieve a reduction of the volume of water used.

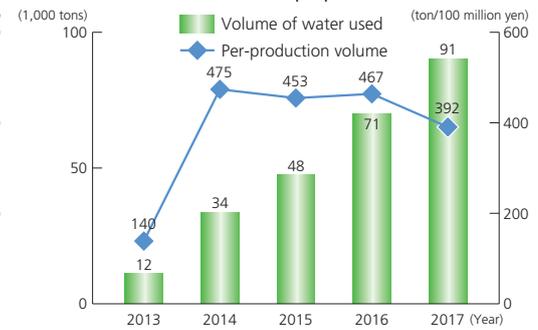
#### Factories in Japan

<Volume of water used>  
FY2017 target:  
210,000 tons  
Achievement rate: 123%

<Per-production volume>  
FY2017 target:  
319 t/100 million yen  
Achievement rate: 114%



#### Factories in overseas



### Reduction of final volume of waste

#### In Japan

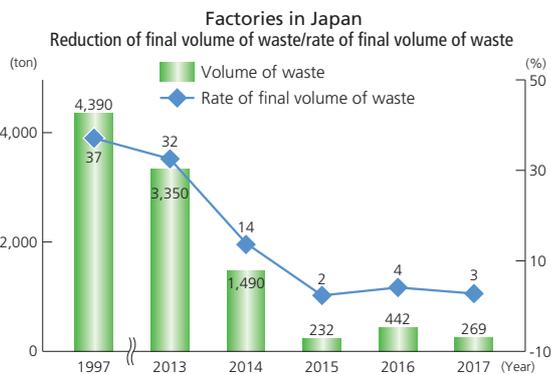
The target for the volume of waste was achieved as the rate of final volume of waste declined. ISEKI Group will work to reduce the volume further and improve the recycling rate.

#### Overseas

The rate of final volume of waste declined following the commencement of full-fledged production. ISEKI Group will work to promote recycling and reduce the volume by further implementing management on a continuous basis.

#### Factories in Japan

<Volume of waste>  
FY2017 target:  
378 tons  
Achievement rate: 141%



#### Factories in overseas



## Reduction of volume of toxic chemical substances used

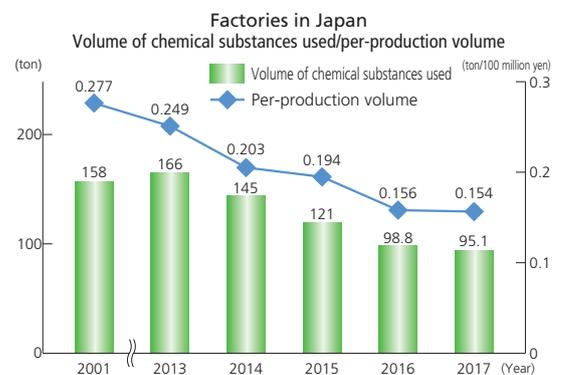
### Reduction of volume of chemical substances used

The reduction targets for both the volume of chemical substances used and the per-production volume were achieved. ISEKI Group takes measures such as review on the paint solvents used in all the factories to further promote improvement activities.

#### Factories in Japan

<Volume of chemical substances used>  
FY2017 target:  
148 tons  
Achievement rate: 155%

<Per-production volume>  
FY2017 target:  
0.222 t/100 million yen  
Achievement rate: 144%



\* The results for years in and after 2013, the reference year, are calculated for the period from January to December due to a change in the fiscal year-end in 2015. Accordingly, they do not match the data in the reports issued in the past.

\* Scope: Factories in Japan (ISEKI-Matsuyama MFG. Co., Ltd., ISEKI-Kumamoto MFG. Co., Ltd. and ISEKI-Niigata MFG. Co., Ltd.), overseas factories (Dongfeng ISEKI Agricultural Machinery Co., Ltd. (Xiangyang Factory and Changzhou Factory) and PT. ISEKI INDONESIA

\* ISEKI-Houei MFG. Co., Ltd. merged with ISEKI-Matsuyama MFG. Co., Ltd. in January 2018.

## Preservation of biodiversity

Benefited from the blessings of nature that biodiversity produces, ISEKI Group has formulated the Biodiversity Guidelines recognizing its initiatives for the preservation of biodiversity as a priority issue of its environmental management. In cooperation with various stakeholders, ISEKI Group will promote biodiversity-friendly business activities, work on the preservation of biodiversity and thereby contribute to the realization of coexistence with nature and sustainable society.

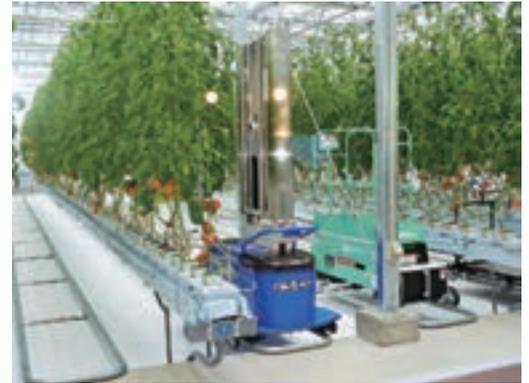
### Initiatives for the preservation of biodiversity

#### Proposing biodiversity-friendly agriculture (solar powered plant factories)

In 1987, ISEKI was quick to introduce Dutch “solar powered plant factories (Venlo glass greenhouses)” in Japan and it has built many plant factories ever since.

ISEKI proposes biodiversity-friendly agriculture including the complex environmental control system “MINORI +,” a “plant growth diagnosis device” that allows for measurement of the photonic synthesis capacity of plants without destruction/contact, a nutrient solution circulation system that would enable the reduction of environmental burden and pollination by native species “black bumblebees.”

In addition, the ISEKI High-tech Greenhouse utilizing advanced technologies exhibits major agricultural models for customers who are examining possibilities of research and development and human resource development concerning plant factories and entrance into agriculture as a corporation.



#### Support for revitalization of deserted farmland

An increase in deserted farmland may lead to not only a decline in several functionalities of agriculture including land conservation and water source recharge, but also the onset of insect pests and bird or animal damage and interference with the use and consolidation of farmland. Local communities and corporations are working to prevent the occurrence and elimination of such deserted farmland.

ISEKI Group is working together with local communities and corporations to restore deserted farmland and support cultivation after restoration as the “Supporter of dreamful agriculture.”

The photo on the right shows deserted farmland in Kyushu (Fukuoka) where weeding and other work was performed and which is currently used as an open-field for vegetables. ISEKI and ISEKI Kyushu Co., Ltd. provide support from both hard and soft aspects including the utilization of agricultural machinery and cultivation expertise.



## Evaluation by third parties

### DBJ Environmental Rating – highest rating 12 times in a row –

In March 2018, ISEKI received the highest rating as one of the “Companies doing environment-friendly business activities progressively,” 12 times in a row, by the Development Bank of Japan Inc., in receiving loans under the DBJ Environmentally Rated Loan Program.

#### <Points that are highly evaluated in the rating for this year>

- 1) That ISEKI positions CSR initiatives in its core operations
- 2) That ISEKI contributes to laborsaving and improved productivity in agriculture
- 3) That ISEKI proactively develops and markets biodiversity-friendly products, etc.



## Third-party comments

ISEKI humbly received comments on its initiatives from experts.



**Professor Tetsuo Morimoto,**  
Community Collaboration Center Saijo, Social  
Cooperation Promotion Mechanism, Ehime University

The environmental report for this fiscal year is quite organized and rich in content, covering almost all environmental activities that should be addressed by an agricultural machinery manufacturer.

Specifically, ISEKI announced a concept of environmental management that proactively incorporates environmental issues into the management strategies and promotes environmental preservation activities participated in by all members of the group, under which agriculture and the production of agricultural machinery are in harmony with nature and society, clearly demonstrating ISEKI's commitment to tying such activities to the sustainable growth of the company.

In its environmental policy, ISEKI positions environmental issues as one of the management issues of the highest priority and will work to build a recycling-oriented manufacturing system under which the environmental burden is reduced, harmonious coexistence with nature and society is achieved and the company develops sustainably toward the future. Setting such a policy is critically important for a manufacturer in terms of corporate ethics.

ISEKI's environmental control system is comprised of the President placed at the top, the Directors' Operation Committee, the Environmental Planning Group Meeting under the Committee and the Environment Promotion Council of each office. ISEKI makes the commitment that these bodies will work together in working on environmental issues in a united fashion. The Directors' Operation Committee at the highest level deliberates and decides upon environmental targets and action plans, while the Environmental Planning Group Meeting promotes the attainment of targets by each office based on these targets and plans, evaluates the activity results of various locations, considers responsive measures to be taken and returns the results back to the Directors' Operation Committee. ISEKI clearly states this system for environmental control initiatives with the PDCA cycle, allowing us to learn about the proactive stance taken by the company.

The company sets environmental burden reduction targets to be achieved by 2020, and partly by 2030, with 2013 used as reference. Although it is desirable to attain 100% or more achievement rates in all items in the future, the achievement rates for each item other than CO<sub>2</sub> emission volume are excellent and therefore I believe that the company's initiatives for reducing the environmental burden are generally sufficient. In addition, ISEKI develops biodiversity-friendly plant factories and human resources for those factories, while proactively participating in educational and various other activities related to biodiversity.

Although the initiatives, etc., described herein may seem a little low profile and less attention grabbing, this environmental report conveys ISEKI's ardent ambitions to resolve environmental issues and the steady progress the company is making. Items in this report are properly assessed based on data and simply described. Accordingly, I find this report very fine in general.

This CSR Report 2018 is composed with an emphasis on not only contribution to "the creation of a prosperous and sustainable society" that ISEKI has been pursuing for some time, but also the simultaneous achievement of the resolution of social issues through business and the improvement of corporate value.

Firstly, in the Message from the President section at the top of this report, the "activities to meet the demands of society" that echo the management philosophy of "contributing to agriculture both in Japan and throughout the world" that has been passed down since the founding of the company are discussed in relation to the current Mid-term Management Plan. We can also see that ISEKI has launched an approach to promote CSR activities together with its core business under the leadership of the company's executives as exemplified by the participation of the Directors' Operation Committee members in the "Corporate Social Responsibility Committee." In addition, a holistic view of the value that ISEKI desires to achieve by utilizing the "strengths that support ISEKI" is presented in the early part of this report, with the needs and issues of society as the starting point. By doing so, this report provides an easy-to-understand introduction to understand the value creation story that ISEKI is pursuing.

Furthermore, social issues that need to be resolved are presented at the top of each of the parts "Development and production," "Domestic business" and "Overseas business" in the Business development sections, together with the latest topics related to ISEKI's business strategies and specific initiatives. This structure makes the activity reports supporting the stories presented in the early part persuasive for readers. In each part of Governance, Society and the Environment, while we are generally prompted to refer to the website for detailed data, the representative key performance indicator (KPI) targets and results are included in the report. Such a prioritized editorial structure based in part on the recent trend for environmental, social and governance (ESG) information disclosure gives us the impression that this report is improved compared with the previous ones.

I believe that most of the social issues in the agricultural field that ISEKI is facing require a long time to resolve. Going forward, I hope that reports will be made in a way that more specific explanations will be provided on the progress of the processes wherein the resolution of social issues and the improvement of corporate value are simultaneously achieved, while utilizing ISEKI's characteristics and strengths including the setting of KPIs that are linked with product and service development over the long term and other outcomes to be attained.



**Masato Tahara,**  
General Manager of the Sustainability Planning &  
Support Department, Development Bank of Japan Inc.

### <Reply to third-party comments>



**Seiji Senba,**  
Managing Corporate Officer, Deputy Chief  
Operation Officer, Development &  
Production Division,  
Assigned to Environmental Control Section

I would like to express my deepest appreciation to Professor Tetsuo Morimoto for making the valuable comments on our environmental management from the previous year. Ehime University has been providing us with exceptional cooperation in terms of joint research and development. I appreciate that Professor Morimoto regarded our environmental preservation activities as being undertaken steadily and diligently. In recent years, awareness has taken root in us in which people realize environmental preservation activities and activities tied to the development and growth of agriculture through agricultural machinery are related to the protection of the security and safety of food and ultimately lead

to the creation of the sustainable growth of society. We are committed to continuing with steady and diligent efforts using the PDCA cycle aiming to achieve the environmental burden reduction targets. I sincerely hope for and look forward to the continued guidance and support of Professor Morimoto.

This is the third "CSR Report" that we issue on a yearly basis. Following the previous year, we asked Mr. Masato Tahara of the Development Bank of Japan Inc. to provide us with comments on sections other than the Environment from the perspective of a third party. I wish to extend my sincere gratitude for the valuable comments Mr. Tahara gave us once again on the CSR activities that ISEKI Group has just started.

I believe that the passion of the founder who said "I want to free farmers from exhausting labor" is precisely the origin of ISEKI Group's CSR. Taking the comments into our heart but without overreaching ourselves, we intend to firmly entrench the CSR activities that draw on our characteristics originated from the passion of the founder in the group, one step at a time. We will strive to achieve the resolution of social issues and the improvement of corporate value simultaneously.



**Shirou Tomiyasu,**  
Director & Executive Vice  
President

Achieving Harmony between Human Beings and the Earth



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Issued in July 2018



As a promotional partner, ISEKI Group passes down the significance of food production through delivering agricultural machinery.



ISEKI Group supports the nationwide action "COOL CHOICE" for global warming countermeasures.



Let's keep up with Green Purchasing.