Environmental Report
by ISEKI & CO., LTD.
Achieving harmony between human beings and the earth

We aim to "live peacefully with a stable natural environment" although things are dramatically changing in this age.

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Recent increase in the average global temperature have triggered many environmental issues such as desertification, glacier reduction, and raising the sea levels. It seems to me that we see more news than before about weather issues such as abnormal drought and water floods caused by concentrated heavy rain in Japan. Last year, we were attacked by more typhoons than usual, and it is difficult to think that all these phenomena happened with no relation to global warming. Whatever the case may be, it is very clear that the battle between nature and civilization becomes more acute year by year.

I would like to emphasize that our corporate basis, Agriculture, is the most environment-friendly industry with blessed sun, water, and four definite seasons. It is our corporate mission to esteem nature highly, to support the agricultural industry, and to play a part in the world food security.

We, Iseki, since its foundation about 80 years ago, walked side by side with farmers by providing them with agricultural machinery.

At the same time, Iseki has strived to fulfill our corporate governance so as to establish fruitful relationships with our stockholders, customers, and stakeholders. We believe that it is our highest priority management task to disclose information, to be concerned about global environmental preservation, and to recognize that the acknowledgement of such issues is the obligation of companies like us, while strictly complying with legal requirements.

We would like to further reduce stress on the environment at each stage, such as the product use and materials and parts procurement, through further streamlining of agri-business, improvement of productivity by reducing stressful work, and aiming to provide further environment-friendly products.

At the same time, we are making efforts toward the establishment of “Prosperous community, constantly growing in affluence” through stress reduction activities, such as energy-saving and resource-saving, in all areas of our business, such as development, manufacturing, and sales.

Starting in 2005, we have reviewed the constitution of our environment committee and decided to include all of our directors as members of the committee so as to accelerate the decision making for environment issues and to clarify management accountability.

In order to strengthen our group-wide approach to environmental preservation, we have broadened the areas to which we applied our policy of environment preservation and we plan to accelerate the introduction of environmental management in each organizational level.

I commit to exercise my social responsibility as a leader of Iseki Group by being most friendly to the environment during our development, manufacturing, sales and servicing activities.

Now, I am delighted to report to you about our approaches to environmental preservation in 2004, and I would like to ask for your further cooperation with, and consideration of, Iseki now and in the future.
Outline of our business

Company profile

ISEKI & CO., LTD.

Head quarters
700 Umaki-cho, Matsuyama-shi, Ehime prefecture
Phone: +81-89-978-6111 Fax: +81-89-978-6440

Main office
5-3-14 Nishi-Nippori, Arakawa-ku, Tokyo
Phone: +81-3-5604-7602 Fax: +81-3-5604-7701

Foundation
August, 1926

Capital
JPY 22,534,250,000 (as of March 31, 2005)

Employees
Consolidated: 6,665 Individual: 716 (as of March 31, 2005)

Business
Manufacturing and sales of following products as our major business.
- Cultivating machinery: tractor, cultivator, tiller, garden equipment
- Plating machinery: rice transplanter, vegetable transplanter
- Harvesting machinery: combine harvester, binder, harvester
- Processing machinery: rice huller, dryer, rice milling machine, weighing and grading machine, vegetable harvest conditioning machine
- Others: implements, spare parts, agricultural facilities

Achievement trends

Sales composition by product category as of March, 2005 at the of fiscal year

Financial statements

(As of March 31, 2004)
(From April 1, 2004 to March 31, 2005)

Summary of consolidated balance sheet

Consolidated statement of income

Account
Amount (in mil. JPY)
Amount (in mil. JPY)

Cash and time deposits
8,202
Notes and accounts payable
44,493

Notes and accounts receivable
37,015
Short-term borrowings
27,697

Inventories
38,909
Long-term debt
33,180

Others
5,494
Others
26,041

Total liabilities
131,412
Minority interests in consolidated subsidiaries
1,502

Current assets
89,621
Net income
49,268

Tangible fixed assets
79,371
Common stock
22,534

Intangible fixed assets
1,102
Capital surplus
11,664

Investments and other assets
12,087
Retained earnings
4,372

Total assets
162,182
Total liabilities, minority interests and shareholders’ equity
49,268

Net sales
157,462

Cost of sales
106,554

Gross profit
50,907

Selling, general and administrative expenses
13,180

Operating income
26,041

Non-operating income
1,956

Net income
49,268

Income before income taxes and minority interests
4,372

Income taxes
1,956

Minority interests in consolidated subsidiaries
1,378

Extraordinary gains
841

Extraordinary losses
1,069

Income before income taxes and minority interests
3,632

Income taxes
2,224

Minority interests in consolidated subsidiaries
28

Net income
1,940

Note: The amount shown is the number after rounding the fractional part.
〈Major products〉

**Tractor**

**Rice transplanter**

**Combine harvester**

**Machines for exports**

**Line-up of other products**

- Tractor
- Combine harvester
- Rice transplanter
- Garden equipment for exports
- Tractor for exports
- Tiller
- Vegetable transplanter
- Binder
- Harvester
- Dryer
- Rice huller
- Weighing and separating machine
- Coin-operated rice milling machine
- Nutrient solution cultivation facility
Iseki has determined the direction which can be the base of our “Eco vision: Green Cycle”, and the words, “Environmental concept”, “Basic environmental policy”, and “Environmental conduct guidelines”, best explain our principles.

[Green circle]

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

Iseki has walked together with Agriculture since its establishment. Based on our managerial creed, “Management on the Axis of Agriculture and Agricultural machines”, we promote environmental preservation activities with harmony between nature and society.

[Environmental concept]

“Agriculture and Agricultural machines” are the axes of management and we contribute to the formation of a continuously growing society through activities for harmonizing nature, society, and business entities.

[Environmental conduct guidelines]

1. Development activities considering environment
   Recycling and reduction of noise, vibration, fuel consumption, emission gas, and environmental stress substances
2. Manufacturing activities considering environment
   Prevention of (air, water, noise, and vibration) pollution, energy-saving, resource-saving, and purchasing green
3. Office activities considering environment
   Energy-saving and resource-saving
4. Distribution and logistics considering environment
   Improvement of transportation system (packaging materials, efficient transportation), disposition of industrial wastes
5. Environmental education and information disclosure
   Environmental education to be offered to employees, participation in social activities, and information disclosure
We deploy our approaches to environment within all of our group companies.

**Promotional framework**
Iseki group, including manufacturing plants and market company, promotes the group-wide approaches on environment preservation.

**Environmental Planning Group Meeting**
The Environmental Planning Group Meeting determines detailed environmental approaches to be performed by the group member companies in each district and presents such approaches to the environment committee while deploying the environment targets and action plans in each district and following up the progress of such plans. At the same time, the council organizes the environment management office which is operated by environmental office staff and the product assessment workshop consisting of specialists who design products suitable for environmental preservation.

**Environment committee**
The environment committee chaired by our CEO deliberates and determines Iseki's basic policies on the environment. The committee also deliberates and determines the control targets, action plans, and priority environment tasks which are presented by the Environmental Planning Group Meeting.

**Environment management system employed in each district**
We have appointed chief executives and environment managers, who are responsible for environment management activities, determination of policies, and deployment of action plans, in each location such as Tokyo, Matsuyama (Tobe), Matsuyama (Wake), Kumamoto, and Niigata. Since the beginning of 2005, we have maintained systems at each market company in order to enhance group activities.

[Environment management organization]
Iseki group aims to define and achieve our environment target and object by 2010. Hereby, we report on the results of our major activities in 2004.

### Mid term and long term environmental targets and results of the year 2004

#### Environmental management

<table>
<thead>
<tr>
<th>Item</th>
<th>Mid and long term environment target</th>
<th>Accomplishments in 2004</th>
<th>Evaluation</th>
<th>Pages</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>&lt;hr&gt;</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• The volume of emission increased by 2% when compared with the previous year as we reduced the price of machine.</td>
<td>x</td>
<td>11</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• A subsidiary, which was not precluded at the beginning, was included, therefore, the volume of discharge per production volume increased by 12% from that of previous year.</td>
<td>x</td>
<td>11</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• The final waste volume of this year is 22% less than that of the last year as we strictly sorted wastes.</td>
<td>△</td>
<td>12</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Started the recycling of cast sand.</td>
<td>△</td>
<td>13</td>
</tr>
</tbody>
</table>

#### Eco Society

<table>
<thead>
<tr>
<th>Item</th>
<th>Mid and long term environment target</th>
<th>Accomplishments in 2004</th>
<th>Evaluation</th>
<th>Pages</th>
</tr>
</thead>
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<tr>
<td></td>
<td></td>
<td></td>
<td>&lt;hr&gt;</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Worked on LCA with which impacts to environment can be assessed comprehensively in the stages of material, part, manufacturing, use, and scrapping. Reduced stress on environment and the number of wires used totally during the lifecycle of a product by improving efficiency and reducing weight of products.</td>
<td>○</td>
<td>13-15</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Accelerated the development of an environment-conscious diesel engine to reduce air pollutant diesel emission. Our engines are emission gas certified by various countries in the world, as well as Japanese emission gas standard for special-purpose vehicles commenced in 2003.</td>
<td>○</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Green purchasing was implemented at each division until 2004, but in 2004, the company-wide green purchasing campaign started. The ratio of office supply green purchasing is approximately 70%.</td>
<td>○</td>
<td>16</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Jointly developed a rice transplanter with a self-supporting relinear propagation function together with BRAIN (Bio-oriented Technology Research Advancement Institution) and affiliated companies. It is expected that the use of diversion water at the time of rice planting can be reduced by skipping the drainage of ponded water.</td>
<td>○</td>
<td>16</td>
</tr>
</tbody>
</table>

#### Eco products

<table>
<thead>
<tr>
<th>Item</th>
<th>Mid and long term environment target</th>
<th>Accomplishments in 2004</th>
<th>Evaluation</th>
<th>Pages</th>
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<td></td>
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<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Provided information on the tractor production processes to Shikoku Business and Industry Bureau so as to be exhibited in their web site, “Manufacturing expedition team”, and to support the education of elementary school pupils for manufacturing.</td>
<td>○</td>
<td>8</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• There was an instruction by the auditors to improve 1 item during the periodic auditing for ISO14001 renewal. We tried to improve the situation by establishing tighter self-auditing criteria and severe control. Shigenobu plant of Iseki-Houei MFG. Co., Ltd. was EA21 certified for the first time. We will implement the activities for this certification throughout the group.</td>
<td>○</td>
<td>8</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• The new environmental accounting was introduced at Iseki-Matsuyama MFG. Co., Ltd. and Iseki-Kumamoto MFG. Co., Ltd. Introduction at other divisions and enhancement of contents are our future tasks.</td>
<td>△</td>
<td>9-10</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• The legal measurement requirements are all cleared. The dioxin density shall be further lowered by strictly checking and separating articles to be incinerated. Emergency training will take place periodically so as to respond to any emergency cases in each division appropriately.</td>
<td>○</td>
<td></td>
</tr>
</tbody>
</table>

#### Promotion of environment preservation products

<table>
<thead>
<tr>
<th>Item</th>
<th>Mid and long term environment target</th>
<th>Accomplishments in 2004</th>
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<td>&lt;hr&gt;</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Accepted wide variety of guests at each division from elementary school students to people from foreign countries.</td>
<td>○</td>
<td>17</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Promoted environmental volunteer activities such as the “Cleanup activity” at each division.</td>
<td>○</td>
<td>18</td>
</tr>
</tbody>
</table>

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Environmental Report 2005
by ISEKI & CO., LTD.
Iseki group has established an environment management system in accordance with the global standard, ISO14001 for our constant and continuous environment preservation activities. Each ISO14001 certified district conducts the activities suitable for their own businesses and community. Utilizing the basic process of environment preservation activities, “Plan → Do → Check → Action”, based on ISO14001, we will create an upward spiral to form an environment-friendly entity.

In additional to the certification of ISO14001 (Environment Management System), Iseki’s business offices were certified EA-21, Environment Activity Evaluation Program for medium and small companies under the direction of the Ministry of the Environment. We will try to implement this within our group companies in the future.

In order to make an assessment that the environmental management system functions appropriately and the approaches to environment preservation are optimally carried out, we collect necessary information and data for the environmental auditing. In 2004, we were given several improvement recommendations and suggestions by the auditors, and all of the issues were already corrected according to their advice and suggestions.

We have carried out environmental accounting at both Matsuyama and Kumamoto MFG. Co., Ltd. since 2004 in accordance with the environmental accounting guideline made available to the public by the Ministry of the Environment. The total investment provided for the environmental preservation was 46,000,000 JPY (47% of the amount was for purchasing energy-saving equipment) and the cost was 144,000,000 JPY (95% of the cost was for environmental management). The breakdown of the total investment was: pollution prevention cost (20%), environmental preservation cost (54%), and resource environment cost (26%). Approximately 80% of the total cost was spent for environmental management and the resource recycling mainly for casting sand scrapping.

<table>
<thead>
<tr>
<th>Categories</th>
<th>Major programs</th>
<th>Amount of cost (in 1,000 JPY)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Cost spent in the business area</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(2) Pollution prevention cost</td>
<td>Sewage treatment</td>
<td>45,821</td>
</tr>
<tr>
<td>(3) Environment preservation cost</td>
<td>Installation of invertors</td>
<td>24,445</td>
</tr>
<tr>
<td>(4) Resource recycling cost</td>
<td>Recycling of casting sand</td>
<td>53,883</td>
</tr>
<tr>
<td>(5) Cost required at previous and later stages</td>
<td>Use of steel packing frames</td>
<td>3,922</td>
</tr>
<tr>
<td>(6) Control activity cost</td>
<td>Maintenance of EMS</td>
<td>56,646</td>
</tr>
<tr>
<td>(7) Research and development cost</td>
<td></td>
<td>0</td>
</tr>
<tr>
<td>(8) Community activity cost</td>
<td>Cleaning factory neighborhoods</td>
<td>4,074</td>
</tr>
<tr>
<td>(9) Environment recovery cost</td>
<td></td>
<td>0</td>
</tr>
</tbody>
</table>

Environmental preservation cost: 45,821,000 JPY

Environmental accounting

<table>
<thead>
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<th>Business office</th>
<th>Major businesses</th>
<th>Registration number</th>
<th>Date of certification</th>
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<tbody>
<tr>
<td></td>
<td>Iseki-Kumamoto MFG. Co., Ltd.</td>
<td>Manufacturing large combine harvester</td>
<td>JQA-EM1382</td>
<td>Mar. 9, 2001</td>
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<tr>
<td>EA-21</td>
<td>Iseki-Houei MFG. Co., Ltd., Shingenbou plant</td>
<td>Processing various steel, machining gears, and stamping and welding parts</td>
<td>IGES-0000325</td>
<td>May 2, 2005</td>
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Environmental management

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<td>(6) Community activity cost</td>
<td>0</td>
</tr>
<tr>
<td>(7) Environment recovery cost</td>
<td>0</td>
</tr>
</tbody>
</table>

Environmental accounting

Financial impacts caused by the environmental preservation activities

<table>
<thead>
<tr>
<th>Details of effects</th>
<th>Amount (in 1,000 JPY)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Reduction of volume of various resources to be consumed</td>
<td>2,222</td>
</tr>
<tr>
<td>(2) Reduction of environmental stress substances</td>
<td>4,463</td>
</tr>
<tr>
<td>(3) Reduction of energy consumption</td>
<td>2,079</td>
</tr>
</tbody>
</table>

The financial impact resulted by the environmental preservation activities was approximately 9 million yen in total as the volume of consumed resources, environmental stress causing substances, and energy consumption. The environmental management activities were carried out in limited areas of two manufacturing companies only, in 2004, and thus the result did not represent the entire picture. We plan to carry out the activities accordingly in the larger areas.
Environmental risk management

[Responses in emergency condition]

〈Preparation of emergency manual〉

Iseki group developed an “Emergency Manual”, in accordance with the requirements of ISO14001, by assuming the concrete emergency circumstances. In accordance with this standard, we designated the machines and equipment which may cause heavy pollution in emergencies and prepared an “Emergency Manual” for each machine and piece of equipment.

〈Emergency training〉

In order to verify that we are able to act as described in the “Emergency Manual” in emergencies, we conduct emergency training on a regular basis. Such training is conducted once a year for each emergency case, and there are 42 cases of emergencies assumed in total in three MFG. Co.,s, Matsuyama, Kumamoto, and Niigata.

[Actions to comply with Antipollution Law]

〈Establishment of voluntary standards and management in the company〉

Iseki employs and applies stricter voluntary standards that go beyond those prescribed by regulations and laws. For example, Iseki-Matsuyama MFG. Co., Ltd. has revised their voluntary standard for dioxin this year from 4ng-TEQ/m³N (standard of last year) to 3ng-TEQ/m³N. Although the actual measured value has not met the new voluntary standard yet, we are taking actions to meet the voluntary standard by checking the incineration.

<table>
<thead>
<tr>
<th>Measured item</th>
<th>Unit</th>
<th>Iseki-Matsuyama MFG. Co., Ltd.</th>
<th>Iseki-Kumamoto MFG. Co., Ltd.</th>
<th>Iseki-Niigata MFG. Co., Ltd.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Water quality</strong></td>
<td></td>
<td>ISeki-Matsuyama MFG. Co., Ltd.</td>
<td>Iseki-Kumamoto MFG. Co., Ltd.</td>
<td>Iseki-Niigata MFG. Co., Ltd.</td>
</tr>
<tr>
<td>Volume of suspended substances (SS)</td>
<td>mg/L</td>
<td>200</td>
<td>96</td>
<td>1 or less</td>
</tr>
<tr>
<td>Volume of biochemical oxygen demand (BOD)</td>
<td>mg/L</td>
<td>160</td>
<td>120</td>
<td>3</td>
</tr>
<tr>
<td>Chemical oxygen demand (COD)</td>
<td>mg/L</td>
<td>160</td>
<td>96</td>
<td>22</td>
</tr>
<tr>
<td>n-hexane (liquid petroleum)</td>
<td>ppm</td>
<td>5.0</td>
<td>1.0</td>
<td>1 or less</td>
</tr>
<tr>
<td><strong>Air</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Particulate</td>
<td>g/m³N</td>
<td>0.30</td>
<td>0.18</td>
<td>0.01 or less</td>
</tr>
<tr>
<td>Nitrogen oxide (Nox)</td>
<td>ppm</td>
<td>250</td>
<td>150</td>
<td>78</td>
</tr>
<tr>
<td>Dioxin</td>
<td>ng-TEQ/m³N</td>
<td>5.0</td>
<td>3.0</td>
<td>3.4</td>
</tr>
</tbody>
</table>

<sup>—</sup>: shows standard N/A or not applicable machines

〈Frequency of environment data measurement〉

<table>
<thead>
<tr>
<th>Machine, equipment, and place</th>
<th>Items to be measured</th>
<th>Measuring frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industrial effluent</td>
<td>General (BOD, pH, SS, etc.)</td>
<td>Once a year, Once a year, Once a month</td>
</tr>
<tr>
<td></td>
<td>Nitrogen, phosphorus</td>
<td>Monitor regularly, Once a year, —</td>
</tr>
<tr>
<td></td>
<td>COD, pH</td>
<td>Monitor regularly, Once a year, —</td>
</tr>
<tr>
<td>Cast melting furnace (Paint oven in Niigata)</td>
<td>Air</td>
<td>Twice a year, Twice a year</td>
</tr>
<tr>
<td>Boiler (Hot blast heater in Niigata)</td>
<td>Dioxin</td>
<td>Once a year, —</td>
</tr>
<tr>
<td>Waste incinerator</td>
<td>Noise</td>
<td>Twice a year, Once a year, —</td>
</tr>
<tr>
<td>Lot borderline</td>
<td>Vibration</td>
<td>Twice a year, Once a year, —</td>
</tr>
</tbody>
</table>

<sup>—</sup>: shows standard N/A or not applicable machines

Training for assumed spill of hazardous materials
Environmental risk management [Example of control for air pollution prevention]

[Control to inhibit the generation of dioxin and other hazardous substances]

Iseki group strictly follows “Law Concerning Special Measures against Dioxins” and meets all legal requirements on the emission standard. The pyrolysis furnace, which utilizes a system to convert into and burn dry distilled gas, is situated in Iseki-Matsuyama MFG. Co., Ltd. so that the furnace contributes to minimizing the volume of dioxin and nitrogen oxide when wastes are burned as it automatically regulates the incineration temperature and air intake volume. The heat emitted from the furnace is used to operate steam boilers and this recycled energy is utilized in the manufacturing plants. This is a part of our energy-saving policy. (Please see page 11 for details of use of such recycled energy.)

<Standard of dioxin emission and actual volume of emitted hazardous substances from Iseki-Matsuyama MFG. Co., Ltd.>

![Diagram showing control conditions and standards for dioxin emission](image)

[Control to inhibit production of particulates]

The particulates (fine iron powders) generated in the electric melting furnace in the manufacturing processes and sulfur oxide are treated with a dust collector and released into the air. Each division of Iseki establishes their own control standards stipulating the discharge density, and our exhaust gasses met the legal discharge requirements.

| Standards of electric melting furnace in Iseki-Matsuyama MFG. Co., Ltd. |
|-----------------------------|-------|-----------------|---------|
| Item                        | Unit  | Standard        | Record of 2004 |
| Particulates                | g/m^3N| 0.10            | 0.01 or less  |
| Sulfur oxide (SOx)          | ppm   | —               | 1         |

![Diagram showing particulates and sulfur oxide treatment](image)

Environmental risk management [Example of control for water pollution prevention]

[Prevention of pollution from sewage water]

As mentioned above, our voluntary standards utilized on a daily basis are stricter than the legal standards if the sewage treated in our plants is to be released into the rivers and sewer systems. The water in the monitoring tank immediately before being released is clean enough that goldfish can survive in it. We make continuous efforts to treat sewage optimally using the treatment flow as shown on the left so that we treat the industrial sewage and biological sewage properly.

| Data obtained through the measurement at Iseki-Matsuyama MFG. Co., Ltd. |
|-----------------------------|-------|-----------------|---------|
| Item                        | Unit  | Standard        | Record of 2004 |
| Volume of suspended substances (SS) | mg/L  | 200             | 96      | 1 or less |
| Volume of biochemical oxygen demand (BOD) | mg/L  | 160             | 120     | 3        |
| Chemical oxygen demand (COD) | mg/L  | 160             | 96      | 22       |
| n-hexane (liquid petroleum) | ppm   | 5.0             | 1.0     | 1 or less |

![Diagram showing sewage water treatment facility](image)
Iseki aims to sharply reduce production losses in the course of its energy saving activity and even improve productivity. The volume of CO2 emissions in 2004 increased by 1% over the previous year due to an increase in total production output. At the same time, the emission volume per output increased by 2% from the previous year as product prices were lowered.

### Reduction of energy used in the plants

**Eco factory**

**Promotion of energy saving [Preventing global warming and preserving water resources]**

The production and inclusion of dioxin in the exhaust gas from the incinerator in Iseki-Matsuyama MFG. Co., Ltd. when burning wastes are minimized as the wastes are burned at 800°C or higher. After the burning, the gas is cooled down to 250°C or less and released into the air after removing particulates with a cyclone collector to eliminate pollutants. Using the heat released during the cooling stage of the exhaust gas, the cooling water is boiled to generate steam in the steam boiler and recycled for use in the paint shop for pre-treatment before ED and steam heating. This helps us to improve the use of recycled energy.

### Reuse of waste heat energy

Iseki started to replace the gasoline forklifts, which are in use at each division currently, gradually with electric forklifts with low impact on environment. Use of electric forklifts greatly reduces CO2, prevents air pollution, and improves safety and hygiene as they are very quiet when in operation.

### Use of electric forklift

Iseki-Matsuyama MFG. Co., Ltd. promotes the use of inverters to supply power which meets level of required motor load levels for the dust collector of cast melting furnaces and engine intensive coolants. At the same time, for energy saving, the outer fluorescent light cutout switches are being replaced with the type built in the inverters.

### Use of inverter motor

The volume of water usage increased by 140,000 ton in 2004. This was caused by the production increase in Iseki-Matsuyama MFG. Co., Ltd. and the inclusion of the usage of a subsidiary, which was not normally counted in the past but is now as the subsidiary was relocated into the site of Iseki-Kumamoto MFG. Co., Ltd. In 2004, recycled water was used for the casting sand treatment. In 2005, we have a further improved plan for the use of recycled water at each company.

### Reduction of volume of water used

The volume of water usage increased by 140,000 ton in 2004. This was caused by the production increase in Iseki-Matsuyama MFG. Co., Ltd. and the inclusion of the usage of a subsidiary, which was not normally counted in the past but is now as the subsidiary was relocated into the site of Iseki-Kumamoto MFG. Co., Ltd. In 2004, recycled water was used for the casting sand treatment. In 2005, we have a further improved plan for the use of recycled water at each company.
Reduction of industrial wastes [3R in the production processes]

Environmental performance

【Approach of Iseki group】

The Iseki group promotes energy-saving, recycling, and waste reduction as part of our environmental management activities in each district. In 2004, the non-burnable industrial wastes were further separated into either small metal rubbish to be collected or otherwise, to be compacted. The casting sand which accounted for a large part of the total land-filling waste was separated into metal and sand using a magnetic cobbing machine. This improved sand quality and now it can be reused as base course material. We will continue our quest for zero emission achievement through recycling, reusing, and restriction of industrial wastes production in accordance with the business characteristics of each district.

【Detail examples of our wastes reduction activities】
～Sewage sludge reduction activity in Iseki-Niigata MFG. Co., Ltd.～

〈Treatment process of sewage from painting line〉

For preserving the quality water environment, it is essential for us to strictly control the sewage treatment as our paint shop uses organic solvent. Each paint station discharges sewage containing organic solvent into various wastewater baths and the sewage goes through a reaction bath and pH bath for pH conditioning. After the pH bath, the sewage goes to the sludge collector to collect the sludge in the sewage and to the neutralization bath to stabilize the pH before release. At the time of release, the water is pollutant-free and can be safely released.

〈Improvement for reducing sewage sludge〉

The sludge collector is composed of alternative layers of sludge panels (40 panels) and filter fabric panels (41 panels). The sludge panels are covered with filters to trap sludge and compressed by the press machine. This collector filters the sewage and collects sludge included in the sewage. The sludge is land-filling waste and the key to reducing sludge volume is to dry out the sludge as much as possible. The flow of sewage was improved by reducing the pressure of the sludge collector, preventing the sludge from adhering to the filter fabric, and reduced clogging of filter fabric panels. The drying was successfully improved by doubling the air feeding time before removing the sludge. Through these improvements to remove moisture from the sludge, the operating efficiency of the sludge collector was improved remarkably and the volume of sludge was cut in half.

〈Awarded “Originality and ingenuity merit award” of Ministry of Education, Culture, Sports, Science and Technology〉

Our sewage sludge reduction activities at Iseki-Niigata MFG. Co., Ltd. were highly esteemed by external stakeholders and awarded the originality and ingenuity merit award of Ministry of Education, Culture, Sports, Science and Technology.

Iseki group promotes these company-wide improvement activities. Based on “3R” principle, “Reduce”, “Reuse”, and “Recycle”, we will strive harder than before to further reduce wastes.
Optimal control and reduction of use of chemical substances

[Optimal control of chemical substances]

The emission volume (1 ton or more) of class-1 chemical substances according to PRTR Law is as follow. Most of them are the substances contained in the paint solvent, and thus we are trying to reduce their volume by improving the paint film thickness. As aforementioned, the sales of 2004 increased, and the usage of paint and volume of emitted chemical substances increased as well. The use of water-soluble zinc compound and formaldehyde was 100% reduced. We will reduce the use of environment stressing substances using an appropriate control.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Mutsu</td>
<td>Kutcho</td>
<td>Niigata</td>
</tr>
<tr>
<td>xylene</td>
<td>24.7</td>
<td>26.7</td>
<td>20.0</td>
</tr>
<tr>
<td>toluene</td>
<td>14.2</td>
<td>0.0</td>
<td>15.0</td>
</tr>
<tr>
<td>ethyl benzene</td>
<td>15.9</td>
<td>14.7</td>
<td>6.8</td>
</tr>
<tr>
<td>water-soluble zinc compound</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>formaldehyde</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>zinc nitrate</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>total</td>
<td>54.8</td>
<td>41.4</td>
<td>41.8</td>
</tr>
</tbody>
</table>

— : Regulations N/A

[Reduction of use of chemical substances by reducing the volume of paint used]

The cation ED painting is employed for Iseki’s dryers as it is good for the products designed for outdoor use, thus requiring strict painting quality suitable for outdoor use. The cation ED painting uses electric charges to form a paint film on the product using waterborne paint. The painting is even and smooth, without mis-painting, and highly anti-corrosive, on top of its environment-friendly nature as waterborne paint. It is a very safety painting method. In the past, approximately 35µ was necessary to make sure to deposit paint film on the surfaces of the product evenly. Currently, the evenness and film depositing are improved and only 32µ of paint film is enough to achieve the same painting quality as before. It is a 30% reduction.

Approach to LCA

Environmental performance

[Product assessment]

Nearly all stresses on the environment during the product’s life cycle are determined in the research and development stage. Iseki group established the target assessment items to reduce stressful impacts on the environment through the product’s life cycle (material, production, logistics, collection, decomposition, and disposal) so as to continue product development by verifying the condition at each stage of development.

Detail assessment control

We evaluate the products using even more detailed design check lists in the product development stage. If a design is poorly evaluated, we re-study the design to meet required levels.
Iseki group employs LCA (Life Cycle Assessment) which enables an assessment of the total impact of developed products on the environment at the time of product development.

As a matter of course, at the time of product development phase, we check the stress on environment during product use in addition to the verification of the stresses, which may be created at the stages of material, production, logistics, collection, decomposition, and scrapping.

**Small full-width reaping combine harvester**

The full-width reaping was possible with the large combine harvesters for reaping 4 or more rows of rice. But the best selling 2-row type was not able to reap rice using its entire front face due to its construction. The full-width reaping combine made possible the elimination of fringe reaping processes, streamlining of circulation reaping processes, and reduction of turning frequency. This directly results in efficient work.

In the case of HVA314, a combine for 3-row reaping was made based on the combine for 2-row reaping. The down-sizing and weight reduction, as well as work efficiency, were compatible. In comparison to a conventional combine harvester for 3-row reaping, the weight was reduced by 119kg (11%) and in comparison to a conventional combine harvester for 2-row reaping, the weight was reduced by 66kg (7%) so that this actualized the full-width reaping. When the LCA (life cycle assessment), which assesses the environmental stress, is compared with the conventional combine harvester for 2-row reaping, the environmental stress increases by 4% (CO2 standard) in the stages of material procurement and production while it is reduced by 13% in the product use stage.

**Development of semi-automatic vegetable transplanter**

When planting vegetable seedling using a machine, it is normal to use mulch, such as mountain soil and peat moss, and nursery materials such as nursery trays. For the planting of cabbage, which is transplanted conventionally, there is a strong demand for lightening the planting work using a machine. In the case of LCA of PVH1-60FVL, which enabled the conventional transplanting of cabbages using a machine, CO2 emission was reduced by 23% (CO2 standard) when compared with the cell tray system which uses the seedling materials.

**Environmental stress at the time of diesel engine development**

The nitrogen oxide (NOx) and particulate materials (PM) emitted from diesel engines are said to be air pollutants and to cause environment pollution. In order to reduce such air pollutants, we developed environment-friendly diesel engines. Our engines are world-wide emission gas standard (EPA, CARB, EC) certified engines and have already reached compliance with the special automobile emission gas regulation which came into effect in Japan in 2003.

<table>
<thead>
<tr>
<th>Names of standards</th>
<th>Special automobile emission gas standard</th>
<th>40CFR§89</th>
<th>Directive 97/68/EC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Area</td>
<td>Japan</td>
<td>North America</td>
<td>EC</td>
</tr>
<tr>
<td>Authority</td>
<td>Ministry of the Environment, Ministry of Land, Infrastructure, and Transport</td>
<td>Environmental Protection Agency (EPA)</td>
<td>EC member countries</td>
</tr>
<tr>
<td>Engine type</td>
<td>Diesel engine</td>
<td>Diesel engine</td>
<td>Diesel engine</td>
</tr>
<tr>
<td>Output restriction</td>
<td>19kW or more, less than 560kW</td>
<td>All output zones</td>
<td>19kW or more, less than 560kW</td>
</tr>
<tr>
<td>usage of engine</td>
<td>Special vehicles (agricultural, construction, and industrial)</td>
<td>Non-road machines</td>
<td>Non-road machines</td>
</tr>
<tr>
<td>Substances of control subject</td>
<td>NOx, HC, CO, PM, black smoke, FA</td>
<td>NOx + HMHC, CO, PM, Transient smoke</td>
<td>NOx, HC, CO, PM</td>
</tr>
<tr>
<td>Time to start the control</td>
<td>October 1, 2003</td>
<td>January 1, 1996</td>
<td>December 31, 1998</td>
</tr>
</tbody>
</table>

In this LCA graph, the figure is indicated provided that CO2 is 1.
In 2004, we mainly dealt with reducing the number of and the length of cables, wires, and harnesses.

**<Approach to the reduction of the number of cables, wires, and harnesses>**

The tractors, combines, and rice transplanters are motorized and computerized; therefore, they greatly contribute to man-power saving. However, along with the said motorization and computerization, the number of wires, cables, and harnesses used for such machines increased remarkably. Iseki applied the in-vehicle LAN (local area network) technique and reduced the number of circuits by approximately 15%. Such reduction also contributed to weight reduction and assembling and disassembling efficiency. In the case of driers, the number of wires, cables, and harnesses, as well as their length, is reduced by changing our mind-set. The number of parts was reduced and disassembling efficiency improved while maintaining identical functions as conventional machines.

**Combine HF443 ~ 559 series  CAN communication**

**Dryer GC60  Cabling route**

**Reduction of the number of harnesses used for AT tractor**
Supporting nature-friendly farming

Environmental Report 2005
by ISEKI & CO., LTD.

【Development of rice transplanter which has a self-supporting rectilinear propagation function and enables the farmer to skip drainage of ponded water】

Straight rows of rice seedlings appear nice.
With the conventional machine, we needed to drain ponded water before planting work in order to make markings for planting rice seedlings.

〈Joint development business with BRAIN (Bio-oriented Technology Research Advancement Institution) and affiliated companies〉

It is an important point for rice transplanter to have a rectilinear propagation function when planting rice. Due to this, we have normally drained ponded water so that the markings, which are made with the line marking device, can be recognized easily. Iseki worked cooperatively with the BRAIN and other affiliated companies so as to develop a self-supporting rectilinear propagation function which utilizes the earth’s magnetism. We expect another relief from stress on environment. In Shiga prefecture, they reported that the use of irrigation water including that used for water controls can be reduced by 14%. We expect another reduction of environment stress by saving fertilizers will be made possible.

【Approach to the nature-friendly farming in the hot houses】

〈Restrict impacts to the eco system〉

Recently, many farmers use bees for pollinators inside the hot houses. Currently, bees from other countries are used; however, we are trying to use domestic bees to inhibit the use of foreign bees and minimize the impact to the eco-system.

〈Reduction of stressful and heavy work and industrial wastes〉

The fruit vegetables are cultivated using binding strings. Natural material strings are not as strong as plastic strings, natural material strings are heavier than the natural stings, and farmers do not prefer to use them. Most of the strings used currently are plastic, and it is necessary to dispose of them separately. Iseki has developed a type of plastic which has sufficient strength but decomposes naturally so that the separation is no longer needed and the reduction of industrial wastes can be achieved.

Green purchase

〈Green purchase of office suppliers〉

We have established a green procurement standard for approximately 5200 items in 14 categories, in addition to papers, in accordance with GPN. We will purchase environmentally labeled products, such as with eco marks, at higher priority. In 2004, 68% of total office supplies purchases were of green products.

〈Level of environmental awareness of our customers and suppliers〉

The ratio of green purchasing, which is the standard at the time of introduction of environmental management, by our suppliers and customers was as follows: The number of customers and suppliers: 47%; The ratio of sales: 52%.

Environmental management introduction ratio

<table>
<thead>
<tr>
<th></th>
<th>introduced</th>
<th>not introduced</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of companies:</td>
<td>47%</td>
<td>53%</td>
</tr>
<tr>
<td>Amount of sales:</td>
<td>52%</td>
<td>48%</td>
</tr>
</tbody>
</table>
Education and training for environment / Qualified persons

《Approach to systematic environmental education and training》

There are three steps in the approach to environmental education for enhancing awareness of each individual depending on the level of environment stresses, awareness-raising education to make people more conscious about environment, training for operators which provide especially good impacts on the environment, and actions which require legal certification and qualification.

《Environmental education》

The first step in environmental preservation can be the self-awareness of each individual. Iseki group provides each employee with opportunities to raise awareness on the environment through environmental education in each district and through Iseki group newsletters.

《Environmental training》

Employees must complete specific training and education before working as casting operators or welding operators as such operations may have significant negative impacts on the environment. In such training and education, we provide them with information about the negative impacts of certain operations, daily control methods, monitoring and measuring methods and emergency procedures in accordance with the standard of operational procedure.

《Strict compliance to environment-related laws and legal qualification and licenses related to environment》

Recognizing that the strict compliance with environment-related laws is the base of environment preservation activities, Iseki requests all our employees to observe laws and to be qualified. In order to secure necessary qualification to optimize the environmental control, we hold seminars for pollution supervisors, chief electrical engineers, and boiler engineers to promote the positive challenge to be qualified. The numbers in the following table show the officially qualified employees by the environment-related authorities as of the end of March, 2005.

<table>
<thead>
<tr>
<th>Name of qualification</th>
<th>Number of employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pollution chief supervisor</td>
<td>Air: 14</td>
</tr>
<tr>
<td></td>
<td>Water quality: 20</td>
</tr>
<tr>
<td></td>
<td>Noise: 19</td>
</tr>
<tr>
<td></td>
<td>Vibration: 15</td>
</tr>
<tr>
<td></td>
<td>Dioxin: 2</td>
</tr>
<tr>
<td>Pollution supervisor</td>
<td>Electricity: 4</td>
</tr>
<tr>
<td></td>
<td>Heat: 2</td>
</tr>
<tr>
<td>Energy control engineer</td>
<td>Electricity: 4</td>
</tr>
<tr>
<td></td>
<td>Heat: 2</td>
</tr>
<tr>
<td>Chief electrical engineer</td>
<td>22</td>
</tr>
<tr>
<td>Boiler engineer</td>
<td>69</td>
</tr>
<tr>
<td>Special control waste control chief engineer</td>
<td>2</td>
</tr>
<tr>
<td>Industrial waste treatment facility engineer</td>
<td>2</td>
</tr>
<tr>
<td>Specific chemical substances chief operator</td>
<td>2</td>
</tr>
</tbody>
</table>

The number of employees qualified

《Training for internal environment auditor》

The environment management system can be maintained optimally by the yearly regular audits by external agencies and the internal auditing system. We, Iseki group, think that the training for the internal auditors is the important point to improve and maintain the environment management system, and provide consistent training of the third party agents.
Environmental communication

To exercise our responsibility as a company having a very close contact with the community, we support various activities in each community.

Contribution to the development of community is a priority mission of Iseki group.

Introduction of tractor manufacturing processes

The Economy, Trade and Industry Bureau of Shikoku has a web site, “Plants which are in Shikoku area and manufacture products which can be easily understood by fifth and sixth grade elementary school pupils” and companies which wish to introduce their manufacturing processes can display the “Craftsmanship used in their production” in the virtual plant tour page called “Manufacturing expedition team” to help children to understand manufacturing in a simple way.

Iseki-Matsuyama MFG. Co., Ltd. introduced our manufacturing processes from the beginning to the final step, the shipment of completed tractors, in the “Manufacturing expedition team” web site. This site was introduced by “Shikoku economic Navi” and we had a favorable reception.

This kind of web site is effective and helps children to be interested in manufacturing. On the other hand, there is limited information about “Manufacturing” and it is not useful for the education of pupils in the elementary school classroom as general education. The Economy, Trade, and Industry Bureau of Shikoku aims to enhance this web site and encourage the access of children to the “Manufacturing expedition team” site so that as many children as possible who visit the site will develop an interest in “Manufacturing”.

Iseki has that same spirit and we introduced the manufacturing processes of our tractors, which can be easily visualized even by the elementary school children, in the site.

Iseki group is committed to taking aggressive action in each district to contribute to the raising up of human resources who can be the leaders of manufacturing industries in the next generation.

~Click here to see the site.

Acceptance of plant tour

Each division of Iseki accepts visitors from the community and elementary school children who wish to see our plants as a social study’s field trip. Especially, there are many visitors accepted by the Iseki-Matsuyama MFG. Co., Ltd. in Ehime prefecture where Iseki & Co., Ltd. was founded as this plant was appointed as a “Energy Environment Education Facility” by the Socioeconomy productivity office.

Execution of Clean activity

Iseki’s employees engage in a cleanup activity in each district as a part of “Contribution to the community” which is one of our environment policies.

Information offering from web site

We also introduce Iseki’s activities on environment preservation on our web site. There is a “mail to” address for your questions and suggestions. For more information, see our web site.

http://www.iseki.co.jp/
Iseki-Matsuyama MFG. Co., Ltd.

Environmental data

Company profile

Address: 700 Umaki-cho, Matsuyama-shi, Ehime prefecture
Number of employees: 574
Area: 151,000 m²
Major products: Tractor, medium and small combines, dryer, engine

Basic principles on environment

Seto Inland sea, one of the incomparably beautiful seas in the world. Blue sea dotted with green islands under a blue sky. Iseki-Matsuyama MFG. Co., Ltd. promotes our environmental friendly businesses as our principles are to preserve our blessed natural environment.

Action policy

1. Continuous improvement
   Improve the environmental management system and environmental performance by observing the environmental management system based on ISO14001.

2. Observation of laws and regulations concerning environment
   Observe laws, regulation, and agreements entered by the division concerning environment.

3. Mitigation of negative impacts on environment and prevention of contamination
   1) Minimize volume of electric energy use
   2) Minimize volume of fuel and wood use
   3) Segregate wastes and recycling
   4) Control chemical substance optimally
      Set up objects and targets to the technical and economical extent possible, review these on regular basis to deploy to the activities, and enhance corporate profit in addition to the mitigation of negative impacts on environment and prevention of contamination.

4. Contribution to community
   1) Save water and use water efficiently as a corporate citizen in order to contribute to the severe water issues that our community has.
   2) Participate in the environmental preservation activities in our community proactively.

5. Familiarization of information to all employees
   Familiarize all the information of environmental policy to all employees in the company and deal with the environment issues together through a publicity using company news and environmental education.
Iseki-Kumamoto MFG. Co., Ltd.

Environmental data

〈Company profile〉

Address: 7400 Yasunaga, Mashiki-machi, Kamimashiki-gun, Kumamoto prefecture
Number of employees: 261
Area: 215,500m²
Major products: Medium and large combines, multi-purpose combine, construction machines

〈Basic principles on environment〉

Mountain Aso with one of the largest caldera in the world, clean spring water in a rural paradise which spreads around the skirt of the mountain, under the high blue sky. We live by means of this rich nature and want to live in harmony with this natural wealth. Iseki-Kumamoto MFG. Co., Ltd. recognizes the multiple functions and roles of agriculture and agricultural villages by supplying them with agricultural machines; therefore, we establish our action guidelines based on honest thinking about what shall be done to preserve this wonderful natural environment and what can be done.

〈Action policy〉

1. Continuous improvement
   Improve the environmental performance by observing the environmental management system based on ISO14001.

2. Observation of laws and regulations concerning environment
   Observe laws, regulation, and agreements entered by the company concerning environment.

3. Mitigation of negative impacts on environment and prevention of contamination
   1) Promote energy-saving and resource-saving
   2) Promote reduction of industrial wastes
   3) Accelerate recycling approach
      Set up targets to the technical and execute and review on regular basis so as to mitigate negative impacts and prevent contamination.

4. Contribution to community
   Open company welfare facilities up to public and contribute to the environmental preservation through cleanup activities.

5. Familiarization of information to all employees
   Familiarize all the information of environmental policy to all employees and constituent members in the company and deal with the environment issues together through a publicity using company news and environmental education.
Clear water from Igarashi river, a feeder stream of great Shinano river, natural environment surrounded by mountains of Echigo, and the Echigo Plain known as an area which boasts of abundant rice production. Iseki promotes this business in harmony with the natural environment through a supply of agricultural machines to preserve this blessed environment.

1. Observation of laws and regulations concerning environment
   Observe laws, regulation, and agreements entered by the company concerning the environment and the environmental management system based on ISO14001.

2. Mitigation of negative impacts on environment and prevention of contamination
   Set up the environmental target and aim to improve the environmental performance continuously. The framework of periodic review and execution are as follows:
   1) Improve energy use
   2) Improve use of natural resources
   3) Reduce waste and recycle

3. Familiarization of information to all employees
   Familiarize all the information of environmental policy to all employees and constituent members in the company and promote the environment preservation activities by having close communication with the community.
We promote the preservation of the community adjacent to the Seto Inland Sea National Park and the creation of a people-friendly working environment for our employees.

1. Continuous improvement
   Improve the environmental management system and environment performance continuously by observing the environmental management system based on ISO14001.

2. Observation of laws and regulations concerning environment
   Observe laws, regulation, and agreements entered by the division concerning environment.

3. Mitigation of negative impacts on environment and prevention of contamination
   1) Reduce electric energy use
   2) Reduce water use
   3) Segregate wastes and recycle

4. Contribution to community
   1) Save water and use water efficiently as a corporate citizen in order to contribute to the severe water issues that our community has.
   2) Participate in the environmental preservation activities in our community proactively.

5. Familiarization of information to all employees
   Familiarize all the information of environmental policy to all employees and constituent members in the company and deal with the environment issues together through a publicity using company news and environmental education.
Achieving harmony between human beings and the earth