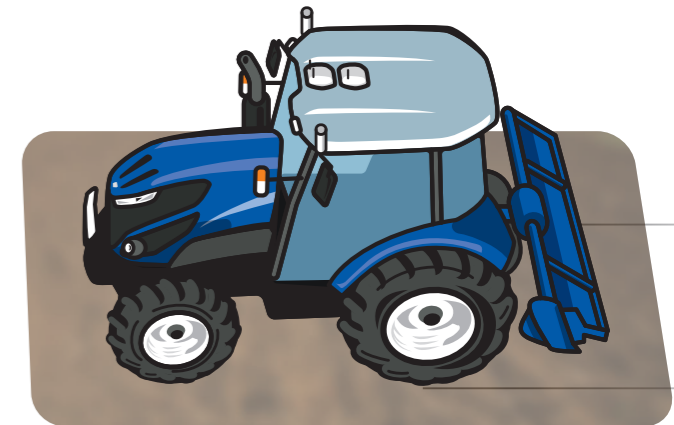


ISEKI Report 2023



Contact about this ISEKI report

Public & Investor Relations Section, ISEKI & CO., LTD.

5-3-14, Nishi-Nippori, Arakawa-ku, Tokyo, 116-8541 JAPAN
TEL: +81(0)3 5604-7602 FAX: +81(0)3 5604-7701
E-mail: isk-info@iseki.co.jp

Issued in June 2023





Corporate Philosophy (Purpose)

Purpose

ISEKI Group strives to contribute to the creation the prosperous and sustainable society through “providing innovative products and higher quality of services to the customers”

Long-term Vision

Vision

To be a “Solution Provider for Agriculture & Landscape”

Supporting a farming industry full of dreams and beautiful landscapes and creating a future of sustainable agriculture and landscape

Important Values

Value

Seven Promises

– To Contribute to the Creation the Prosperous and Sustainable Society –

1. **Spirit** Inheriting our company’s founding philosophy, we always carefully consider food, agriculture and landscape and move forward with farmers.
2. **Front runner** As a front-runner, we produce innovative products and higher quality services.
3. **Quality** We will always make premium quality products with passion.
4. **Solution** We constantly take action for solutions to customer issues.
5. **Innovation** We create innovations with cutting-edge technologies and provide new value.
6. **Global** With a global perspective, we work toward solutions to the world’s social issues.
7. **Future** Paving the way for tomorrow, open up the future of food, agriculture and landscape.

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,” Kunisaburo Iseki, the founder, used to say. He devoted himself to providing products that made customers happy. The founder’s passion has been inherited in an unbroken line to this day 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.



Key Point — 1

What kind of company is ISEKI?

Social issues that we have solved to date and business activities

[Introduction \(P5–11\)](#) / [Business strategies \(P27–57\)](#)



Key Point — 2

ISEKI Group's vision

Our long-term vision of being a “solution provider for agriculture and landscape” and our mid- to long-term strategies, measures, and materiality for achieving that vision

[Message from our President \(P13–18\)](#) / [Value creation process \(P19–20\)](#) / [Materiality \(P21–22\)](#) / [Mid-term Management Plan \(P27–30\)](#)

Key Point — 3

Uniquely “ISEKI” initiatives

The strengths that ISEKI Group has cultivated to date and unique initiatives such as environmental management

[ISEKI Group's strengths \(P31–34\)](#) / [Strategies of R&D and intellectual property \(P43–46, P51–52\)](#) / [Environmental initiatives \(P54–57, P61–62\)](#)



Publication of ISEKI Report 2023

This report was produced as a Group-wide project led by young and mid-career employees. As the Director in charge of investor relations, with responsibility for this report's preparation, I affirm that this report was produced in good faith with the involvement of the management team and the cooperation of individual departments, and its content is accurate.

Director & Senior Corporate Officer
In charge of Personnel, Corporate Planning,
and Public & Investor Relations
Deputy in charge of Compliance

Masayuki Fukami

About the front cover: The cover illustrates the concept of creating a future of sustainable agriculture and landscape through ISEKI Group's flagship “Japan series” machines and electric riding lawn mowers for the European market.
From the top: Combine harvester with straight-travel assist function, robot rice transplanter, robotic tractor, and electric riding lawn mower

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- 3 Key Points of ISEKI Report 2023
- 4 Contents/Editing policy

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Editing policy

This report presents both financial and non-financial information to introduce initiatives for improvement of the corporate value of ISEKI Group to a wide range of stakeholders including shareholders and investors in an easy-to-understand manner.

Covered period

From January 2022 through December 2022.

The report also includes some information from and after January 2023.

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.

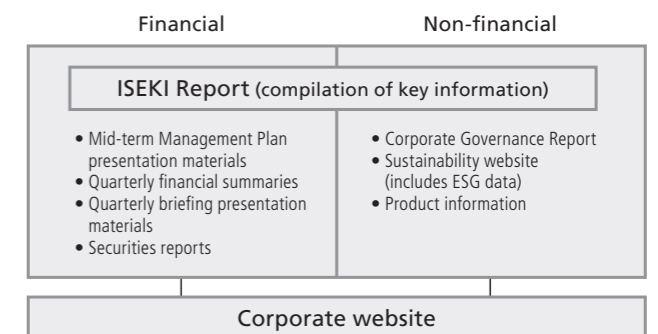
Referenced guidelines

- International Integrated Reporting Council (IIRC) : “The International Integrated Reporting Framework”
- Ministry of Economy, Trade and Industry “Guidance for Collaborative Value Creation”
- GRI Standards
- ISO26000
- Ministry of the Environment, “Environmental Reporting Guidelines 2018”
- Ministry of the Environment, “Environmental Reporting Handbook–Environmental Reporting Guidelines 2018”

Communication map

ISEKI Group uses a variety of tools to communicate with its stakeholders, sharing a range of information.

We will continue our efforts toward constructive dialogue and the enhancement of information disclosure to ensure our stakeholders' understanding of the Group.



About forecasts, plans, and targets

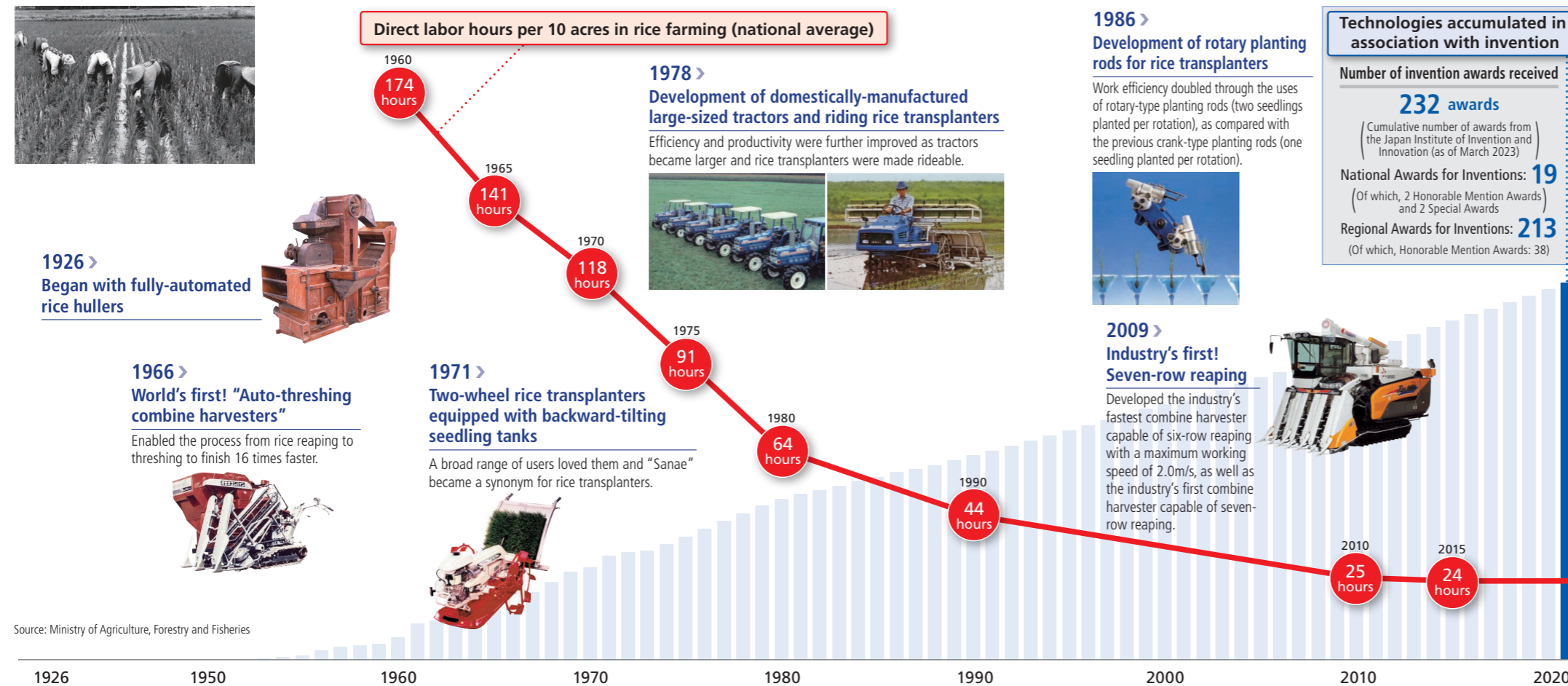
Forward-looking statements contained in this report were prepared based on information available at the time of the preparation and involve potential risks and uncertainties. Actual results may differ from those expressed by the statements due to changes in economic conditions and market trends.

*Amounts and numbers of shares are rounded down to the unit.

History of solving social issues

We embarked on our journey with the philosophy of our founder, "free farmers from exhausting labor," and have created social and economic value through "providing innovative products and higher quality of services to the customers."

We have established the standard of Japanese agricultural machinery and contributed to the progress of automation of agriculture



Source: Ministry of Agriculture, Forestry and Fisheries

Year	1926	1945 to 1950s	1960 to 1970s	1980 to 1990s	2000s	2010 to 2020s	2030	
Main social issues and needs		<ul style="list-style-type: none"> Post-war food production increase Start of the high economic growth period 	<ul style="list-style-type: none"> High economic growth period, decline in agricultural work force due to concentration of population in urban areas Modernization of farming 	<ul style="list-style-type: none"> Progress of globalization Decline in agricultural workers, aging population 	<ul style="list-style-type: none"> Increasing interests in security and safety of food Improvement in food self-sufficiency rate Continued development in agriculture 	<ul style="list-style-type: none"> Increase in size of farm business Decline in agricultural workers, aging population 	<ul style="list-style-type: none"> Adding high value to farm produce Reduction of environmental burden Food security 	<ul style="list-style-type: none"> Contribution to SDGs achievement
ISEKI Group's solutions		<ul style="list-style-type: none"> Development and spread of agricultural machinery, which supports food production increase 	<ul style="list-style-type: none"> Increase in size and diversification of agricultural machinery Establishment of integrated system for automating rice farming 	<ul style="list-style-type: none"> Development of machinery contributing to labor-saving in and lowering cost of farming Mechanization of vegetable farming Development of riding lawn mowers for Europe 	<ul style="list-style-type: none"> Development of large machinery to contribute to improvement of productivity Strengthening of intangible aspects such as farm business proposals and support Full-fledged roll-out of agricultural machinery in Asian countries 	<ul style="list-style-type: none"> Realization of smart agriculture utilizing latest technology and data Promotion of environmentally sound agriculture 	<ul style="list-style-type: none"> Solutions for agriculture and landscape 	
Creation of social value - Contribution to sustainable agriculture -		<ul style="list-style-type: none"> Saving of labor and improvement of productivity through automation of agriculture 	<ul style="list-style-type: none"> Contribution to industrialization and economic development of Japan Our auto-threshing combine harvesters and rice transplanter were selected among the best 100 innovations in post-war Japan. 	<ul style="list-style-type: none"> Improvement of profitability through labor-saving and lower costs Diversification and higher profitability through expansion to vegetable farming, etc. Improvement of work efficiency in landscaping in countries outside Japan 	<ul style="list-style-type: none"> Further improvement of efficiency and productivity by making machinery larger, smarter, and so on Reduction of environmental burden Improvement of productivity of agriculture in Asian countries 			

1926 Iseki Farm Implement Trading Co. was established.
1936 ISEKI & CO., LTD. was established.

1946 Matsuyama Factory was established.
1949 Kumamoto Factory was established.



1958 Began establishing sales subsidiaries. Subsequently, sales subsidiaries established around Japan.
1961 Niigata Factory was established. Listed its shares on the Tokyo Stock Exchange.
1969 Renamed Tokyo Branch as Tokyo Headquarters.
1971 Established N.V. ISEKI Europe S.A. in Brussels.
1972 Expanded Matsuyama Factory, relocated Head Office to Matsuyama.
1977 Established Central Training Center in Ibaraki Prefecture. Commenced exporting tractors (OEM) to North America



1986 > Development of rotary planting rods for rice transplanter

Work efficiency doubled through the uses of rotary-type planting rods (two seedlings planted per rotation), as compared with the previous crank-type planting rods (one seedling planted per rotation).



Technologies accumulated in association with invention

Number of invention awards received

232 awards

(Cumulative number of awards from the Japan Institute of Invention and Innovation (as of March 2023))

National Awards for Inventions: 19

(Of which, 2 Honorable Mention Awards and 2 Special Awards)

Regional Awards for Inventions: 213

(Of which, Honorable Mention Awards: 38)

2009 > Industry's first! Seven-row reaping

Developed the industry's fastest combine harvester capable of six-row reaping with a maximum working speed of 2.0m/s, as well as the industry's first combine harvester capable of seven-row reaping.



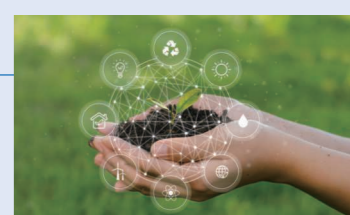
Present day and toward the future

Smart agriculture
We are promoting smart agriculture that utilizes the latest technologies such as robot technologies and information and communication technology (ICT). We aim to realize highly efficient and productive farm business.

Contribution to agriculture of the world
We will contribute to more efficient food production and more productive agriculture through automation of agriculture in ASEAN and other countries.

Enhancement of quality of life
We will contribute to town development in Europe and enrichment of private lives in North America and other countries.

Environmental preservation
We will contribute to the realization of a decarbonized and recycling-oriented society.



ISEKI Group

At a glance

2025 100th anniversary of the founding

Integrated manufacturer specializing in agricultural machinery

Establishing the standard of Japanese agricultural machinery

- Saving of labor and improvement of productivity through automation of agriculture
- Accumulated technologies in association with many invention

(P5-6)

Accelerating overseas expansion

(Overseas net sales)



(P16, 39-42)

Three strengths that form our foundation

- 1 Technological capabilities
- 2 Innovation based on collaboration
- 3 Support capabilities to offer farm business proposals

(P31-34)

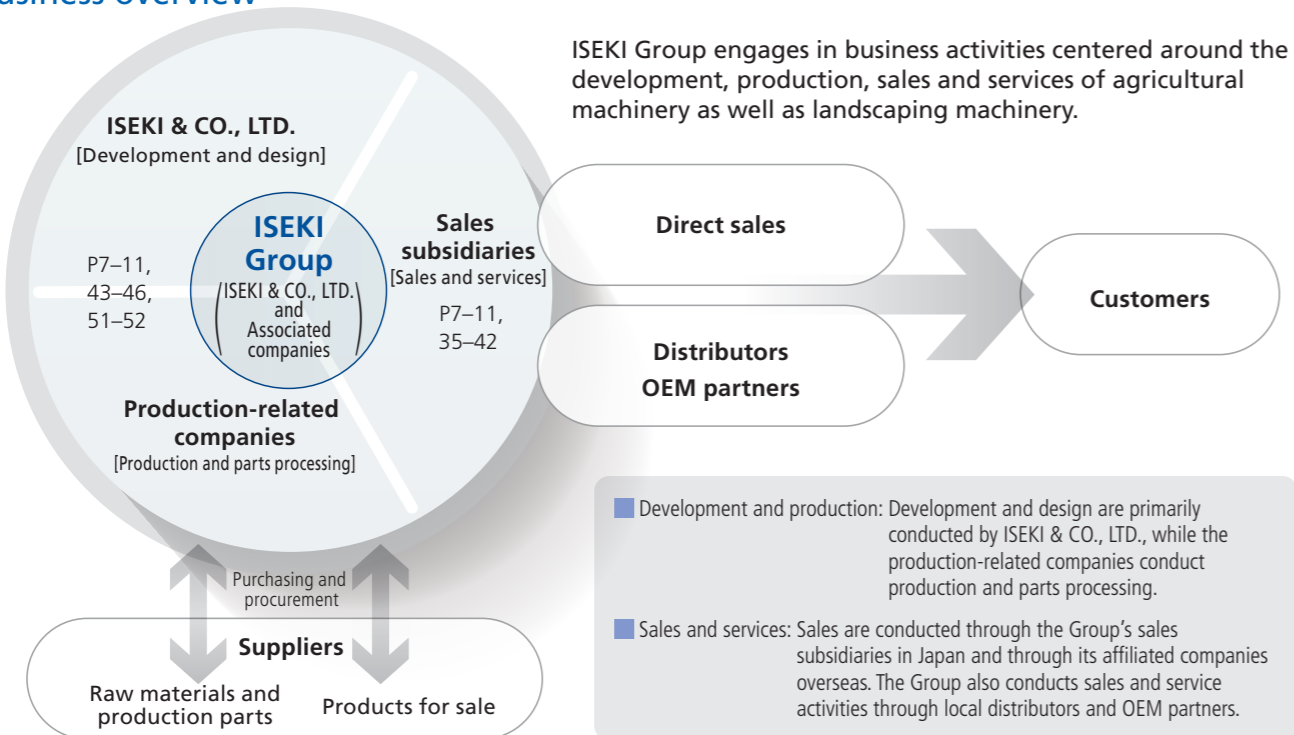
SDGs to be realized by ISEKI Group through its business

Toward the realization of a sustainable society

- Supporting the enhancement of resilience in agriculture
- Landscaping for comfortable villages and towns
- Environmental preservation for a recycling-oriented society

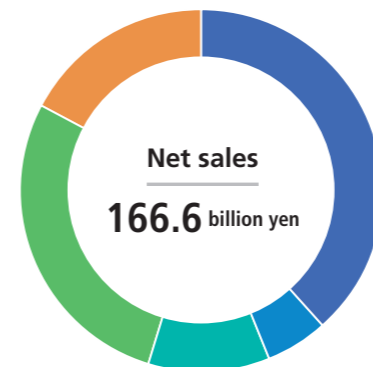


Business overview



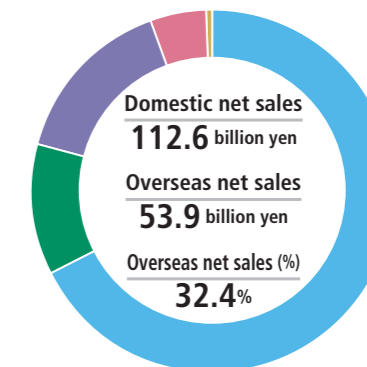
Net sales

By product



- Cultivating and mowing machinery 63.9 billion yen (38.4%)
- Planting machinery 9.3 billion yen (5.6%)
- Harvesting and processing machinery 17.9 billion yen (10.8%)
- Implements, spare parts and repair fees ... 46.9 billion yen (28.2%)
- Other agriculture-related business 28.3 billion yen (17.0%)

By region



- Japan 112.6 billion yen
- North America 19.5 billion yen
- Europe 25.1 billion yen
- Asia 8.6 billion yen
- Other 0.6 billion yen

Overview of products and services

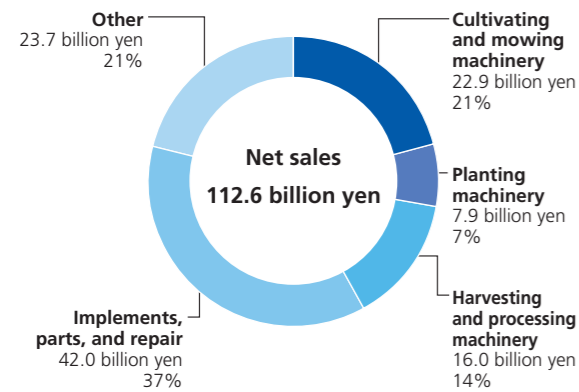
We engage in a variety of businesses that include development, production and sale of and post-sales services for cultivating and mowing machinery such as tractors and riding lawn mowers, planting machinery such as rice transplanters and vegetable transplanters, and harvesting and processing machinery such as combine harvesters for agricultural use by agricultural producers, hobby farmers, etc. in Japan and other Asian countries, as well as for landscape developers, hobby farmers, general consumers, etc. in Europe and North America. We also sell OEM products such as implements and parts.

	Main Products	Main sales region
Cultivating and mowing machinery Tractors ▶	Tractors, riding lawn mowers, tillers, multipurpose vehicles, high-clearance multipurpose vehicles, etc.	Japan and Asia (for agricultural use) Europe and North America (for landscaping)
Planting machinery Rice transplanters ▶	Rice transplanters, vegetable transplanters, etc.	Japan and Asia (for agricultural use)
Harvesting and processing machinery Combine harvesters ▶	Combine harvesters, binders, rice hullers, measuring and sorting machinery, rice graders, etc.	Japan and Asia (for agricultural use)
Implements, spare parts and repair fees Implements ▶	Parts for repairing products of Japanese and foreign implements manufacturers, etc., repair, maintenance, etc.	Japan, Asia, Europe, and North America
Other agriculture-related business Solution culture facility ▶	Facility construction, agricultural materials, coin rice milling business, rice cooking business, etc.	Japan

ISEKI Group

We conduct business with priority on "Japan," "Asia," "Europe," and "North America."

Japan



Manned monitoring-based robot transplanters which promote high expectations for further laborsaving

Through sales subsidiaries, we not only sell and provide services related to agricultural machinery to customers but also collect voices and needs of customers to reflect them in our product development and other activities.

Sales route

- 11 sales subsidiaries

Agricultural machinery products (for agricultural use)

As an integrated manufacturer specializing in agricultural machinery, we have established an integrated system for automating farming of rice, field crops, vegetables, etc. and we also have a broad range of product lineup including products for hobby farmers.

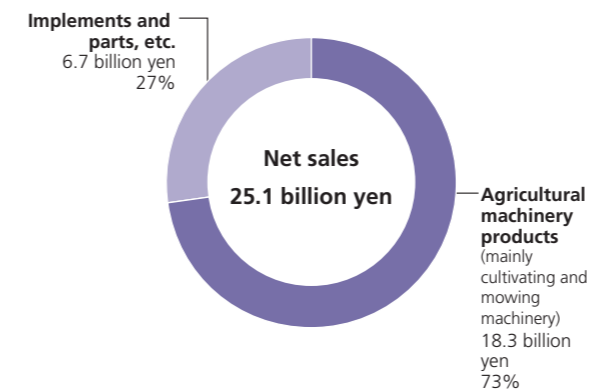
Implements, parts and repair fees

A greater emphasis has been placed on the maintenance system (readiness of parts and for repair) following the increase in size of farm business. We have placed a focus on ancillary services such as implements, parts, and repair as a stable revenue base not too much dependent on market trends.

Other

We handle construction of facilities such as agricultural facilities and solar power-based plant factories, agricultural materials such as fertilizers, food/kitchen-related products, etc.

Europe



Riding lawn mowers used for maintenance, etc. of parks and fields

We started business in the 1960s. Since then, the sales area has expanded to cover the entire Europe.

We offer ISEKI-brand compact and high-performance products in line with market needs mainly for landscaping use.

Sales route (major agents)

- France: ISEKI France (consolidated subsidiary)
- Germany: ISEKI Germany (consolidated subsidiary)
- U.K.: ISEKI UK & IRELAND

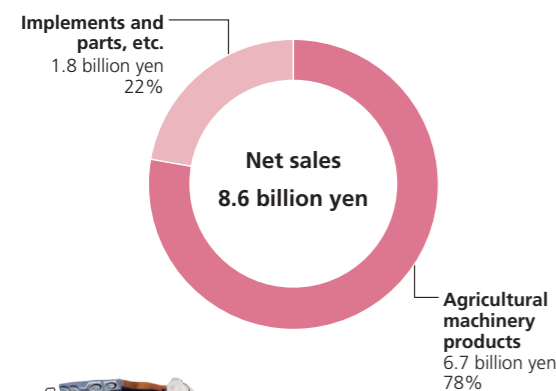
Agricultural machinery products (for landscaping)

We offer ISEKI-brand products, mainly compact tractors used for landscaping, such as mowing lawns in parks and road cleaning, as well as riding lawn mowers and tractors for agricultural use.

Other products

We purchase and sell electric- and gasoline-powered lawn-mowing products which have a high synergy effect with our products.

Asia



Combine harvesters for South Korea

Tractors locally manufactured in China

We sell rice farming-related and other machinery nurtured through our business in Japan in each of the ASEAN, East Asian (South Korea and Taiwan), and Chinese markets.

ASEAN market

In the ASEAN market where future growth is expected, we conduct sales and services into neighboring countries with IST, our consolidated subsidiary, playing a central role.

Sales route

- IST (consolidated subsidiary)

East Asia (South Korea and Taiwan)

In response to their increased needs for advanced technologies and large-scale agricultural machinery, we provide large-sized, high-performance rice-farming machinery, etc. that is in active use in Japan through local sales agents.

Sales route

- South Korea: Local sales agents
- Taiwan: Local sales agents

Chinese market

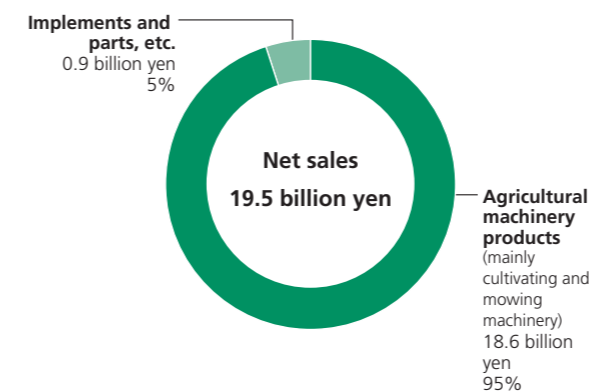
We locally manufacture and sell tractors, rice transplanters, combine harvesters, etc. which are adapted to operation in rice paddies. We also sell agricultural machinery equipped with latest technologies and manufactured in Japan.

Sales route

- Dongfeng Iseki (equity-method subsidiary)

*Local net sales of Dongfeng Iseki are not included in our consolidated financial statements.

North America



Used for hauling with a front loader



Used for mowing with a mower

We supply Massey Ferguson-brand products on an OEM basis through our business partnership with AGCO Corporation, a major global manufacturer of agricultural machinery.

Sales route

- U.S. and Canada: AGCO Corporation (OEM)

Agricultural machinery products: Compact tractors

We sell our products, mainly sub-compact tractors for private users, in entire North America, including Canada.

We contribute to the improvement of quality of private lives through landscape, as our compact tractors equipped with a front loader, backhoe, mower, etc. are used for park management and development as well as hauling of such materials as feeds for horses.

ISEKI Group

number of employees (consolidated)

5,454

Development and manufacturing department 1,660
 Sales department 3,445
 Other division 349

(As of December 31, 2022)

Japan: Main associated companies/sales subsidiaries

- | | |
|---|------------------------------------|
| ◆ Associated companies | ● Sales subsidiaries |
| ISEKI-Matsuyama MFG. Co., Ltd. ◆ | ISEKI Hokkaido Co., Ltd. ■ |
| ISEKI-Kumamoto MFG. Co., Ltd. ◆ | ISEKI Tohoku Co., Ltd. ■ |
| ISEKI-Niigata MFG. Co., Ltd. ◆ | ISEKI Kanto Koshinetsu Co., Ltd. ■ |
| ISEKI-Shigenobu MFG. Co., Ltd. ◆ | Gunma ISEKI Sales Co., Ltd. |
| ISEKI-Minamiyoshida MFG. Co., Ltd. (*1) ◆ | Ishikawa Shokai Co., Ltd. (*1) |
| ISEKI AGRI Co., Ltd. | ISEKI Kansai Chubu Co., Ltd. ■ |
| ISEKI Logistics Co., Ltd. | Mie ISEKI Sales Co., Ltd. |
| ISEKI TLS Co., Ltd. | Nara Iseki Sales Co., Ltd. (*1) |
| Kita-Nihon Shodo K.K. | Nishioka Shokai Co., Ltd. (*1) |
| | ISEKI ChuShikoku Co., Ltd. ■ |
| | ISEKI Kyushu Co., Ltd. ■ |

We leverage group-wide strengths at home and abroad to engage in the business.
 Our products are used in more than 100 countries and regions around the world.

Overseas: Main associated companies/strategic partners

[Associated companies]

- | | |
|------------------|---|
| Belgium | N.V. Iseki Europe S.A. (ISEKI Europe) (*1) |
| France | ISEKI France S.A.S. (ISEKI France) |
| Germany | Iseki-Maschinen GmbH (ISEKI Germany) |
| U.K. | PREMIUM TURF-CARE LTD. (ISEKI UK & IRELAND) (*1) |
| Thailand | IST Farm Machinery Co., Ltd. (IST) |
| Indonesia | PT. ISEKI INDONESIA (ISEKI INDONESIA) ◆ |
| China | Dongfeng Iseki Agricultural Machinery Co., Ltd. (Dongfeng Iseki) ◆ (*1,2) |

[Strategic partners]

- | | |
|--------------|--|
| U.S. | AGCO Corporation of AGCO Group (*3) (AGCO) |
| India | Tractors and Farm Equipment Limited (TAFE) (business alliance) |

◆ Production sites
 ■ Wide-area sales companies (our investment ratio: 100%)
 *1: Non-consolidated subsidiaries
 *2: Equity-method subsidiary *3: OEM customer

Production sites/main machine types produced

Associated companies (location)	ISEKI-Matsuyama MFG. Co., Ltd. (Japan)	ISEKI-Kumamoto MFG. Co., Ltd. (Japan)	ISEKI-Niigata MFG. Co., Ltd. (Japan)	ISEKI-Shigenobu MFG. Co., Ltd. (Japan)	PT. ISEKI INDONESIA (Indonesia)	Dongfeng Iseki Agricultural Machinery Xiangyang Factory and Changzhou Factory (China)
Main machine types produced	Tractors, riding lawn mowers, high-clearance multipurpose vehicles, and diesel engines	Combine harvesters, and carrot harvesting machinery	Rice transplanters, vegetable transplanters, and rice hullers, binders	Tillers, multipurpose vehicles, and implements (rotaries, mowers, etc.)	Tractors and riding lawn mowers	Tractors, rice transplanters, combine harvesters, high-clearance multipurpose vehicles, and vegetable transplanters
Main destination for shipment	Japan, Asia, Europe, and North America	Japan and Asia	Japan and Asia	Japan, Asia, Europe, and North America	North America, Asia, and Europe	Asia



ISEKI Group's value creation aims
 (What kind of value we create)

- 13 Message from our President
- 19 Value Creation Process
- 21 Materiality
- 23 Financial and capital strategies

Message from our President



As we approach the 100th anniversary of our foundation, we will pursue business management that balances economic purpose with social purpose and drive through *henkaku* (Change) targeting a "new ISEKI"



"Toward the next 100 years..."

Shiro Tomiyasu Representative Director, President & Executive Officer ISEKI & CO., LTD.

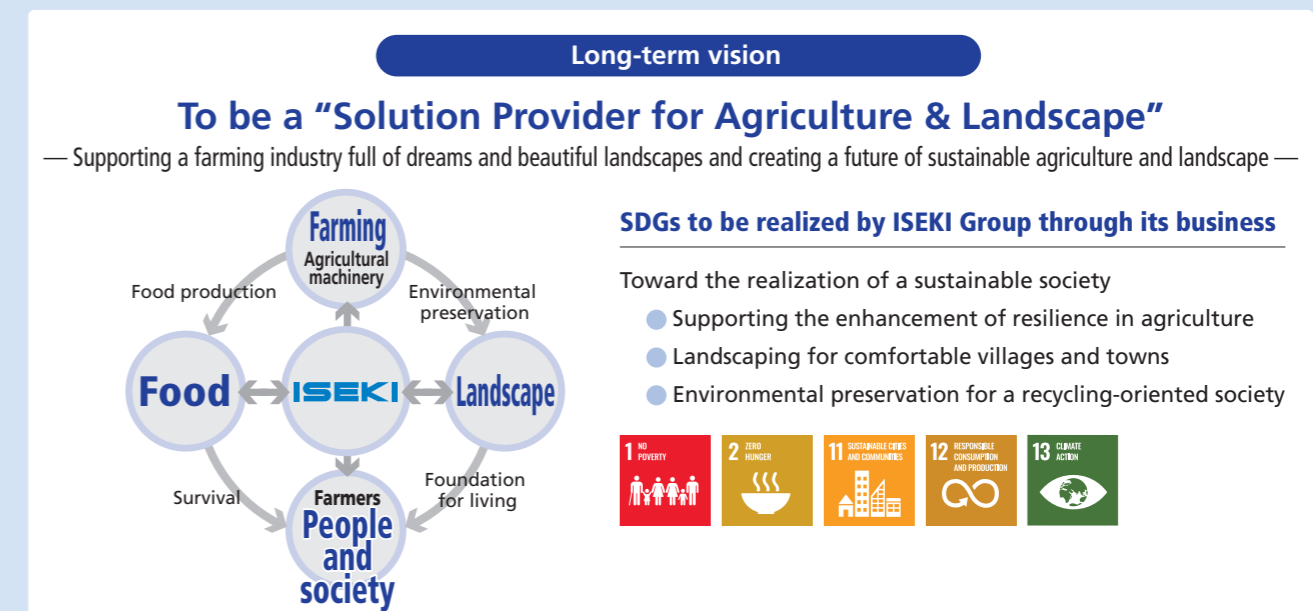
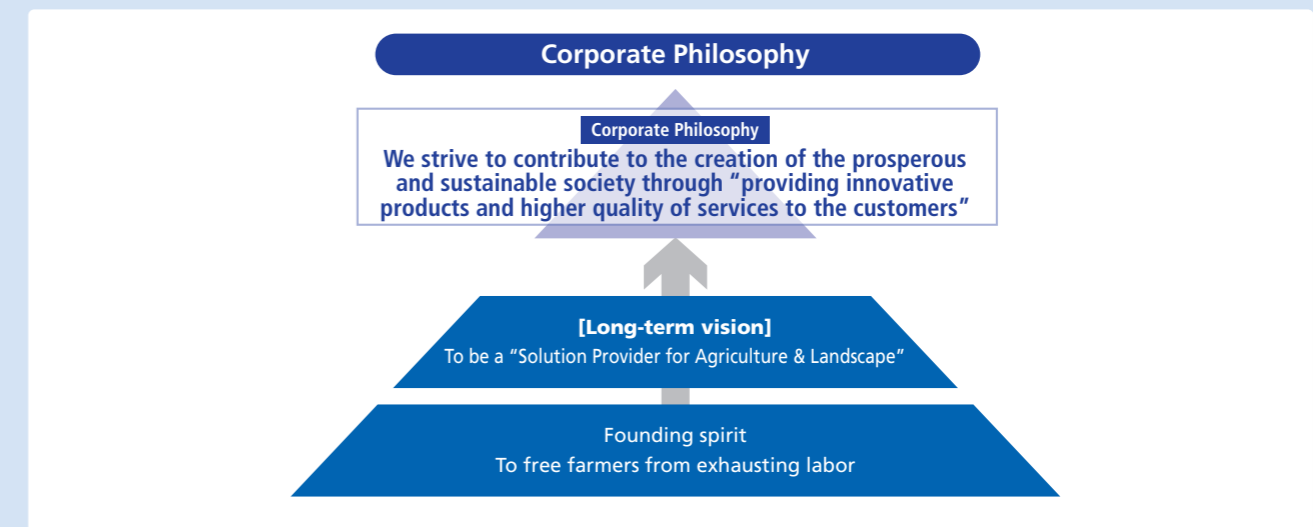
ISEKI & CO., LTD.'s Purpose

Our aspiration to be farmers' closest supporter is a source of pride and an enduring commitment

The history of ISEKI Group began when our founder Kunisaburo Iseki established Iseki Farm Implement Trading Co. in Aratama-cho, Matsuyama City, Ehime Prefecture, and started manufacturing fully-automated rice hullers. Having inherited the Company's founding spirit of "freeing farmers from exhausting labor" in an unbroken line since then, in 2025, we will mark the 100th anniversary of the Company's founding.

Comparing Japan's rice farming in 1960 with that of today, the energy required to produce one unit of rice has decreased to around one-seventh of what it was. It was ISEKI Group that drove the mechanization and modernization that made this possible, leveraging its technological capabilities in product development. Even today, the Group's continued high ranking in terms of the number of patents acquired per specialty field is testament to its long-inherited aspiration to be farmers' closest supporter.

As an integrated manufacturer with this product development DNA that specializes in agricultural machinery, the social issue that the Group needs to seek solutions for first and foremost is the worldwide problem of food security that emerged following the COVID-19 pandemic and the invasion of Ukraine. The world's population reached 8 billion in 2022, and is expected to reach approximately 10 billion around 2050. Considering that just over ten percent of the world's population are suffering hunger, boosting food production is a pressing issue. However, the land area under cultivation cannot be increased due to issues such as the associated environmental burden and reduced availability of farmland caused by industrialization and desertification. Thus, improved agricultural productivity is essential. In Japan, as in other countries, food security, including the stability of food supplies and food self-sufficiency, is a key issue. On the other hand, the riding lawn mowers and compact tractors that we supply primarily to the European market are utilized for landscaping, such as maintenance of parks and fields, road cleaning, and snow clearing. Through such uses, they help to make villages and towns comfortable, thereby contributing to an improved quality of life for citizens. ISEKI Group has a long history in the European



Message from our President

market, where recognition of the ISEKI brand is high. In recent years, we have addressed the issue of growing environmental awareness by developing and supplying more electrification products. All these fields associated with improvements in agricultural productivity and quality of life are areas in which the Group's strengths can be leveraged.

In light of this, in February 2021 we redefined ISEKI Group's Purpose, taking into account the strengths we had accumulated and the social issues we needed to seek solutions for. In conjunction with this, we decided on the Corporate Philosophy "We strive to contribute to the creation of the prosperous and sustainable society through 'providing innovative products and higher quality of services to the customers.'" We also set the long-term vision of becoming a "solution provider for agriculture and landscape."

Farming safeguards food and land and provides the foundation to realize prosperity for people and society. We regard it as our Purpose to become such a corporate group—one that supports farming and farmers, and provides solutions to associated issues (please refer to "Long-term vision" in the bottom figure on P14). We also believe that these business activities on the part of ISEKI Group can contribute to solving the challenges of the SDGs. ISEKI Group identified certain materiality (priority issues) that it will address for the achievement of its aspirations and long-term vision, and linked these to specific SDGs as the basis for pursuing related activities. Particular SDGs to which we believe we can contribute through improved agricultural productivity are Goal 1, "No poverty" and Goal 2, "Zero hunger." We also believe we can contribute to Goal 11, "Sustainable cities and communities" through improvement of quality of life.

ISEKI Group will use the knowledge and experience we have cultivated over the years to fulfill social responsibilities and contribute to solving the challenges of the SDGs with the aim of remaining an essential company.

Review of the fiscal year ended December 31, 2022

During FY2022, we were buffeted by a dramatically changed business environment

In the fiscal year ended December 31, 2022, sales declined in the Japanese domestic market, which accounts for almost 70% of the Group's net sales. This reflected deterioration in purchasing sentiment among farmers as a result of falling rice prices combined with soaring prices for agricultural materials such as fertilizers and pesticides. Moreover, the effects of the COVID-19 pandemic and the invasion of Ukraine led to supply chain disruption including lockdowns affecting overseas factories and delayed procurement of semiconductors. This prevented us from adequately procuring key components previously sourced overseas, and as a result, we were unable to supply enough of the large agricultural machinery that is the main focus of the Group's business.

Meanwhile, in overseas markets we again achieved the highest net sales on record, almost reaching our target for 2025, the final fiscal year of our Mid-term Management Plan. Key contributors to this result were strong

performances by landscaping machinery in Europe and by compact tractors in North America, along with continuing depreciation of the yen. As a result, sales in Japan and overseas combined were in line with the Plan.

In terms of earnings, we were impacted by further escalation in raw material prices, and despite our efforts to absorb the additional costs by raising the prices we charge, in the domestic market the benefits remained limited, and as a result operating income declined. However, our calculations show that, supposing raw material prices had not soared, our operating margin would have exceeded the 3% targeted for FY2022 under the Mid-term Management Plan. We therefore believe that the benefits of measures implemented under the Plan have started to emerge to some extent. Meanwhile, operating cash flow for the year was negative, primarily due to increased inventories following a delay in receiving stock as a result of delayed parts procurement at an OEM partner in North America, as well as the impact of consolidation of ISEKI Germany. It was a year in which we were buffeted by a dramatically changed business environment, leaving us with issues to address in terms of the Group's resilience going forward.

Priorities in the fiscal year ending December 31, 2023

We will speed up *henkaku* (Change) to achieve our Mid-term Management Plan goals

Indicating a path toward a 5% operating margin

ISEKI Group's results forecasts for the fiscal year ending December 31, 2023 are as follows: 176.5 billion yen in net sales (a 5.9% increase year on year), 4.5 billion yen in operating income (a 27.3% increase year on year), 4.0 billion yen in ordinary income (a 6.3% increase year on year), 2.6 billion yen in profit attributable to owners of parent (a 36.9% decrease year on year). In addition, we set the target of restoring our operating margin to 2.5% in the fiscal year ending December 31, 2023 to establish a path toward achieving the 5% operating margin set as the Mid-term Management Plan's numerical target for the fiscal year ending December 31, 2025.

ISEKI Group's Mid-term Management Plan comprises two basic strategies. The first is provision of the best solutions. The second is enhancement of corporate value by strengthening profits and reinforcing corporate governance; that is to say, a transformation into a company with a lean and streamlined business structure that can constantly generate profit without being affected by the fluctuation in sales.

Addressing structural changes in Japan's agricultural industry (Provision of the best solutions)

The Strategy for Sustainable Food Systems, MIDORI, implemented by the Ministry of Agriculture, Forestry and Fisheries, is now well underway and structural changes in Japan's agricultural industry are progressing in line with the strategy's keywords of environmental preservation and smart agriculture. ISEKI Group too is stepping up its initiatives to expedite these structural changes. One of our killer products in this regard is the Aigamo-Robo weeding robot. The robot makes it possible to control the

growth of weeds in rice paddies without using chemical pesticides. We formed a capital and business alliance with Yukimai Design Co., Ltd., the robot's developer, and after conducting demonstration experiments on the product in more than 200 locations and adjusting its design, full-scale sales were launched in 2023.

In addition to making steady progress on collaboration with local governments and private-sector companies to disseminate and promote environmentally sound smart agriculture, we are continuing to focus on developing products and deploying sales strategies catering to the increase in large-scale farming and the transition to smart farming.

In large-sized agricultural machinery, we will seek to expand sales with a focus on the "All Japan series" of products for large-scale producers. In smart agricultural machinery, we made progress with deployment of our GPS-enabled straight-travel assist function, launching a new product in the mid-sized tractor class in 2022. In 2023, our 10-row rice transplanter and "JAPAN"-brand combine harvester, both equipped with the same straight-travel assist function, started full-scale operation. Looking ahead, we will continue striving to expand sales of smart agricultural machinery and expedite further releases of products catering to structural changes in Japan's agricultural industry.

Meanwhile, we are providing services, including information and know-how, by continuing to expand our large-scale maintenance facilities and improve our educational programs and other offerings catering to the needs of large-scale farmers. In addition, we are expanding our concept of services, hastening the use of data obtained from smart agricultural machinery in new sales services, as well as in products, to drive forward the evolution of an agricultural business model based on total ICT solutions.

Measures for Europe, North America, and Asia (Provision of the best solutions)

ISEKI Group operates its overseas business in three regions. The first is North America, where we supply compact tractors, primarily of 40HP or less, for private users. The second region is Europe, where we supply tractors and lawn mowers for landscaping. The third region is Asia, where we supply agricultural machinery for rice farming, drawing on our technological development cultivated in Japan. Overseas sales have increased steadily as a result of implementing measures in the Mid-term Management Plan and currently account for over 30% of total sales. We will continue targeting further growth, seeking the best solutions for each region.

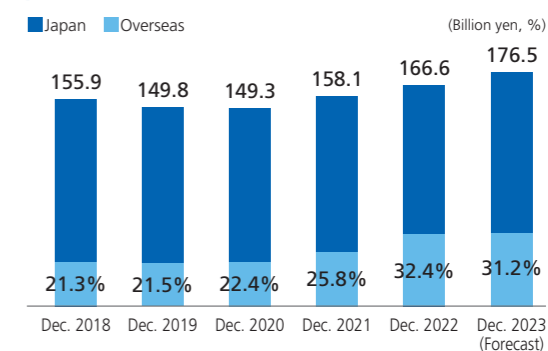
Demand in the North American compact tractor market increased significantly in recent years due to lifestyle changes spurred primarily by city dwellers' increasing tendency to move out to the suburbs during the COVID-19 pandemic. Currently, however, changes in national monetary policies and other factors have led to an ongoing correction phase. We will forge even closer collaboration with our business partner AGCO Corporation and seek to expand market share by implementing product strategies aligned with the characteristics of each region and improving sales and services.

In Europe, demand for tractors and lawn mowers for use by individual consumers started expanding in 2021, and is still growing robustly. At the same time, sales are strong in the market targeting professional users, where ISEKI Group commands a strong presence. We already commenced

limited sales of electric riding lawn mowers and will use this as a first step in accelerating the roll-out of electric products, enhancing our lineup of environmentally-friendly offerings. In addition, we established the capacity to strengthen our sales channels in Europe by making local distributor ISEKI Germany into a consolidated subsidiary.

In Asia, meanwhile, we strengthened the sales channels of IST Farm Machinery Co., Ltd. (IST), our consolidated subsidiary in Thailand. In the Thai market, we had already started selling low-priced compact tractors manufactured in India, and we began expanding sales of these, including tractors for farming field crops other than rice, transitioning to a full-scale growth phase for these products.

Consolidated net sales



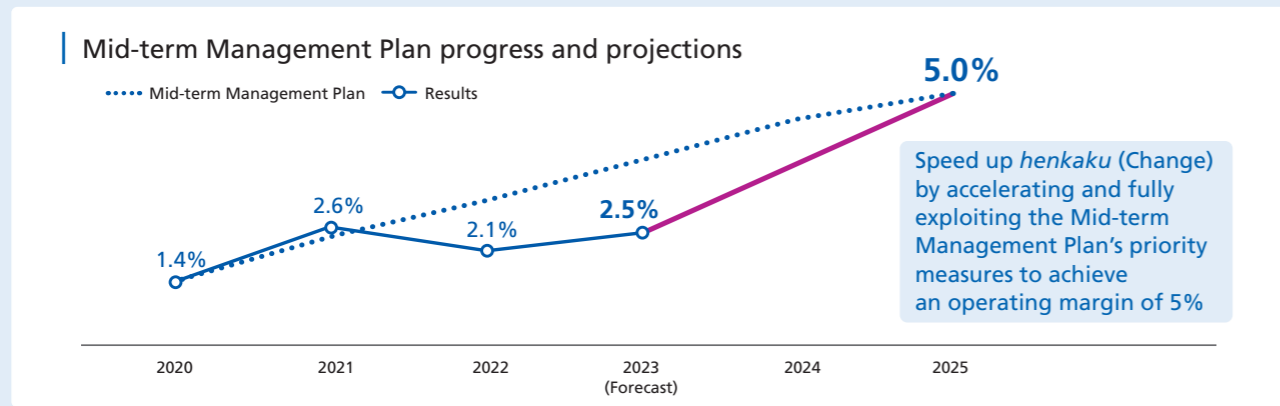
Establishment of an optimal production system (Enhancement of corporate value by strengthening profits and reinforcing corporate governance)

With regard to ISEKI Group's key challenge of improving profitability, we are doing so by pursuing the priority measure of establishing an optimal production system at our production sites in Japan and overseas. Our Japan-based production sites in particular are dedicated to specific products, presenting issues with regard to duplication of human resources and equipment, and standardization of production processes. We will seek to improve productivity by reorganizing this structure to make effective use of equipment and the optimal placement of Group personnel with the overall aim of reforming the structure of our business and improving management efficiency.

We are already contributing to the establishment of an optimal production system by taking steps to shift production of certain models manufactured at our Matsuyama production site to PT. ISEKI INDONESIA. Since PT. ISEKI INDONESIA first started manufacturing tractors for the North American market in 2014, its production volumes have increased continuously as a result of expansion in the overseas business and an enhanced lineup of models for the ASEAN and European markets. In March 2023, we completed the addition of a new factory building that we had undertaken as an initiative to continue increasing production volumes by further expanding the overseas business and shifting more of our production. We will use this initiative as a first step in accelerating our establishment of an optimal production system on a global basis and improving profitability.

Thus, we are steadily implementing the measures detailed in our Mid-term Management Plan, but we are still only partway toward achieving our target of a 5% operating margin. We are seeking to establish a path toward

Message from our President



an operating margin of 5% by accelerating and fully exploiting the Mid-term Management Plan's priority measures in order to speed up *henkaku* (Change). Furthermore, we will create operating cash flow of 60 billion yen cumulative over the five years of the Mid-term Management Plan by taking steps to optimize our inventories, which increased due to supply chain disruption, and to steadily trim down property, plant and equipment and improve management efficiency. Using this cash, we will strive to reform the structure of our business and reduce interest-bearing debt, aiming to achieve ROE of 8%.

Aiming for sustainable growth

We set up the ESG Committee, establishing a framework that enables the management team to strengthen their involvement

In August 2022, we set up the ESG Committee as a consultative body of the Board of Directors regarding the enhancement of ISEKI Group's ESG initiatives. The Committee is comprised of Directors and Corporate Officers, and is chaired by an Independent Outside Director. In principle, Committee meetings are held each month, and the Committee seeks to find solutions for the Group's materiality by examining and deliberating ESG-related initiatives for the Group as a whole from the perspective of risks and growth opportunities. Such initiatives include responses to climate change, respect for human rights, and employee health. The results of deliberations at Committee meetings are recommended to the Board of Directors, which in turn deliberates and determines important matters. This has established a framework enabling the management team to strengthen their involvement. Eight working groups (WGs) have also been set up, and these are actively pursuing related activities. Through such initiatives, we are driving our ESG-related activities forward.

Environmental initiatives

ISEKI Group practices environmental management, treating realization of a decarbonized and recycling-oriented society as a materiality. In 2022, we formulated a new Environmental Vision and reviewed the Basic Environmental Policy and mid- to long-term environmental targets. In terms of specific initiatives, we are enhancing our lineup of environmentally-friendly products and services, such as proposals for environmentally sound smart agriculture and electrification products. In addition, we are replacing

equipment at the Matsuyama production site (our "mother factory") with a view to switching energy sources from heavy oil to liquefied natural gas (LNG). We also announced our endorsement of the Task Force on Climate-related Financial Disclosures (TCFD) Recommendations and started disclosing information in line with these recommendations. Going forward, we will continue contributing to solutions for climate change issues and reduction of agriculture's burden on the environment.

Initiatives related to human capital and diversity

Active participation in the workplace by women is an indicator of diversity and inclusion. Our local subsidiaries overseas have female employees serving as Directors, and at our Thai subsidiary IST, women account for more than half of departmental general managers. We are using these women as role models to introduce the same practices in Japan and create the necessary conditions for establishing a corporate culture in which women can participate actively. In addition, ISEKI Group participates in the NOGYOJOSHI (female farmers) project by the Ministry of Agriculture, Forestry and Fisheries. Through such activities, we are exploring the potential for spurring female farmers into action.

Meanwhile, we are pursuing optimal placement of personnel by transferring individuals among Group companies, thereby concentrating resources on our priorities. For instance, in Asia, which is an engine of our overseas growth, as well as a region where we can leverage the know-how cultivated in Japan, we are seeking to accelerate growth by assigning executives currently working in Japan-based sales. Meanwhile, we are working to further enhance our employee education programs relating to diversified recruitment and digital transformation (DX), among other topics.

At the meeting of the Board of Directors held on February 28, 2023, ISEKI Group passed resolutions approving a policy for human resources development and a policy for workplace environment creation. ISEKI Group will continue to maximize its human resource capability by focusing on enhancement of employee engagement and human resource transformation.

Initiatives to reinforce corporate governance

ISEKI has established the Nomination and Compensation Committee, comprised of two Representative Directors and three Outside Directors, as a consultative body of the Board of Directors regarding compensation of Directors and Corporate Officers. In 2022, we revised the Directors' compensation system on the recommendation of

the Nomination and Compensation Committee. The purpose of this revision was to make compensation's link to business results and share value more explicit. The revision is intended to increase Directors' focus on helping to improve business results and enhance corporate value over the medium to long term by ensuring that they have the same interests in the risks and benefits of share price fluctuations as shareholders. Other initiatives we are actively pursuing include evaluations of the effectiveness of the Board of Directors to revitalize the Board and improve its functions. Meanwhile, we will strive to improve the Price Book-value Ratio (PBR) by taking steps to enhance corporate value including (1) improving profitability, (2) improving asset and capital efficiency, (3) providing shareholder returns, and (4) conducting appropriate investor relations activities, including better communication of our growth strategies.

Toward the next 100 years...

Pursuing an economic role alongside a social role

ISEKI Group, Japan's only integrated manufacturer specializing in agricultural machinery, has always founded its business on an aspiration to be farmers' closest supporter. This aspiration is rooted in an abiding commitment to acting first and foremost for the benefit of customers. This is our greatest strength, and I believe it is precisely because we are fulfilling this social role that we have been able to continue operating our business for almost 100 years.

Recent developments such as COVID-19 and the invasion of Ukraine have triggered growing interest in food

security, improved food self-sufficiency, and other food-related issues. Agriculture supports food supply, including addressing the need for increased food production to cater to future population growth. As such, agriculture, and the landscaping business, which supports people's daily lives, are being recognized anew as essential businesses. I believe that ISEKI Group, which facilitates the agriculture and landscaping businesses, can grow while continuing to fulfill its social role by contributing to these businesses through activities that support customers.

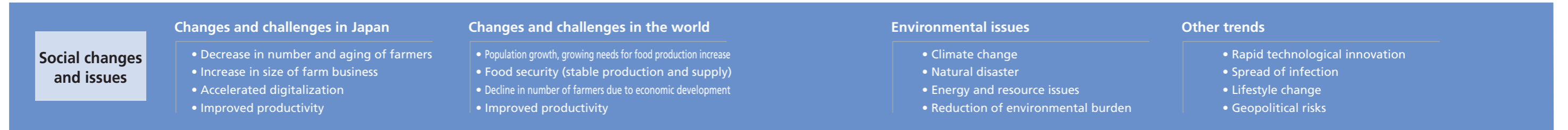
Moreover, for the Group to sustain its development over the next 100 years and continue providing innovative products and higher quality of services to customers, we must operate our business in such a way that a diverse range of stakeholders, including shareholders, suppliers, and employees, can feel confident about joining forces with us. In other words, it is essential to generate adequate profits and fulfill an economic role as well.

These two roles do not need to be prioritized one above the other; I believe they can balance and complement each other as they progress. However, ISEKI has become accustomed to lagging behind somewhat in terms of pursuing its economic role. Now, therefore, we are driving through *henkaku* (Change) so that in 2025, when we mark the 100th anniversary of the Company's founding, ISEKI operates in such a way that it fulfills its economic role in addition to the social role it has contributed to over the years. In order to achieve this, I consider it my own personal responsibility to involve the entire Group in a concerted effort to drive forward the aforementioned transformation into a company with a lean and streamlined business structure. I hope we can continue to rely on your support as we endeavor to forge a "new ISEKI."

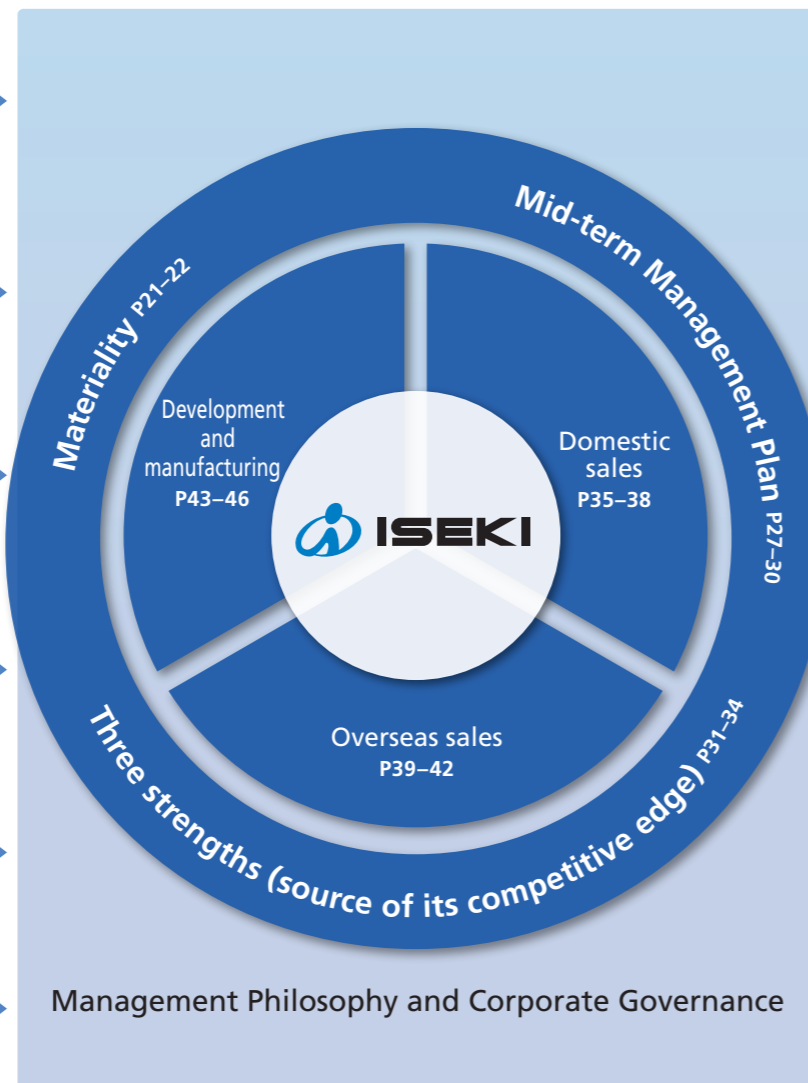


Value Creation Process

ISEKI Group engages in business activities that are founded on its corporate philosophy and governance and that leverage the capital supporting the Group as well as its unique strengths. In doing so, we provide customers with products and services that meet a variety of needs, thereby creating social and economic value. By addressing social changes and issues and reflecting them in the Mid-term Management Plans and materiality, and continuing this cycle of value creation, we strive to solve social issues and contribute to the "creation of a prosperous society," while achieving sustainable growth and enhancing corporate value of the Group.



- Human capital**
 Diverse human resources that enable ISEKI Group growth
 • number of employees (consolidated): 5,454
 Center for Human Development for experts specializing in the fields of development, production, sales, and services (IETC/ITTC/IGTC)
- Intellectual capital**
 Patents held as well as high-level technological capabilities and intellectual properties
 • Number of patent application registrations per specialty field in Japan: No.2
 • Patent allowance rate (in all industries) in Japan: No.1
 • Number of invention awards received in Japan: 232
- Manufacturing capital (sites)**
 Production and sales sites in Japan and overseas
 • Global production bases: 5
 • Large-scale maintenance facilities in Japan: 54
 Dream Agricultural Research Institute
- Social and relationship capital (network)**
 Collaboration with partners, municipalities, research institutions, and universities in Japan and overseas
 • Japan: number of collaborations with national and local governments and private-sector companies: 9
 • Overseas: number of overseas strategic partners: 2
 • Development: number of joint development with research institutions and universities: 13 themes
- Natural capital**
 Initiatives aimed at reduction of environmental burden
 Promotion of environmentally sound smart agriculture
 • EMS certification acquisition rate: 95%
- Financial capital**
 Source of business activities and growth investments
 • Cash and deposits: 10.7 billion yen
 • Interest-bearing debt: 68.1 billion yen
 • Net assets: 72.3 billion yen



Provision of products and services in response to diverse needs



Solving social issues and enhancing corporate value

through creation of social and economic value

Materiality

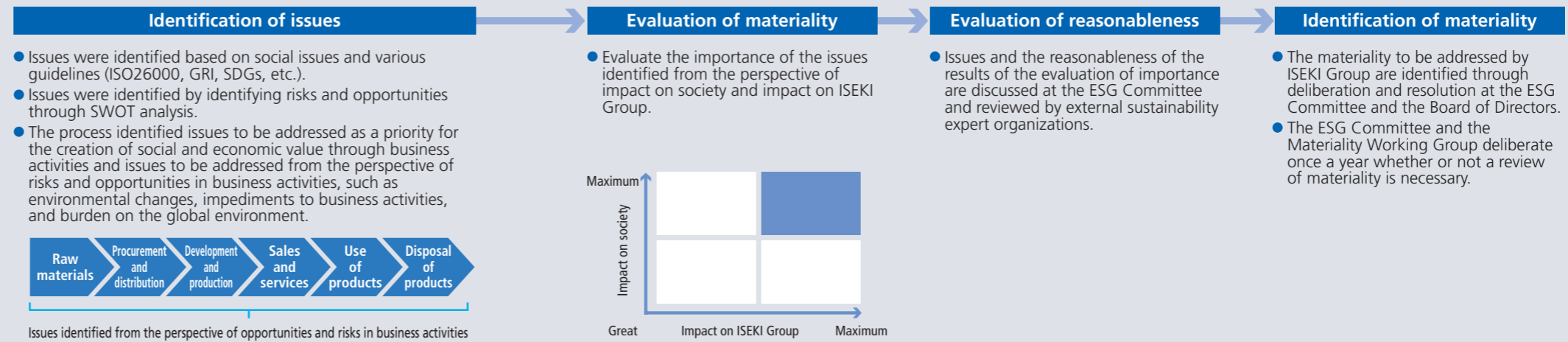
Materiality refers to the important issues that ISEKI Group will address as a priority for the achievement of ISEKI Group's aspirations and long-term vision. We have revised our materiality by aligning them with the risks and opportunities identified through SWOT analysis, etc., as well as our visions and management

strategies, after review with external sustainability expert organizations. We have set KPIs, and formulated and implemented a plan for specific initiatives for each materiality item. The ESG Committee manages the progress and reports to the Board of Directors.

Materiality	Vision (2030)		Related SDGs	Risks and opportunities		KPI	Focused themes (strategies)	Status of activities
				Risks	Opportunities			
Value creation through business	Common	Develop products and generate business that contribute to the creation of the prosperous and sustainable society		Response to changes in policies of individual governments Competition with other companies, changes in economic conditions and the environment of agriculture Climate change, reduction of environmental burden, natural disasters, infectious diseases, etc. Lagging behind Chinese and other competitors in the European and U.S. zero-emission (EV) product markets	New demand and needs Generation of business and creation of new value through innovation Increase in demand for electrification products Dissemination of electric products in the landscaping business and personal hobby market	Expansion of advanced technological intellectual properties Generation of business and creation of new value through research and development investment in priority strategic fields	Responses to changing demand and needs Generation of business and creation of new value through innovation	P43-46, P51-53
				Decline in the number of farms in Japan, advancing age of farmers, and slowdown of demand due to an increase in contracting of farm work	Larger scale of Japanese agriculture, diversification of crops Develop measures to ensure the stability of food supplies Dissemination of smart agriculture (data-driven and environmentally sound agriculture) Partnerships with entities in other industries through DX	Dissemination of large-sized agricultural machinery and smart agricultural machinery	Strengthening of initiatives for large-scale farmers Strengthening of DX and smart strategies Acceleration of revenue-expenditure structural reform	P35-38
				Lowering of prices, rise of Indian, South Korean, and Chinese competitors Chinese and other manufacturers leading the competition of EV products	Progress in mechanization of agriculture in ASEAN, India, and other regions where rice is the main crop Dissemination of smart agriculture (data-driven and environmentally sound agriculture) in East Asia, etc. Expansion of price competitive products manufactured by TAFE into the ASEAN market	A wider spread of our products in the Asian region	Build foundations for ASEAN business based on IST Bring high-performance, large-scale agricultural machinery to market Enhancement of service systems Build a new business model through collaboration with TAFE	P39, 42
					New demand for electrification products, etc. Contribute to the SDGs goals such as "Sustainable cities and communities" by increasing sales of our products	Expansion of sales of tractors and lawn mowers for North America and Europe	Support for AGCO brand strategy development Bring machinery with reduced cost and economical specifications to market Reconstruct sales network with a view to consolidation Expand products such as electrification products Streamline procurement of consumer products and implements	P39, 40 P39, 41
	Realization of a decarbonized and recycling-oriented society	Contribute to the realization of a decarbonized and recycling-oriented society through business activities that take the environment into consideration		Tightening of environment-related regulations and standards Decline in demand due to changing market needs Decline in competitiveness due to delays in responding to GHG emission reduction solutions Suspension of product and service provision systems due to natural disasters such as typhoons and floods Increase in costs due to introduction of carbon tax and rising energy prices	Increase in demand for products and services that accommodate changes in the agricultural environment • Conservation of energy and labor • Reduction of greenhouse gas emissions • Reduction of fertilizer and agrochemicals • Expansion of organic farming, etc. Cost reduction through the introduction of facilities with high environmental efficiency Minimization of resource consumption Production activities with low environmental burden by curbing waste generation	Eco-product sales ratio Land area organically farmed (rice) Reduction of CO2 emissions Reduction and reuse of production resources	Response to climate change Preservation of biodiversity Resource circulation in production	P54-57, P61-62
Building a resilient management base	Enhancement of brand value (building of trust)	Make our presence felt by solving social issues, leading to development of the relationships of trust with stakeholders and mitigation and prevention of risks		Serious defects in products and services Dependence on specific suppliers, soaring raw material prices, difficulty in procurement, and supply chain disruptions Reputational risk	Capturing customers and fans with secure, safe, and cost-effective products and services Building trust with suppliers Stabilization of business through a sense of presence in the region, enhancement of brand value, and co-existence	Enhancement of customer satisfaction	Enhancement of customer satisfaction and quality assurance	P63-64
						Promotion of CSR procurement	Strengthening supply chain management	P65
	Enhancement of employee engagement	Secure core human resources to execute business strategies Maximize each individual's abilities and develop human resources with a spirit of challenge to bring about change Provide employees with secure and safe workplaces, and create rewarding workplaces		Shortage of labor power, outflow of human resources Rigid organization and culture due to homogeneity and bias of human resources An impact of property and personal damage on our business Reputational risk and damages due to industrial accidents Human rights violations due to labor issues (harassment, overtime work, etc.)	Improvement of ability to generate innovations through retention and development of women, experts, and foreign nationals Improvement of motivation and productivity Securing health and safety of employees	Promotion of diversity & inclusion (D&I) and enhancement of education	Utilization and development of diverse human resources	P47-50
						Improving engagement survey scores	Promotion of health & productivity management	
Enhancement of corporate value by reinforcing corporate governance	Respond to changes in the business environment swiftly and accurately, and maintain fair management Strive to disclose necessary information promptly and accurately, and create a transparent company		Risks in general • Risk of legal violation • Risks related to information security • Risks derived from international business and other risks	Stabilization of business activities Transformation through prompt management decision and appropriate risk taking Promotion of awareness and understanding through information disclosure Establishment of trust through constructive dialogue	Zero material legal violations and scandals	Strengthening governance systems Strengthening internal control and ensuring compliance Prevention of risks from becoming obvious and minimization of losses through risk management, prompt management decision, and appropriate risk taking	P67-80	
					Engagement opportunities	Information disclosure and constructive dialogue Systematic checking of disclosure information through the Information Disclosure Working Group and ESG Committee	P60	
Improvement of financial performance	Transformation to a lean and streamlined business structure Build a management structure and foundation that can respond to changes in the environment and strive to achieve sustainable growth and enhance corporate value		Fluctuations in production caused by changes in economic conditions and the environment Stock market trends, price decline in land and other fixed assets Exchange rate fluctuations A hike in interest rate, rise of an obligation to pay back loans early because financial covenants are triggered	Building of an optimal production system capable of responding to changes Improvement of management efficiency and sophistication of business management Capital investment in line with growth strategies Diversification of procurement methods	Improvement of operating margin Improvement of asset efficiency	Structural reform Enhanced management efficiency Improvement of financial structure Creation of cash flows	P23-25	

Materiality identification process

In identifying materiality, materiality was examined from both aspects of the realization of corporate philosophy and long-term vision of ISEKI Group and social issues (social demands and expectations). Based on the suggestions from the dialogue with external sustainability expert organizations, senior management discussed and identified materiality to be addressed by the Group.



Financial and capital strategies



While identifying changes in the business environment, we improve our financial structure to enhance our cash-flow creation capabilities.

Shuichi Jinno
Director & Senior Corporate Officer
in charge of Finance and IT Planning

Message from Director in charge of Finance

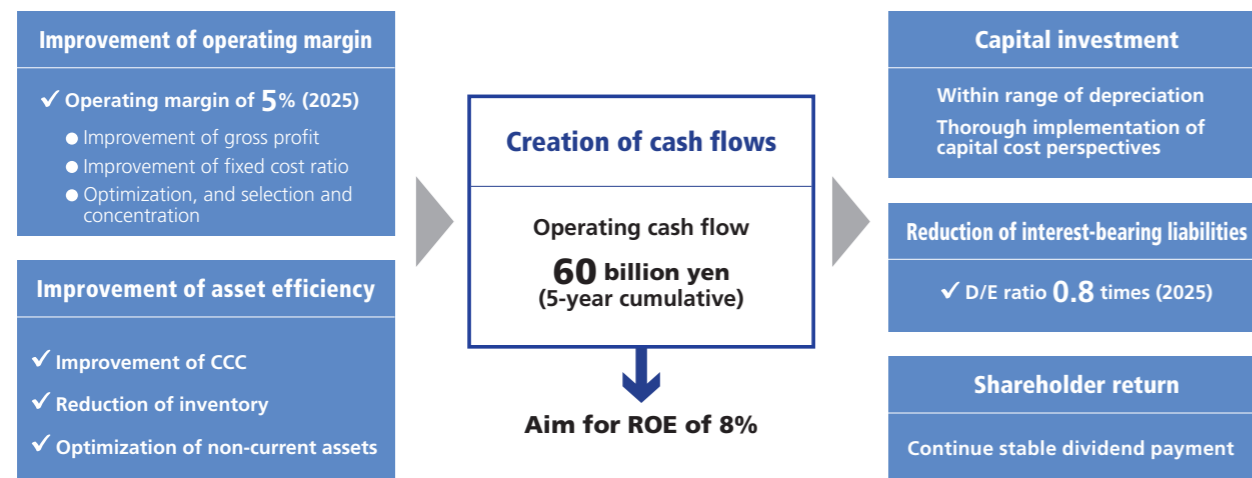
During 2022—the second year of our Mid-term Management Plan—future prospects looked uncertain as Russia's invasion of Ukraine caused raw material prices to soar even higher than previously, while the impacts of COVID-19 still persisted.

Despite such circumstances, it was a year in which we made reliable progress with measures targeting growth, such as contributing to the Mid-term Management Plan's priority measure of establishing an optimal production system by shifting production of lawn mowers overseas, investing in a company pursuing organic farming, and making one of our European distributors into a consolidated

subsidiary. However, it was also a year that gave rise to challenges we must overcome, such as deterioration in operating cash flow resulting from increased inventories.

We continued to pursue the Mid-term Management Plan's basic strategy of improving profitability through structural reforms and management efficiency improvements, and also took steps to improve asset efficiency, aiming to create operating cash flow of 60 billion yen cumulative over the five years from 2021 to 2025. We are also aiming to achieve ROE of 8% by 2025, the final year of the Mid-term Management Plan.

Basic financial policy in the Mid-term Management Plan



Review of the fiscal year ended December 31, 2022

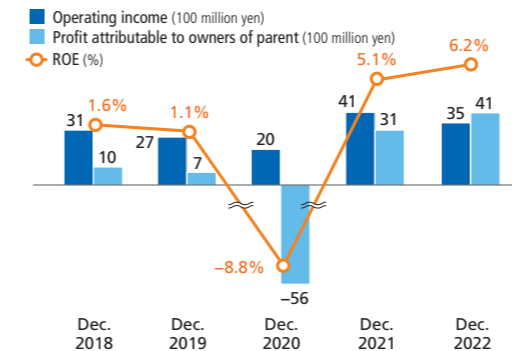
In the fiscal year ended December 31, 2022, the second fiscal year of the Mid-term Management Plan, the trend of overseas business expansion became more pronounced with another consecutive year of record high overseas sales, among other achievements.

In terms of profits, we were unable to fully compensate for the soaring raw material prices by raising the prices we charge, causing operating income to decrease by 0.6 billion yen year on year to 3.5 billion yen, while the operating margin was 2.1%. However, we posted extraordinary income including 2.5 billion yen in gain on change in equity relating to a Chinese equity-method subsidiary's capital increase and recorded bottom-line profit of 4.1 billion yen, up 0.9 billion yen year on year.

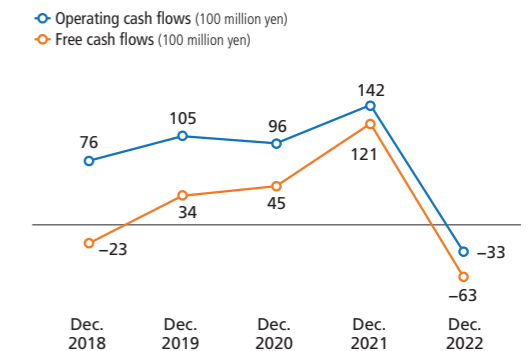
With regard to the balance sheets, inventories increased significantly, primarily due to a delay in receiving stock as a result of a shortage of locally procured parts at an OEM partner in North America, as well as the impacts of supply chain disruption. This also led to expansion of interest-bearing liabilities, but increased net assets resulting from higher profits enabled the D/E ratio to be maintained at 0.94 times, on a par with the previous fiscal year.

In terms of cash flows, both operating cash flows and free cash flows (FCF) were negative, having decreased substantially year on year due to increased inventories.

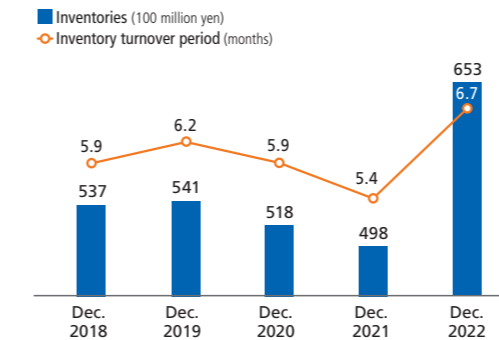
Operating income / Profit attributable to owners of parent / ROE



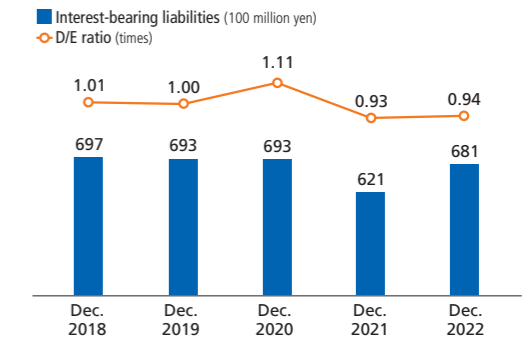
Operating cash flows / Free cash flows



Inventories / Inventory turnover period



Interest-bearing liabilities / D/E ratio



Measures aimed at improvement of financial structure

Improvement of profitability

In order to achieve the operating margin of 5% targeted in our Mid-term Management Plan it will be essential to enhance efficiency in both manufacturing and sales.

In a specific initiative targeting manufacturing, we are seeking to enhance productivity and reduce fixed costs by making effective use of human resources and equipment at individual production sites through optimization of production systems in Japan and overseas. On the sales front, we are making steady progress in optimizing operating sites and human resources, focusing primarily on large-scale maintenance facilities. Furthermore, we are taking steps to enhance operational efficiency in both manufacturing and sales by introducing robotic process automation (RPA) and reviewing work processes.

However, from the time we formulated the Mid-term Management Plan, the business environment has changed at a dizzying pace, with escalating distribution costs and factory operating costs in addition to soaring raw material prices. Unfortunately, we were unable to avoid passing the higher costs on via our selling prices and we raised our prices on two occasions, once in 2022 and once in 2023. Going forward, we will consider raising our prices as appropriate to deal with rising costs, and will continuously enhance efficiency, aiming to transform into a company with a lean and streamlined business structure that can constantly generate profit without being affected by changes in the business environment.

Financial and capital strategies

➤ Reduction and optimization of inventory

As ISEKI Group has a lineup comprising multiple product categories produced to meet the diverse needs of farmers, the number of months it takes for inventory turnover tends to be relatively long for a manufacturer. Moreover, as explained earlier, inventories increased during 2022, causing the inventory turnover period to deteriorate to 6.7 months.

It is essential to keep inventory at an appropriate level to create operating cash flow, which is a key target of the Mid-term Management Plan's basic financial policy. We are therefore reducing inventories through finely tuned adjustments to production levels, while also maintaining the inventory necessary to ensure stable provision of products.







➤ Strengthening of Group business administration systems

To achieve our management goals while responding to a management environment that is changing on a daily basis, further strengthening of Group business administration systems is needed.

We are working to achieve the goals of the Mid-term Management Plan and enhance corporate value by leveraging the new administrative accounting system that is being introduced to promote more precise management of profitability by business, as well as business analysis based on capital cost and return on capital.

➤ Fund-raising through ESG finance










On March 31, 2023, ISEKI entered into a Positive Impact Finance syndicated loan agreement worth a total of 13 billion yen. Positive Impact Finance enables ISEKI Group to receive a loan providing continuous support for its sustainability-related initiatives—and in particular activities that can have an impact on achievement of the SDGs—based on a third-party organization assessing its initiatives as being intended to create a positive impact. We are striving for the realization of a sustainable society, “agriculture and landscape,” in cooperation with our stakeholders in line with ISEKI Group's corporate philosophy, “We strive to contribute to the creation of the prosperous and sustainable society through ‘providing innovative products and higher quality of services to the customers.’”

Impacts	Overview of KPIs	SDGs
Water (quality) / Air / Soil	Reduction of volume of chemical substances used (%)	
Resource efficiency & safety	Reduction of volume of water used (%) Reduction of total material input (%)	 
Climate	Reduction of CO ₂ emissions (%; Scope 1 & 2) Initiatives to reduce CO ₂ emissions (Scope 3)	
Waste	Reduction of final volume of waste (%)	
Food	Percentage of invention proposals related to advanced technologies	

➤ Selection and concentration of investment for growth

With regard to investments, we are concentrating investments in priority domains, with decisions that are based thoroughly on capital cost perspectives. Meanwhile, we are fulfilling our responsibility as an agricultural machinery manufacturer by investing funds in new fields with the capacity to contribute to development of agriculture and solutions to environmental issues.

We are making steady progress in constructing new large-scale maintenance facilities to augment existing efforts to bolster our sales network in Japan. In FY2023 we will continue making proactive investments for growth, reducing the number of our investments to continue investing in a well-balanced way.

Impacts	Overview of KPIs	SDGs
Employment	Utilization rate of paid leave Ratio of managers hired mid-career	
Inclusive and sound economy	Ratio of women hired / Ratio of female managers	
Education / Inclusive and sound economy / Food	Participation in the NOGYOJOSHI (female farmers) project	 
Resource efficiency & safety / Climate / Air	Eco-product ratio in domestic sales	  
Biodiversity and ecological services / Food	Land area organically farmed (rice)	 

Shareholder return policy

ISEKI considers stable dividend payments to shareholders to be a key policy of the Company. As a premise of ongoing business activities, we have adopted a basic policy of continuing stable dividend payments, after taking into comprehensive consideration factors such as the profit foundations, future business developments, and changes

in the management environment, while aiming to maintain and improve financial soundness. Going forward, we will strive to meet shareholders' expectations by achieving sustainable growth and enhanced corporate value by improving the financial structure and building firm financial foundations.



Business strategies for value creation

(How we create value)

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Mid-term Management Plan (2021–2025)

In February 2021, ISEKI Group announced a long-term vision for 2030 of becoming a “solution provider for agriculture and landscape.” Backcasting from that vision, we then formulated the Mid-term Management Plan, which is set to end in 2025, the halfway point to 2030.

In the Mid-term Management Plan, we set the numerical target of a 5% operating margin, and in addition to focusing on provision of services as well as products, we are aiming improve profitability in order to transform the Group into a lean and streamlined business structure unaffected by the fluctuation in sales.



2030

Long-term vision

Solution Provider

for Agriculture & Landscape

Operating margin for 2025

5%

2021–2022

Changes in the Business Environment

Ukraine situation
Soaring raw
material prices

Increased
demand for
food production

COVID-19

Basic strategies of Mid-term Management Plan and directions of initiatives

Provision of the best solutions

- Selection and concentration
- Business model transformation

Enhancement of corporate value by strengthening profits and reinforcing corporate governance

- Improvement of profitability
- ESG

Mid-term Management Plan (2021–2025)

Progress of basic strategies (achievements and challenges)

1 Provision of the best solutions


Japan: Sales of smart agricultural machinery grew. We are pursuing organic farming as a new business model.

Overseas: Record high sales were achieved. We undertook limited sales of electrification products in Europe.

2 Enhancement of corporate value by strengthening profits and reinforcing corporate governance

Improvement of profitability: We sought to establish an optimal production system by shifting production of overseas products to PT. ISEKI INDONESIA. We also built a new factory building.

ESG: We endorsed the TCFD Recommendations and started TCFD-compliant disclosure. We also implemented engagement surveys as a first step toward human capital management.

	Main achievements	Challenges identified
Provision of the best solutions	Selection and concentration <ul style="list-style-type: none"> ➤ Growth in sales of smart agricultural machinery in Japan; enhancement of lineup ➤ Growth in overseas sales <ul style="list-style-type: none"> ● Overseas sales grew continuously, driven by Europe and North America ● Started limited sales of electrification products ● Signed technical and business alliance agreement with TAFE in India 	<ul style="list-style-type: none"> ● Risk of market stagnation as a result of inflation and higher interest rates ● Reinforcement of sales in the ASEAN region, led by IST ● Further action to address smart agricultural machinery and electrification
	Business model transformation <ul style="list-style-type: none"> ➤ Planning and deployment of new business model <ul style="list-style-type: none"> ● Undertook organic farming focused on the Aigamo-Robo weeding robot as a first step in the organic farming business ➤ Responses to digital transformation (DX) and the new normal <ul style="list-style-type: none"> ● Enhanced content on Amoni, a web portal for farm business solutions; number of views by users increased ● Introduced i-Magazine, a support tool for centralized management of service information, at sales subsidiaries in Japan <ul style="list-style-type: none"> ➔ Efficiency of sales activities enhanced 	<ul style="list-style-type: none"> ● Japan: Slowdown in growth of profits from maintenance Japan: Parts and repair fees, and Mid-term Management Plan  <ul style="list-style-type: none"> ● Development of human resources for DX
Enhancement of corporate value by strengthening profits and reinforcing corporate governance	Improvement of profitability <ul style="list-style-type: none"> ➤ An optimal production system <ul style="list-style-type: none"> ● Shifted production of overseas products to PT. ISEKI INDONESIA. (from July 2022) <ul style="list-style-type: none"> ➔ Reinforced production capacity (constructed a new factory building) ● Implemented centralized management of procurement and production technologies (shared services) ➤ Selection and concentration of investment <ul style="list-style-type: none"> ● Concentrated investments in priority domains and progressed with reducing property, plant and equipment ● Stopped in-house development and production of dryers (December 2022) 	<ul style="list-style-type: none"> ● Disruption of parts procurement ● Securing human resources at production sites <ul style="list-style-type: none"> ➔ Shift production of overseas products; deploy selection and concentration in production and procurement (establish an optimal production system and review in-house/external production categories) ● Persistently high raw material and energy prices, etc. ● Increased inventories <ul style="list-style-type: none"> ➔ Improve operating cash flow by promptly optimizing inventory ● Increasing shareholder returns
	ESG <ul style="list-style-type: none"> ➤ Environment (E): Environmental preservation <ul style="list-style-type: none"> ● Endorsed the TCFD Recommendations and started TCFD-compliant disclosure ➤ Society (S): Enhancement of engagement <ul style="list-style-type: none"> ● Implementation of engagement surveys ➤ Governance (G): Enhancement of corporate value <ul style="list-style-type: none"> ● Introduced performance-linked evaluation compensation and performance-linked stock-based compensation 	<ul style="list-style-type: none"> ● Strengthening collaboration with supply chains (CSR procurement; Scope 3) ● Responding to more demanding requirements regarding non-financial information disclosure

Responses to the challenges identified

Improvement of profitability is essential for achieving the goals of the Mid-term Management Plan. ISEKI Group is pursuing a range of initiatives to transform into a lean and streamlined business structure.

Selection and concentration

Shared design and fewer models

In order to improve profit margins on our products, we are pursuing shared design that employs the same design units for several models and reducing the number of models we supply based on identification of market needs. Our aim is to transform our development and production systems to make them resilient, lean, streamlined, and unaffected by the market environment.

Reorganization of sales channels

We are reorganizing our sales channels in line with changes in the market environment. In Japan, where concentration of farmland is leading to increased large-scale farming, we divided each region into blocks within which we optimally allocate business locations and personnel (the "block strategy"). Overseas, we are further enhancing our presence in the European market through synergies generated by strengthening our collaboration with ISEKI Germany, which we made into a consolidated subsidiary in 2022, and ISEKI France, which has been a wholly-owned subsidiary of ISEKI for some time already.

Improvement of profitability

Optimization of production

As we strive to establish an optimal production system, we are continuing to consider options such as rearranging production categories and concentrating operations, taking into account the characteristics and supply chain networks of our production sites in Japan and overseas.



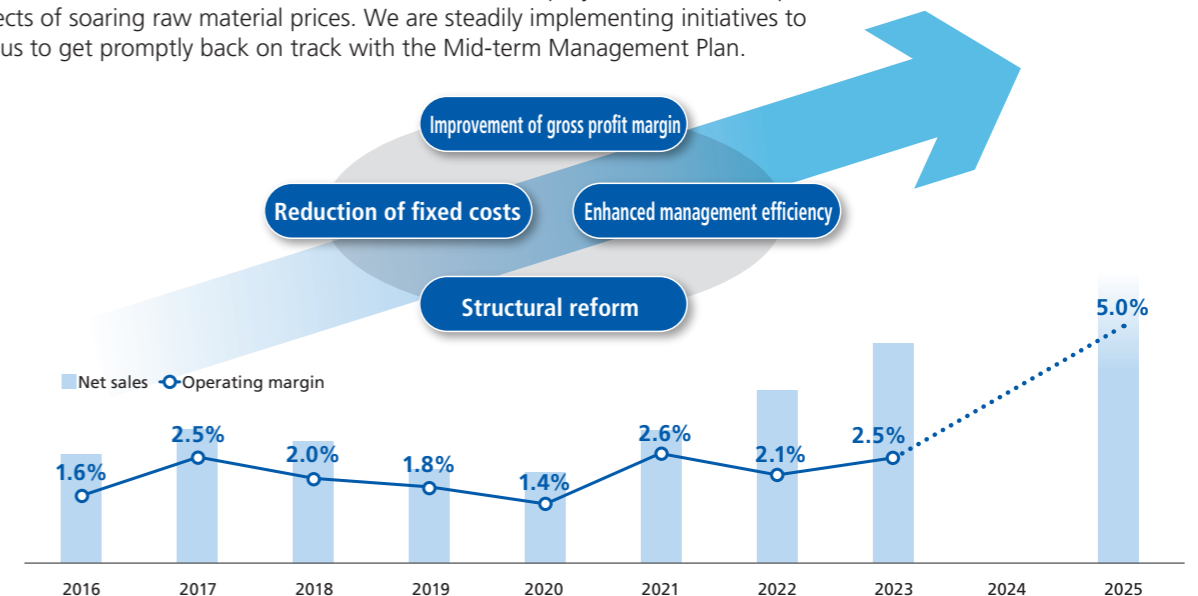
New factory building at PT. ISEKI INDONESIA (right)

Improvement of operational efficiency

We are boosting productivity in administrative departments by improving operational efficiency, having set up the Operational Streamlining Working Group. We are seeking to improve productivity across the entire Group by reallocating the man-hours saved as a result of reviewing work processes and using robotic process automation (RPA) to important operations.

Progress of numerical targets

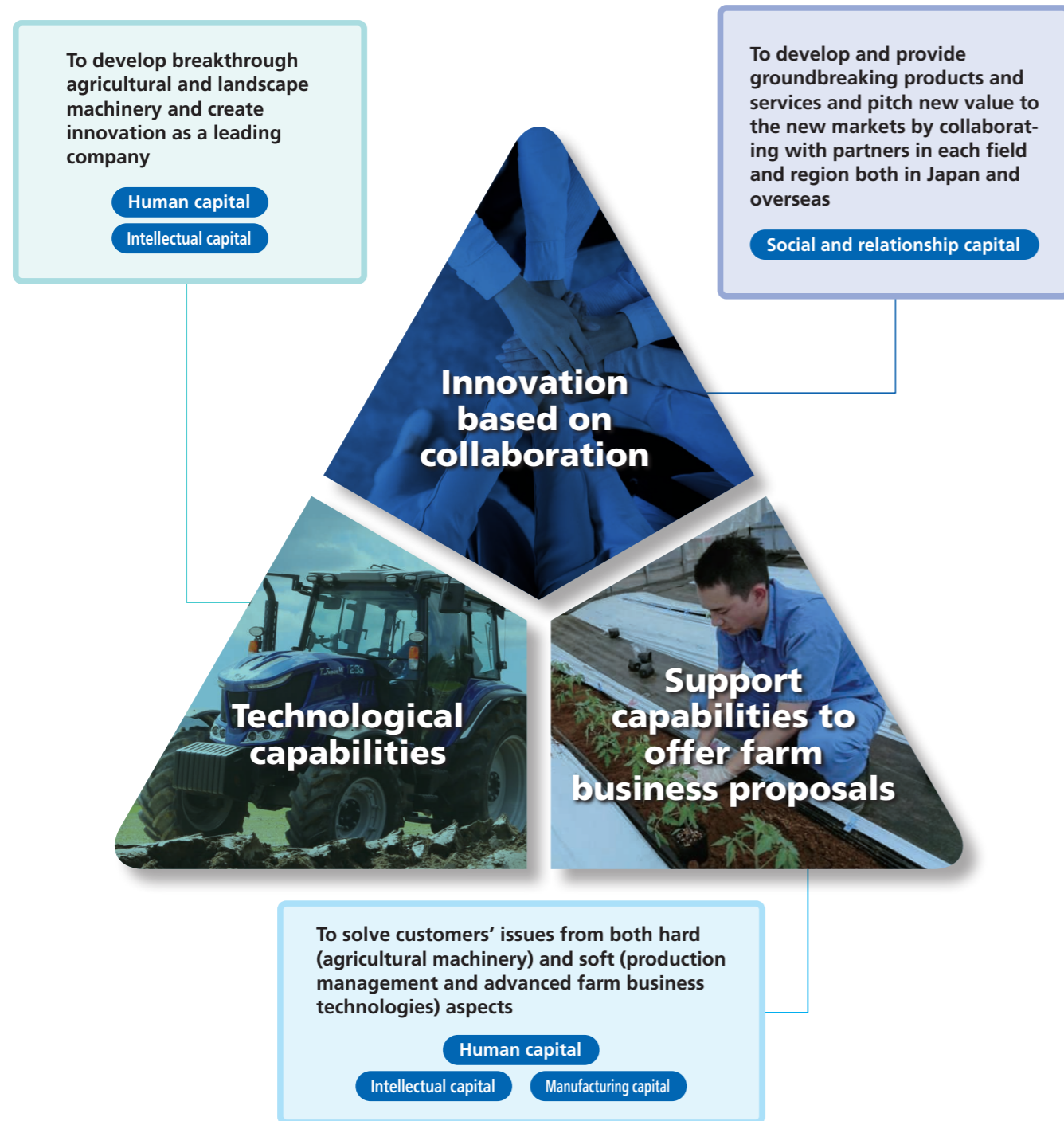
Our financial results in 2021, the first fiscal year of the Mid-term Management Plan, were in line with projections. Our net sales results for 2022 and forecasts for 2023 also exceeded projections; however, profits continue to face headwinds due to the effects of soaring raw material prices. We are steadily implementing initiatives to enable us to get promptly back on track with the Mid-term Management Plan.



ISEKI Group's strengths

The strengths of ISEKI Group that create value are "technological capabilities," "support capabilities to offer farm business proposals," and "innovation based on collaboration." ISEKI Group will continue to generate economic and social value through the business activities that leverage these strengths cultivated over 98 years as the source of its competitive edge.

Further reinforcement of these three strengths will bring a sustainable growth of domestic and overseas businesses.



Human resources development to enhance our strengths

Human capital **Intellectual capital**
Manufacturing capital

Development of experts through professional training

We have built a comprehensive human resources development scheme for "development," "production," and "sales and services," to produce reliable products and provide breakthrough products and services. ISEKI holds several technology contests internally to improve the Group-wide technological capabilities and also works to upgrade the skills of individual employees by encouraging them to obtain certified qualifications. We also conduct training for employees working outside Japan actively to leverage our technological capabilities developed in Japan to roll out the global operations. During the pandemic, we continued to engage in human resources development by blending online training with classroom training.

Development	Production	Sales and services
<p>IETC ISEKI Basic Engineering Training Center</p> <p>Nurturing young designers</p>  <p>Number of trainees: 444 in 2022</p> <p>Main training programs</p> <ul style="list-style-type: none"> Nurturing and training young engineers Training related to advanced technologies 	<p>ITTC ISEKI Technical Training Center</p> <p>Nurturing leaders of production sites in Japan and overseas</p>  <p>Number of trainees: 243 in 2022</p> <p>Main training programs</p> <ul style="list-style-type: none"> Manufacturing leader development course Skill tests, qualification certification training courses 	<p>IGTC ISEKI Global Training Center</p> <p>Nurturing sales and service staff in Japan and overseas</p>  <p>Number of trainees: 788 in 2022</p> <p>Main training programs</p> <ul style="list-style-type: none"> Product utilization and maintenance technology training Qualification certification training

Technological capabilities

Human capital **Intellectual capital**

ISEKI Group's high technological capabilities

Number of patent application registrations per specialty field in Japan in 2021 ^(*)	No. 2
<small>*Other special machinery field</small>	
Patent allowance rate (in all industries)	No. 1
Number of invention awards received	
● National awards for inventions:	19
● Regional awards for inventions:	213
<small>The Japan Institute of Invention and Innovation (As of March 2023)</small>	

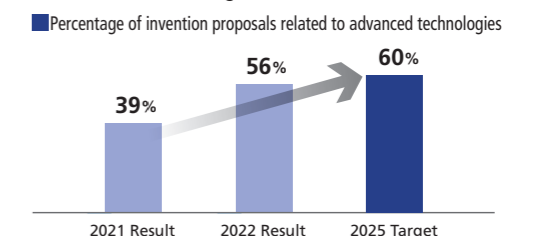
ISEKI Group's proactive efforts to develop, launch, and commercialize new technologies are exemplified by the high number of patent application registrations in Japan per specialty field, high patent allowance rates, and awards received in recognition of the inventions. Taking advantage of the technological capabilities underpinned by the intellectual property, we try to differentiate ourselves from peers.

> Please refer to p. 51 for intellectual property strategies

Activities to strengthen our IP related to advanced technologies

We will strive to strengthen our advanced technological capabilities with the aim of achieving a ratio of advanced technology-related proposals to all invention proposals of 60% or more.

Going forward, this target could be raised again as we further accelerate advances in smart agriculture and electrification.



- Human resources development utilizing educational facilities (IETC)
 - Training related to advanced technologies
 - Training related to agriculture as foundation
- Collaboration with external experts (advanced technologies, etc.)
 - Collaboration with retired employees and experts from industry, government, and academia
- Prevention of infringements of third parties' advanced technology-related intellectual property rights
 - Enhancement of IP research related to advanced technologies

ISEKI Group's strengths

Support capabilities to offer farm business proposals

Human capital Intellectual capital
Manufacturing capital

Dream Agricultural Research Institute (DARI)

ISEKI Group established the Dream Agricultural Research Institute (DARI) in 2015 to create new agricultural value. DARI is engaged in research, demonstration, and promotion of smart agriculture that utilizes advanced technologies and advanced farm business technologies while strengthening collaboration with the government, municipalities, research institutions, universities, private-sector companies, Japan Agricultural Cooperatives (JA), and farm producers. DARI is also strongly promoting the provision of information and farm business proposals to farm producers and the cultivation of the Group's human resources.



The Dream Agricultural Research Institute (Tsukubamirai City, Ibaraki Prefecture)

Diverse research, demonstration experiments, and dissemination activities

To respond to diverse needs, DARI conducts research and demonstration experiments of advanced farm business technologies at its demonstration field. We support producers' farm management with farm business proposals and support that leverage the outcomes of these research and demonstration activities, as well as the diverse knowledge and experience that we have cultivated as an integrated manufacturer specializing in agricultural machinery.

We also provide proposals and hold seminars in line with customers' needs at DARI's exhibition hall and demonstration field. However, these activities were conducted online during the pandemic.

Online seminars conducted via the Amoni web portal for farm business solutions **20 times**
(August 2021–April 2023)

Development of experts

The Group strives to develop experts across the entire Group, including in the use of large-scale machinery and advanced technologies, to further strengthen its support capabilities to offer farm business proposals. Increasing the number of specialists in sales companies nationwide ensures that we can offer proposals and support that match the issues faced by farm producers.

Innovation based on collaboration

Social and relationship capital

Collaboration with national and local governments and private-sector companies

We carry out demonstration experiments of smart technology and environmentally sound agriculture in collaboration with the national government and municipalities to develop and promote technologies. We also engage in creating new agricultural technologies through innovation that combines breakthrough technologies owned by other companies and ISEKI's agricultural machinery and solutions.

Partnership agreements in Japan **9 cases**
(March 2020–April 2023)



Signing of a partnership agreement
(From left) Representatives of ISEKI & CO., LTD.; Yukimai Design Co., Ltd.; Nikaho City; Gouneumon Co., Ltd.; and TDK Corporation

Collaboration with overseas strategic partners

In our global business development, we are working to expand our business even further by enhancing and supplementing our product lineup in individual markets through OEM supply and other means in collaboration with our strategic partners overseas.



In 2022, we received OEM supply of 27HP compact tractors from TAFE, a partner company in India, and sold them in Thailand.

Joint development with research institutions and universities

Joint development projects in FY2022

Research institutions **10 themes**

Universities **3 themes**

ISEKI Group engages in joint development of products with research institutions and universities to accelerate and improve efficiency of technology development. We pursue the creation of new value through development of groundbreaking products.

Initiatives to leverage our strengths

Human capital Intellectual capital Manufacturing capital
Social and relationship capital Natural capital

Initiatives to realize environmentally sound smart agriculture

“Technological capabilities” × “Innovation based on collaboration”

Development of products that reduce environmental burden

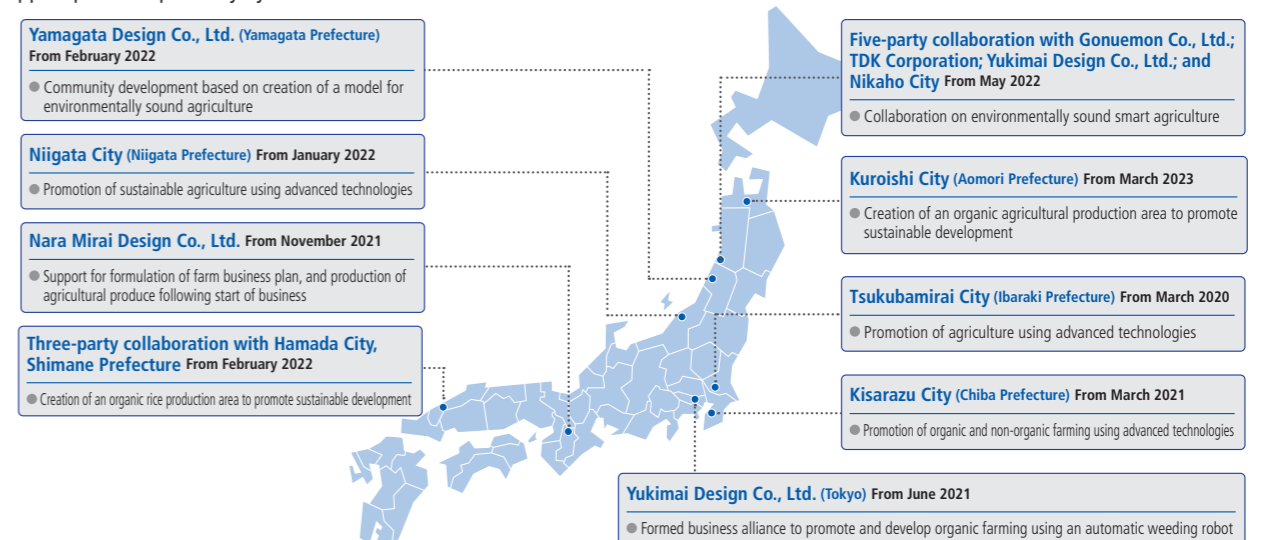
ISEKI Group collaborates with partners including research institutions and universities on R&D for products that help to reduce environmental burden. Leveraging its technological capabilities cultivated to date, the Group is using such collaboration to accelerate development in order to launch innovative, environmentally friendly products.

Straight-travel assist function with automatic steering (includes robots)	Reducing fuel usage through work optimization	
	<ul style="list-style-type: none"> Rice transplanters From 2017 Straight-travel assist function introduced in 60% of eight-row class models Tractors From 2021 Lineup enhanced in 2022 with addition of mid-sized models Combine harvesters From 2023 Rolled out primarily through demonstrations during 2022 	
Sensors	Controlling the quantity of fertilizer used via sensors	
	<ul style="list-style-type: none"> Variable fertilizer rice transplanters Fertilizer use reduced by approx. 30% (estimate for combination of variable fertilizing and crop-side dressing) High-clearance multipurpose vehicles (smart fertilizer top dressing system) Fertilizer quantities controlled automatically according to crop growth 	
Partial fertilizing	Reducing fertilizer use by fertilizing only where necessary	
	<ul style="list-style-type: none"> Ridge-making tractor (tractor implement) ... Fertilizer use reduced by approx. 30%–50% 	

Promotion of smart and environmentally sound agriculture in collaboration with local governments and private-sector companies

“Support capabilities to offer farm business proposals” × “Innovation based on collaboration”

To promote smart and environmentally sound agriculture, we are collaborating with local governments and private-sector companies. We are reinforcing our initiatives to turn rural locations into agricultural production areas through farm business proposals and support provided primarily by DARI.



TOPICS — ISEKI's participation in the G7 Agriculture Ministers' Meeting in Miyazaki: Aigamo-Robo and SXGE2 electric riding lawn mower exhibited

At the G7 Agriculture Ministers' Meeting held in Miyazaki, we exhibited the Aigamo-Robo weeding robot and an electric riding lawn mower, introducing these products to the dignitaries and government officials from the various countries, as well as the representatives of international organizations. The Aigamo-Robo weeding robot works by muddying water to prevent photosynthesis, thereby curbing the growth of weeds. It earned high acclaim from attendees at the Ministers' Meeting for its capacity to reduce both environmental burden and workload simultaneously. Likewise, the SXGE2 electric riding lawn mower was well-received for its high performance, low noise-level, and for being chargeable using a household power socket. The Ministers' Meeting proved to be a valuable opportunity to inform a large number of people about ISEKI Group's initiatives to develop environmentally-friendly electric products and promote organic farming.



Domestic market strategies (Domestic business company)



We will co-create the value of Japanese agriculture for the next generation.

Yukio Nawata
Director & Senior Corporate Officer
General Division Manager, Business Division

Message from the General Division Manager of the Business Division

Japanese agriculture is constantly changing, incorporating concepts such as the environment and sustainability, including acceleration of initiatives for environmentally sound agriculture and food security as seen in "Strategy for Sustainable Food Systems, MIDORI," in addition to becoming larger in size and smarter.

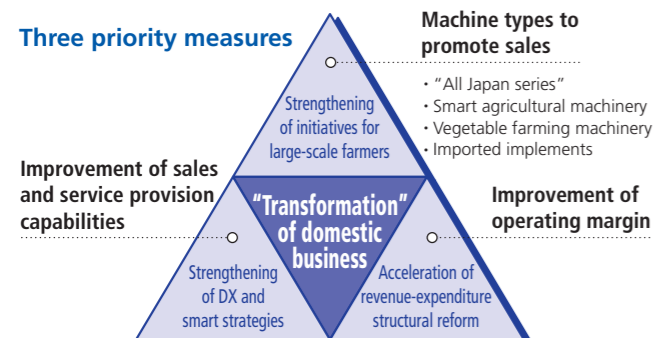
In order to respond to this situation, the domestic business company is striving to improve the value of Japanese agriculture by focusing on the priority measures of "strengthening of initiatives for large-scale farmers," "strengthening of DX and smart strategies," and "acceleration of revenue-expenditure structural reform."

To strengthen initiatives for large-scale farmers, we have enhanced our proposals for smart agriculture including various machine types equipped with a function to assist straight traveling to enable the expansion of operating cultivated land. In addition, with the BF series of tractors, newly launched in June this year, featuring an easy-to-operate continuously variable transmission with enhanced comfort performance and smart and safety functions, we

aim to improve productivity in farm work. To strengthen DX and smart strategies, we not only sell products, but also support solutions that assist subsequent farm business by combining evolving agricultural technologies and latest technologies such as ICT with information communicated through "Amoni," a web portal for farm business information. Furthermore, to accelerate revenue-expenditure structural reform, we have strengthened our service provision capabilities to respond to customers to increase maintenance revenues as well as promote a block strategy (please refer to p. 38 for our block strategy) to become a company with a lean and streamlined business structure.

Through these initiatives, we will respond promptly to Japanese agriculture that is changing day by day. Toward the realization of "agriculture full of dreams = profitable," ISEKI Group will work on value creation, together with our customers, local communities, and our employees, to co-create sustainable agriculture.

Key points of the Mid-term Management Plan strategies



Strategy for Sustainable Food Systems, MIDORI

Two years ago, the Ministry of Agriculture, Forestry and Fisheries formulated the "Strategy for Sustainable Food Systems, MIDORI," which strikes a balance between the improvement of production capabilities and sustainability in food, agriculture, fishery, and forestry industries through innovations, to respond to the global environmental issues and SDGs that are being addressed worldwide. In this strategy, various targets have been set, and specific measures will be implemented in the future.

Strategic goals (2050)

- To reduce the use of agrochemicals by 50%
- To reduce the use of chemical fertilizers by 30%
- To expand areas of organic agriculture to 25% of total cultivated land

Assuming the expansion of environmentally sound agriculture including organic farming

Market environment

- Urgent need for promoting agricultural machinery which contributes to efficient work to maintain operating cultivated land while the number of farmers decreases
- Environmentally sound agriculture, as seen in the "Strategy for Sustainable Food Systems, MIDORI" by the Ministry of Agriculture, Forestry and Fisheries, is gradually expanding
- In all fields of agriculture, smart agriculture is underway
- Diversification to cultivate not only rice but also vegetables and crops (grains, soybeans, etc.) is expanding
- Situation continues where prices of materials such as fertilizers are soaring

Future outlook

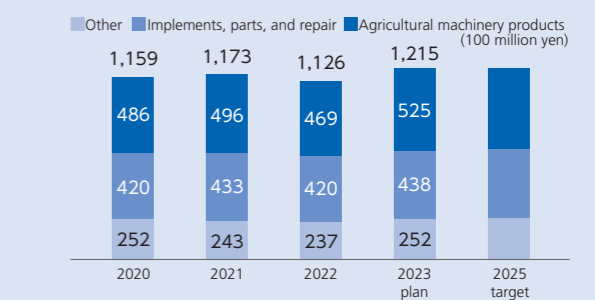
- In accordance with the Act of the Promotion of Business Activities to Reduce Environmental Burden for the Establishment of a Food System in Harmony with the Environment, smart agriculture and environmentally sound organic agriculture that contribute to reducing environmental burden are expected to be further promoted.
- From the perspective of strengthening food security, further diversification to cultivate not only rice but also other vegetables and crops is expected to make progress.
- Farmland is expected to be further integrated and concentrated through the development of farmers based on the "People and Farmland Plan."

Progress of Mid-term Management Plan

- **Strengthening of initiatives for large-scale farmers**
Began sales of three main machine types of tractors, rice transplanters, and combine harvesters equipped with a function to assist straight traveling
- **Strengthening of DX and smart strategies**
Enhancement of the contents of "Amoni," a web portal for farm business information
Development and operation of the sales activity support tool "i-Magazine"
- **Acceleration of revenue-expenditure structural reform**
Enhancement of large-scale maintenance facilities

Performance graph

Domestic sales



Featured topics Initiatives for environmentally sound agriculture and organic farming

The Strategy for Sustainable Food Systems, MIDORI aims to expand areas of organic farming to 25% of total cultivated land, etc., and ISEKI Group has also strengthened its initiatives with a view to expanding environmentally sound agriculture including organic farming.

ISEKI's organic rice farming technologies

Water and weed management has been a challenge for the expansion of organic rice farming. Especially in weed management, it is said to take about five times longer than conventional rice farming. The Group will aim to promote the dissemination and expansion of organic rice farming by achieving significant labor-saving in weeding work with Aigamo-Robo, an automatic weeding robot developed by Yukimai Design Co., Ltd.

Aigamo-Robo automatically moves around in rice paddies, with the water flow from its screw rolling up the

soil and make the water muddy to block sunlight. In this way it creates an environment where weeds in the water are less likely to photosynthesize.

Furthermore, the soil rolled up by Aigamo-Robo covers the seeds and sprouts, thereby suppressing the development and growth of weeds. Aigamo-Robo operates on natural energy, as it generates its own electricity with solar panels.

In 2022, demonstration was conducted in 210 locations in 100 municipalities. Demonstrations are being conducted throughout Japan this year.

The Group will work to expand organic farming with Aigamo-Robo at the center of its initiatives.



Aigamo-Robo, an automatic weeding robot

Customer feedback ... Mr. Takashi Suda Representative Director of Gouemon Co., Ltd.



We asked Mr. Takashi Suda, a farmer and representative director of Gouemon Co., Ltd. in Nikaho City, Akita Prefecture, about his impression of Aigamo-Robo. Mr. Suda had used a paper-multi rice transplanter and hand-pushed weeder for weed control in his pesticide-free farming. He told us that he realized the weed suppression effect of Aigamo-Robo. In addition, he expressed the following impression.

"AS we can release Aigamo-Robo into the rice paddies to provide oxygen to the rice paddies at the plowing stage before rice planting, the growth of rice in the initial stage was good and weeding was more effective than the various weeding methods we had tried so far."

Domestic market strategies (Domestic business company)

Priority measures • 1

Strengthening of initiatives for large-scale farmers

The development and expansion of farmers based on the "People and Farmland Plan" are expected to increase the cultivated land per person in domestic agriculture in the future. Based on this, ISEKI Group has set "strengthening of initiatives for large-scale farmers" as one of our priority measures, and will strengthen its promotion by implementing the following initiatives.

Expand machine types equipped with a function to assist straight traveling

While agriculture is becoming larger in size, the decline in the number of farmers has become a major issue. To help solve this issue, ISEKI Group has worked to expand machine types equipped with "Operesta," a function to assist straight traveling that are easy to operate, even for unskilled operators. Starting with eight-row-class rice transplanters launched in 2017, we have equipped a wide range of HP of each machine type with a function to assist straight traveling, including a mid-sized tractor launched in 2021, to meet a variety of applications. Sales of large-sized rice transplanters equipped with such function account for 60% of total sales.

In December 2022, we added six-row combine harvesters to our product line-up to offer three main machine types of tractors, rice transplanters, and combine harvesters, all equipped with a function to assist straight traveling. We will continue to meet various needs of large-scale farmers.



Six-row combine harvester HJ6130-Z, equipped with a function to assist straight traveling

Strengthen initiatives for variable fertilizing

Recently, fertilizer prices have continued to rise due to soaring crude oil prices, etc., placing a heavy burden especially on large-scale farmers.

With the aim of improving agricultural productivity, ISEKI Group has combined variable fertilizer rice transplanter and "Amoni," a web portal for farm business information, based on the demonstration results obtained through collaboration with Tsukubamirai City in Ibaraki Prefecture and other local governments, to solve problems by proposing farm business technologies that enable reduction of fertilizers while maintaining yield and improving eating quality.

In addition, 8-row variable fertilizer rice transplanter linked with map data launched in June this year can import data from "xarvio FIELD MANAGER" * and other fertilizing maps and automatically adjust the fertilizing amount based on the data. In addition to data provision based on the demonstration through "Amoni," we will further promote solution proposals to large-scale farmers by expanding machine types compatible with map data, along with real-time variable fertilizer rice transplanter.

*Farming management support system provided by BASF SE, a major overseas agrochemical manufacturer



8-rows variable fertilizer rice transplanter PRJ-FV type

Holding ISEKI Agri JAPAN Festa

In recent years, we have not been able to hold exhibitions and demonstrations as much as we hoped due to the impact of COVID-19, and we have not been able to make proposals to farmers. However, in 2023, as we move toward the era of living with COVID-19, we will hold ISEKI Agri Japan Festa (large-scale demonstrations) mainly with six wide-area sales companies, to have abundant opportunities to meet with many customers.

In mid-February 2023, we held a "Tractor Festival" hosted by ISEKI ChuShikoku in Okayama Prefecture, which was a great success.



Tractor Festival held at Kasaoka Fureai Airport

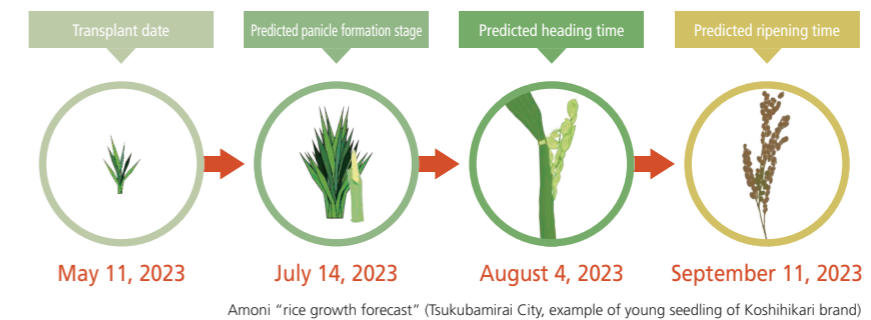
Priority measures • 2

Strengthening of DX and smart strategies

As part of our initiatives to improve sales and service provision capabilities, we develop "Amoni," a web portal for farm business information, together with participating companies and cooperating farmers to solve various challenges farmers face. On "Amoni," the staff of ISEKI Group and participating companies provides useful information on the use of agricultural machinery and farm business from a professional point of view, as well as the results of their trials on the latest farming technologies, to make the portal a place for farmers to gather information, learn, and solve issues.

Furthermore, "Amoni" not only provides information, but also has functions as useful tool for production management such as "rice growth forecast," "accumulated temperature forecast," and "weather/rain cloud radar," allowing farmers to easily search for important crop growth-related information on the spot from their smartphones.

The rice growth forecast function predicts "panicle formation stage," "heading time," and "ripening time," by entering planting site, variety, and transplant date of rice. These growth stages are important in determining whether or not to add fertilizer, its timing and amount, and water management. By informing farmers in advance of each growth stage, "Amoni" helps farmers apply fertilizer more efficiently in the face of rising fertilizer prices.



Priority measures • 3

Acceleration of revenue-expenditure structural reform

In the agricultural machinery market, demand tends to fluctuate due to changes in rice prices and agricultural policies. In order to address such fluctuation, we strive to secure sales of implements and maintenance revenue (parts sales and repair fees) as a means of building a revenue base that is not affected by agricultural machinery sales. In recent years, profit structures of sales subsidiaries have been improving as a result of these measures, and each sales subsidiary will work to maintain and expand its profit structure.

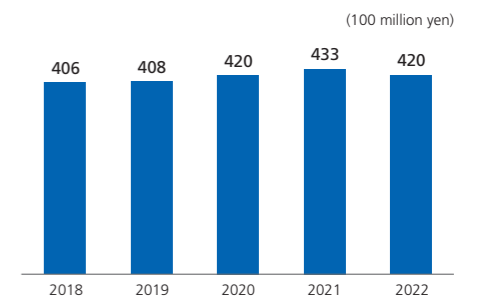
Another pillar of the revenue-expenditure structural reform is "establishment of large-scale service facility." We will continue to promote capital investment by reviewing and verifying the effect of investment on a block by block basis, including our market share and the environment in the neighborhood.

In 2022, ISEKI Hokkaido, our sales subsidiary, made capital investments in the Hakodate Service Workshop and the Nakashibetsu Service Workshop as a large-scale service facility.

We will continue to examine, including whether or not to make capital investments, taking into account the effect of capital investments on profits and market share.

Through these initiatives, we will aim to enhance our services of "from products to services," and further strive to transform to a company with a lean and streamlined business structure that is not affected by sales.

Implements, parts and repair fees



ISEKI Hokkaido's Nakashibetsu Service Workshop

Overseas market strategies (Overseas business company)



We will contribute to the creation of the prosperous and sustainable society that ISEKI Group aims to achieve, through providing products and services to solve issues of various regions of the world.

Kazuya Tani
Director & Corporate Officer
General Division Manager, Overseas Business Division

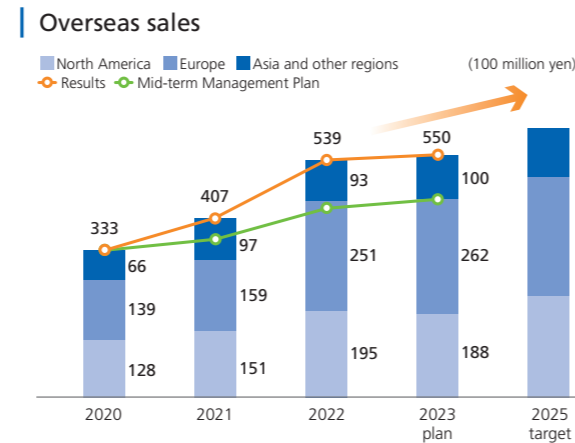
Message from the General Division Manager, Overseas Business Division

The global situation changed dramatically in 2022 due to Russia's invasion into Ukraine, soaring raw material and energy prices, rapid changes in interest rates, and global inflation.

In response to a wide variety of needs and issues arising from the rapidly changing global situation, the overseas business company has continued to provide high quality products and services to customers around the world, as a solution provider for agriculture and landscape, with its priority measures centered on the three regions of North America, Europe, and Asia. In the North American region with huge market, we are contributing to the realization of prosperous and high quality life through landscape, especially for private users, in Europe, where we boast high brand recognition gained through more than 50 years of sales activities, we are contributing to the creation of pleasant and clean communities, and in the Asian region, we are contributing to solving food issues through the enhancement of agricultural efficiency by launching products that meet the diverse needs of each region.

ISEKI Group will continue to make full use of many technologies and expertise possessed by the Group and

its strategic partners, and promote transformation to realize a sustainable society where our customers around the world can maintain and improve their standard of living, regardless of any changes in the environment, and eventually realize a prosperous and sustainable society that the Group aims to achieve.



	North America	Europe	Asia
Market characteristics and outlook	<ul style="list-style-type: none"> Growth and solidification of the small-sized tractor market, mainly for individual users, due to stay-at-home demand caused by COVID-19 (but currently in the adjustment phase) U.S. companies being strong in mid- and large-sized tractors 	<ul style="list-style-type: none"> High environmental consciousness, stable demand for small-sized tractors and riding lawn mowers for the landscaping business such as development of fields and snow clearing work Consumer product market (individual users and small-scale farms) also remaining strong 	<ul style="list-style-type: none"> Agriculture being an important industry (accounting for 80% of rice production volume in the world) Increase in demand for agricultural machinery with the population growth Continued demand for high-performance machinery in East Asia
ISEKI Group's strengths	<ul style="list-style-type: none"> Supply of MF brand compact tractors owned by AGCO Corporation on an OEM basis AGCO Corporation's sales network throughout North America 	<ul style="list-style-type: none"> A sense of presence of the ISEKI brand with a history spanning over 50 years Development of electric products for professional use 	<ul style="list-style-type: none"> Rice farming technologies cultivated in Japanese market Development of the ASEAN sales by IST in Thailand, a wholly owned consolidated subsidiary Promotion of collaboration with TAFE in India Deployment of the latest agricultural machinery in East Asia
Key points of the Mid-term Management Plan strategies	<ul style="list-style-type: none"> Expansion of business domains through collaboration with each of regional strategic partners and an increase in market share in existing regions 		

Priority measures • 1

North America strategy

Strengthen relationship with AGCO Corporation and increase share in the compact tractor market

In North America, we supply Massey Ferguson-brand tractors (compact and utility class) on an OEM basis through our business partnership with AGCO Corporation, a major global manufacturer of agricultural machinery.

In the North American market, our tractors are used for a wide range of application, mainly for private users, such as light civil engineering, garden maintenance, and snow clearing work, and they have long been highly regarded by customers as products with high quality, high durability, and excellent operability.

In recent years, changes in lifestyle such as the establishment of working-from-home practices and a focus placed on suburbs have driven demand expansion for compact tractors in North America. In the North American compact tractor market, which saw significant sales expansion to 240,000 units in 2021, net sales of ISEKI Group in North America reached a record high in 2022.

In order to continue to increase the presence of our products in the huge North American market, we have set expanding market share of our compact tractors as our priority measure. We will work on product strategies in line

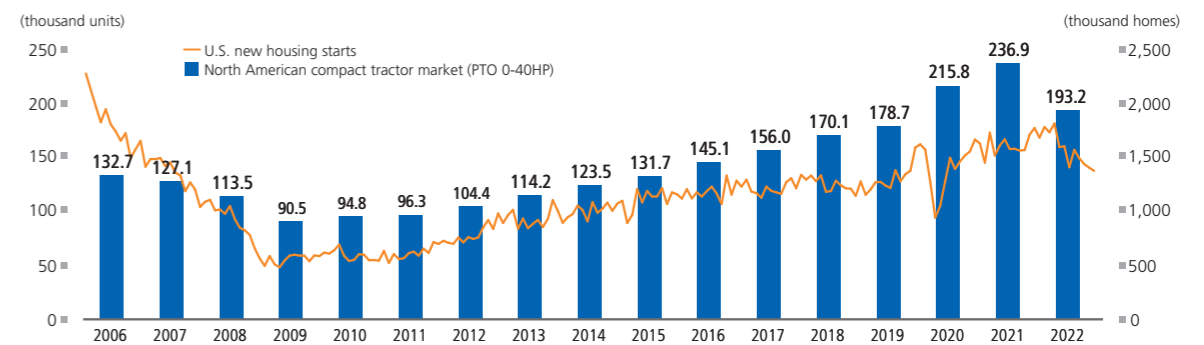
with the characteristics of each region and improving our sales and services, together with AGCO Corporation.

Under ISEKI's corporate philosophy of "we strive to contribute to the creation of the prosperous and sustainable society through providing innovative products and higher quality of services to the customers," we will provide attractive solutions to enrich the lives of our customers in the North American region.



Our tractors that match the lifestyle of North America

Trends in North American compact tractor market and new housing starts



Sources: Association of Equipment Manufacturers (AEM), United States Census Bureau (USCB)

Customer feedback ••• Mr. Aaron Parton / Georgia, U.S.A.



I use a compact tractor mainly for lawn mowing and light civil engineering in our backyard. I have used a tractor for many years. ISEKI MF1835M is very useful because it is powerful enough to handle a variety of tasks and is easy to maintain. Last year, when we had a rare snowfall in Southern Georgia, it helped us a lot with the snow clearing work we did with our neighbors. I would recommend an ISEKI MF tractor if anybody is considering purchasing a compact tractor.

Overseas market strategies (Overseas business company)

Priority measures 2

Europe strategy

Contribute to creating sustainable cities and communities by maintaining high quality products and services

▶ Providing high quality products and services that support essential businesses

In Europe, tractors of size used for agriculture in Japan are used for mowing in parks and public land, cleaning sidewalks, and snow clearing works in winter. These tasks are performed by professional contractors who undertake tasks from local government and municipalities, which are important tasks that must not be interrupted in order to maintain urban functions. As such, machinery used for this purpose is required to be of extremely high quality and to be designed to provide operators with a comfortable working environment. Furthermore, in case of emergency, it is essential to receive prompt and accurate repair services. Therefore, the service system to be provided is also an important factor when products are purchased. This is why these businesses involved in community maintenance, which we call the landscaping business, are recognized as essential businesses in Europe.

▶ Strengthening cooperation with European distributors

We have been engaged in business in Europe for more than 50 years, and the ISEKI brand has been widely recognized, mainly among professional-use customers. Our French distributor has a sales and service network of more than 200 locations throughout the country and has established an environment where a wide variety of customers can always use our products with peace of mind. Our German distributor has expertise in the development and manufacture of implements and attachments to be equipped on products, and has met various needs of its customers with superior technological capabilities, including customizing products according to customer's requests. We will horizontally deploy strengths of ISEKI France and ISEKI Germany, which became our consolidated subsidiaries, throughout Europe to further increase our presence in the European market.

▶ Developing products that support sustainable economic growth

Europe is an extremely environmentally conscious region, as evidenced by the "European Green Deal," which aims to achieve both decarbonization and economic growth by 2050. We have not only completed the equipment of engines compliant with the Stage V exhaust regulations, the highest standard in the world, in all of our products, but also begun limited sales of a fully electric riding lawn mowers equipped with lithium-ion batteries. We will deepen our contribution to creating sustainable cities and communities in Europe while leading the industry by expanding our line-up of zero-emission machinery that does not emit greenhouse gas emissions and CO₂.



Tractor doing snow clearing works



Riding lawn mower equipped with an engine that is compliant with the Stage V exhaust regulations

Customer feedback ... Officer in charge of landscaping business in Beaumont, France



We use SF224 riding lawn mowers and TG6495 tractors for cleaning works in parks, streets, and stadiums. The SF224 riding lawn mower has a good mowing and weed collection performance and is easy to maintain. Another feature is that the machine is not too heavy and it hardly leaves tire marks.

The TG6495 tractor has an easy-to-operate steering post and provides an operator with a good view of the working scene from the operator's seat, and I realize that the machine is ergonomically designed. The machine is strong enough to allow operators to work with ease.

Priority measures 3

Asia strategy

Respond to the needs of reducing the burdens of farmers and supporting food production by utilizing our technological capabilities of agricultural machinery

▶ Southeast Asia: solidly strengthen foundations based on IST

In November 2022, an announcement was made that the world population had reached 8.0 billion. The ASEAN region also witnesses population growth year by year. There is a growing need for agricultural machinery that can improve productivity as food consumption increases. We made IST Farm Machinery Co., Ltd. (IST), a sales subsidiary in Thailand, a consolidated subsidiary in December 2020 to establish an operation system that enables us to provide our customers with services directly from a manufacturer, thereby contributing to the productivity improvement in farm produce. In recent years, export of cassava has increased significantly due to rising demand for livestock feed, producing ethanol, and other uses. Under these circumstances, we are expanding our sales not only to the rice paddy market, which is our forte, but also to the field crops markets such as cassava and sugarcane. We will contribute to solving food demand and supply problems through sales of agricultural machinery, with IST becoming a further driving force to accelerate our ASEAN business development.



Tractor tilling in Thailand

▶ East Asia: launch large-sized agricultural machinery and machinery compliant with environmental preservation utilizing Japan's cutting-edge technologies

In the East Asian region, as the scale of agriculture is becoming larger through consolidation of farmland against a backdrop of declining and aging farmers, we are developing the business in collaboration with TYM of Korea and International Agricultural Machinery Co., Ltd. of Taiwan, our local partners. Especially in the Korean market, we launch the TJW1233 and TJV series of large-scale tractors with high efficiency and excellent comfortability, as well as the HJ series, our flagship model of combine harvesters. With the growing focus on decarbonization, in 2023, we launched new machines equipped with engines compliant with Korea's Stage V exhaust regulations for all of these models. Locally in Korea, promotion of DX is underway by adopting our cutting-edge technologies, in addition to strengthening post-sales services. We will work to expand sales in the East Asian market by strengthening support for customers in cooperation with local distributors.

▶ Strengthen cooperation with TAFE in India

India is one of the world's leading crop producing countries, and among them, India is the world's second largest agricultural power after China in terms of rice production. The need for increasing food production due to population growth is increasing every year, and mechanization of agriculture is required to supplement labor power and ensure stable yields. In 2018, we entered into a technical and business alliance agreement with Tractors and Farm Equipment Limited (TAFE), the second largest manufacturer of agricultural machinery in the country, and is currently accelerating cooperation with the company. In October 2022, we began sales of small-sized 27HP tractors manufactured by TAFE, as the first product launch under the said technical and business alliance for the Thai market. We will deepen cooperation with TAFE and work to provide competitive and highly reliable products to aim at expanding our market shares in the ASEAN region.

Customer feedback ... Mr. Narong Bua Saeng, cassava farmer in Thailand



I use ISEKI's NT554 tractor for ridging, harvesting, and hauling work of cassava. I heard from other farmers in the community that IST's post-sales services is generous and well appreciated, and decided to purchase the tractor.

The tractor is very powerful and efficient, and I am very satisfied with it.

Product/development strategies (Development and production company)



We enthusiastically manufacture products that will be selected, in concerted efforts of development, manufacturing, and purchasing divisions.

Hajime Odagiri
Representative Director & Senior Corporate Executive Officer,
General Division Manager, Development & Production Division

Message from the General Division Manager, Development & Production Division

The manufacturing environment has changed dramatically over the past few years. In such an environment, the role of ISEKI Group is becoming increasingly important. As society undergoes rapid changes and uncertainties about the future increase, the development and production company will manufacture products that will be selected, in concerted efforts of development, manufacturing, and purchasing divisions in accordance with medium- to long-term business and product strategies.

In the development departments, for the Japanese market, we will further strengthen our line-up of smart agricultural machinery that contributes to ultra-laborsaving and high-profit agriculture, as well as low-priced products for small-scale farmers, and products that meet the needs of the field crops and vegetable farming markets. In overseas markets, we will aim to strengthen our competitiveness and expand our brand through the development of products suitable for respective needs of the North American, European, and Asian regions.

In the manufacturing departments, we are promoting the establishment of optimal production systems in Japan and overseas to maximize utilization of management resources, including concentration of operations of

production technology and outsourcing management to Head Office and launching expansion of production capacity in ISEKI INDONESIA.

In the purchasing departments, we have engaged in dialogue with our suppliers to build a fair and equitable relationships of trust, and practiced CSR procurement that takes into consideration the environment, society, and human rights.

The Development & Production Division focuses on two important themes in research, development, and production to realize a sustainable society. One is research and development of electrification products to address climate change, and the other is the enhancement of smart agricultural machinery utilizing cutting-edge technologies to realize smart agriculture. With the aim of further growth of our global development, we will work to develop and revitalize internal human resources, as well as actively work on frontrunner research and development to expand open innovation with Japanese and overseas companies, universities, and research institutions, deepen core technologies, and incorporate new technologies into new products in areas where future growth is expected.

Key points of the Mid-term Management Plan strategies

- Focus on regions, products, and growth markets, which are our strength
- Response to large-scale farming
- Response to brand expansion
- Safety and environmental responses
- Frontrunner development

ISEKI Group's initiatives in research and development

- Technological capabilities to create innovation
- Intellectual property strategies
- Development of specialized human resources in research and development and at production sites
- Joint research and development with research institutions and universities
- Brand power of combine harvester "JAPAN" and rice transplanter "Sanae"
- Dream Agricultural Research Institute (latest technologies)

Research and development policy

We conduct research and development in line with the four spirits as the engineer, upholding the mission of "contributing to society through agricultural machinery."

Spirits as the engineer

- Market ideas
- Exert all technical potential
- Always being one step ahead of the competitors
- Be totally dedicated to product philosophy

Research and development

Focus on regions, products, and growth markets, which are our strength

Product and development strategy under the Mid-term Management Plan (product development theme)

Social changes and issues

- Increase in size of farm business
- Acceleration of smart agriculture
- Stable food production and supply
- Expansion of agriculture in the ASEAN and East Asian regions
- Diversification to field crops and vegetables
- Needs for low-priced products
- Expansion of demand for landscaping
- Lifestyle change
- Leasing of agricultural machinery
- Creation of a decarbonized society
- Improved productivity

Domestic strategy <Response to large-scale farming>

- Strengthening of large to medium size, low price, smart agricultural machinery and products for field crops and vegetable farming
- Response to changes in agricultural style (contractor leasing)

Overseas strategy <Response to brand expansion>

- Strengthening of products for European and North American markets, which are our strength
- Strengthening of products for ASEAN
- Penetration of brand in China and East Asia

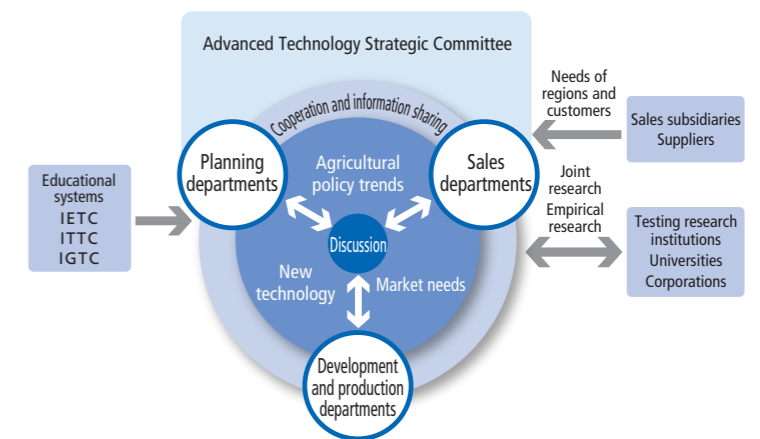
Common strategy <Safety and environmental responses/Frontrunner development>

- Promotion of environmentally-friendly design
- Electrification and hydrogen use
- Enhancement of emission regulations-compliant engines produced in-house
- Measures to prevent farming accidents
- Automation, robotics, use of agricultural ICT data, etc.

Research and development system

We have built a research and development system that displays collective power through collaboration among the planning, development, production, and sales departments, and determine the direction for the product strategy and research and development based on the market needs and market trends, and engage in speedy research and development. The Development & Production Division has strengthened the system related to the latest technologies and increased the number of personnel in the Green Innovation Promotion Section, to address environmental issues including decarbonization and smart agriculture. We are making up for any lacking technologies and human resources through human resources development and internal collaboration. We are also committed to educating engineers to promote research and development of electrification and agricultural machinery using hydrogen, automation, and robotics at IETC, a specialized educational institution for design technologies.

Research and development system



Expand research and development investment in priority strategic fields

Establish development themes that match sales strategies	We focus on product development incorporating new technologies such as automatic control and robot technologies as development themes for food security, field crops, and environmental responses. (Examples of development themes) Japan — Smart agricultural machinery Data use Overseas — Electrification products for Europe Products to promote mechanization of agriculture in India and Asia
Forward-looking development	We aim to create successful products by setting forward-looking research themes, partnering with Japanese and overseas corporations, universities, and public institutions, and utilizing open innovation. Using technologies cultivated through electrification products and research, we will launch electrification products for professional use in the European landscaping market in response to environmental issues.
Investments in research and development	We are improving development productivity by allocating research and development man-hours to priority strategic fields. To that end, we are developing internal specialized human resources and expanding career recruitment. In addition, we will optimize the upstream development process for improved productivity and optimal placement of personnel.

Product/development strategies (Development and production company)

Structural reforms through establishment of an optimal production system

> Domestic production system in Japan

Through structural reforms, we will aim for the further enhancement of quality and profitability.

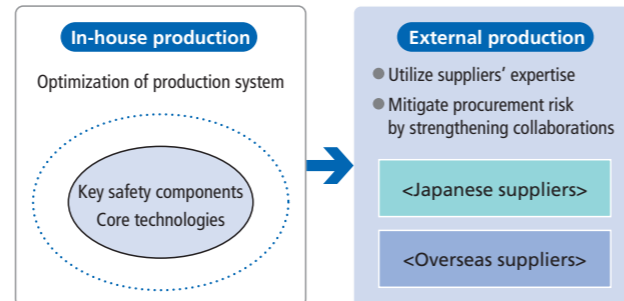
At our Japanese manufacturing bases, we made capital investments aimed at QCD* improvement and worked to optimize the efficiency of the system from development to manufacturing. We have concentrated production technology functions to Head Office organization, and worked to reduce procurement risks by reviewing the in-house/external production categories and strengthening collaborations with Japanese and overseas supply chains.

*QCD (quality, cost and delivery)

> Global production system

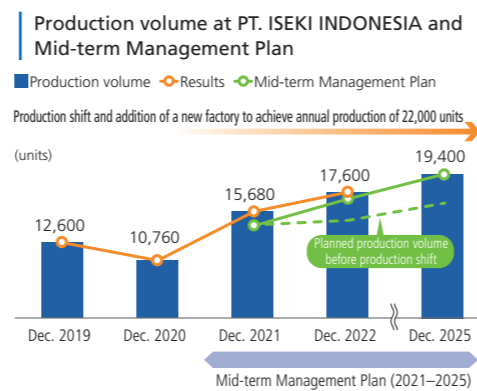
PT. ISEKI INDONESIA is a production base for strategic machinery for North America, Europe, and the ASEAN region, and produces tractors that meet the high quality, low price needs by capitalizing on the expertise it has acquired locally over many years. Production has increased steadily since 2014 when production was started. We are working to make capital investments and establish systems for lowering costs and increasing production through the optimization of suppliers for further expansion of business.

Optimization by reviewing the in-house/external production categories



Main assembly line at PT. ISEKI INDONESIA

Production	Transform to a company with a lean and streamlined business structure by formulating and promoting optimization of production
Reconstruction of optimal production system	In order to optimize the placement of Group's personnel and improve productivity through the effective utilization of facilities throughout factories, we will reorganize component and unit production bases and product assembly and shipping bases to further promote our structural reform. We will work to reduce fixed costs through external production of low value-added components and processes while continuing in-house production of core technologies that have high added value and require the transmission of skills.
Establishment of systems for increasing production at PT. ISEKI INDONESIA	<p>Since PT. ISEKI INDONESIA first started manufacturing tractors as a production base of low-priced tractors for the overseas markets in 2014, its production volumes have increased continuously as a result of expansion in the overseas business and an enhanced lineup of models. In addition, as part of the reconstruction of optimal production system, production of riding lawn mowers, which had been produced at ISEKI-Matsuyama MFG. Co., Ltd. (in Ehime Prefecture), has been shifted to PT. ISEKI INDONESIA, and production started in July 2022. We added a new factory building as an initiative to continue increasing production volumes by further expanding the overseas business and shifting more of our production, and full-scale operation began in June 2023. This addition has increased annual production volume from 18,000 units to 22,000 units. We will use this initiative at PT. ISEKI INDONESIA as a first step in accelerating our establishment of an optimal production system on a global basis and improving profitability.</p>
Improvement of product quality and productivity	<p>Robotics and the introduction of facilities utilizing IT technologies can achieve productivity improvement and improved and stable quality, as well as improve the working environment and safety of workers. We can address personnel shortages at manufacturing departments by reducing manpower and increasing processing speed, and solve issues of securing human resources by reducing workload, as well as focus on higher value-added operations. We will horizontally deploy systems whose effectiveness has been confirmed at other manufacturing bases. Transmission of know-how of skilled workers has been an issue, and we will work to transmit skills and develop multi-skilled workers by enhancing education and training programs that utilize video materials in nurturing leaders of production sites and skill acquisition in Japan and overseas.</p> <p>Case study ISEKI-Matsuyama MFG. Co., Ltd. : reduction in manpower in the cylinder head processing line by using general-purpose robots ISEKI-Niigata MFG. Co., Ltd. : prevention of assembly error by introducing projection picking systems</p> <p>● Please refer to p. 53 for more information on the projection picking systems.</p>

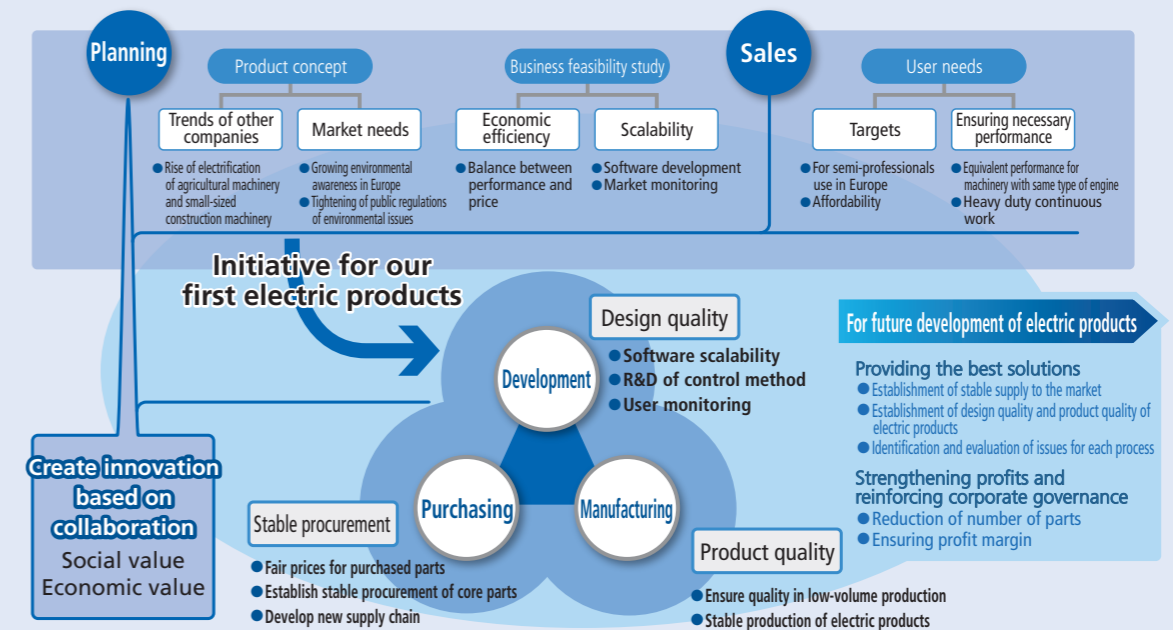


Strengthening supply chain management

Purchasing	Strengthen purchasing power and engagement
Strengthen purchasing power and optimize procurement	<p>We have strengthened our initiatives for optimal procurement based on central purchasing by integrating the Purchasing Department of Head Office and procurement departments of manufacturing subsidiaries. In order to address the recent sharp rise in raw material prices and difficulties in procurement, we will specially manage parts that require time for procurement and work to prevent delays in procurement of parts by placing orders in advance and securing safety stock. Furthermore, we are promoting purchasing and procurement in Japan to mitigate geopolitical risks. In addition, we will develop new suppliers to avoid dependence on specific suppliers, propose stable production plans, and strengthen communication with suppliers. In this way, we will prevent problems before they occur. By implementing these optimal procurement measures, we aim to avoid production loss and line stoppage risks and achieve stable production.</p>
Engagement and CSR procurement	<p>In order to build a fair and equitable relationship of trust with suppliers, we hold semiannual business report meetings, engagement through IR information meetings for vendors, as well as superior company tours and workshops. In addition to engaging in dialogue, we comply with the Act against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors, and are working to review and establish business terms and conditions with suppliers. We will practice CSR procurement that takes into consideration the environment, society, and human rights, with the understanding and cooperation of suppliers for decarbonization through our CSR questionnaires.</p> <p>● Please refer to p. 65 for more information on our supply chain management and CSR procurement.</p>

TOPICS — New value creation: development of electric riding lawn mowers

Electrification of products is one of our priority measures. We began limited sales of electric riding lawn mowers to the highly environmentally conscious European market in 2022. Through collaboration between development, manufacturing, and purchasing, we have established a series of processes, including accumulation of technologies and identification of European market needs, sales, production, distribution, and post-sales services. We will work on mass production based on future market evaluation.



Voices of person in charge of manufacturing ... Naoto Matsunaga Production Engineering Control Department



In producing our first electric products, I had to take a training course for handling low-voltage electricity to handle large capacity batteries and other electric parts, where I learned about the dangers of electricity and safe operations. As incorrect wiring during assembly would result in damage to the controllers, motors, etc., I was especially required to perform accurate work. Motor's resin cover is easily scratched when in contact with frame, so extreme care was required in handling the cover, and I prepared the repair paint from paint samples in advance. There were many electrical control checks, and I had a hard time performing tasks and inspections which I had not performed for conventional tractors, including inspection of a product while connecting it to a computer to check its condition. I will apply know-how and work procedures gained through this production to the production of electrification products in the future.

Human resource strategies – Maximizing ISEKI Group's human resource capability –



ISEKI Group will enhance engagement and transform human resources to implement human capital management

Masayuki Fukami
 Director & Senior Corporate Officer
 In charge of Personnel, Corporate Planning, and Investor Relations
 Deputy in charge of Compliance

Message from the Director in charge of personnel

ISEKI Group has been working on human capital management, where systems and workplace environments are in place to enable employees to work with passion, and each and every employee demonstrating their accumulated knowledge, skills, and experience leads to medium- to long-term corporate value improvement.

To enhance employee engagement, which is one of themes set out in the Mid-term Management Plan, the Group has been striving to strengthen its bond with employees by working to create employee-friendly and attractive workplaces, and rank-based training programs, based on the policy for workplace environment creation. In 2023, we increased the number of times engagement surveys are conducted on the talent management system to twice a year. We have also enhanced follow-ups on monthly pulse surveys to identify and resolve issues.

To transform human resources, the Group will direct its efforts toward the recruitment and development of human

resources who have high levels of knowledge, skills, and experience in such fields as cutting-edge technologies, global, and DX based on the policy for human resources development. We will also further work to promote diversity, such as to facilitate active engagement of female employees, foreign nationals, and mid-career employees, to press forward with the transformation of the corporate culture. To accelerate these initiatives, we are strengthening mid-career recruitment, and have also introduced such systems as a new training program for female employees, a language course based on e-learning, referral recruitment, and a return-to-job system.

The Group will develop human resources who will play leadership roles toward its 100th anniversary of foundation in 2025 and the next 100 years through scientific human resource management.

Policy for human resources development

ISEKI Group believes what contributes to the solution of various issues is people, who are essential for sustainable business growth and improvement of corporate value.

The Group will direct its efforts toward the securement of core human resources to execute its business strategies, such as cutting-edge technologies and promotion of globalization. To be a solution provider for agriculture and landscape, we will also bring out the full potential of each employee and develop human resources who actively take on challenges and bring about change, by further enhancing education programs for DX and other purposes.

Policy for workplace environment creation

Based on the Company motto of providing "a stable workplace to the employees," ISEKI Group aims to provide a safe and secure workplace to its employees as well as to create a rewarding workplace.

On the premise of respect for human rights and thorough compliance, we will work to enhance employee engagement and create a diverse, sound, and transparent workplace environment so that we can develop together with our employees.

Enhancement of employee engagement

To realize "optimal allocation of human resources," a priority measure of the Mid-term Management Plan, the talent management system was introduced in 2021, for the purpose of visualizing skills and abilities of employees, and formulating careful personnel strategies. Semiannual engagement surveys and monthly pulse surveys are conducted through the system.

Our initiatives

Initiative	Frequency	Purpose	Style	Total number of questions
Pulse survey	Monthly	Regularly check and follow up short-term changes in physical and mental states, etc.	Questionnaire (5-scale assessment/open-ended question)	6
Engagement survey	Semiannual	Grasp engagement in detail through more thorough questions		30

FOCUS

Implementation status of engagement surveys

February 2025 (target) Overall satisfaction rate **70.0%**

July 2022 (result)
 Overall satisfaction rate **55.9%**
 Response rate: 84.0%

- **Item with high satisfaction rate:** interpersonal relationship
- **Issues:** personnel rotation, supervisors' management skills
- ➔ **Initiatives toward a solution:** use of the talent management system for rotation, 360-degree evaluation of managers

February 2023 (result)
 Overall satisfaction rate **57.1%**
 Response rate: 83.3%

- **Items with high satisfaction rates:** corporate culture, interpersonal relationship
- **Issues:** wage system, personnel system
- ➔ **Initiatives toward a solution:** increase in base salary to improve wages, feedback of personnel appraisal results

Transformation of human resources

Development of global talent

To develop global talent as the entire Group, we launched a smartphone-app-based TOEIC preparation course in April 2023. Going forward, we plan to launch an advanced-level course and introduce an education program for digital talent to handle DX.

Total number of employees joining the initiative **314** across the Group (as of March 22)

Introduction of new recruitment methods

Recruitment method	Overview of system
Career registration	Prospective talented employees who are interested in us directly register with us, which increases matching opportunities
Return-to-job (reemployment of former employees)	Former employees who wish to rejoin us register their up-to-date career information, and we reach out to them when a suitable position opens up
Referral recruitment (employee referral)	Further promote employee retention by recruiting based on a referral from a trusted employee

*As of April 2023, the above systems are applicable to ISEKI & CO., LTD. (non-consolidated) only



Human resource strategies – Maximizing ISEKI Group's human resource capability –

Indicators related to human capital (2022 result)

Ratio of female employees	Female-to-male pay ratio (permanent employees)	Retention rate (retention rate of new graduates after three years)	Utilization rate of paid leave (permanent employees)	Employment rate of people with disabilities
14.2%	72.8%	90.6%	65.3%	2.24%

*Data for ISEKI & CO., LTD. (non-consolidated)

> FOCUS

● Ratio of female managers

Result			Target
2020	2021	2022	2025
3.7%	4.2%	4.1%	7%

*Data for ISEKI & CO., LTD. (non-consolidated)

We offer training programs for female employees to take advantage of diverse personnel, improve skills, and facilitate career development.

Most recent session	July 2022
Target	56 female manager candidates
Total period	2 days
Contents	Group discussions, lectures by external speakers, etc.



Training program for female employees

● Ratio of male employees who took childcare leave

2022 Result
42.1% (taken for 30 days on average)

*Data for ISEKI & CO., LTD. (non-consolidated)

When a male employee notifies us of childbirth, we let him and his supervisor know about the childcare leave system and encourage the employee to take the leave.

Promotion of health & productivity management

> Health & Productivity Management Declaration

To realize employees' well-being, ISEKI Group has established the health basic policy focusing on three kinds of health; "physical health," "mental health," and "living health." In addition, the Group announced the Health & Productivity Management Declaration in 2021.

> Mental health seminars

In 2022, we held mental health seminars at all of our offices, inviting external speakers. Approximately 150 employees participated in the seminars and took the opportunity to learn about a wide range of topics, from an overview of mental health to how to cope with actual stress. Going forward, we will hold such seminars on a regular basis to improve employees' mental health.

> Acquisition of certification of health & productivity management outstanding organization

In addition to conventional initiatives, we took new actions, such as making mental health seminars an annual event at all of our offices. As a result, we were certified as a "2023 health & productivity management outstanding organization (the large enterprise category)" as in the previous year. We will continue to work on the enhancement of employee engagement and increase corporate value.



Respect for human rights, Prohibition of discriminatory treatment

☑ Basic Policy (Fundamental concept)

It is stipulated in ISEKI Group Code of Ethical Behavior to "respect basic human rights and not engage in any act of discrimination or harassment on the grounds of nationality, race, creed, gender and disabilities." The Code of Ethical Behavior is distributed to all employees. The Group instructs them to, among other things, "always respect human rights of others by periodically providing employees with education" and "pay extra attention to their speech and behavior so as not to commit acts that ignore others' human rights, such as harassment."

Occupational safety and health management

Iseki Group carries out safety and health activities reflecting the actual situations of each company and office and implements safety checks at manufacturing subsidiaries to promote awareness-raising at the sites, thereby striving to reduce accident risks to achieve "zero industrial accidents." The Group has established ISEKI Safety Promotion Center as a place for experiencing near-accidents and offers employees to have a simulated experience of potential occupational accidents to improve safety awareness.

Setting up "a healthy and safe workplace" as the code of conduct, ISEKI Group will continue to manage occupational safety and health in a group-wide effort.

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 Promotion Center so as to build a framework that prevents any industrial accidents.

Statistics of industrial accidents: severity rate (%)

2018	2019	2020	2021	2022
0.001	0.371	0.000	0.004	0.260

*Severity rate: Number of work days lost per 1,000 working hours
 *Scope: ISEKI & CO., LTD. and its three factories in Japan

VOICE — Employees' voice

Employee playing an active role while taking advantage of childcare leave

Hiroshi Sato Europe Sales & Marketing Department, ISEKI & CO., LTD.

I am currently in charge of sales and marketing for European distributors. At our company, employees are encouraged to take childcare leave regardless of gender. Last year, I took childcare leave for approximately three weeks with the understanding from my boss and colleagues. It was a great opportunity as welcoming our child as a couple enabled my wife and I to share the joy of the baby's growth and the difficulty of parenting. I now use staggered working hours to secure time for parenting, such as helping my child getting ready in the morning and taking him to and from daycare. I would like to keep working efficiently and producing results, while valuing my time with family.



Successful female employee

Noriko Takeuchi Head of ISEKI Technical Training Center, Administrative Department of Development & Production Division, ISEKI CO., LTD.

I handle general administrative tasks, such as formulating training plans and making arrangements for material procurement, to enhance production capabilities of the entire ISEKI Group. In particular, I am committed to the development of technicians at manufacturing sites. When I was raising children, I took advantage of the childcare leave system and tried to balance work and parenting. Recently, I have enlarged my circle of friends through golf, which I play on my days off. This has not only enriched my personal life but had a positive influence on my work. To play an even more active role in the Company, I consider it necessary to have interest in the work of other departments and build closer interpersonal relationships in and outside the Company.

I will continue to formulate education programs that match the times and develop a large number of human resources that can contribute to the Group's quality and productivity improvement.



Successful employee who joined us mid-career

Yusuke Goto Matsuyama IT Planning Section, IT Planning Department, ISEKI & CO., LTD.

Taking advantage of design and program development skills acquired in my previous job, I promote RPA and develop systems in the Matsuyama IT Planning Section. I would like to propose optimal solutions for the Company and help improve operational efficiency. In addition, our family is expecting our sixth child in June this year, which is likely to make me even busier. I will continue to balance work with family, with the support from my boss and colleagues.



Intellectual property strategies

Intellectual property policy

Over the years, ISEKI Group has produced a great many products, guided by its founding spirit of “freeing farmers from exhausting labor.” Going forward, we will continuously create high-quality intellectual property through active investment in frontrunner research and human resources development, in line with the strategies for our business and products. In addition to incorporating the intellectual property we create into product design, we will seek to monetize it through means including intangible assets such as know-how. This will enable us to enhance our competitiveness as a corporation, thereby boosting our market shares and improving profitability.

› Invention creation and patent strategies

ISEKI Group is strongly driving forward invention proposal activities based on invention proposal themes that are set by considering promising technologies, market trends and needs, and incorporating opinions from the development and sales departments. We also bring together engineers in charge of different products and carry out invention creation activities by systematically grasping agriculture as a whole to improve the quality and quantity of inventions through the horizontal deployment of technology.

Taking into account the future social environment, technological trends, and feasibility of the business, we examine the invention, and then acquire the property rights only for the highly viable ones to protect our proprietary technology and enhance the competitiveness of product development.

› Design and trademark strategies

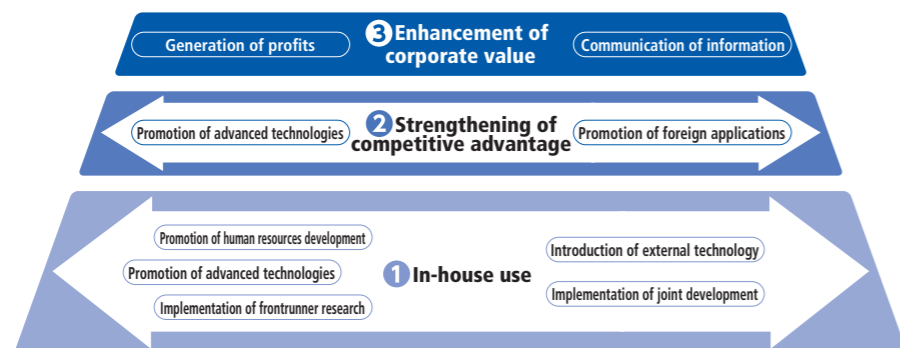
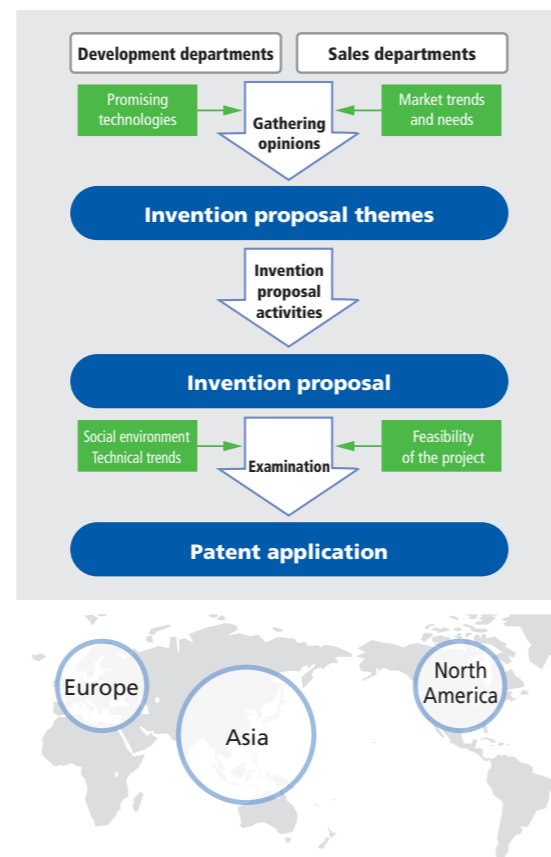
By building up a store of attractive designs and friendly pet names as design rights and trademark rights, we strive to improve ISEKI brand value through differentiation from competitors' products and enhanced protection of product design.

› Establishment of overseas IP network

We strive to prevent imitations of our products in various regions, including emerging countries, and to prevent infringements of intellectual property rights of other companies by striving to acquire and accumulate valid rights according to the intellectual property systems in multiple countries, where application methods, application examination criteria, and the legal validity of rights vary.

› Use of intellectual property

- In addition to strengthening our defense with our technological foundation and intellectual property through in-house use of intellectual property, we will expand our foundation by making further investments in frontrunner development, joint development (introduction of other companies' technology), and human resources development.
- Having firmed up this foundation, we will expand the establishment of IP rights for our proprietary technologies and our overseas intellectual property network to strengthen our competitive advantage.
- Further, we will leverage our proprietary intellectual property and intangible assets (drawings, know-how, and brands) to generate profits and enhance corporate value by communicating information to stakeholders. ISEKI is also engaged in technology transfer for agriculture-related products, having signed a technical and business alliance agreement with a major agricultural machinery manufacturer in India.



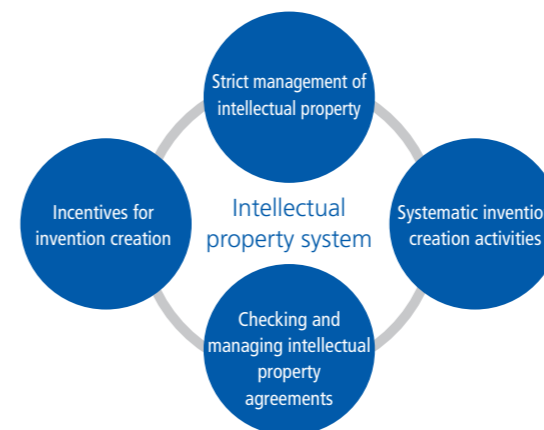
› Intellectual property system

At ISEKI Group, the Intellectual Property Control Department manages intellectual property strictly, from creation to establishment of rights and the waiver of those rights. Incentives such as bonuses and awards are offered for the creation of intellectual property through invention creation activities.

When concluding intellectual property agreements, the Intellectual Property Control Department considers the legal aspects, and checks and manages the agreements.

› Invention awards scheme

To invigorate intellectual property creation activities, awards are presented to young engineers as an awareness-raising exercise. Internal awards are also presented to promote creation activities by sharing outstanding inventions within the development departments. Through the creation of outstanding inventions, we will pursue the enhancement of ISEKI Group's competitiveness.



› Intellectual property management

Acquisition and management of intellectual property are conducted in accordance with laws and regulations and company rules. Through this, we strive to protect trade secrets and respect the intellectual property rights of other companies. Intellectual property information in Japan and overseas is digitized using an intellectual property management system for the smooth and efficient management and implementation of intellectual property.

Example: Valuation of intellectual property

Based on our value calculation standards and in light of conventional wisdom, we make a reasonable evaluation that enables us to determine the value of a technology and calculate the consideration for the transfer of rights and licensing fees.

› Human resources development

[Intellectual property education, transmission of creative abilities]

- Intellectual property education**
To invigorate employees' creativity, we provide intellectual property education commensurate with years of experience, including new recruit training. In particular, we promote the enhancement of the creative abilities of young engineers through the transmission of invention creation know-how from veteran engineers to young engineers.
- Technological research presentations**
In order to manufacture products that will be able to contribute to the changing market environment in Japan and overseas, technological research presentations are held to share the outcomes of research and development and invention information and to provide opportunities for discussion, including senior management, with the aim of raising the standard of the Group as a whole.

Outcomes of intellectual property activities: Proof of ISEKI Group's high technological capabilities

Our proactive efforts to develop, launch and commercialize new technologies are exemplified by the high number of patent application registrations in Japan per specialty field, as well as high patent allowance rates. Taking advantage of the technological capabilities underpinned by our intellectual property, we will strive in business activities that emphasize intellectual property.

Number of patent application registrations per specialty field

Year	2000–2006	2007–2014	2016–2017	2018	2019	2020	2021
Statistics	Number of laid-open applications per specialty field		Number of patent application registrations per specialty field				
Field	Agriculture and fisheries		Other special machinery				
Rank	No. 1		No. 2		No. 1		No. 2

Patent allowance rate

Year	2004–2010	2011	2012–2017	2018	2019	2020	2021
Patent allowance rate*	83.7%–91.8%	91.8%	94.7%–100.0%	96.4%	97.7%	98.7%	97.2%
Rank	No. 1		No. 2	No. 1		No. 2	

*Patent allowance rate = Number of allowed applications / (Number of allowed applications + Number of rejected applications + Number of withdrawn and abandoned applications);
Number of withdrawn and abandoned applications = Number of applications withdrawn or abandoned after notification of reasons for refusal

Number of invention awards received
(The Japan Institute of Invention and Innovation)

National awards for inventions: **19**

Regional awards for inventions: **213**

Total: **232**

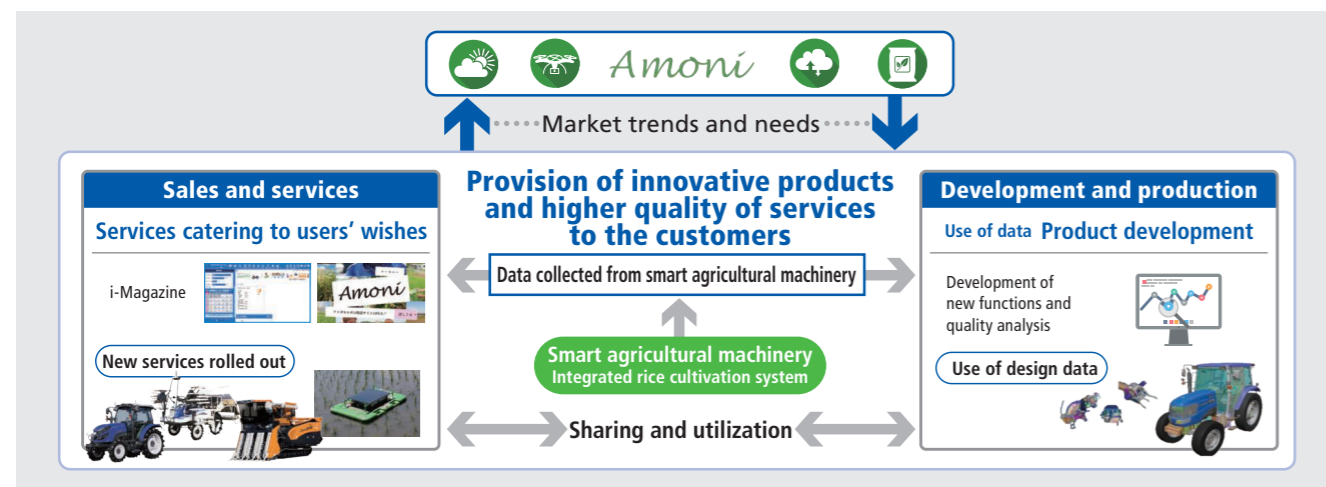
(As of February 2023)

DX promotion

Business model transformation through DX

ISEKI Group is aiming to provide innovative products and higher quality of services to the customers through DX. By focusing on providing not only products, but also the best solutions leveraging digital technologies—including information and know-how—we are seeking to transform our business model from products to services.

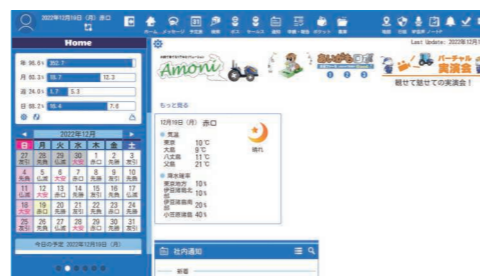
According to the Ministry of Agriculture, Forestry and Fisheries, the number of agricultural entities engaged in data-based farming grew steadily between 2020 and 2022, increasing by around 6% to 23%. For some time already ISEKI Group has strived to solve agriculture-related issues by supplying smart agricultural machinery leveraging ICT and robot technology. From now on, we will focus on providing services that leverage data obtained from smart agricultural machinery, as well as our farm business technologies and know-how cultivated over many years, as we work to further improve agricultural productivity. At the same time, we will be pursuing initiatives leveraging data in development and production too.



Examples of initiatives undertaken in sales and services

Our digital support tool, i-Magazine, facilitates a range of sales-related activities including searching for product information, preparing quotations, accessing video content, viewing operation manuals and parts lists, and creating sales journals. Such use of data enables real-time provision of information according to customers' true needs for their farm businesses, while also leading to work style reforms for our employees by making sales activities more efficient.

In 2022 we started deploying i-Magazine at our sales subsidiaries, and in 2023 we completed its deployment among wide-area sales companies.

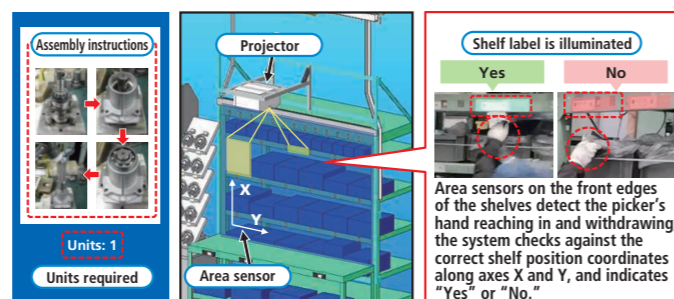


Examples of initiatives undertaken in production

Our factories manufacture products of different types on the same production line, so considerable time used to be required for picking (gathering together necessary parts from those stored within the factory based on a list), and for training the pickers.

However, the introduction of a projection picking system, which employs a digital display to provide visual assistance for picking has improved picking accuracy and speed, while reducing the time required for training the pickers (by 30%).

We will continue leveraging digital technologies to further improve production efficiency and enhance product quality.



*Picking is the work of gathering together necessary parts from those stored within the factory based on a list.

Response to climate change

In May 2022, ISEKI Group announced its endorsement of the TCFD Recommendations.



TCFD: The Task Force on Climate-related Financial Disclosures set up by the Financial Stability Board (TCFD: Task Force on Climate-related Financial Disclosures)

Governance

Agriculture, which benefits from nature, is closely connected to climate change. Given its potential for a major impact on the business activities of ISEKI Group, an integrated manufacturer specializing in agricultural machinery, we have positioned taking measures for climate change as one of our priority management issues and are practicing environmental management.

Climate change-related risks and opportunities are managed centrally by the ESG Committee. The Committee meets monthly in principle, examining and deliberating on climate change-related risks and opportunities four times a year. The results of deliberations at the Committee meetings are recommended to the Board of Directors, and important matters are deliberated and determined by the Board of Directors. This framework enables the management team to strengthen their involvement. (Please refer to p. 59 for information about the ESG Committee)

Strategy

In 2021, ISEKI Group conducted a trial analysis on climate change scenarios to understand the impact of climate change on our business, manage associated risks and opportunities, and factor these into our management decisions.

Based on the 1.5°C/2°C scenarios, which see society-wide transformation towards decarbonization and success in curbing temperature rise, and the 4°C scenario, in which the prioritization of economic development causes the continued aggravation of global warming and its effects, we analyzed the entire value chain of the agricultural machinery business, the core business of ISEKI Group, both in Japan and overseas, and identified risks and opportunities as of 2050. Collection and analysis of data were conducted across the whole ISEKI Group (domestic sales, overseas sales, product planning, finance, procurement, quality, and environment-related departments), with the Strategic Planning Section of the Corporate Planning Department playing a central role. Year 2030 is envisaged in qualitative and quantitative evaluations. (Please refer to p. 55)

Scenario	Summary of scenario analysis	Directions of strategies for risks and opportunities
1.5°C/2°C	<ul style="list-style-type: none"> Increase in operation costs due to stricter regulations imposed by the government, etc. to achieve decarbonization Increase in procurement costs due to the progress in decarbonization Loss of business opportunities due to failure to meet the demand associated with decarbonization 	<ul style="list-style-type: none"> Mitigate the impacts by reducing energy consumption and utilizing renewable energy Respond to the changes in agricultural machinery and farming methods to achieve decarbonization <ul style="list-style-type: none"> Introduction of robotic and smart agricultural machinery to contribute to electrification of agricultural machinery, efficient agricultural work, and optimal fertilizing. Increased demand for solutions in terms of farming methods that contribute to the reduction of methane emissions from rice paddies
4°C	<ul style="list-style-type: none"> Impacts of damage to production and sales bases, including supply chains, due to intensifying typhoon and flood damage Decrease in demand for agricultural machinery for rice farming, in response to decline in the area of land available for rice production and deterioration in rice quality due to rising average temperatures 	<ul style="list-style-type: none"> Mitigate the impacts by regularly reviewing BCP, product lineup, and sales channels, etc. Respond to the changes in the natural environment <ul style="list-style-type: none"> Technology to replace agricultural work with robotic agricultural machinery and autonomous work performed by AI, from the collection and analysis of weather data and growth data to decision-making based on that data Increased demand for solutions contributing to the construction of a sustainable agricultural production foundation

*Main referenced external scenarios
 1.5°C/2°C: IPCC AR6 SSP1-1.9, SSP1-2.6 (Climate policy scenario in which post-industrial temperature increase can be curbed to less than 1.5°C/2°C), IEA's NZE scenario, and APS scenario
 4°C: IPCC AR6 SSP3-7.0, SSP5-8.5 (Scenario in which no climate policy is introduced due to regional conflicts and dependence on fossil fuels)

Management of risks and opportunities

Risks and opportunities identified in the scenario analyses are categorized and assessed on two axes (four quadrants), one for the magnitude of the financial impact and the other for the degree of the potential of that financial impact, and the timescale for measures to address the risks and opportunities is determined. The ESG Committee has established a system for the categorization, assessment, and follow-up of risks and opportunities. It will continue to revise that system, including examining and deliberating on strategies and confirming new risks in line with environmental changes, on an annual basis. Management of risks that may affect business activities in the short term is integrated under the Risk Management Working Group (WG). In doing so, we strive to prevent risks from materializing and to minimize losses, to contribute to smooth business operations, and to preserve assets within our operational processes in accordance with risk management regulations. (Please refer to p. 77 for information about the Risk Management WG)

Meeting bodies that discuss future directions of product planning, development themes, and other issues, such as the Product Development Strategy Committee and the Advanced Technology Strategic Committee, evaluate and deliberate opportunities for climate change-related products and solutions and incorporate their results with certain importance in the development planning with the approvals of the Directors' Operation Committee and the Board of Directors.

Response to climate change

Risks and opportunities based on scenario analysis

Category	Details	1.5°C/2°C Scenario		4°C Scenario		Timescale for measures	Direction of measures	Existing initiatives	Future initiatives				
		Financial impact	Potential	Financial impact	Potential								
Transition risk	Technology	Decline in competitiveness caused by delays in technological development				Medium	Medium	Short term	<ul style="list-style-type: none"> R&D of carbon-free agriculture R&D of agricultural machinery that supports agriculture adapted to natural disasters and rising temperatures 	<ul style="list-style-type: none"> Sales of products featuring straight-travel assist systems (tractors, combine harvesters, and rice transplanters) Starting limited sales of electric riding lawn mowers (Dec. 2022) 	<ul style="list-style-type: none"> Enhancing lineup of automatic steering-enabled & robotic agricultural machinery R&D of electric agricultural machinery R&D of agricultural machinery adapted to natural disasters and rising temperatures 		
	Market	Decline in sales due to decline in demand caused by needs and social infrastructure status				Large	Small	Short term					
	Policy	Increase in operation cost due to introduction of carbon tax and emissions trading scheme Further details (1)				Medium	Medium	Small				Mid term	
	Reputation	Deterioration of reputation among shareholders and other stakeholders, divestment, or plummeting share price				Small	Medium	Small				Mid term	
	Market	Changes in supply chain caused by climate change result in higher product manufacturing costs, making it difficult to provide products				Small	Medium	Small				Medium	Long term
Physical risk	Acute	Suspension of product and service provision systems due to damage suffered by the Company/supply chain caused by severe typhoon and flood damage Further details (2) <small>*Assessment of financial impact has been amended since last fiscal year's analysis</small>				Medium	Medium	Medium	Medium	Short term	<ul style="list-style-type: none"> Close monitoring of global material prices caused by climate change and improvement of material input efficiency Close monitoring of status of water resources with respect to climate change 	<ul style="list-style-type: none"> Understanding of input of material and water resources Reducing weight of parts using iron, reducing processing waste 	<ul style="list-style-type: none"> Reducing weight of parts using iron, reducing processing waste Recycling of cooling water, use of reclaimed water (stormwater, etc.)
	Chronic	Risks of decline in value of existing products				Medium	Small	Large	Medium	Long term			
		Increase in energy price caused by rise in temperature				Small	Large	Small	Large	Long term			
Opportunities	Products and services	Rebuilding of product sales channels in line with changes and reduction of farmable areas due to progression of climate change				Small	Small	Small	Small	Long term	<ul style="list-style-type: none"> Rebuilding of product sales channels in line with changes and reduction of farmable areas Promotion of procurement of renewable electricity and energy conservation 	<ul style="list-style-type: none"> Recognition as risks Preparation of draft decarbonization plan at each production site 	<ul style="list-style-type: none"> Establishment of energy conservation targets Setting targets for renewable energy ratio to energy consumption Establishment of renewable energy power generation facilities Detailed survey of long-term changes in farmable areas
		Increase in demand for agricultural machinery that contributes to energy conservation and greenhouse gas reduction				Large	Small	Medium	Small	Short term			
		Increase in sales of products and services that accommodate changes in the agricultural environment caused by climate change				Large	Medium	Large	Medium	Short term			
		Increase in demand for solutions that contribute to reducing greenhouse gas emissions from farming soil				Medium	Medium	Small	Medium	Mid term	<ul style="list-style-type: none"> Close monitoring of trends in subsidy schemes of national and local governments Deliberation of solutions that respond to farm producers' needs 	<ul style="list-style-type: none"> Innovation in environmentally sound agriculture based on collaboration with companies and local governments (nine partnership agreements signed in Japan between March 2020 and April 2023) 	<ul style="list-style-type: none"> Formulation of business plans as for-profit business Demonstration of model cases, nationwide rollout of business

Potential: Large (short term: within 3 years); Medium (mid term: 3 to 5 years), Small (long term: 5 years or longer)

Financial impact (as of 2030)

In FY2022, we quantified the financial impacts of two of the risks and opportunities identified in FY2021: carbon tax and the effects of severe typhoon and flood damage, which were both assessed as having a high potential to occur despite their medium financial impact. Going forward, we will continue quantifying and analyzing the financial impacts of risks and opportunities as a means to devise new solutions that reduce the impacts of risks, and facilitate new opportunities.

[Further details \(1\)](#) Increase in operation cost due to introduction of carbon tax

We assumed that governments around the world had strengthened their climate change-related policies and introduced high carbon taxes and emissions trading schemes. Accordingly, taxes would be levied on ISEKI according to the volumes of both our direct greenhouse gas (GHG) emissions and our emissions from energy consumption, and as a result our operation cost would increase.

1.5°C/2°C Scenario	1.1 billion yen/year of increased tax burden
4°C Scenario	350 million yen/year of increased tax burden

Basis for calculation Increased tax burdens associated with ISEKI Group's total GHG emissions in 2030 were calculated by multiplying ISEKI Group's emissions volume in FY2020 (64,000 tons/year [Scope 1 & 2]) by the relevant carbon price (1 U.S. dollar = 140 yen). For the 1.5°C/2°C Scenario, the carbon price used was 130 U.S. dollars/ton in 2030 (the carbon price for advanced economies in Net Zero by 2050: A Roadmap for the Global Energy Sector, published by the International Energy Agency [IEA]). For the 4°C Scenario, the carbon price used was 39 U.S. dollars/ton in 2030 (an assumption based on the carbon price for Europe in the IEA World Energy Outlook 2020's Stated Policies Scenario [STEPS]).

[Further details \(2\)](#) Risk of interruption of production and sales or cessation of business due to severe typhoon and flood damage

We assumed that, as a result of advancing climate change, damage caused by events such as typhoons and floods would become more severe, impacting ISEKI's own production bases, as well as its supply chains including sources of raw materials and parts, leading to interrupted production or cessation of business.

1.5°C/2°C Scenario	4.8 billion yen/year reduction in sales
4°C Scenario	6.8 billion yen/year reduction in sales

Basis for calculation The financial impact of flooding was calculated for ISEKI's production bases, and for the production bases of suppliers from which we purchase 100 million yen or more of raw materials or parts per year. The impact on our own production bases was surmised by prorating average net sales from 2020 to 2021; the impact on suppliers was surmised by prorating the value of supplies purchased in 2021 from the aforementioned suppliers. Flood risk was determined by creating a risks and hazards map for each base using the World Wildlife Fund Water Risk Filter. As ISEKI has a business continuity plan (BCP), our calculation assumed that the time required to recommence sales or business would be 20 days (from data provided by the Small and Medium Enterprise Agency).

Indicators and targets

ISEKI Group strives to contribute to the creation of a carbon-neutral and sustainable society by 2050 through "providing innovative products and higher quality of services to the customers."

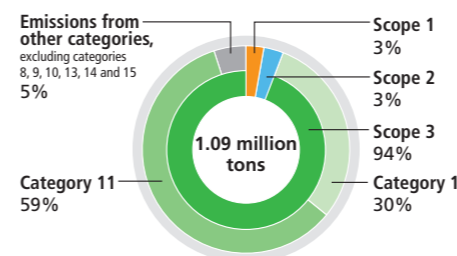
Indicators	Targets (mid- to long-term environmental targets)
CO ₂ emissions for entire ISEKI Group (Scope 1 & 2)	2030 46% reduction compared with 2014 (Total)
Eco-product ratio in domestic sales	2025 65% ratio in domestic sales

Initiatives throughout the entire value chain

Scope 3 Category 1	In April 2022, we asked suppliers to establish their own voluntary CO ₂ reduction targets. We aim to formulate CO ₂ reduction targets in collaboration with suppliers that account for 70% of transaction amount.
Scope 3 Category 11	We are conducting R&D on electrification of agricultural machinery and agricultural machinery that uses alternative energy sources such as hydrogen.
Other	We participate in decarbonization demonstration projects in the agricultural industry in collaboration with local governments and other partners. Such projects include the promotion and expansion of environmentally sound agriculture.

*Please refer to p. 57 for information about the eco-product certification system, and p. 62 for progress in achieving mid- to long-term environmental targets in 2022. Past results are posted on the Company's website.

CO₂ emissions from value chain



2022 Results	
Total of Scope 1, 2 & 3	1.09 million tons
Scope 1	30,000 tons
Scope 2	30,000 tons
Scope 3	1.03 million tons
Category 1	330,000 tons
Category 11	640,000 tons
Other categories	60,000 tons

Scope of calculations: Consolidated companies of ISEKI Group (including overseas sites)

*These figures are calculated with reference to the Basic Guidelines on Accounting for Greenhouse Gas Emissions Throughout the Supply Chain of the Ministry of the Environment and Ministry of Economy, Trade and Industry.

*Category 11 includes future emissions based on the assumption that the products sold in the respective years will be used for their useful lives.

*Category 12 includes future emissions during the disposal of products sold in the respective years.

*Scope 3 emissions of overseas sites are calculated based on the emission intensity database for Japan.

*For details of emissions in each category, please refer to the Company's website.

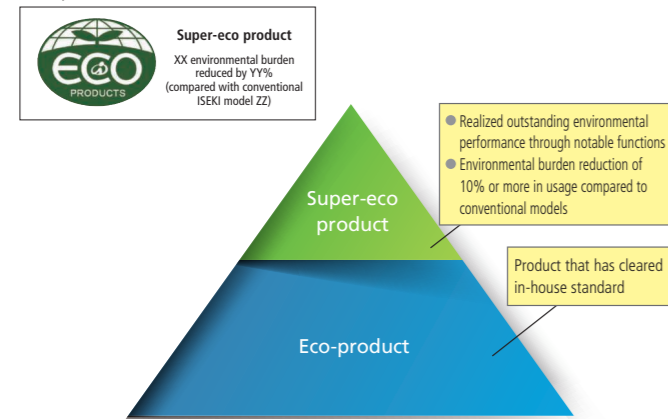
Initiatives for the realization of a decarbonized society

Initiatives for environmentally friendly design

► Eco-product certification system

The eco-product certification system is an in-house system that certifies products with high environmental conformance that lead to solutions to climate change issues and to the reduction of agriculture's burden on the environment. Certified products that clear ISEKI-original evaluation criteria in areas such as conservation of energy and labor, environmental burden reduction, resource conservation, and consideration of biodiversity, are granted environmental labels, which are conveyed to customers through product catalogs and user manuals in an easily noticeable format. Further, the environmental label conforms to Type II stipulated under ISO14021 (self-declared type that does not need third-party certification).

Example of environmental label



► Examples of certified products

- SXG327 and SXG324 riding lawn mowers for Europe and Oceania.

We certified the SXG327 and SXG324 riding lawn mowers as eco-products. These lawn mowers feature engines compliant with the EU Stage V emission standard, thereby meeting Europe's stringent exhaust gas regulations. They also offer improved engine horse power and maximum speeds compared with conventional models, as well as enhanced work efficiency thanks to higher-capacity grass catchers, and compatibility with use of HVO* fuel.

Use of HVO fuel promises to reduce environmental burden, primarily by curbing CO₂ emissions.



*HVO (Hydrotreated Vegetable Oil): A biofuel manufactured from waste oil produced in the food industry and surplus vegetables resulting from agricultural production, among other raw materials. Vegetable oil is hydrotreated to convert it into aliphatic hydrocarbon, which can be used in diesel engines. HVO diesel is already available at gas stations in Europe, and is commonly used particularly in Northern Europe, where public regulations of environmental issues are most stringent.

Initiatives toward electrification of agricultural machinery

We believe that the electrification of agricultural machinery will grow into a major pillar for the realization of a decarbonized society. In anticipation of a decarbonized era, ISEKI Group started joint research with Ehime University in 2010 and announced a prototype electric tractor in 2012.

After conducting further technical research toward commercialization, in 2022 we undertook limited sales of the SXGE2, an electric riding lawn mower powered by lithium-ion batteries targeting the European landscaping market, and started identifying needs in the European market as a whole.

- Electric tractor prototype (2012)



- SXGE2 electric riding lawn mower (2022)



Initiatives for the promotion and expansion of environmentally sound agriculture

ISEKI Group is working to promote and expand environmentally sound agriculture, which aims to reduce the volumes of chemical fertilizers and agrochemicals used. Reduction in the use of chemical fertilizers and agrochemicals derived from fossil fuels is expected to be effective in decarbonization. Our efforts to promote and expand environmentally sound agriculture include focusing on promoting sales of products that contribute to reduction of chemical fertilizers by utilizing advanced technologies and data, and products that contribute to reduction of agrochemicals by saving labor on maintenance work such as weeding. Other initiatives include working to create new agricultural technologies by collaborating with national and local governments, private-sector companies, and farm producers to conduct demonstrations of smart agricultural machinery and farm business technologies. (Please refer to p. 33 for information about innovation based on collaboration)

- A variable fertilizer rice transplanter Controls the quantity of fertilizer used in real time according to the results of soil measurements



Foundation for sustainable growth

(How we achieve sustainability)

- 59 Sustainability in ISEKI Group
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- 66 Communities – Co-existence with local communities –
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- 75 List of officers
- 77 Risk management
- 79 Compliance

Sustainability in ISEKI Group

Basic policy (fundamental concept)

In keeping with the philosophy of our founder, "free farmers from exhausting labor," ISEKI Group sets forth its corporate philosophy as "We strive to contribute to the creation the prosperous and sustainable society through 'providing innovative products and higher quality of services to the customers.'"

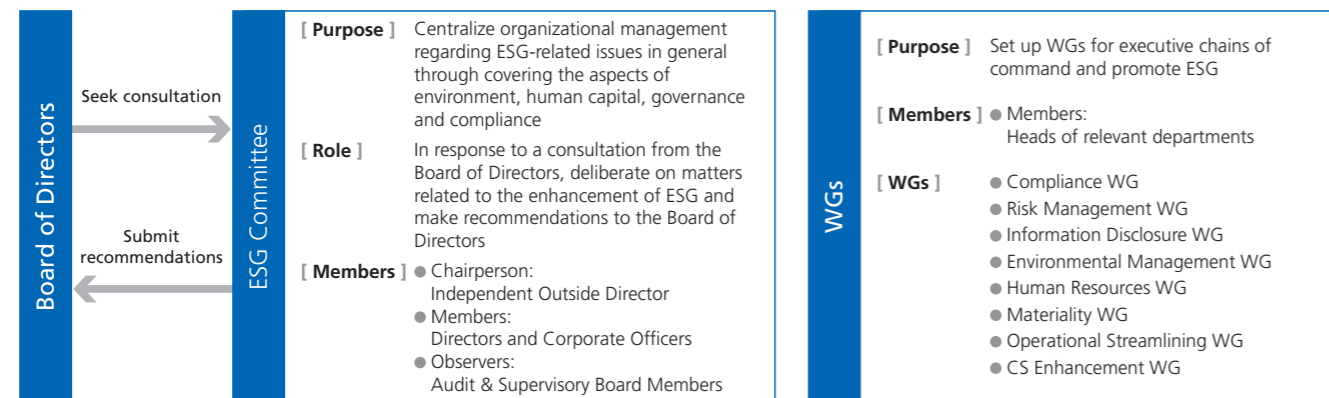
We will strive for the realization of a sustainable society, "agriculture and landscape," in cooperation with our stakeholders.

System for promotion of sustainability

With the aim of centralizing the management of organizations that address ESG-related issues in the Group, we established the ESG Committee in August 2022. The Committee is composed of Directors and Corporate Officers and chaired by an Independent Outside Director.

In principle, Committee meetings are held every month, examining and deliberating ESG initiatives of the Group as a whole, including responses to climate change, respect for human rights, and thorough compliance, from the perspective of risks and growth opportunities. In addition, the results of deliberations at Committee meetings are submitted as recommendations to the Board of Directors and basic policies, materiality, and other important matters are deliberated and determined by the Board of Directors. This framework enables the management team to strengthen its involvement. Eight working groups (WGs) have also been set up to promote ESG-related activities.

Promotion system



Main activities

- Set directions for and promote sustainability
- Review and set materiality
- Report important matters on sustainability

To spread sustainability

To penetrate sustainability throughout ISEKI Group, the top management sends messages to employees while awareness activities through internal newsletters and study sessions are conducted. We focus on sharing the Group's vision and philosophy especially with young and mid-career employees. We will maximize the Group's capabilities by allowing each employee to demonstrate their abilities.

Roundtable discussions

We hold roundtable discussions to foster employees' awareness toward ISEKI Group's goals and encourage them to take action voluntarily and proactively to achieve the goals. The sessions take place in small groups to facilitate discussions among employees.

A total of 15 sessions have been held since 2021, the first year of the Mid-term Management Plan. The discussions saw 116 participants, including employees from Group companies in Japan and overseas.

ISEKI Report issuance project

ISEKI Report is issued as a Group-wide project led by young and mid-career employees. Through the project, we share with the members the importance of sustainability, as well as integrated thinking that takes into account short-, medium-, and long-term value creation.



Stakeholder engagement

Basic Policy (Fundamental concept)

- ISEKI Group strives to build strong relationships of trust with stakeholders by engaging in constructive dialogue with them including direct interaction by the Company's executives.
- Our basic policy in information disclosure is to "disclose information properly to fulfill social accountability" and "endeavor to promptly disclose accurate information required from inside or outside of the Group in recognition of the importance of social accountability and thereby become a company with transparency." To win fair evaluation from all our stakeholders and ensure management transparency, ISEKI Group strives for fair, equitable, timely, and appropriate information disclosure keeping with the purpose and meaning of fair disclosure rules.

Major engagements with stakeholders

ISEKI Group engages in constructive dialogue with stakeholders to accurately understand and meet changing expectations from society. The issues, expectations, etc. obtained through various dialogues are fed back to the Directors, management executives, and related departments by way of reporting to the Board of Directors and other meeting bodies for the purpose of information sharing and reflected in and used for improvement of business activities.

M denotes involvement of company executives

Stakeholder	Concept behind the engagement	Opportunities for dialogue
Customers	To provide high-quality and safe products and services that satisfy our customers, ISEKI Group will extend farm business proposals and support, including cultivation techniques, as well as explanation for the application and safe use of agricultural machinery. We will also strive to understand the true needs of customers through dialogue and use this dialogue to improve product development.	Direct dialogue with sales and maintenance staff User exchange meetings M Visit M Trainings, seminars Exhibitions and demonstrations M Proposal and support of farm business technologies Market research
Suppliers	We will cooperate with our suppliers to create opportunities for mutual improvement so that they can lead to mutual business development including fair and equitable trade towards building a sustainable supply chain.	IR information meetings for vendors M Dealer meetings M Superior company tours M Inspection and meeting with suppliers M Business report meeting M Annual general meeting of Ishokai M Visits (Japan, overseas) M
Local community	We will engage in environmental conservation, activities for community growth and development, and activities for the nurturing of the next generation so as to enable co-existence with the local communities.	Tours of factories and exhibition halls M CSR activities such as cleaning activities Exchange of views with local governments, etc. M Participation in local events M
Employees	We will work on providing a secure and safe workplace, share company information and support for career development towards creating an employee-friendly workplace and nurturing human resources.	Internal IR information meetings M Collective bargaining M Labor management council M Safety and Health Committee Engagement surveys Employee meetings M Various training Various commendation meets and contests M Former employees' meeting M
Shareholders and investors	We will bolster corporate governance in order to build long-term trusting relationships with our shareholders and investors. We will engage in constructive dialogue based on our disclosure policy.	General shareholders' meeting M Quarterly briefing sessions (four times a year) M Individual meetings M Information meetings for individual investors and shareholders M Facility tours M Issuance of IR-related brochures

Constructive dialogue with shareholders and investors

With the aim of achieving stable growth and improvement in corporate value over the medium to long term, ISEKI Group engages in various IR activities to deepen shareholders and investors' understanding on the Group's stance on management, as well as the status of management and other topics.

In addition to creating opportunities for direct dialogue with the management, mainly the President and officers in charge of business administration departments, we have a section in charge of IR and strive for active dialogue with shareholders and investors. In 2022, our engagement initiatives included online company briefings for individual shareholders and investors, ESG briefings for institutional investors and analysts, and individual meetings, not to mention the Ordinary General Meeting of Shareholders and quarterly briefing sessions. We also enhanced information disclosures, such as renewing our website and issuing English IR reports for overseas investors.

Valuable opinions obtained from dialogues are fed back to the management and reflected in our business activities. In recent years, we revised the contents on human rights and mineral procurement in the CSR Procurement Guidelines, based on social circumstances and dialogues with analysts.

Internal IR information meetings for dialogue between top management and employees

To disseminate our long-term vision and management strategies to materialize the vision, we engage in employee communication (hold internal IR information meetings), where the management has direct dialogues with employees. In the 2023 meeting, the President described ISEKI Group's goals, the progress of the Mid-term Management Plan, and other topics. Employees then took part in group discussions, involving officers and executives, on links between the Mid-term Management Plan and their work, initiatives to achieve KPIs, and other subject matters.

● Please refer to our website for details of stakeholder engagement. <https://www.iseki.co.jp/sustainability/social/stakeholder/> (in Japanese)
● Please refer to p. 84 for the status of shares held by type of shareholder.

ISEKI Group's environmental management

Toward the realization of a sustainable society

ISEKI Group has designated realization of a decarbonized and recycling-oriented society contributing to societal sustainability as one of the business priorities, and practices environmental management by setting the Environmental Vision and the Basic Environmental Policy.

To practice environmental management across the Group, we have introduced the environmental management system (EMS) at our manufacturing bases and non-manufacturing bases, such as sales companies, both in Japan and abroad and built a structure to promote it in the form of a working group (WG) for promoting ESG.

In May 2022, ISEKI Group announced that the entire Group would tackle the challenge of achieving carbon neutrality by 2050, and raised its 2030 CO₂ reduction target to a 46% reduction compared with 2014 at its global production sites. Then, in June 2023, we set a new target of reducing CO₂ by 46% compared with 2014 throughout the entire Group. We will continue our efforts toward decarbonization with a sense of speed.

In terms of product-based action, we are working to enhance the percentage of eco-product sales in Japan as an indicator of the expansion of products featuring engines compliant with exhaust gas regulations and products that contribute to the reduction of greenhouse gas emissions from agriculture and of the promotion of eco-friendly design. Reducing the environmental footprint of the agricultural sector is a priority issue to curb CO₂ emissions by society as a whole and to create a sustainable society. ISEKI will use its superior technological and service capabilities to contribute to the resolution of social issues.

Environmental Vision

ISEKI Group will aim for the creation of a sustainable society, including carbon neutrality by "providing innovative products and higher quality of services to the customers."

Basic Environmental Policy

ISEKI Group promotes environmental activities that contribute to achieving harmony among nature, society and corporations with the aim of creating a sustainable society.

- 1 Maintain environmental management system and its functional applications
- 2 Promote dissemination of business activities and products and services to achieve carbon neutrality
- 3 Comply with environmental laws, regulations, and standards
- 4 Conduct environmental education and information disclosure

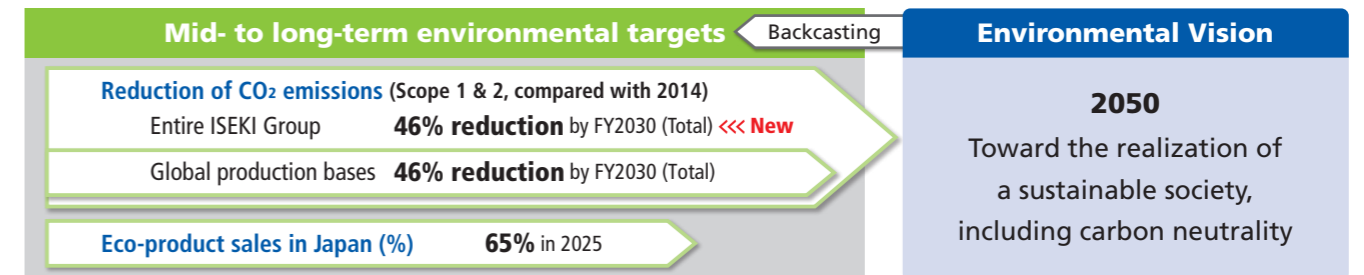
System for promoting environmental management

The Environmental Management WG promotes the Basic Environmental Policy throughout the Group, aiming to realize our Environmental Vision by managing progress toward our mid- to long-term environmental targets through compilation of activity results for each office, and by discussing TCFD-related measures. Matters discussed by the Working Group are reported to and deliberated by the ESG Committee.

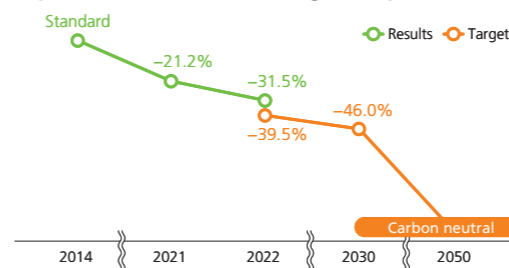


Mid- to long-term environmental targets and results

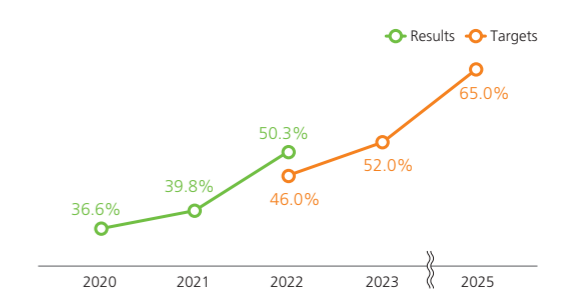
Mid- to long-term environmental targets (2022-)



Reduction of Scope 1 & 2 CO₂ emissions from production activities at global production bases



Eco-product ratio in domestic sales



TOPICS — Reduction of CO₂ emissions

ISEKI-Matsuyama MFG. Co., Ltd. is making moving forward with replacing equipment to switch from the heavy oil and butane gas that form part of its current fuel usage to liquified natural gas (LNG), which emits limited CO₂.

*Entire ISEKI Group: Consolidated business bases of ISEKI Group in Japan and overseas
 *Global production bases: ISEKI-Matsuyama MFG. Co., Ltd., ISEKI-Kumamoto MFG. Co., Ltd., ISEKI-Niigata MFG. Co., Ltd., ISEKI-Shigenobu MFG. Co., Ltd., PT. ISEKI INDONESIA
 *The CO₂ emission factor changes every year based on the power source composition ratios of the individual electricity companies. (Emission factors for each electricity company [Ministry of the Environment] were used as a reference.)
 *Please refer to p. 57 for information about the eco-product certification system
 *Upon revision of its mid- to long-term targets, ISEKI switched to monitoring total CO₂ emission reduction rates, rather than rates per unit of net sales, as previously. Furthermore, the number of sites subject to monitoring was changed, as a result, the figures above differ from figures published in the past.

Major activity results in promoting environmental management

	Mid-term environmental targets	FY2022 Targets and result evaluation			FY2030 Targets	
		Targets	Results	Evaluation		
Manufacturing resources	FY2013 standard Four manufacturing bases in Japan	Reduction of total material input (per net sales)	(16)%	(29)%	○	(18)%
Development of recycling-oriented society		Reduction of volume of water used (per net sales)	(42)%	(56)%	○	(51)%
Toxic chemical substances		Reduction of final volume of waste (per net sales)	(64)%	(72)%	○	(65)%
		Reduction of used volume of chemical substances subject to PRTR law (per net sales)	(36)%	(43)%	○	(37)%

*Four manufacturing bases in Japan: ISEKI-Matsuyama MFG. Co., Ltd., ISEKI-Kumamoto MFG. Co., Ltd., ISEKI-Niigata MFG. Co., Ltd., ISEKI-Shigenobu MFG. Co., Ltd.
 *Please refer to the Company's website for the historical results of environmental burden reduction by base.

Initiatives for preservation of biodiversity

Agriculture is closely linked to the natural benefits (ecological services) produced by biodiversity. ISEKI Group has set down guidelines and strives to ensure that due consideration is paid to biodiversity in its business activities. (Please refer to the Company's website for ISEKI Group's Biodiversity Guidelines and its approach.)

Case study Alleviation of burden on soil and water by reducing the use of herbicides

ISEKI Group is contributing to the realization of sustainable agriculture by working to promote and expand environmentally sound agriculture including organic farming. The Aigamo-Robo weeding robot (for details, please refer to p. 36) suppresses the development and growth of weeds. This promises to reduce the use of herbicides, alleviating the burden on soil and water (i.e., contamination), thereby preserving ecological services.



Efforts to improve quality and customer satisfaction – Establishing trust with customers –

Basic Policy (Fundamental concept)

- ISEKI Group works to provide consistent product quality assurance from product planning to sales and after-sales service while reflecting the opinions from the market in product development and improvement so as to offer products developed from the customers' perspective in a timely manner.
- The Group takes all possible measures for quality control and makes prompt responses in good faith should any quality-related issues arise.

Product development reflecting the voices of customers

Product development and consistent quality assurance system that reflect the voice of customers

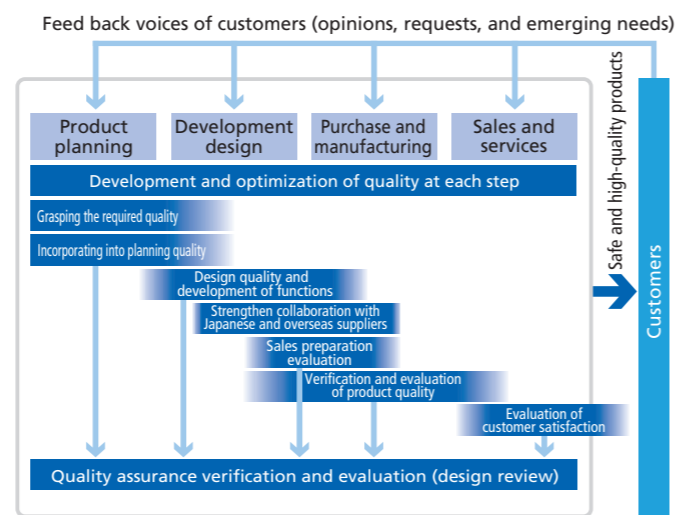
ISEKI Group has a seamless quality assurance system in place, where quality assurance verification and evaluation are conducted (design is reviewed) in every step from product planning, development and design to purchase, manufacturing, sales, and services with the aim of providing products that are safe and respond to the trust placed by the customers.

In product development, ISEKI Group grasps the requirement details based on the voice of customers (opinions, requests, and emerging needs) and utilizes them in product planning and build them into functions in development and design, ultimately reflecting them in purchase and manufacturing. In each step, the Group carries out evaluation and verification of quality optimization from various aspects. ISEKI Group also gathers customer opinions through service activities to provide instructions on test operations upon delivery and inquire on the conditions of the delivered products and has built a mechanism that feeds back those opinions for development and improvement, reflecting those in developing safe, high-quality products.

Improvement of productivity and quality by introducing production support equipment

ISEKI Group horizontally deployed conventional technologies such as the parts integration system and

Flow of how voices of customers are reflected in product development



the assembly direction management system that improve productivity.

In addition, the Group formulates capital investment plans for production support and verifies practical applications thereof, including image recognition tools using information technologies, digitalization of know-how of skilled workers, and systematization of work standards.

Early responses to quality defects

When an issue occurs in products, ISEKI promptly performs inspections and repairs of the products giving the utmost priority to customers' safety. When we launch a recall, we notify and report to the concerned authorities*1 without delay, disclose information, and strive to draw attention of and provide information to customers. We share information on quality deficiencies internally in order to prevent the recurrence of the same deficiency.

Responses to and utilization of inquiries from customers

We strive to respond to inquiries, opinions, and comments from customers promptly in a sincere manner (target of within one business day). The valuable opinions from customers are fed back to the Company's executives and relevant departments and are used for better product development, sales, and service activities. Further, for matters that receive a large number of inquiries, ISEKI Group disclose them on its website so that other customers can make best use of them.

Number of recalls by fiscal year*2

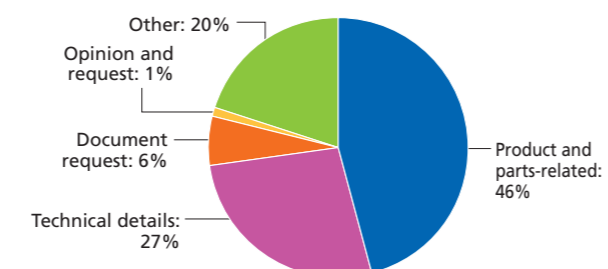
	2017	2018	2019	2020	2021	2022
Number of recalls	6	0	2	0	4	1

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

*2 Number of recalls filed with the Ministry of Land, Infrastructure, Transport and Tourism

● Please find the link below to access important notifications of recalls:
<https://www.iseki.co.jp/news/> (in Japanese)

Contents of inquiries regarding products from customers (FY2022) (Total number of inquiries that came through the website: 584)



Human resources development

Early nurturing young designers

Young designers implement the integrated system for rice farming by themselves for one year. We strive to develop products from customers' viewpoint, improving knowledge on not only farm work but also general agricultural matters through farm work.



Service skills contest

We held a service skills contest for young service staff at sales subsidiaries. The contest is intended to bolster repair fees at sales subsidiaries, as well as improve skills and increase motivation of each staff member.



Provision of products and services in consideration of the needs of customers and society

Preventing farming accidents

In recent years, a lot of accidents at the time of using agricultural machinery have occurred, and, in 2022, the number of farm work accidents was 321*1 in Japan.

To ensure customers' safety in farm work, ISEKI Group works to develop products with enhanced security and safety features. For the safety of farm work using tractors, we have developed a model equipped with a seat belt reminder*2, ahead of the 2025 implementation of new safety inspection criteria. Seat belt reminders are already mandatory for automobiles. They urge passengers to fasten their seat belts with lights and sounds. Our new model is the first tractor in Japan equipped with the reminder. We will press ahead with our development activities to ensure the safety of farm workers.

*1: According to statistics by the Ministry of Agriculture, Forestry and Fisheries
 *2: The reminder will be installed in phases, starting from the BF Series tractors



The system sets off a sound alarm with a light lit to warn that the seat belt is unfastened.



Customer satisfaction survey

To offer products and services of higher quality, we conduct customer satisfaction surveys targeting customers in Japan. The CS Enhancement Working Group promotes the activity. The survey results are reported to the ESG Committee and fed back to relevant departments. We thus strive to make improvements as needed.

Supply chain management

Basic Policy (Fundamental concept)

To achieve its social responsibility, together with its suppliers, across the entire supply chain, ISEKI Group's basic policy is that "the relationship with suppliers should be fair and equitable and it will not abuse its privileged position in the trade to give unfair and disadvantageous treatment to suppliers."

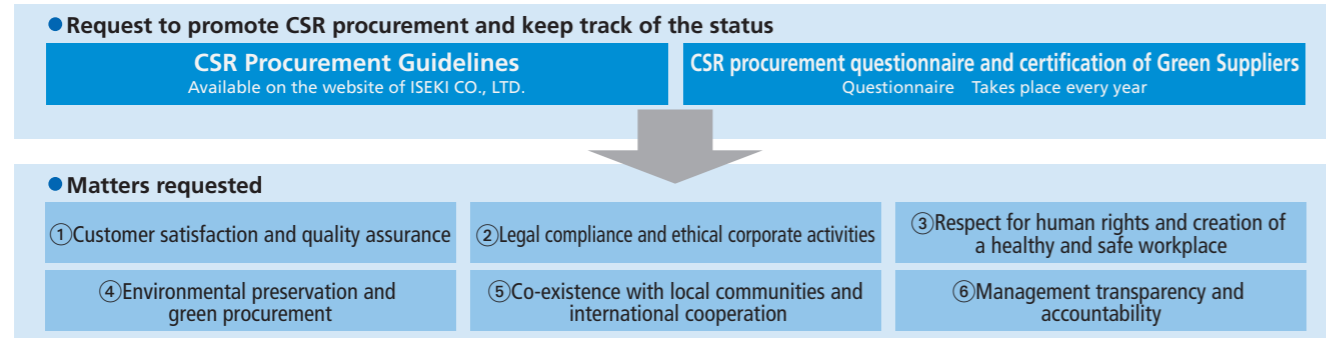
CSR procurement policy

ISEKI Group aims to be a company trusted by society by working on CSR procurement together with its suppliers to give its priority to environmentally- and socially-friendly material procurement and product and service provisions.

Promotion of CSR procurement

ISEKI Group has established, distributed, and published ISEKI Group CSR Procurement Guidelines, which outline the Group's CSR concept and procurement policy in order to jointly promote, with its suppliers, procurement activities that take social responsibility into account. The Group regularly carries out questionnaire surveys for suppliers according to the guidelines, and reconfirms contents and make improvement proposals, etc. in relation to suppliers whom CSR risks are concerned for.

To strengthen the relationship with our suppliers, we hold business report meetings and IR information meetings for vendors, as well as create other opportunities to engage in dialogue on our policies, the state of management, and CSR procurement. We also hold superior company tours and workshops to advance together.



Working on CSR with suppliers

Initiative undertaken	Indicator	2022	
		Target	Result
Confirm the status of suppliers that have been requested to promote CSR initiatives	Confirmation rate	80%	85%
Explain and exchange opinions about ISEKI Group's CSR procurement at business report meetings	Number of times held	2 times/year	2 times/year
Hold training sessions for major suppliers to factories in Japan (Iyukai association)	Number of times held	8 times/year	7 times/year
Formulate CO ₂ emissions reduction targets in collaboration with suppliers that account for 70% of transaction amount	Formulation rate	70%	51%

Initiatives for complying with the Act against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors and prevention of corruption

The Group provides continuous education and training concerning the Act against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors (the "Subcontract Act") and compliance to ensure fair and equitable transactions with suppliers. Regular reports on education and training are made from the Compliance Working Group, which consists of departments in charge of the overall management of each division, to the ESG Committee. In FY2022, ISEKI was subject to no legal action under the Subcontract Act.

Initiatives for complying with the Subcontract Act and prevention of corruption

- Reaffirmation of what violates the Subcontract Act and compliance with recurrence prevention measures
- Explanation on the details of recurrence prevention measures; Ethical Hotline
- Operational manual for compliance with the Subcontract Act
- Provisions of the Subcontract Act
- Participation in an outside seminar on the Subcontract Act
- Compliance education (Code of Ethical Behavior, Casebook of Scandals, etc.)
- CSR education (CSR procurement guidelines, etc.)

Communities – Co-existence with local communities –

Basic Policy (Fundamental concept)

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 contributing to society through its business activities aiming for the mid- to long-term development of local communities.

Dream Project to support female farmers toward active participation by female farmers

40% of agricultural workers are women and they play important roles in farming and community activities.

To provide further support to the female farmers' activities, ISEKI Group has participated in NOGYOJOSHI (female farmers) project by the Ministry of Agriculture, Forestry and Fishery (MAFF). We worked with female farmers to develop agricultural machinery* and hold seminars. Since the COVID-19 pandemic, we have held online roundtable discussions on topics useful for farm business, such as the basics of GAP and soil maintenance. The round table discussions have seen over 100 participants in total.

Voice of seminar participants

"I was new to farming and unsure about how to use the machinery. The seminar taught me the correct way."

"It was good to learn how to operate a tiller by actually using one."

"I was looking for a seminar like this! Detailed guidance was helpful in preparing for the work in spring."

*[Attention to machinery developed based on voice of female farmers]
In recent years, machinery products incorporating the perspective of female farmers have been attracting attention. For instance, they were featured in media as an example of gendered innovation.

"Shiropuchi" tractor for female farmers "Chocopuchi" series tiller for female farmers

Total number of seminars on how to operate agricultural machinery **43**

Total number of participants in the project **More than 900**

*Including online roundtable discussions

Activities for contribution to the local community and environment

We have been serving as a park supporter since 2011, cleaning Shiroyama-koen Park (Matsuyama City) and Shigenobu River Green Area. In addition, we have been cleaning the Horie Beach twice a year since 2021 as a corporate supporter under the Ai Beach system, a volunteer registration system of Ehime Prefecture. As a member of the local community, we will continue to proactively work on activities for contributing to the community and environment.



Communication toward the nurturing of the next generation

ISEKI Group has proactively conducted activities toward the nurturing of the next generation of local communities. Sanae National Children's Drawing Contest for elementary school children and kindergarteners has been held every year since 1996 for the purpose of making them interested in "food" and "agriculture." In 2022, when the 27th Contest was held, we received excellent works from approx. 1,300 children nationwide. The total cumulative number of entries is 32,300. At the Farmers & Kids Festival held at Hibiya Park in 2022, we offered vegetable seedling quizzes and other programs where a wide range of visitors from children to adults enjoyed experiencing the appeal of agriculture and agricultural machinery.



Independent Outside Directors roundtable discussion



Shoji Tanaka

Independent Outside Director
Member of Nomination and
Compensation Committee

Kazuo Nakayama

Independent Outside Director
Member of Nomination and
Compensation Committee

Mami Taira

Outside Audit &
Supervisory Board Member
(Independent Officer)

Atsushi Iwasaki

Independent Outside Director
Chair of Board of Directors
Chair of Nomination and
Compensation Committee

Instilling *henkaku* (Change) throughout ISEKI Group as we approach the 100th anniversary of our foundation

To establish a path toward achieving sustained growth as a corporation, ISEKI & CO., LTD. calls on Outside Directors with a range of experience and extensive knowledge to participate in active discussions taking place primarily at Board of Directors meetings. We organized a round table involving four of these Independent Outside Directors to discuss the topics of *henkaku* (Change) at ISEKI Group as we approach the 100th anniversary of our foundation in 2025 and the challenges ahead of us.

A reliable company committed to its founding spirit

Tanaka: I'm an attorney, working primarily in corporate restructuring, including corporate rehabilitation, civil rehabilitation, and out-of court workouts. At ISEKI & CO., LTD., I assumed the position of Outside Audit & Supervisory Board Member in June 2010, and became an Outside Director in March 2016. ISEKI has established a solid position as an integrated manufacturer specializing in agricultural machinery that commands outstanding technological capabilities, with a track record that

includes the development of Japan's first ever auto-threshing combine harvester. On the other hand, however, the Company has a tendency to pursue its founding spirit so far that it gets caught up in high-mix, low-volume production, giving an impression of poor resilience, to use the common term these days.

Taira: Yes, but I do think the Company's outstanding technological capabilities are worthy of attention. I became an Outside Audit & Supervisory Board Member in March 2016. What's great about ISEKI is its

wholehearted devotion to responding to farmers' needs, which has driven it to put everything into developing technologies and making products. But the question is, can the products it develops actually generate profits? The Company isn't currently doing enough to secure profits, and that's a problem. Besides that, I'd like to see ISEKI invest effort in factory automation to boost its manufacturing capabilities. I'm also looking forward to the development of new products that can help address challenges such as sustainable coexistence with nature and climate change.

Nakayama: I took up the post of Outside Director at the Company in March 2021, after working at a general trading company, mainly in the machinery division and the food resources business unit, and then serving as an executive at a leasing company. ISEKI's image was that of a leading agricultural machinery manufacturer, and I found its employees extremely conscientious, but I do now sometimes feel that they could be a bit more business-minded. As Shoji Tanaka said, the Company has a high-mix, low-volume production model, and as long as there are farmers who need that, the Company has to also provide maintenance services. This is a reliable company committed to its founding spirit, but it seems to have a tendency to prioritize its social role somewhat to the detriment of economic rationality.

Iwasaki: I became an Outside Director at ISEKI & CO., LTD. in June 2013, and subsequently took up outside directorships at two other companies. In light of my experience at those two companies, I was appointed as Chair of ISEKI's Nomination and Compensation Committee as well as Chair of the Board of Directors, which placed me in a position of responsibility for all aspects of the Company's governance. Before I became an Outside Director at the Company, the name "ISEKI" conjured up a strong image of a Japan-based machinery manufacturer in my mind. Since taking up my post, however, I've realized that services and repairs are also key revenue streams for ISEKI, and that in recent years the ratio of overseas business has increased; developments such as these have convinced me that the Company's making steady progress in shifting onto a growth trajectory. Looking ahead, I think the issue will be how the Company can target crops other than rice to develop its overseas business.

The entire Group must change its mindset

Iwasaki: One of the targets of the Mid-term Management Plan announced in February 2021 was a consolidated operating margin of 5.0% in FY2025. When I look at progress toward meeting this target, it seems to me that it will be extremely difficult to achieve if the Company simply continues its existing initiatives without changing anything. That's why I believe our role as Outside Directors is to call on the executive team to bring about a change of mindset throughout the entire ISEKI Group and pursue selection and concentration across the Group as a whole, encompassing everything including all businesses and products. Then we should closely monitor the resulting process of trial and error.



Taira: I'm very impressed with the various growth strategies described in the Mid-term Management Plan. However—and this is an issue common to many Japanese corporations, which have corporate cultures emphasizing reliability—the Company has a tendency to be slow in getting started on things. First it prepares, then double-checks its preparations, and only once a successful outcome is assured will it take action. The prevailing attitude seems to be that, whatever needs to be done, the correct procedure must be followed to the letter. But sometimes I'd like the Company to just set off into uncharted territory without fear of failure. The rapid progress that results should reveal a path toward achieving the targets of the Mid-term Management Plan.

Tanaka: Personally, I'm not very optimistic about achieving the targets of the Mid-term Management Plan. Nonetheless, looking at current business results, overseas businesses are performing well. As part of the Company's overseas partnership strategy, it's developing the business globally by transferring technology to Tractors and Farm Equipment Limited (TAFE) in India and shifting production of some models to the factories of PT. ISEKI INDONESIA. Measures such as these are progressing steadily in overseas businesses, including those in North America and Europe, enabling the Company's operations as a whole to expand. Such strategies are proving successful: In the Company's overseas businesses, both sales and the profit margin look set to achieve the Mid-term Management Plan's targets ahead of schedule. I believe this is the result of a change in mindset thanks to technological collaboration between the Development & Production Division and the Overseas Business Division. I have high hopes that this sort of positive example will provide the breakthrough necessary for the entire Group to pursue a change of mindset.

Nakayama: Looking at the situation both in Japan and overseas, it's obviously the overseas business that's expanding substantially and offers further growth potential. However, agriculture overseas differs fundamentally from Japanese agriculture in many

Independent Outside Directors roundtable discussion



respects, and Japanese technologies can't simply be used overseas without modification. What's more, there are already corporations in those countries providing agricultural machinery, so ISEKI's products have to be exceptionally appealing to break into those markets. But ISEKI Group does have the technological and product development capabilities it cultivated within Japan, as well as the advantage of overseas markets' trust in Japanese products. What it needs now is a change of mindset toward exploiting such intellectual property to its advantage. And I'm convinced that a virtuous cycle in terms of mindset transformation will emerge when ISEKI achieves sustained success overseas in leveraging its domestically cultivated strengths of accurately identifying local needs and supplying tailored solutions.

Steady progress in governance reform

Taira: Discussions at meetings of the Board of Directors have changed a great deal since Atsushi Iwasaki became Chair in March 2022. Before that, the topics for discussion would include a lot of administrative matters, but now the focus has been narrowed down to topics more closely related to management strategy, and Board meetings are more active as a result. Also, Chair Iwasaki moves things forward by encouraging each Board member to speak, so everybody now has a chance to express their honest opinions and remarks. Another tangible change from my perspective is that the Corporate Planning Department, which acts as the Board's secretariat, has become more exacting in terms of the documents it requires individual departments to produce, and the departments are doing a great job in this regard, leading to more detailed documentation and discussions at Board meetings. The Board also set up new forums for deliberation, such as the ESG Committee and strategy debates, which take the form of free discussions. As a result of these developments, I think governance reform is progressing steadily.

Tanaka: I've been a member of the Company's Board of Directors for a relatively long time, having served as both Outside Audit & Supervisory Board Member and Outside Director. Compared with how it was a few years ago, the Board has clearly evolved in terms of its effectiveness and vitality. This evolution was an effort to break free of the stagnation that ISEKI's corporate culture of diligence and reliability tended to induce. We're rousing the management team to action that will drive the Company forward. As Mami Taira pointed out, the individual departments that prepare documents for Board meetings are producing more effective documentation, and going all out to keep up with this action on the part of the management team. And at the strategy debates held as free discussions after Board of Directors meetings, Board members are debating among themselves without inhibition. At times during these debates, challenging opinions from the perspective of shareholders or the markets come up, and sometimes these result in strategy proposals being rejected. However, I have a strong sense that, as a result of Board members leading the way in demonstrating *henkaku* (Change) and engaging in serious discussion in this way, a change-oriented mindset is permeating among ISEKI's employees, enabling governance reform to progress throughout the entire Group.



Nakayama: As this is only my third year since becoming an Outside Director, I can't make any comparisons with how things used to be, but the Board effectiveness evaluations show that discussions at Board meetings have changed significantly and become very active, so I'm sure that what the two of you say is right. It's certainly true that, given the current discrepancy between the Company's strategic perspectives and Mid-term Management Plan on one hand, and its actual situation on the other, analysis of the reasons for this, and measures to address the issue, come up as agenda items, and are being actively discussed. As an Outside Director,

I'm pushing for the Group to promptly implement measures that arise from such discussions. In this regard, I particularly value the occasions when the managers in charge of individual departments give reports on business execution to the Board of Directors every quarter. By finding out what the executive team are doing, we can ensure transparency in business execution. I want to continue instilling sound governance and a change-oriented mindset through such dialogue, which serves as an indispensable "lifeline" for Outside Directors and Audit & Supervisory Board Members.

Iwasaki: I was looking forward to the results of the Board effectiveness evaluations, as they are also an "achievement rating" for me personally. Fortunately, the evaluations turned out to be good overall, but we must resist the urge to rest on our laurels. The Board reforms I'm implementing incorporate best practices I've seen in other corporations' Boards of Directors. I think things are finally taking shape now that we have advance briefings to help all Directors understand the details of topics for discussion, offline strategy debates following Board of Directors meetings, and opportunities to observe Directors' Operation Committee meetings where topics for discussion are decided. However, we still need to make many more improvements to establish a governance system that's right for ISEKI Group. The key issues with regard to governance reform are whether the Board's supervisory role can be fulfilled effectively during the time available for meetings, and how to ensure that the Board of Directors remains effective. Reform has no end point, but I will continue to aim higher, moving forward one step at a time.

Working with stakeholders to accomplish *henkaku* (Change)

Nakayama: ISEKI Group is a corporate group that facilitates agriculture, a cornerstone of Japan's food security, as well as a listed corporation that is seeking to grow its sales while expanding overseas. As an Outside Director, I'm supporting *henkaku* (Change) throughout the Group so that all ISEKI's stakeholders come to appreciate both of the Group's roles: the social role of taking responsibility for food security and the economic role of growing sales and generating profits.

Taira: From now on, ESG-oriented management and corporate governance will require disclosure regarding active participation by women as one element of diversity and inclusion. ISEKI Group does have a pool of outstanding women, but I get the impression that they have been rather overprotected compared to women in other companies. From now on, I want ISEKI to make a point of giving women opportunities by, for instance, assigning them to key departments and purposely giving them responsibility for projects. I also want the Board of Directors and other decision-making bodies to discuss how to amend the personnel evaluation system and change the mindset of evaluators.

Nakayama: I agree with you; I can see the need to change the current mindset through affirmative action.

Tanaka: Yes, if we're considering the stakeholder perspective, we must remember that employees are stakeholders too. From my own point of view, I'll continue to provide monitoring, oversight, and supervision in my role as Outside Director to enable ISEKI Group to achieve *henkaku* (Change). That change should entail reaffirming the Group's strengths as a manufacturer specializing in agricultural machinery that also has the advantage of reliability, and transforming the Group itself, to achieve the Mid-term Management Plan's targets and fulfill the expectations of shareholders and investors. I intend to do this by driving forward proactive Group compliance, drawing on the perspective acquired in my main occupation as an attorney.

Iwasaki: Fortunately, these days, the Ministry of Economy, Trade and Industry; the Cabinet Office; and other organizations publish all kinds of corporate case studies



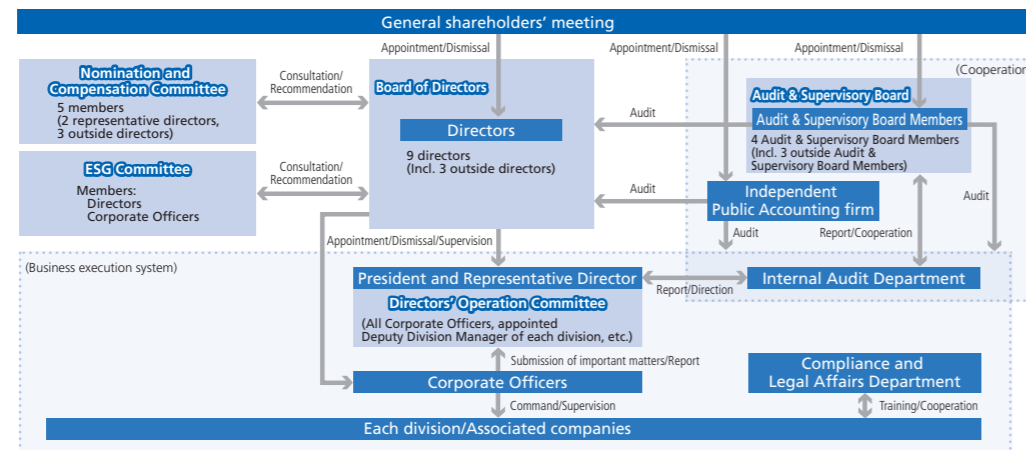
and reports summarizing how we Outside Directors and Audit & Supervisory Board Members should instill sound governance within corporations, and stipulating the key requirements for effective monitoring and supervision when implementing initiatives, especially from a human capital perspective. Every single Board member is making active use of such reports to reinforce corporate governance and to work with stakeholders to accomplish *henkaku* (Change). We're also employing various new concepts for calculating corporate value, such as ROIC spread, as a means of advancing ISEKI's efforts to achieve the final targets of the Mid-term Management Plan and enhance corporate value. As we do so, we would be grateful for the continued support of all ISEKI Group stakeholders.

Corporate governance

Fundamental concept in corporate governance

ISEKI has operated its management system with the purpose of swiftly and accurately responding to changes in the management environment and maintaining fair management. In addition, achieving stable growth and improvement in corporate value over the medium to long term is the top priority of our management. In order to maintain a positive relationship with our stakeholders such as shareholders, customers, suppliers, local communities, and employees, we have endeavored to expand and improve our corporate governance. We acknowledge the importance of establishing an internal system that provides stakeholders with important information in a timely and appropriate manner and reinforcing corporate governance on a group-wide basis. Based on that recognition, we have established administrative rules for group companies and a reporting structure to maintain fair business practices and share information.

Corporate governance system



Board of Directors and Directors' Operation Committee

The Board of Directors consists of nine Directors, of which three are Outside Directors. The Board makes decisions on basic managerial matters, as well as matters specified in laws and regulations and the Articles of Incorporation. To make prompt decisions, regular Board of Directors meetings are held once a month and extraordinary Board of Directors meetings are held as necessary. With regard to business execution, Corporate Officers steadily fulfill their responsibilities for the execution of business they have been made in charge of by the Board of Directors. In principle, the Directors' Operation Committee, which consists of all Corporate Officers, Deputy Division Managers designated by the chairperson, and others, meets twice a month. The Committee shares the latest information, and discusses and receives reports on how we should develop our business, where risks exist, and how we can prevent the risks from manifesting. We thus strive for sound corporate management.

Outside Directors and Outside Audit & Supervisory Board Members

We elect three Outside Directors to incorporate outside perspectives into our management, further strengthen the supervisory function over business execution, and enhance transparency. In addition, three out of our four Audit & Supervisory Board Members are Outside Audit & Supervisory Board Members (of which one is an independent officer), which strengthens supervision over the management.

Audit & Supervisory Board

The Audit & Supervisory Board consists of four Audit & Supervisory Board Members, of which three are Outside Audit & Supervisory Board Members (including one member who is a certified public accountant and certified tax accountant). Audit & Supervisory Board Members attend the Board of Directors meetings and other important meeting bodies. They decide audit policies independently and carry out audits of our offices and Group companies in cooperation with the internal audit department and the Independent Public Accounting firm. In addition, they monitor the management and ensure the effectiveness of corporate governance by strictly checking important agenda items at Directors' Operation Committee and other meetings and the status of business execution by Directors.

Information disclosure to ensure transparency

Our basic policy for information disclosure is to "disclose information properly to fulfill social accountability" and "endeavor to promptly disclose accurate information required from inside or outside of the Group in recognition of the importance of social accountability and thereby become a company with transparency." These are stated in ISEKI Group Code of Ethical Behavior.

To win fair evaluation from all our stakeholders and ensure management transparency, ISEKI Group strives for fair, equitable, timely, and appropriate disclosure of information on the Group's management and other topics, keeping with the purpose and meaning of fair disclosure rules.

Nomination and Compensation Committee

ISEKI has established the Nomination and Compensation Committee, comprised of two Representative Directors and three Independent Outside Directors, as a consultative body of the Board of Directors regarding nomination and compensation of Directors, etc. The Committee deliberates and reports to the Board of Directors on compensation of Directors and Corporate Officers, in addition to matters on nominations, such as proposals of agenda items of general shareholders' meetings regarding appointment and dismissal of Directors, selection and removal of Corporate Officers, and appointment and dismissal of Representative Directors.

Established	December 1, 2018 (the Nomination Advisory Committee was reorganized into the Nomination and Compensation Committee as of March 25, 2020)
Members	Two Representative Directors and three Independent Outside Directors
Chairperson	Independent Outside Director
Roles	(1) Appointment and dismissal of Directors (general shareholders' meeting proposal) (2) Appointment and dismissal of Corporate Officers (3) Selection and removal of Representative Directors (4) Representative Director successor plan (5) Amount of compensation for Directors and Corporate Officers (6) Composition and decision process of compensation for Directors and Corporate Officers (7) Establishment and change of basic policy and criteria for deliberation of each of the above items (8) Other matters recognized by the Board of Directors as necessary in association with each of the above items

ESG Committee

ISEKI has established the ESG Committee, comprised of Directors and Corporate Officers, as a consultative body of the Board of Directors regarding ESG-related issues. It mainly discusses matters related to the enhancement of ESG and submits recommendations to the Board of Directors. Audit & Supervisory Board Members are requested to attend the Committee meetings as observers. We ask for their input as necessary.

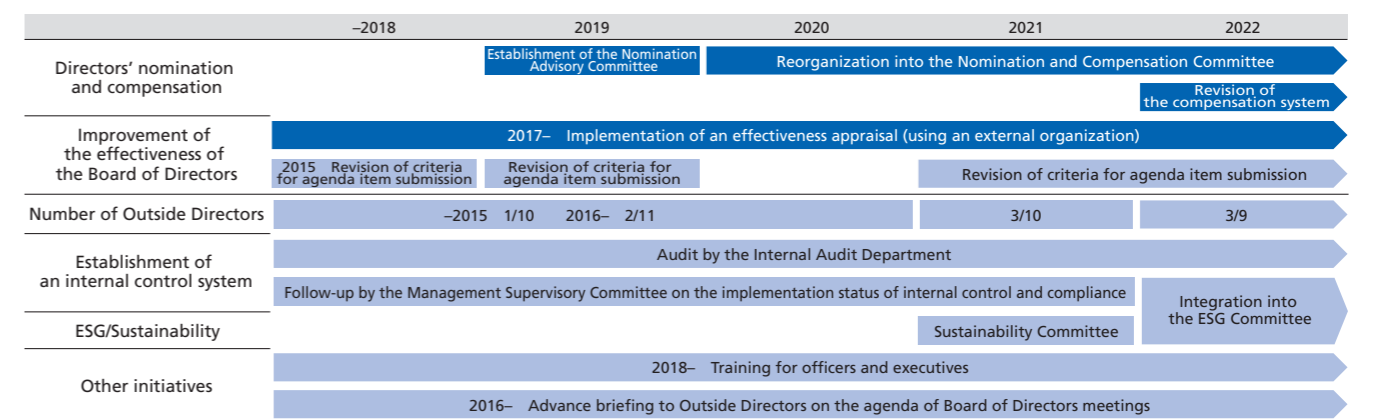
Established	August 10, 2022 (Integrated the functions of the Management Supervisory Committee and the Sustainability Committee)
Members	Directors and Corporate Officers
Chairperson	Independent Outside Director
Roles	(1) Whistle-blower system, measures against scandals, and other compliance-related matters (2) Risk management (3) Information disclosure (4) TCFD and other environmental matters (5) Personnel strategies (6) Establishment and change of basic policy and criteria necessary for deliberation of each of the above items (7) Other matters recognized by the Board of Directors as necessary in association with each of the above items

Attendance to the Board of Directors and other Committee meetings (January to December 2022)

	Shiro Tomiyasu	Hajime Odagiri	Yukio Nawata	Masayuki Fukami	Shuichi Jinno	Kazuya Tani	Atsushi Iwasaki	Shoji Tanaka	Kazuo Nakayama
Board of Directors	20/20	20/20	20/20	20/20	20/20	20/20	20/20	20/20	20/20
Nomination and Compensation Committee	8/8	6/6	-	-	-	-	8/8	8/8	8/8
ESG Committee	5/5	5/5	5/5	5/5	5/5	5/5	5/5	5/5	5/5

(Notes) 1. The ESG Committee was established in August 2022.
2. Mr. Hajime Odagiri's attendance to the Nomination and Compensation Committee meetings is based on the number of meetings held after his appointment to a member on March 30, 2022.

History of governance reinforcement



Corporate governance

Directors' compensation system

Since FY2022, the compensation for Directors of the Company consists of basic compensation (money), performance-linked evaluation compensation (money), and newly introduced performance-linked stock-based compensation using trust. The overview of the Directors' compensation system after the revision is as follows.

Basic Policy (Fundamental concept)

Toward the realization of ISEKI's goals/basic business philosophy of contributing to the creation of the prosperous and sustainable society through providing innovative products and higher quality of services to the customers, the management executives are responsible for "transforming" ISEKI Group, leading it to sustainable growth, and striving to improve its corporate value in the medium and long term. To fulfill such responsibilities, the basic policy of our Directors' compensation is to adopt a system which can make the compensation function as a sound incentive, making it clear that compensation of management executives shall be linked to business results including shareholders' value and medium- and long-term results.

Overview of compensation

Compensation	Method of provision	Percentage in total compensation (rough estimate)		Details
		(Internal) Directors	Outside Directors	
Basic compensation	Money	60%	100%	Monthly pay an amount decided in consideration of job responsibility, etc. of each Director.
Performance-linked evaluation compensation	Money	30%	—	Annually pay an amount decided according to a level of performance indicator for each business year, as well as a degree of achievement of indices/targets, etc. set in advance for individual Directors based on management issues.
Performance-linked stock-based compensation	Shares of the Company	10%	—	Compensation based on a stock delivery trust system Deliver shares of the Company, in principle, upon Director's retirement according to the number of points awarded to each Director each business year, based on the share delivery rules provided by the Board of Directors. A certain ratio of shares of the Company are sold in cash and provided as money.

The level of total compensation is determined in consideration of levels in the industry or other similar-sized companies.
A total amount of the basic compensation and the performance-linked evaluation compensation shall be within the range resolved at the 98th Ordinary General Meeting of Shareholders held on March 30, 2022 (no more than 360 million yen per year).
The upper limit of the amount of the performance-linked stock-based compensation shall be within the range resolved at the 98th Ordinary General Meeting of Shareholders held on March 30, 2022 (148 million yen, maximum amount of total cash to be contributed by the Company as the fund to acquire shares of the Company necessary to deliver to Directors (excluding Outside Directors) during the coverage period of four years from the business year ending December 31, 2022 to the business year ending December 31, 2025).

The compensation for individual Directors shall be finalized and resolved at a Board of Directors meeting based on reports from the Nomination and Compensation Committee after deliberation. The Committee is chaired by an Independent Outside Director and mainly composed of Independent Outside Directors. When details of compensation, etc. for individual Directors are determined, the Nomination and Compensation Committee considers multiple matters including consistency with the decision policy. Therefore, the Board of Directors basically respects the report and deems that the details are consistent with the decision policy.

Audit & Supervisory Board Members' compensation system (Reference)

The upper limit of Audit & Supervisory Board Members' compensation was resolved to be no more than 8 million yen per month at the 85th Ordinary General Meeting of Shareholders held on June 26, 2009. The compensation for individual Audit & Supervisory Board Members is determined through discussion among Audit & Supervisory Board Members.

Toward the improvement of the effectiveness of the Board of Directors

To further facilitate the roles of the Board of Directors, ISEKI has implemented a self-appraisal and analysis program for individual senior officers since 2017. The appraisal is done through a third-party organization, adopting methods for canvassing personalized opinions with individual questionnaires and individual interviews for all Directors and Audit & Supervisory Board Members.

[Target]

All Directors and Audit & Supervisory Board Members

[Methodology of questionnaire]

Anonymous survey

[Methodology of interview]

Individual interview to targeted subjects by a third-party organization

[Main items for appraisal]

- Members and operation of Board of Directors meetings
- Support system for Directors and Audit & Supervisory Board Members
- Training
- Dialogue with shareholders (investors)
- Own efforts

[Efforts for analysis of results and solution of issues]

- Analysis of the results of questionnaires and interviews at a third-party organization
- Debriefing sessions organized by a third-party organization
- Development and implementation of the action plan for identified issues toward a solution

2020

Issues

- Following through the progress of the Management Plan
- Formulation and operation of succession planning of the Chief Executive Officer (CEO), etc.

Initiatives toward a solution

- The Board of Directors traces priority measures in the Mid-term Management Plan.
- Formulation of succession planning for President

2021

Issues

- Following through the progress of the Management Plan
- Supervision of investment plans for human capital and intellectual properties to be consistent with the management strategies

Initiatives toward a solution

- The Board of Directors traces priority measures in the Mid-term Management Plan.
- Revision of the Directors' compensation system
- Holding free discussions on human capital and intellectual property

2022

Issues

- Following through the progress of the Management Plan
- Supervision of investment in human capital and efforts to work on labor and human rights issues

Initiatives toward a solution

- To be implemented in FY2023

Initiatives toward improvement of effectiveness

2019

Issues

- Devising ways to have more strategic discussions at the Board of Directors meetings
- Improvement of objectivity and transparency of the Directors' compensation system and process




Initiatives toward a solution

- Holding free discussion on selected themes after the Board of Directors meetings
- Main discussion themes
 - Overall framework of the new Mid-term Management Plan
 - Aggregate result of the opinions of young employees, and report of the analysis of training sessions for officers and executives





List of officers

(As of March 31, 2023)

Directors		Corporate management/ Management strategy	Finance	Sales/ Marketing	Overseas businesses	Development and manufacturing	Compliance/ Legal affairs/ Audit	ESG/ Sustainability	Personnel	IT/ Data
	Shiro Tomiyasu Representative Director President & Executive Officer	Apr. 1980 Joined The Dai-ichi Kangyo Bank, Limited (currently Mizuho Bank, Ltd.) Apr. 2011 Managing Executive Officer, Mizuho Bank, Ltd. Jun. 2015 Advisor, Chuo Fudosan Co., Ltd. Jan. 2016 Advisor of the Company Mar. 2016 Director & Senior Corporate Executive Officer of the Company Assistant to President of the Company Responsible for Corporate Planning Department of the Company Responsible for Public & Investor Relations Section of the Company Responsible for Personnel Department of the Company In charge of Financial Department of the Company Jan. 2017 Director & Vice President Executive Officer of the Company In charge of Corporate Planning Department and Public & Investor Relations Section of the Company Mar. 2019 Representative Director, President & Executive Officer of the Company (to present)	●	●				●		
	Hajime Odagiri Representative Director & Senior Corporate Executive Officer	Apr. 1987 Joined ISEKI & CO., LTD. Nov. 2008 General Manager, Vegetable Machinery Engineering Department of the Company Dec. 2010 Senior General Manager, Agri-Implements Department of the Company Jun. 2014 President, Iseki-Changzhou Mfg. Co., Ltd. Sales Branch Office Jan. 2016 Corporate Officer and Deputy Division Manager, Business Division of the Company Mar. 2016 Representative Director & President, ISEKI Hokkaido Co., Ltd. Jul. 2018 Chairman & President, Dongfeng Iseki Agricultural Machinery Co., Ltd. Jan. 2019 Senior Corporate Officer of the Company Jan. 2020 General Division Manager, Development & Production Division of the Company (to present) Mar. 2020 Director & Senior Corporate Officer of the Company Mar. 2022 Representative Director & Senior Corporate Executive Officer of the Company (to present)	●	●	●	●		●		●
	Yukio Nawata Director & Senior Corporate Officer	Sep. 1984 Joined ISEKI & CO., LTD. Dec. 2007 General Manager, Regional Sales Department of the Company Jul. 2008 Director and General Manager, Sales Promotion Department, Iseki-Tohoku Co., Ltd. Jul. 2010 General Manager, Sales Planning Department of the Company Oct. 2010 Deputy Division Manager, Business Division of the Company Jan. 2015 Representative Director & President, ISEKI-Kanto Co., Ltd. Jul. 2015 Corporate Officer of the Company Jan. 2018 Senior Corporate Officer of the Company General Division Manager, Business Division of the Company (to present) Mar. 2018 Director & Senior Corporate Officer of the Company (to present)		●	●					●
	Masayuki Fukami Director & Senior Corporate Officer	Apr. 1985 Joined ISEKI & CO., LTD. Dec. 2004 General Manager, Kanto Sales Department of the Company Jan. 2007 Representative Director & President, Ibaraki ISEKI Sales Co., Ltd. Dec. 2008 Executive Managing Director, ISEKI Chugoku Co., Ltd. Jan. 2011 Executive Managing Director, ISEKI Kyushu Co., Ltd. Dec. 2011 Representative Director & President, ISEKI Kyushu Co., Ltd. Jul. 2015 Corporate Officer of the Company Jan. 2019 Senior Corporate Officer of the Company Mar. 2019 Director & Senior Corporate Officer of the Company (to present) Apr. 2019 In charge of Personnel Department of the Company Deputy in charge of Corporate Planning Department and Public & Investor Relations Section of the Company Deputy in charge of Compliance of the Company (to present) Jan. 2022 In charge of Personnel, Corporate Planning, and Investor Relations of the Company (to present)		●			●	●	●	
	Shuichi Jino Director & Senior Corporate Officer	Apr. 1985 Joined ISEKI & CO., LTD. Apr. 2008 General Manager, Office Automation Department of the Company Dec. 2011 General Manager, Public & Investor Relations Section of the Company Oct. 2013 General Manager, Personnel Department of the Company Jun. 2015 Director & Corporate Officer of the Company In charge of Personnel Department of the Company In charge of Compliance of the Company Mar. 2016 In charge of Office Automation Department of the Company Jan. 2017 Deputy in charge of Compliance of the Company Dec. 2018 In charge of IT Planning Department of the Company Apr. 2019 Deputy in charge of Financial Department of the Company Jan. 2022 In charge of Finance, IT Planning, Operation Efficiency Improvement of the Company Aug. 2022 In charge of Finance, IT Planning of the Company (to present) Jan. 2023 Senior Corporate Officer of the Company (to present)	●				●		●	●
	Kazuya Tani Director & Corporate Officer	Apr. 1992 Joined ISEKI & CO., LTD. Apr. 2009 Representative Director & President, N.V. ISEKI EUROPE S.A. Jan. 2015 Representative Director & President, ISEKI France S.A.S. Oct. 2017 General Manager, Overseas Business Control Department and General Manager, Europe Sales & Marketing Department of the Company Jan. 2020 Corporate Officer of the Company General Division Manager, Overseas Business Division of the Company (to present) Mar. 2020 Director & Corporate Officer of the Company (to present)		●	●					

Outside Directors		Corporate management/ Management strategy	Finance	Sales/ Marketing	Overseas businesses	Development and manufacturing	Compliance/ Legal affairs/ Audit	ESG/ Sustainability	Personnel	IT/ Data
	Atsushi Iwasaki Director [Significant concurrent position] Certified public accountant Outside Independent	Nov. 1990 Joined Century Audit Corporation (currently Ernst & Young ShinNihon LLC) Mar. 1991 Registered as a certified public accountant Mar. 1997 Registered as a real estate appraiser Aug. 2005 Retired from Shin Nihon & Co. (currently Ernst & Young ShinNihon LLC) Sep. 2005 President, Iwasaki Certified Public Accountant Office (to present) Jun. 2013 Director of the Company (to present) Jun. 2015 Outside Audit & Supervisory Board Member, NH Foods Ltd. Jun. 2016 Outside Audit & Supervisory Board Member, OLYMPUS CORPORATION Jun. 2019 Outside Director, NH Foods Ltd. Jun. 2022 Resigned as Outside Director, OLYMPUS CORPORATION	●	●				●		
	Shoji Tanaka Director [Significant concurrent position] Attorney Outside Independent	Apr. 1998 Entered the Legal Training and Research Institute, Supreme Court of Japan Mar. 2000 Graduated from the Legal Training and Research Institute, Supreme Court of Japan Apr. 2000 Registered as an attorney (Joined Tokyo Bar Association) Joined Ginzadori Law Office Jun. 2010 Outside Audit & Supervisory Board Member of the Company Mar. 2016 Director of the Company (to present) Mar. 2018 Representative, Chuo-dori Law Office (to present)						●		
	Kazuo Nakayama Director [Significant concurrent position] — Outside Independent	Apr. 1980 Joined MITSUI & CO., LTD. Apr. 2006 General Manager of Planning & Administrative Division, Infrastructure Projects Business Unit, MITSUI & CO., LTD. Jun. 2008 Chief Administrative Officer of Asia Pacific Business Unit, MITSUI & CO., LTD. and SVP, Mitsui & Co.(Asia Pacific) Pte. Ltd. (in Singapore) Apr. 2012 Managing Officer, Chief Operating Officer of Food Resources Business Unit, MITSUI & CO., LTD. Apr. 2014 Executive Managing Officer; Chief Operating Officer of Food Resources Business Unit, MITSUI & CO., LTD. Jun. 2015 Representative Director, and Executive Vice President, JA MITSUI LEASING, LTD. Jun. 2020 Advisor, JA MITSUI LEASING, LTD. Jan. 2021 Resigned from JA MITSUI LEASING, LTD. Mar. 2021 Director of the Company (to present)	●	●	●					

Audit & Supervisory Board Members

	Yukito Shiraishi Full-time Audit & Supervisory Board Member Reason for appointment He has advanced knowledge and extensive experience in the areas of agriculture, forestry and fisheries in general as well as in the areas of audit and internal control. Accordingly, as the Company believed that he would appropriately audit the performance of duties by Directors, he has been appointed as Outside Audit & Supervisory Board Member. Outside		Masato Machida Full-time Audit & Supervisory Board Member Reason for appointment He has advanced knowledge, having experienced in various fields of corporate planning, information systems, development and manufacturing. Accordingly, as the Company believed that he would appropriately audit the performance of duties by Directors, he has been appointed as Audit & Supervisory Board Member.
	Yasuji Fujita Full-time Audit & Supervisory Board Member Reason for appointment He has extensive experience and a wide range of insight including expertise in finance cultivated through his many years of work at a financial institution. Accordingly, as the Company believed that he would appropriately audit the performance of duties by Directors, he has been appointed as Outside Audit & Supervisory Board Member. Outside		Mami Taira Audit & Supervisory Board Member Reason for appointment She has specialized knowledge and extensive experience related to accounting and tax practices as a certified public accountant and certified tax accountant. Accordingly, as the Company believed that she would appropriately audit the performance of duties by Directors, she has been appointed as Outside Audit & Supervisory Board Member. [Significant concurrent positions] Certified public accountant, Certified tax accountant, Outside Director & Audit and Supervisory Committee Member, Suzuden Corporation and External Director and Audit & Supervisory Committee Member, FOOD & LIFE COMPANIES LTD. Outside Independent

Risk management

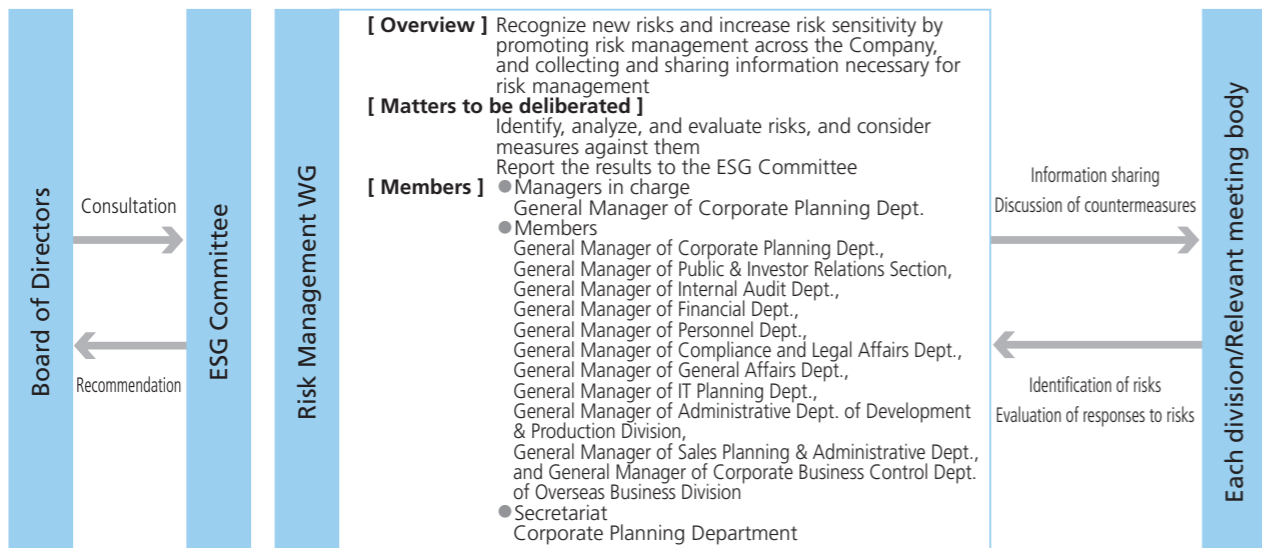
Basic Policy (Fundamental concept)

- Our risk management regulations define factors potentially leading to physical, economic and reputational losses and disadvantages as risks. The aim of our risk management is to prevent risks from manifesting and minimize losses, and to contribute to smooth business operations, soundness of assets and maintenance of corporate credit.
- We identify and evaluate risks surrounding the Group and take appropriate measures, such as putting in place management standards and regulations, as well as monitoring and response mechanisms.

Risk management system

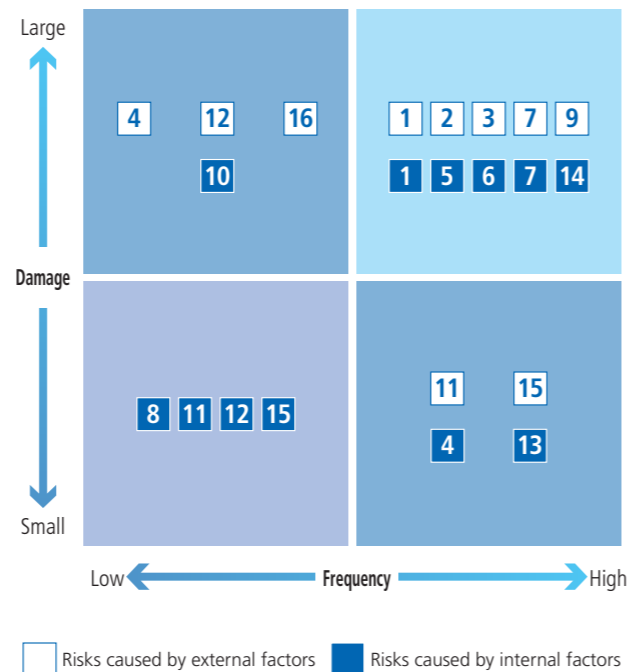
The Risk Management Working Group (WG) for promoting ESG periodically identifies and evaluates risks, reevaluates magnitude of damage and frequency of occurrence, and examines countermeasures to foreseeable risks, in accordance with the risk management regulations to minimize the risk of causing damage or disadvantage to ISEKI Group under the supervision of Corporate Planning Department.

Risk management system diagram



Risk mapping

ISEKI manages risks by dividing them by cause, either external factors or internal factors, and then classifying by the magnitude of damage when risks become obvious and the potential frequency of occurrence. Note that the risk mapping chart indicates the maximum risks.



Typical risks and mitigation measures

Major risks that could affect ISEKI Group's future financial performance are shown on p.78. We recognize the possibility of the occurrence of such risks and will strive to avoid their occurrence and take proper measures should they occur.

Risk item	Risk description	Response to risks
1 Changes in economic conditions and the environment of agriculture	<ul style="list-style-type: none"> ● Risks unique to the agricultural machinery market ● Aging of agricultural workforce ● Decreasing number of farm households due to labor shortage ● Weakening of purchasing sentiment due to price volatility of agricultural products ● Reduced demand for agricultural machinery due to weak economy 	<ul style="list-style-type: none"> ● Build sales network and formulate strategies while anticipating changes in the market ● Divide prefecture-based sales areas into blocks and optimally allocate business bases and personnel within the blocks ● Establish core bases within the blocks to deal with large-scale farmers ● Keep pace with the government's Strategy for Sustainable Food Systems, MIDORI ● Propose solutions for farm business, as well as new products that contribute to the introduction of organic agriculture
2 Exchange rate fluctuations	<ul style="list-style-type: none"> ● Appreciation of Japanese yen resulting in decreased price competitiveness of export products ● Influence of exchange rate fluctuations in converting financial statements of our foreign subsidiaries to Japanese yen 	<ul style="list-style-type: none"> ● Conduct export transactions in both foreign currencies and Japanese yen ● Procure raw materials and parts from overseas ● Mitigate short-term risks by taking advantage of buying forward contracts
3 A price hike of raw materials, difficulty in procurement, and confusion in the supply chain	<ul style="list-style-type: none"> ● Risks associated with procurement from suppliers ● Higher manufacturing costs due rapid increases in procurement prices ● Decreased production caused by prolonged tightening of supplies ● Undermined trust in and reputation of our products caused by supplied goods ● Risk of delayed shipment in shipment and transportation of products ● Shortage of shipping containers and trucks 	<ul style="list-style-type: none"> ● Pass on soaring raw material prices to product prices ● Use multiple suppliers in both procurement and shipment, and ensure multiple transportation means, etc. ● Conduct supplier credit checks, as well as CSR procurement questionnaires that include items on respect for human rights ● Order early and secure sufficient inventories when the supply of parts, etc. are expected to be delayed
4 Dependency on specific customers or suppliers	<ul style="list-style-type: none"> ● Change of business policy, business depression or bankruptcy of our specific customers or suppliers 	<ul style="list-style-type: none"> ● Keep stable partnership and sustain sound partnership through the following measures ● Communicate regularly with suppliers ● Strengthen top-level relationship
5 Competition with other companies	<ul style="list-style-type: none"> ● Risk of losing competitive advantage against competitors in obtaining intellectual property rights in Japan and competing in other matters ● Develop products with high functionality and in compliance with smart agriculture ● Reduce prices following the decreased demand for decreases in agricultural materials ● Risk of losing competitive advantage in responding to changes in the business environment, such as diversifying needs and increasing environmental awareness in overseas countries 	<ul style="list-style-type: none"> ● Add higher value in Japan to maintain competitiveness and obtain intellectual property ● Propose solutions along with selling products ● Increase future-oriented development themes, such as ICT, automation, and other themes related to smart agriculture, as well as themes that contribute to carbon neutrality ● Increase presence in overseas markets ● Launch electrification products for the European market ● Supply large-sized products and products equipped with cutting-edge technology to East Asia, where market characteristics are similar to those in Japan
6 Serious defects in products and services	<ul style="list-style-type: none"> ● Claim for a large amount of damages, etc. caused by our services or products developed and manufactured by us ● Occurrence of serious defects ● Loss of trust in the Group and our products 	<ul style="list-style-type: none"> ● Establish quality control and quality guarantee systems to offer products that satisfy customers ● Strictly adhere to set processes, such as the process to decide whether to move on to the next stage for commercialization (design review) ● Carry product liability insurance, etc.
7 Stock market fluctuation, Price decline in land and other fixed assets	<ul style="list-style-type: none"> ● Impairment loss, loss on valuation, or loss on sale associated with significant decline in stock and land prices ● Decline in profitability associated with significant deterioration of business environment, or impairment loss caused by market price decline, in relation to other fixed assets owned by the Group 	<ul style="list-style-type: none"> ● Reassess the significance of cross-holding of shares every year at the Board of Directors' meetings, based on the risks and benefits of holding each stock ● Handle land and other fixed assets properly ● Promote structural reforms in both manufacturing and sales (manufacturing: establish an optimal production system, taking facilities and features into account; sales: improve the revenue-expenditure structure) ● Keep track of the progress of the above measures at departments in charge of performance management, and discuss countermeasures if an incident that leads to declined profitability is detected
8 Government regulations on environmental issues, etc., and occurrence of related difficulties	<ul style="list-style-type: none"> ● Cost burdens in case of escalated public regulations of environmental issues or market demand in Japan and overseas ● Correctional measures undertaken against environmental issues, lawsuits, and other troubles 	<ul style="list-style-type: none"> ● Reduce environmental burden of business activities ● Production: Monitor regulated substances and other data on environmental burden, and engage in production activities that contribute to the reduction of environmental burden ● Other than production: Promote the sale of eco-products, which contribute to the reduction of environmental burden ● Properly handle waste at consolidated subsidiaries in Japan and overseas, in accordance with laws and regulations
9 Risks derived from international business	<ul style="list-style-type: none"> ● Risk of hampered product supply due to restrictions on the supply chain and production and sales activities ● Unexpected changes in each country's tax systems, laws and regulations, and trade policies ● Conflict over Taiwan, in Ukraine, etc. ● Risks that hinder business development mainly in Asia ● Immature level of technologies ● Unstable labor-management relationships 	<ul style="list-style-type: none"> ● Collect and analyze the following information from local subsidiaries and share and review such information with concerned parties ● Each country's employment situation, as well as changes in their tax systems, laws and regulations, and trade policies ● Media coverage and government directives concerning geopolitical risks ● Review operation forms and supply chains as necessary, based on the information obtained through the above channels and the results of analysis of such information
10 Risk of legal violation	<ul style="list-style-type: none"> ● Loss of ISEKI Group's credibility and impediment to its business activities if any of executives or employees of the Group should conduct any acts that violate laws and regulations 	<ul style="list-style-type: none"> ● Ensure thorough compliance by formulating ISEKI Group Code of Ethical Behavior ● Ensure and strengthen compliance ● Ensure overall management by Director in charge of Compliance ● Promote and follow up on initiatives under the leadership of the Compliance WG ● Establish relevant systems, such as the group-wide whistle-blower system (Ethical Hotline) and internal and external third-party help desks
11 Risk of natural disasters, unexpected accidents, spread of infectious disease, etc.	<ul style="list-style-type: none"> ● Risks that directly or indirectly affect ISEKI Group's business activities ● Natural disasters including earthquakes, typhoons, and floods ● Unexpected accidents ● Outbreak of infectious diseases 	<ul style="list-style-type: none"> ● Diversify risks associated with natural disasters and establish business continuity plans ● Take out various insurance against fire, wind and flood damage ● Continue to discuss support and alternative ways to carry on with important operations ● Establish a response headquarters led by the President, collect information, and give instructions promptly, if a contingency occurs ● Prevent the spread of COVID-19 and reduce its impact on business activities ● Adopt flexible workstyles, such as working from home and staggered attendance ● Take advantage of the internet for meetings and event administration
12 Business alliances, joint ventures and strategic investment with other companies	<ul style="list-style-type: none"> ● Risk of the occurrence of a conflict of interest between the parties concerned in business alliances or joint ventures, hindering the maintenance of the alliances ● Risk of not obtaining the expected results and/or effects or needing more-than-expected time and expenses with regard to strategic investment including acquisitions 	<ul style="list-style-type: none"> ● Ensure close cooperation at each level, from the top management to the working level ● Deliberate and discuss in proceeding with business alliances, investment, and lending ● Deliberate at the Board of Directors and Directors' Operation Committee meetings ● Discuss measures to minimize the financial impact when intended effects are considered unlikely to be achieved
13 Debt	<ul style="list-style-type: none"> ● Increased borrowing costs due to a hike in interest rate ● Obligation to pay back loans early if financial covenants in contracts with financial institutions are triggered 	<ul style="list-style-type: none"> ● Reduce interest-bearing debt ● Enhance the capability to create cash flows by improving profitability and reducing inventories ● Securitize credits to diversify financing methods ● Prepare for rapid fluctuation of interest rates ● Combine various loan conditions such as fixed interest rates
14 Ensuring of human resources, shortage of human resources	<ul style="list-style-type: none"> ● Decrease in the Group's competitiveness due to failure in securing and developing human resources necessary for business 	<ul style="list-style-type: none"> ● Recruit and develop human resources ● Strengthen mid-career recruitment and introduce referral recruitment and a return-to-job system ● Strengthen programs to develop global talent, human resources for DX, etc., in line with business strategy ● Create a sound, employee-friendly workplace environment ● Enhance employee engagement by using the talent management system ● Offer various training programs, featuring such topics as compliance, human rights, and the SDGs
15 Information security	<ul style="list-style-type: none"> ● Stagnation of operations and decline in credibility due to information leakage or system halt/breakage, etc. caused by the following incidents ● Unauthorized access due to cyberattack ● Computer virus infection 	<ul style="list-style-type: none"> ● Continuously improve the information security management system ● Establish management regulations (electronic information security, management of information infrastructure) ● Enhance security measures by using a data center and cloud service ● Use a service that monitors unauthorized external access ● Take out cyber insurance to prepare for contingencies
16 Climate change	<ul style="list-style-type: none"> ● Changes in supply and demand arising from changes in system of crops and a reduction in agricultural land, as well as impacts on the Group's overall business activities including product lineup and sales volume ● Scenario where temperature rise is limited to below 2°C ● Increase in operation costs due to stricter regulations imposed by the government, etc. ● Increase in procurement costs due to the progress in decarbonization ● Loss of business opportunities due to failure to meet the demand associated with decarbonization ● Scenario where temperature rise is 4°C ● Damage to production and sales bases, including supply chains, due to intensifying typhoon and flood damage ● Decrease in demand for agricultural machinery for rice farming, in response to deterioration in rice quality and decline in the area of land available for rice production 	<ul style="list-style-type: none"> ● Take the following measures under the 2°C scenario [Impact reduction] - Utilize renewable energy, such as solar power ● Power boilers with waste heat from in-house power generation facilities ● Electrify agricultural machinery ● Introduce smart agricultural machinery and robotic agricultural machinery that improve the efficiency of farm work ● Promote farming methods that contribute to the reduction of methane emissions from rice paddies ● Take the following measures under the 4°C scenario [Impact reduction] - Continuously review business continuity plans ● Review product lineup and sales channels ● Introduce technology to replace agricultural work with robotic agricultural machinery ● Perform autonomous analysis of weather data and growth data using AI

Compliance

Basic Policy (Fundamental concept)

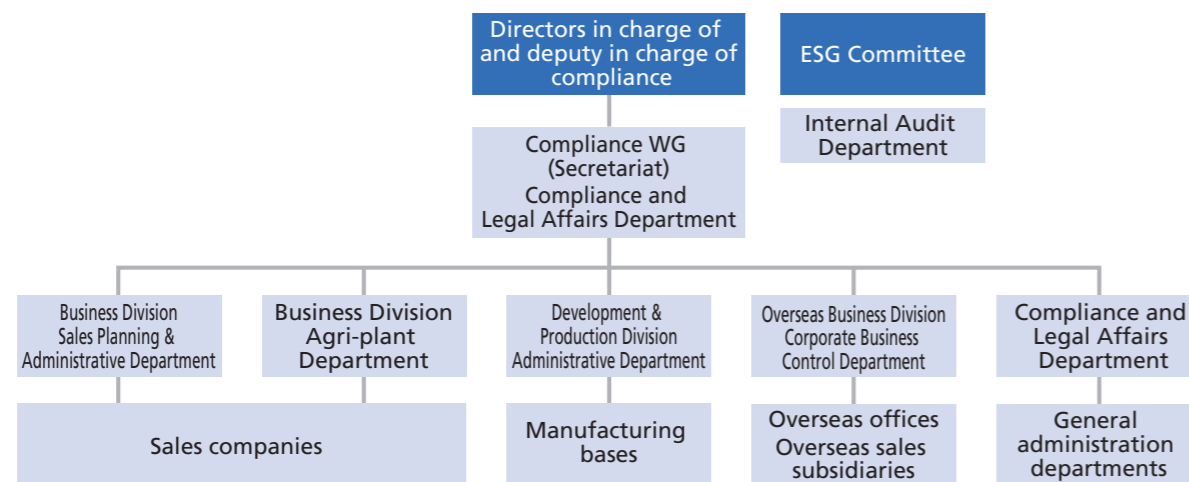
- ISEKI Group will ensure thorough compliance of each employee to promote healthy and transparent management.

Compliance system

To prevent misconduct and scandals from occurring, ISEKI Group ensures thorough compliance under the leadership of the Compliance Working Group (WG), which consists of departments in charge of the overall management of each division. The Director in charge of Compliance is responsible for the overall management of the WG. In January 2023, we set up the Compliance and Legal Affairs Department, which ensures that Group employees maintain and enhance awareness toward ethics and accelerates overall compliance activities. The Department

also administers and promotes the Compliance WG as the secretariat.

Monthly reports on compliance activities are made to the ESG Committee, which is comprised of Directors and Corporate Officers and chaired by an Independent Outside Director. In addition, the Internal Audit Department audits the status of compliance activities and reports the results to the Board of Directors, the President and Representative Director, Outside Directors, and Audit & Supervisory Board Members.



Education and awareness-raising

To raise awareness of each individual employee toward compliance, ISEKI Group is implementing various training programs and awareness-raising activities for employees in a planned way.

> Activities for enlightenment

<Activities for penetration and education on compliance>

- **Ensuring of thorough understanding of the "ISEKI Group Code of Ethical Behavior"**
The Company has distributed the "ISEKI Group Code of Ethical Behavior" to all employees of the Group and works to ensure that all business activities meet corporate ethical requirements.
- **Awareness-raising by issuing "Compliance News"**
As a means to provide information regarding compliance, the Company issues the quarterly "Compliance News" bulletin. With a focus on priority compliance initiatives, it contains information such as messages from the management team and examples of practical measures undertaken by employees. We thus work to raise compliance awareness among employees.

> Training activities

Every year, the Company carries out a wide range of education and training programs concerning compliance themes in the day-to-day conduct of business affairs, especially on points warranting special attention.

- **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

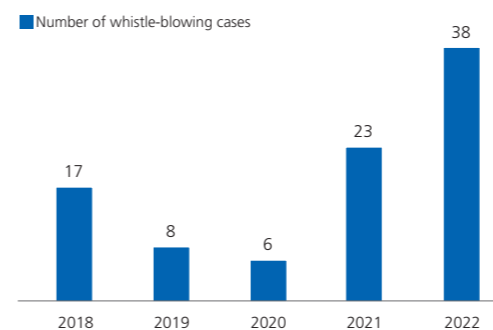
Examples of initiatives undertaken

> Whistle-blower system

ISEKI Group has set up a group-wide whistle-blower system (Ethical Hotline) for the use of all employees, retirees and suppliers. The aim is to enable early detection of problems within the Company and minimize the crisis caused by corporate scandals. In addition to an internal help desk, an external third-party help desk independent from management executives has been set up, in light of the purposes of the Corporate Governance Code. The third-party help desk is available for whistle-blower reports in Thai and Indonesian, in addition to English and Chinese.

In FY2022, the system handled 38 cases. All cases were appropriately responded, and their summaries have been reported to the ESG Committee, with consideration given to the protection of whistle-blowers and privacy of relevant parties.

Number of whistle-blowing cases



> Initiatives for fair trade and prevention of corruption

ISEKI Group ensures that all Group employees have a fair and equitable relationship with suppliers, which is set out in ISEKI Group Code of Ethical Behavior.

In relation to a series of procedures for fair transactions of products and services at sales subsidiaries in Japan, ISEKI Group has established and appropriately operated "Sales Administrative Rules."

In addition, we have formulated conduct guidelines and a manual for compliance with the Anti-Monopoly Act and educated our employees on the Subcontract Act, thereby thoroughly ensuring fair and equitable transactions as the entire Group.

Furthermore, the Basic Rules on the Prevention of Bribery Involving Foreign Public Officers, etc. have been established to prevent corruption involving foreign public officers, etc. and ensure fair transactions. We work to ensure thorough compliance with the Rules mainly at overseas bases and overseas Group companies. In FY2022, ISEKI was subject to no legal action due to corrupt practices.

> Initiatives to eliminate anti-social forces

The ISEKI Group Code of Ethical Behavior sets out that the Group will not have any relationship whatsoever with anti-social forces. To fulfill our social responsibilities for ensuring sound business operations and eliminating anti-social forces, we have established the Rules for Response to Anti-Social Forces. Under the leadership of Representative Directors, we are working on the creation and enhancement of relevant internal systems in cooperation with external specialized institutions.

Furthermore, we set out specific procedures in the Anti-Social Forces Response Manual and offer in-house education programs to ensure that our officers and employees can respond properly to anti-social forces.

> Initiatives for protecting personal information

To ensure proper handling of personal information, ISEKI Group has established and published the "Personal Information Protection Policy." To prevent leakage of and damage to personal information, the Personal Information Handling Regulations sets out specific ways to handle personal information, as well as the establishment of appropriate measures for safe management. We strive for appropriate management of personal information by ensuring thorough compliance with relevant rules through periodic education and awareness-raising for officers and employees.

Being aware of the importance of the protection of personal information, we will keep providing relevant information to officers and employees and working to strengthen the protection of personal information both in Japan and abroad.

> Electronic information security

With regard to electronic information security management, administrative departments that handle system information strive to prevent information leakage, in accordance with the Rules on Electronic Information Security Management. The IT planning department preemptively reviews the systems and facilities to be introduced by administrative departments to ensure that they do not have any security issues.

In addition, we have set up the Electronic Information Security Management Committee led by an Officer in charge of IT Planning to set policies and directions concerning electronic information security management. If an issue arises in relation to electronic information security management, the Committee deliberates on how to respond and make reports to company executives.

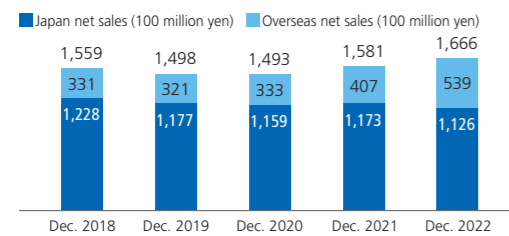
As countermeasures against cyberattacks that take increasingly diverse and sophisticated forms, we have also adopted a new service that constantly monitors unauthorized external access, thereby strengthening the information security management system.

Financial and non-financial data

Financial highlights (FY2022)

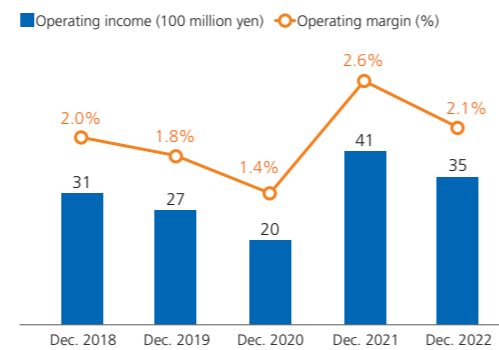
Net sales

Net sales came to 166.6 billion yen, up 8.4 billion yen year on year. [Japan] Sales declined due to production delay resulting from supply chain disruptions and decreased willingness to buy caused by weak rice prices and soaring agricultural material prices. [Overseas] In North America, sales increased as our shipments grew to recover the local inventory levels. In Europe, sales increased, mainly to consumers, in addition to contribution from ISEKI Germany becoming a consolidated subsidiary. In Asia, sales decreased as higher shipments to South Korea could not offset lower shipments of semi-finished goods to China and other factors.



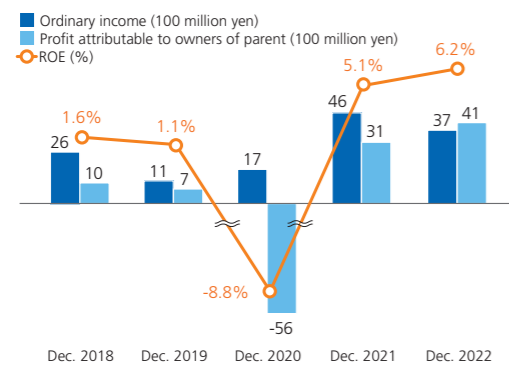
Operating income / Operating margin

Operating income decreased by 0.6 billion yen year on year to 3.5 billion yen as price revisions implemented in each region were unable to fully cover the impact of soaring raw material prices, putting pressure on earnings, in addition to an increase in selling, general and administrative expenses. Operating margin declined by 0.5% year on year to 2.1%.



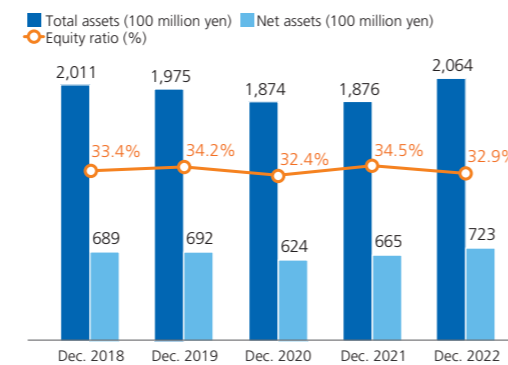
Ordinary income / Profit attributable to owners of parent / ROE

Ordinary income came to 3.7 billion yen, down 0.9 billion yen year on year due to absence of a settlement income recorded in the previous year, as well as an increase in loss of entities using equity method. Profit (loss) attributable to owners of parent increased by 0.9 billion yen year on year to 4.1 billion yen due to extraordinary income such as gain on change in equity, despite impairment loss.



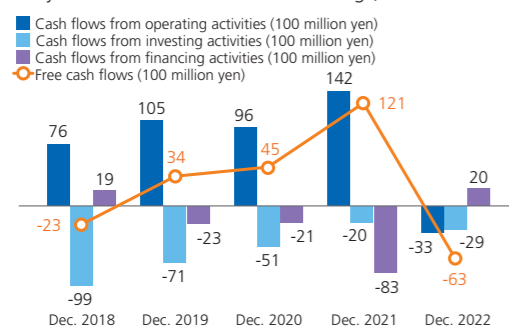
Total assets / Net assets / Equity ratio

Total assets increased by 18.8 billion yen year on year to 206.4 billion yen due to a delay in receiving stock in North America and the impact of consolidation of ISEKI Germany, as well as an increase in inventories resulting from an increase in work in progress caused by supply chain disruptions. Net assets came to 72.3 billion yen, up 5.7 billion yen year on year due to an increase in retained earnings.



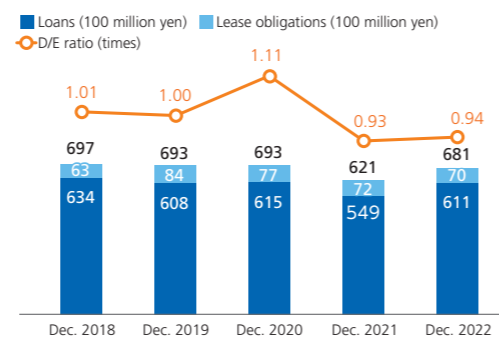
Cash flows

In the cash flows from operating activities, the net cash outflow was 3.3 billion yen due to an increase in inventories. In the cash flows from investing activities, the net cash outflow was 2.9 billion yen due to capital investment. As a result, in the free cash flows, the net cash outflow was 6.3 billion yen. In the cash flows from financing activities, the net cash inflow was 2.0 billion yen due to an increase in borrowings, etc.



Interest-bearing debt / D/E ratio

While interest-bearing debt increased by 6.0 billion yen year on year to 68.1 billion yen, D/E ratio, which shows the soundness of finance, was at the level of the previous year, 0.94 times, due in part to an increase in net assets.



Consolidated financial summary

(Millions of yen)

	Dec. 2018	Dec. 2019	Dec. 2020	Dec. 2021	Dec. 2022
Results of Operations					
Domestic sales	122,812	117,717	115,907	117,396	112,638
Overseas sales	33,143	32,181	33,397	40,795	53,991
Net sales	155,955	149,899	149,304	158,192	166,629
Gross profit	45,945	44,507	43,476	46,841	49,890
Operating income	3,179	2,745	2,084	4,147	3,534
Ordinary income	2,629	1,108	1,702	4,687	3,762
Profit (loss) attributable to owners of parent	1,090	723	(5,641)	3,196	4,119
Financial Position (at the end of the fiscal year)					
Cash and deposits	7,475	8,404	10,787	14,850	10,749
Notes and accounts receivable – trade	23,327	19,675	21,780	21,537	27,574
Inventories	53,719	54,179	51,847	49,871	65,331
Other	7,269	4,900	5,564	4,843	5,758
Total current assets	91,791	87,159	89,979	91,103	109,414
Property, plant and equipment	96,842	98,346	86,287	84,962	83,919
Intangible assets	1,082	1,288	1,967	2,290	2,309
Investments and other assets	11,440	10,717	9,193	9,328	10,848
Total non-current assets	109,365	110,352	97,449	96,581	97,076
Total assets	201,156	197,511	187,428	187,684	206,491
Notes and accounts payable – trade	39,736	37,752	36,872	39,279	45,500
Short-term loans payable (including current portion of long-term loans payable)	42,877	39,351	37,460	30,210	40,291
Other	12,979	12,630	11,814	11,852	12,397
Total current liabilities	95,593	89,735	86,147	81,342	98,189
Long-term loans payable	20,571	21,525	24,114	24,728	20,811
Net defined benefit liability	4,063	3,059	3,144	2,912	3,244
Deferred tax liabilities for land revaluation	5,780	5,759	4,097	4,097	4,097
Other	6,188	8,180	7,504	8,042	7,802
Total non-current liabilities	36,603	38,524	38,861	39,780	35,956
Total liabilities	132,197	128,259	125,009	121,123	134,146
Shareholders' equity	52,746	52,840	50,346	53,567	57,023
Accumulated other comprehensive income	14,454	14,641	10,310	11,201	10,978
Subscription rights to shares and non-controlling interests	1,759	1,770	1,762	1,792	4,342
Total net assets	68,959	69,252	62,419	66,561	72,345
Total liabilities and net assets	201,156	197,511	187,428	187,684	206,491

Cash flows

Cash flows from operating activities	7,616	10,509	9,694	14,233	(3,375)
Cash flows from investing activities	(9,944)	(7,104)	(5,167)	(2,039)	(2,984)
Free cash flows	(2,327)	3,404	4,526	12,194	(6,360)
Cash flows from financing activities	1,970	(2,396)	(2,179)	(8,338)	2,033
Net increase (decrease) in cash and cash equivalents	(408)	981	2,383	4,048	(4,101)

Information Per Share (Yen)

Net assets	2,974.7	2,987.1	2,683.1	2,864.4	3,006.7
Profit (loss)	48.2	32.0	(249.5)	141.4	182.1
Cash dividends	30.0	30.0	—	30.0	30.0

Management Indicators

Equity ratio (%)	33.4	34.2	32.4	34.5	32.9
ROE (%)	1.6	1.1	(8.8)	5.1	6.2
ROA (%)	0.5	0.4	(3.0)	1.7	2.0
CCC (months)	3.3	3.4	3.4	2.8	4.0
D/E ratio (times)	1.01	1.00	1.11	0.93	0.94

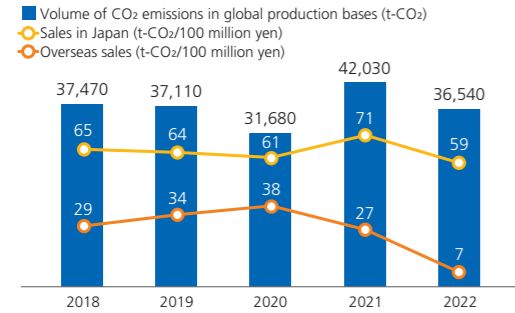
Notes 1 ROE (Return on equity) = Profit/(Equity at the beginning of the fiscal year + Equity at the end of the fiscal year)/2
 2 ROA (Return on assets) = Profit/Total assets
 3 CCC (Cash conversion cycle) = Days sales outstanding + Days of inventory outstanding – Days payable outstanding
 4 D/E ratio = Interest-bearing liabilities/Net assets

Financial and non-financial data

Non-financial highlights (FY2022)

Volume of energy-generated CO₂ emissions in factories **Environment**

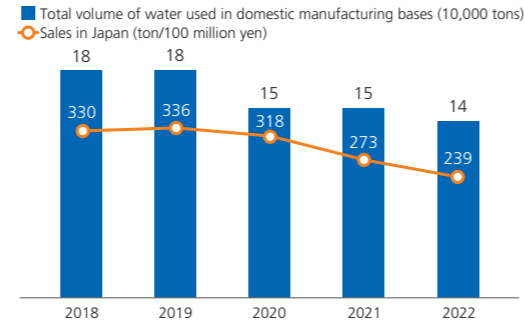
We are working to reduce CO₂ emission volumes in our production activities to create a decarbonized society. We started applying International Renewable Energy Certificate (I-REC) at PT. ISEKI INDONESIA in 2022, and reduced the emission volumes.



*Japan: ISEKI-Matsuyama MFG Co., Ltd., ISEKI-Kumamoto MFG Co., Ltd., ISEKI-Niigata MFG Co., Ltd., and ISEKI-Shigenobu MFG Co., Ltd.
Overseas: PT. ISEKI INDONESIA
*The CO₂ emission factor for domestic electricity is revised every year based on values published by the Ministry of the Environment.

Volume of water used in manufacturing bases **Environment**

We are working to reduce volume of water used to mitigate environmental burdens in factories.

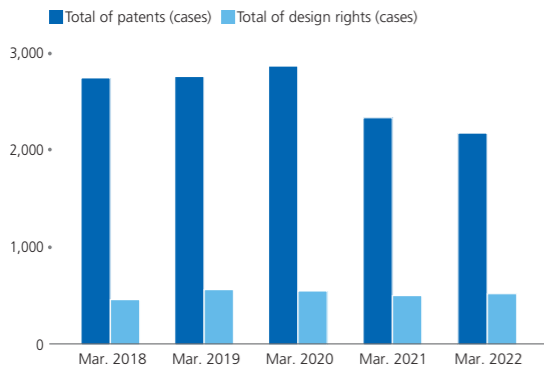


*Japan: ISEKI-Matsuyama MFG Co., Ltd., ISEKI-Kumamoto MFG Co., Ltd., ISEKI-Niigata MFG Co., Ltd., and ISEKI-Shigenobu MFG Co., Ltd.

Patents, utility model rights and design rights held **Technological capabilities**

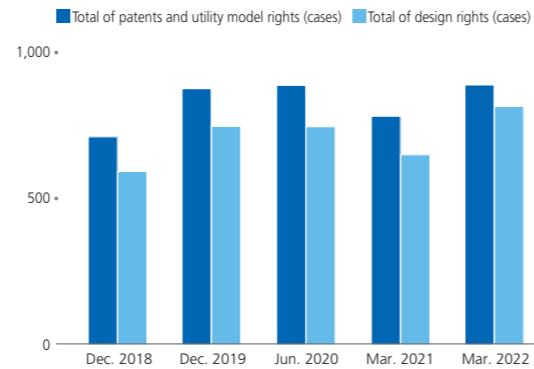
The Company has approximately 2,200 patents, thanks to its acquisition and accumulation of validated claims, and it also holds more than approximately 500 design rights.

● Japan



We actively submit applications using the intellectual property regimes of various countries to lead to differentiation of products in the overseas market.

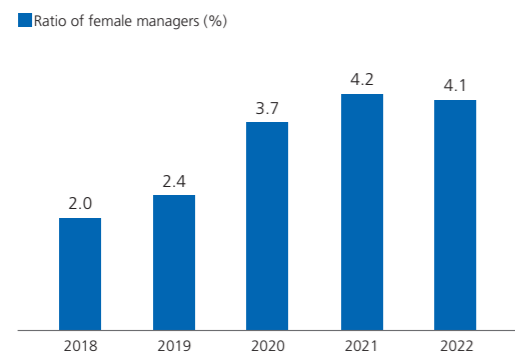
● Overseas *



* The tabulation period for some overseas patents, utility model rights, and design rights is different, and therefore the year and month of results vary.

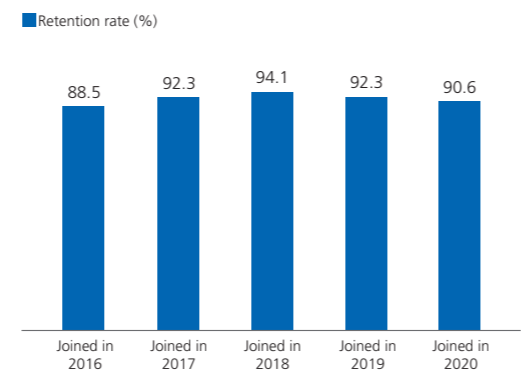
Ratio of female managers **non-consolidated** **Human resources**

Aiming to increase the ratio of female managers to 7% or more by the end of 2025, we are making efforts to improve abilities of female employees through education and training, and promote them.



Retention rate in three years from joining **non-consolidated** **Human resources**

The retention rate of college graduates in three years from joining is at a high level of above approximately 90%.



Company profile / Stock information

Company profile

As of December 31, 2022

Company name:	ISEKI & CO., LTD.	Foundation:	August 1926
Head office:	700 Umaki-cho, Matsuyama-shi, Ehime-ken, 799-2692 JAPAN	Paid-in capital:	23,344 million yen
Tokyo headquarters:	5-3-14, Nishi-Nippori, Arakawa-ku, Tokyo, 116-8541 JAPAN	Number of employees:	Consolidated: 5,454 Non-Consolidated: 756

Stock information

As of December 31, 2022

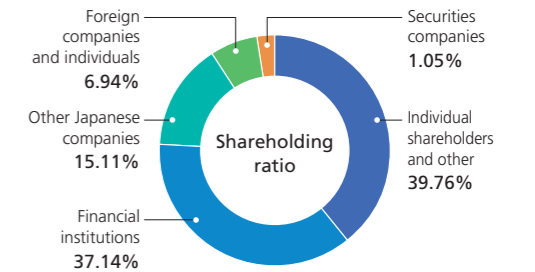
Company code:	6310	Business year:	From January 1 through December 31
Total number of authorized shares:	69,000,000 shares	Ordinary general meeting of shareholders:	Late March every year
Shares issued and outstanding:	22,872,447 shares (excluding treasury stock of 112,546 shares)	Record date:	Ordinary general meeting of shareholders / Year-end dividend: December 31 every year
Number of shares per trading unit:	100 shares	Shareholder register administrator and Account management institution for special accounts:	Sumitomo Mitsui Trust Bank, Limited 1-4-1 Marunouchi, Chiyoda-ku, Tokyo
Number of shareholders:	19,207		
Stock Exchange on which its shares are listed:	Prime Market of the Tokyo Stock Exchange		

Major shareholders (top 10)

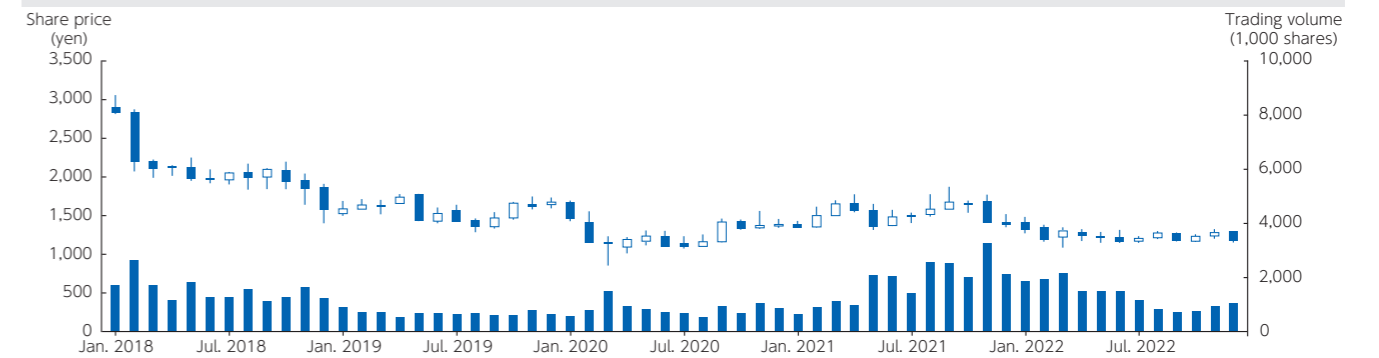
Name of major shareholder	Number of shares held (shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,299,300	10.05
Mizuho Bank, Ltd.	1,070,800	4.68
Custody Bank of Japan, Ltd. (Trust Account)	1,056,800	4.62
Iseki kabushiki hoyukai (Company's Stockholding Co-op.)	906,894	3.96
The Norinchukin Bank	868,785	3.79
Sumitomo Mitsui Trust Bank, Limited	800,000	3.49
Iseki eigyo-hansya group syain mochikabukai (Business-selling Group Holdings)	666,600	2.91
The Iyo Bank, Ltd.	580,042	2.53
Sompo Japan Insurance Inc.	434,500	1.89
DFA INTL SMALL CAP VALUE PORTFOLIO	398,792	1.74

(Note) Shareholding ratios are calculated after the deduction of treasury stock. The treasury stock does not include 255,800 shares of the Company held by Custody Bank of Japan, Ltd. (Trust Account) as trust property of a stock delivery trust for officers.

Status of distribution of shares held by type of shareholder



Share price trends



Evaluation by third parties

DBJ Environmental Rating – highest rating 17 times in a row

In April 2023, ISEKI received the highest rating as one of the "Companies doing environment-friendly business activities progressively," 17 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 ISEKI is pushing ahead with a Group-wide initiatives for reducing environmental burdens.
- 2 ISEKI has realized contribution to the environment through supply chains.
- 3 ISEKI is committing itself to decarbonization in the agricultural industry as a whole through in-house solutions.

