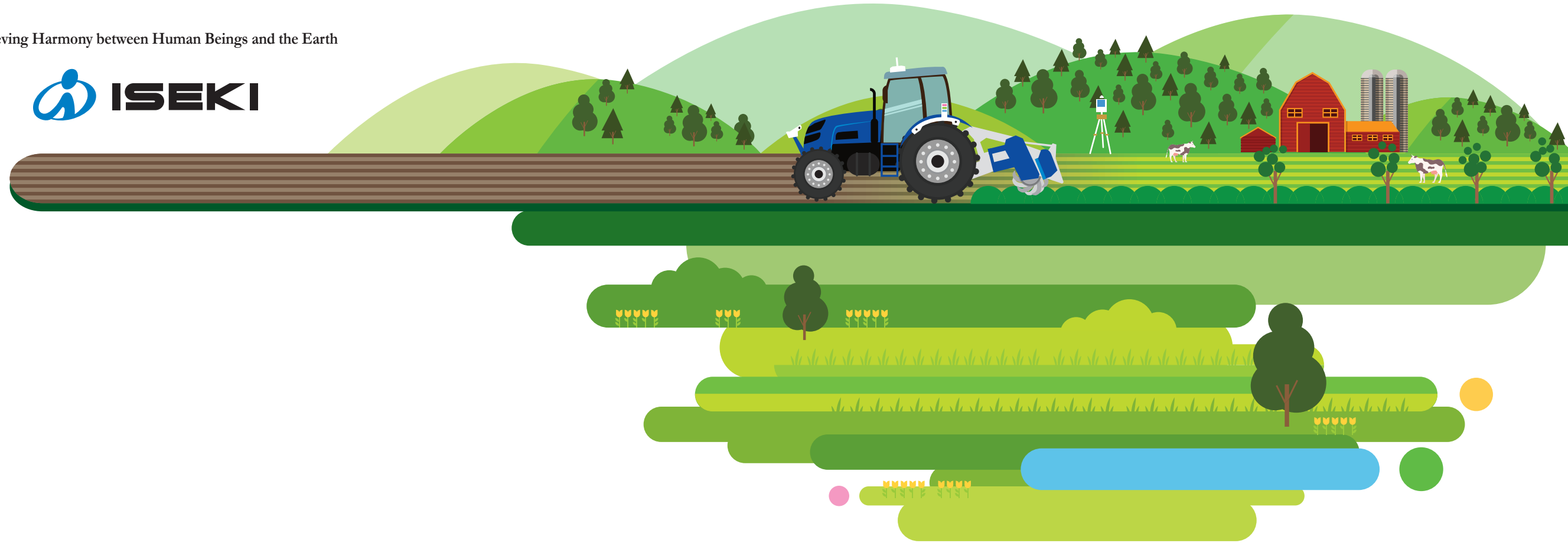


Achieving Harmony between Human Beings and the Earth



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 2020



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



未来のために、
いま選ぼう。

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

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

Seven promises of Iseki group

- 1. Our Founding Principle**
Inheriting our company's founding philosophy, we always carefully consider agriculture and move forward with farmers.
- 2. Frontrunner**
As a front-runner, we produce innovative agricultural machinery.
- 3. Quality**
We will always be making premium quality products with passion.
- 4. Solutions**
We constantly take action for solutions to customer issues.
- 5. Innovation**
We create innovations with cutting edge technologies and provide new value for farms.
- 6. Global**
With a global perspective, we work toward solutions to the world's social issues.
- 7. The Future of Farming**
Paving the way for tomorrow, and changing the future of farming.

Our Founding Principle

Management Philosophy

<Spirit of ISEKI – Passion of founder –>

"I want to free farmers from exhausting labor"

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

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

<Company Motto>

Our management philosophy is to provide:

1. Products that satisfy customers;
 2. A stable workplace to the employees;
 3. Appropriate dividend to the shareholders;
- and thereby we will fulfil our social mission.

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Company information

Editing policy

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 2019 through December 2019. The report also includes some information from and after January 2020.

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"
- ▶ GRI*: "Sustainability Reporting Guidelines 4th Edition"
- ▶ Ministry of the Environment, "Environmental Reporting Handbook –Environmental Reporting Guidelines 2018"

* GRI is an international organization established with the objective of the creation and dissemination of international guidelines regarding sustainability reporting by corporations.

Information included in this report

▶ Information presented on the company website
Various information that cannot be included in this report is presented in the "About ISEKI" section of the company's website.

• "About ISEKI"

Information covered ... <https://www.iseki.co.jp/about/> *only available in Japanese
 Company Information : Company outline, main locations, R&D activities
 Investor Information : Shareholder information, financial results, IR briefing materials
 CSR & Environment : Environmental site reports, environmental, social and governance (ESG) data

▶ Note on forward-looking statements

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 in this report are rounded down to the unit.

Track record of value creation

Company history

- 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.



- 2001 • Separated the Production Section from the company and established ISEKI-Matsuyama MFG, Co., Ltd. and ISEKI-Kumamoto MFG, Co., Ltd.
- 2003 • Established Iseki-Changzhou Mfg. Co., Ltd. in Jiangsu Province, China.



- 2011 • Established Dongfeng Iseki Agricultural Machinery (Hubei) Co., Ltd. in Hubei Province, China.
- 2012 • Established PT. ISEKI INDONESIA.
- 2013 • Established ISEKI Technical Training Center (ITTC).
 - Established ISEKI SALES (THAILAND) CO., Ltd.
- 2014 • Integrated the businesses of Iseki-Changzhou Mfg. Co., Ltd. and Dongfeng Iseki Agricultural Machinery (Hubei) Co., Ltd. and established Dongfeng Iseki Agricultural Machinery Co., Ltd.
 - Acquired French agents Yvan Beal S.A.S. and YB Holding S.A.S. (current ISEKI France Holding S.A.S.) and made them subsidiaries.
- 2015 • Established Dream Agricultural Research Institute.
- 2016 • Established ISEKI (THAILAND) Co., Ltd.
 - Established Iseki Basic Engineering Training Center (IETC).
- 2017 • Established ISEKI Global Training Center (IGTC).



1926	1945 to 1950s	1960 to 1970s	1980 to 1990s	2000s	2010s
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, advancement of aging society 	<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 Adding high value to farm produce 	
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 	<ul style="list-style-type: none"> Strengthening of farm business proposals and support 	<ul style="list-style-type: none"> Realization of smart agriculture utilizing latest technology and data 	

Product history

1926
Established with fully-automated rice hullers
"Iseki Farm Implement Trading Co." was established and a fully-automated rice huller was produced as the first product.



1965
Tractor suitable for Japanese wet paddies
Developed TB20, a Japanese tractor with exceptional performance that even climbed Mt. Fuji.



1966
Development of world's first auto-threshing combine harvesters
Enabled the process from reaping to threshing to finish 16 times faster. Popularity was achieved due to its high efficiency, small-size and light weight, and reasonable price, with production unable to satisfy the high demand.



1967
Sales of tillers to Europe
Began export and sale of tillers, the start of ISEKI's European business. Deployment of technology fostered in Japan to overseas.



1971
Development of two-wheel rice transplanters equipped with backward-tilting seedling tanks
After much trial and error, succeeded in developing two-wheel rice transplanters equipped with backward-tilting seedling tanks that used a plastic float. Birth of Sanae, a synonym for rice transplanters.



1988
ISEKI's first riding mower (lawn mower)
A full-spec riding mower installed with a diesel engine. It established ISEKI brand in the landscaping market of Europe.



1988
Birth of Naueru System for the mechanization of vegetable farming
Developed our original "Naueru Pot Seedling" vegetable seedling that mainly used paper pots and nursery soil and the "Naueru PV101" fully-automated vegetable transplanter for planting the seedlings.



2009
Development of the industry's fastest auto-threshing combine harvesters
Developed the industry's fastest combine harvester capable of six-row reaping with a maximum working speed of 2.0m/s. Also developed the industry's first combine harvester capable of seven-row reaping.



2014
Center collect-type riding mower (lawn mower) for Europe
A high horse power, Japan's first center collect-type front mower SF4 series with superior flexible maneuvering. ISEKI Group's flagship series of landscaping machinery for Europe that can respond to the needs of professional users.



2015
Development of industry's first plant growth diagnosis device
Measures the photosynthetic abilities of plants and visualizes the conditions of plants invisible to the human eye. Contributes to optimal control and growing by preventing disease.



2016
Development of industry's first variable fertilizing rice transplanter
Groundbreaking rice transplanter that adjusts to the appropriate amount of fertilizer while rice planting. Contributes to lower fertilizer costs and reduced plant lodging.



2018
Development of manned monitoring-based robot tractors
Realized significant labor saving in farming. This type of agricultural machinery was the first big step toward the future of agriculture.

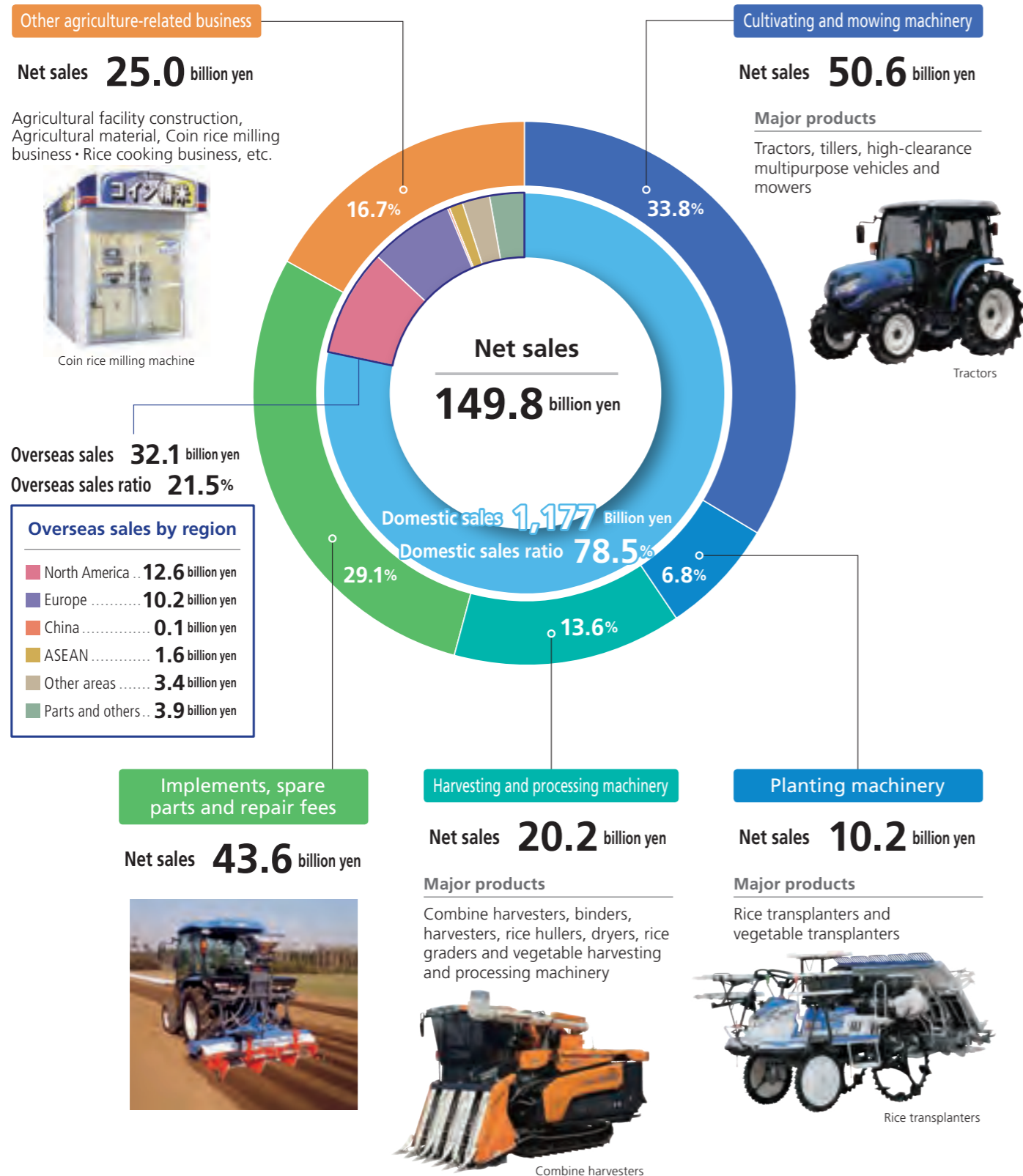


*The seven-row reaping combine harvester (2009) and the plant growth diagnosis device (2015) won the award for excellence in the R&D / New Technology Section of the Food Action Nippon Award, which is part of the initiatives to expand consumption of domestic farm produce to improve Japan's food self-sufficiency rate.

ISEKI Group

ISEKI Group engages in business activities centered around the development, production, sales and services of agricultural machinery for cultivation of rice, vegetables etc. as well as landscaping machinery.

Net sales composition ratio by product (Fiscal year ended December 31, 2019)



Offices, number of employees

Sales subsidiaries

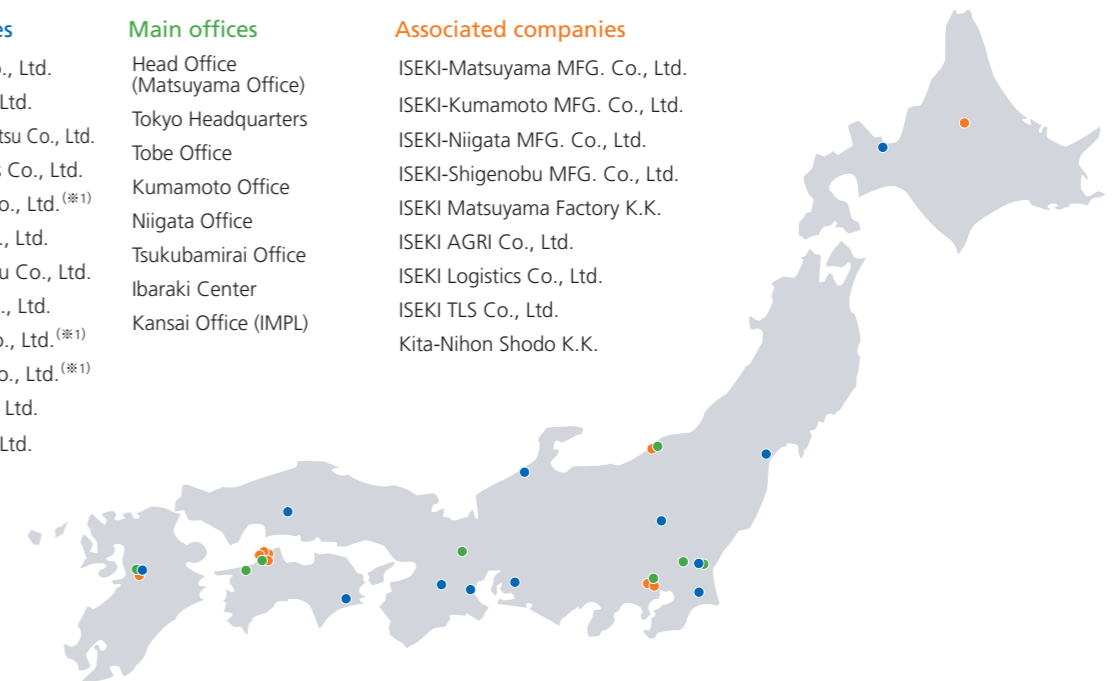
- ISEKI Hokkaido Co., Ltd.
- ISEKI Tohoku Co., Ltd.
- ISEKI Kanto Koshinetsu Co., Ltd.
- Gunma ISEKI Sales Co., Ltd.
- Ishikawa Shokai Co., Ltd. (*1)
- ISEKI Hokuriku Co., Ltd.
- ISEKI Kansai Chubu Co., Ltd.
- Mie ISEKI Sales Co., Ltd.
- Nara Iseki Sales Co., Ltd. (*1)
- Nishioka Shokai Co., Ltd. (*1)
- ISEKI Shikoku Co., Ltd.
- ISEKI Kyushu Co., Ltd.

Main offices

- Head Office (Matsuyama Office)
- Tokyo Headquarters
- Tobe Office
- Kumamoto Office
- Niigata Office
- Tsukubamirai Office
- Ibaraki Center
- Kansai Office (IMPL)

Associated companies

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

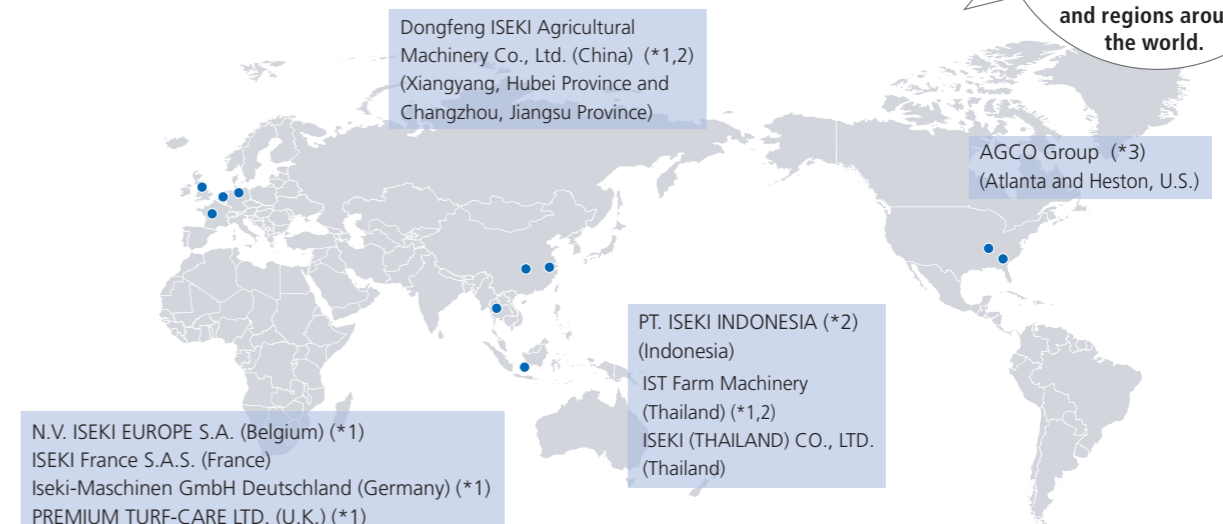


number of employees (consolidated) **5,563**

- Development and manufacturing department 1,798
- Sales department 3,376
- Other division 389

(As of December 31, 2019)

Our products are used for agriculture and landscape maintenance in **more than 100 countries and regions around the world.**

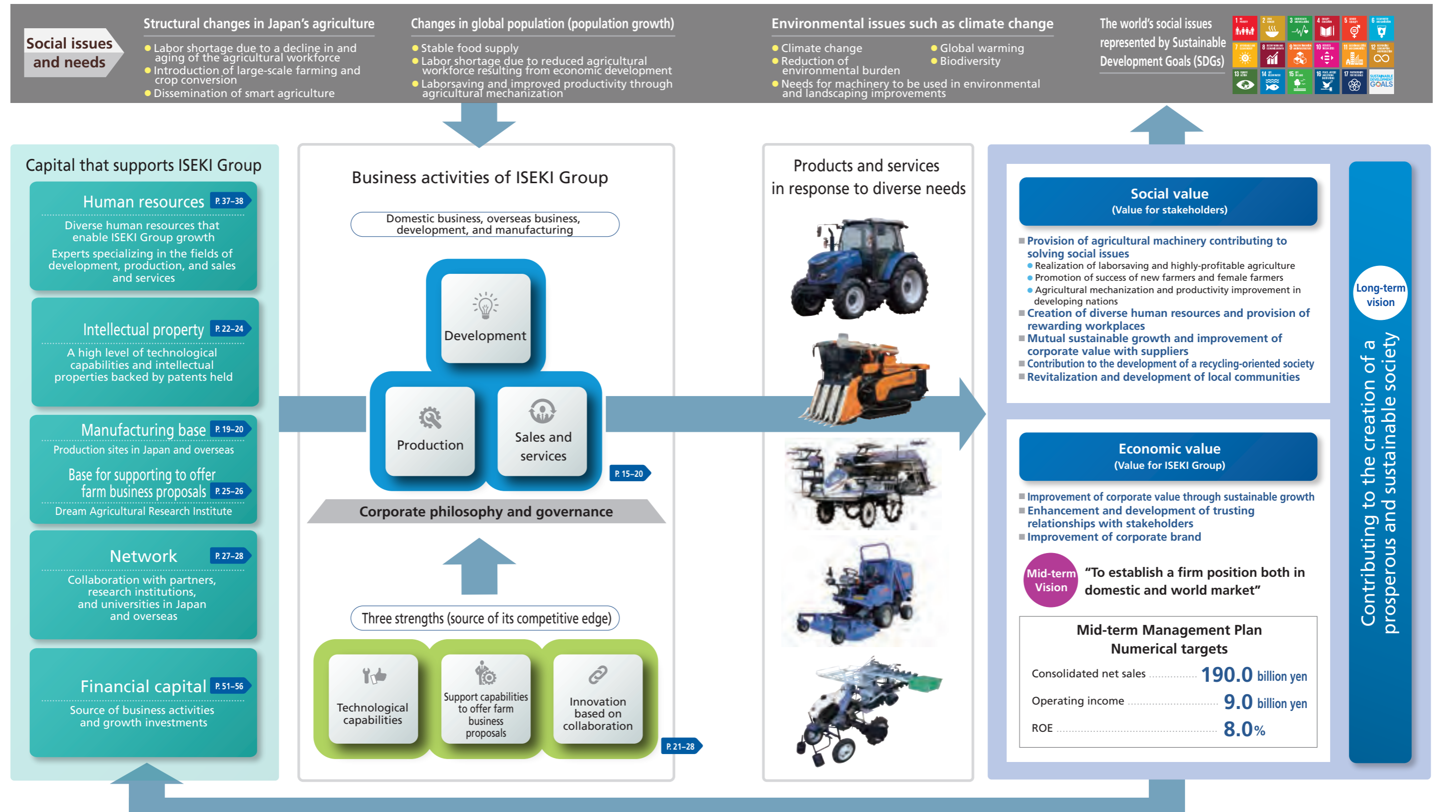


*1: Non-consolidated subsidiaries *2: Joint ventures *3: OEM

Value creation story

Value creation by ISEKI Group by utilizing our unique strengths

The ISEKI Group has been engaging in business activities that are founded on its corporate philosophy and governance and that leverage the capital supporting the Group such as human resources and intellectual properties as well as its unique strengths. In doing so, we have been providing customers with products and services that meet a variety of needs, thereby creating social and economic value. By continuing this cycle of value creation, we strive to contribute to solving social issues in agriculture and other areas, while achieving sustainable growth and enhancing corporate value, and ultimately contributing to the creation of a prosperous and sustainable society.



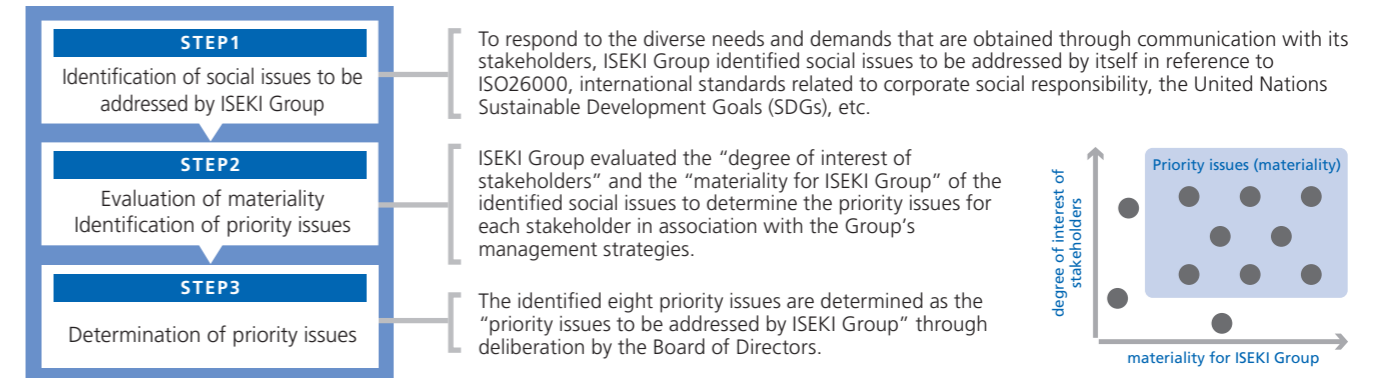
Priority issues (materiality)

Under its management philosophy, ISEKI Group identifies priority issues (materiality) for creating social and economic value through its business activities. We will endeavor to fulfill our social responsibilities through initiatives embodying the essence of ISEKI.

Identification of priority issues (materiality)

ISEKI Group has identified eight priority issues from the perspectives of “solutions to social issues through business” and “factors that support value creation and growth of ISEKI Group” by identifying and evaluating social issues the Group should address. Further, it believes that addressing these priority issues would lead to contributions toward SDGs, though the degree of association might vary.

Process for making decisions on priority issues



8 priority issues and key initiatives

		8 priority issues	Activity themes	Key initiatives	Targets	Pages	
Solutions to social issues through business (source of value creation and competitive edge)	Provision of products and services that satisfy customers	Provision of products and services tailored to the markets and needs	Japan	<ul style="list-style-type: none"> Improvement and enhancement of sales and service structures Strengthening of farm business proposals and support reflecting the scale of management and crop 	Development and manufacturing	<ul style="list-style-type: none"> Research and development of highly competitive products tailored to the markets and needs Establishment of research, development, production structures that support manufacturing 	Introduction of new products tailored to the markets and needs Promotion and expansion of sales promotional activities Strengthening of intellectual property foundation (the number of patents and utility model rights, etc.)
			Overseas	<ul style="list-style-type: none"> Community-based development through collaboration with strategic partners Enhancement of localized services and support 			
	Provision of safe products and services that earn the trust of customers	Provision of high-quality, safe products and services	Demonstration of strengths	<ul style="list-style-type: none"> Strengthening of intellectual property activities Strengthening of farm business proposals and support Acceleration of innovation in collaboration with partners 			21–28
			Development of experts	Development of specialized human resources for development, manufacturing, sales, and service		Number of employees who participated in specialized training courses	37
Factors that support value creation and growth of ISEKI Group	E (environment)	Environmental preservation that allows for the creation of a sustainable society (realization of low-carbon society, formation of recycling-oriented society)	Promotion of environmental management	Enhancement of environmental management structure	Environmental management system (EMS) certification acquisition rate: 100%	45–50	
			Reduction of environmental load in production activities	Reduction of CO ₂ emissions: reduction of 26% (2030) compared with 2013			
			Provision of environmentally-friendly products and services	Preservation of biodiversity and awareness-raising activities within the Group	Implementation of environmental education: twice a year		
			Development and offering of environmentally-friendly products	Ratio of eco-products: 50% or more (2030)			
	S (society)	Creation of worker-friendly workplace and utilization of diverse human resources	Utilization of diverse human resources	Initiatives to promote female advancement	Ratio of female employees among management candidates: 15% or higher (2022), etc.	38	
			Creation of worker-friendly workplace	Thorough implementation of occupational health and safety management	Occupational accident statistics severity rate: 0%	39	
			Establishment of sustainable supply chain	Promotion of CSR procurement	Raising the level of CSR throughout the supply chain	41	
			Coexistence with local community	Contribution to and participation in local community	Fostering the next generation through food and agriculture education Implementation of activities to communicate with community	Establishment of relationship of trust through active interaction with local communities	44
	G (governance)	Improvement of corporate governance	Enhancement of governance	Responses based on the evaluation of the effectiveness of the Board of Directors Enhancement of constructive dialogues	Further improvement in functions of the Board of Directors Implementation of active dialogue in IR activities, etc.	29–32 42–43	
			Strengthening of risk management	Operation of the Risk Management Control Committee and risk evaluation by officers	Prevention of risks and minimization of losses	33	
	Thorough implementation of compliance	Prevention of misconduct and scandals by entrenching compliance throughout the Group	Continued implementation of training and awareness-raising activities	Implementation of various training courses and issuance of Compliance News: four times a year	34–35		

Priority issues and SDGs (SDGs closely related to business activities are shown with thick borders.)

Priority issues / SDGs	1 NO POVERTY	2 ZERO HUNGER	3 GOOD HEALTH AND WELL-BEING	4 QUALITY EDUCATION	5 GENDER EQUALITY	6 CLEAN WATER AND SANITATION	7 AFFORDABLE AND CLEAN ENERGY	8 DECENT WORK AND ECONOMIC GROWTH	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	10 REDUCED INEQUALITIES	11 SUSTAINABLE CITIES AND COMMUNITIES	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	13 CLIMATE ACTION	14 LIFE BELOW WATER	15 LIFE ON LAND	16 PEACE, JUSTICE AND STRONG INSTITUTIONS	17 PARTNERSHIPS FOR THE GOALS
Provision of products and services that satisfy customers	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Provision of safe products and services that earn the trust of customers	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Environmental preservation that allows for the creation of a sustainable society	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Creation of worker-friendly workplace and utilization of diverse human resources	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Establishment of sustainable supply chain	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Coexistence with local community	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Improvement of corporate governance	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Thorough implementation of compliance	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●

Message from our President

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



Carry forward the aspirations of ISEKI Group's foundation and contribute to agriculture around the world

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

In light of the increase in the global population, food issues, food self-sufficiency, land conservation, and global environmental issues, the role agriculture plays is significant, and consequently we believe that the social mission of an agricultural machinery manufacturer is becoming increasingly important.

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

Shirou Tomiyasu

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



Implementing *Henkaku* (Change) at a speed exceeding the market

ISEKI will celebrate its 100th anniversary in 2025. It is our Mid-term Vision to establish a firm position as an integrated manufacturer specializing in agricultural machinery both in Japan and the global market when we mark the anniversary. Under the current Mid-term Management Plan, we formulated and are implementing five basic strategies with *Henkaku* (Change) as the keyword. ISEKI is committed to developing and proposing products that can compete in the global market by demonstrating the strengths it has cultivated till now. In doing so, it aims to strengthen its responses to structural change in the domestic agricultural industry, expand its overseas businesses, and reinforce its organization and governance in concerted group-wide efforts. The markets in Japan and elsewhere are changing significantly. We will steadily implement *Henkaku* (Change) at a speed that exceeds that of the changes in the markets and strive to realize continuous growth in corporate value.

Basic strategy 1

Strengthen responsiveness to drastic changes in agriculture in Japan

Japanese agriculture is increasingly facing structural changes such as increase in size given the aging of farmers and labor shortages and crop conversion from staple food rice to field crops and vegetable farming. In light of these changes, ISEKI Group will further increase the speed and strengthen its responses in terms of both software and hardware.

In terms of hardware, we are strengthening the development of products tailored to market needs such as low-priced simple machinery, advanced technology, and vegetable farming machinery by leveraging our high technological prowess. In particular, as the government has listed the realization of smart agriculture, in which most of farmers utilize data by 2025, as one of its policy goals, and amid increased introduction and demonstration of advanced technologies, ISEKI launched the tractor and combine harvester under the All Japan Series, which are large machinery equipped with ICT. ISEKI Group is improving the products' competitiveness further by linking them with the farm business support software agri-note.

From the software aspect, ISEKI Group develops human resources who can respond to the market needs, mainly through the Dream Agricultural Research Institute and ISEKI Global Training Center, which engage in research and verification of advanced agricultural management technology as well as provide support for dissemination to farmers, and is further raising the level of its service, proposals, and support capabilities.

The ISEKI Group has spread its sales network, made up primarily of wide-area direct dealers, widely throughout the country to support agriculture, which is a business rooted in local communities. We believe that the group's sales network is a strength for advancing its domestic business and will build on this strength and accelerate our responses to the market where scale of farming is becoming larger. Specifically, ISEKI is developing sales bases and redistributing personnel with large-scale maintenance centers at the core. At the same time, it has also reorganized 10 wide-area dealers into seven over the past two years, as part of efforts to promote efficiency by shifting towards a structure suitable for covering wider areas and larger scales in response to the changes in the market.

In addition to the initiatives from both hardware and software aspects, ISEKI will strengthen its response to the drastically changing Japanese agriculture through reinforcement of its sales structure to support the realization of a farming industry full of dreams.

Basic strategy 2

Expand overseas businesses

Overseas, ISEKI Group identifies Europe, North America, China, and ASEAN as its four core markets and is working on expansion of business domains in each market together with local strategic partners.

In the North American market, ISEKI Group aims to further expand sales by enhancing the product lineup to meet local customer needs through stronger collaboration with its OEM partner. The small-sized tractors introduced in 2018 have been performing particularly well and contributing to sales expansion. We aim to expand our market share in the North American market leveraging such products.

In the European market, we position ISEKI France S.A.S. as the core of business expansion and mainly sell landscaping machinery such as lawn mowers and small-sized tractors. This spring, we began in-house manufacturing of engines compliant with EU Stage V, a strict environmental regulation, and introduced new products installed with those engines. We will further establish the ISEKI brand in Europe by leveraging these new products, strengthen our service and support structure, and focus on expansion of sales and market share.

In the Chinese and ASEAN business, which ISEKI Group positions as its growth engine, it is expanding business operations by further strengthening collaboration with its joint venture partner.

In the Chinese market, amid intensifying sales competition involving the maturation of the agricultural machinery market and local manufacturers, ISEKI's strategic partner Dongfeng Motor Group made additional investment in Dongfeng Iseki Agricultural Machinery Co., Ltd. (hereinafter referred to as "Dongfeng ISEKI") to further develop business in China and localize business operations. Following this move, ISEKI Group's stake in the joint venture changed to 25% from 50%. Nevertheless, the importance of the Chinese business for the Group does not change given the potential of the market. We will continue to export products and parts to Dongfeng ISEKI and support it in engineering aspects such as licensing of technology including high performance and advanced models.

In Thailand, which is the main battlefield in the ASEAN region, ISEKI Group has been building the ISEKI brand through sales at IST Farm Machinery Co., Ltd. since 2013. Further, in 2016 we established ISEKI (THAILAND) Co., Ltd. to boost sales and service capabilities not only in the Thai market but also throughout the ASEAN region. We will further strengthen the collaboration with the joint venture partner to establish the business in Thailand and expand sales channels in countries neighboring Thailand.

In India, the world's largest tractor market, ISEKI signed a technical and business tie-up agreement with TAFE, the country's second-largest agricultural machinery manufacturer, at the end of 2018. TAFE will sell ISEKI products and manufacture medium-sized tractors. In this and other ways, we will expand the business in the Indian market.

We will expand the overseas market by strengthening product development, production, sales, and service structures leveraging local characteristics while working on nurturing and reinforcement of human resources who will support the structures.

Basic strategy 3

Strengthen profitability by optimizing development and production

ISEKI Group is driving forward cost structure reform primarily at the development and manufacturing sections in order to introduce competitive products in the domestic and overseas markets, where sales competition is intensifying. We have been continuously strengthening our efforts to improve productivity through thorough improvement of efficiency such as by standardizing and unifying design, speeding up development, lowering cost, reducing man-hours at manufacturing sites, and improving indirect operations, while enhancing our capability to respond to fluctuations in production load. The production volume of PT. ISEKI INDONESIA, the Group's production base in the ASEAN market, has been increasing with each passing year, and it will strive to expand the business by reinforcing its efforts to expand profit by streamlining suppliers and improving the manufacturing site as well as enhancing production capacity. The Global Strategic Products Project Management Department continues to manage the efforts to improve the profitability of overseas products, and the ISEKI Group is making concerted efforts on cost structure reform and improvement of profitability.

Basic strategy 4

Make active capital investment for growth

To respond to the drastically changing market, ISEKI Group has been increasing the size of and enhancing its maintenance centers and improving sales bases, and will continue to work on further enhancement.

In the expanding overseas market, ISEKI Group has been making investments to enhance production capacity of PT. ISEKI INDONESIA, which is also a production base for North America, Europe, and ASEAN region.

We will also be laying the foundations for further improvement in product competitiveness through expansion of production lines for shifting to in-house manufacturing of exhaust restriction compliant engines. At the same time, we will make proactive capital investment for internal and external growth such as reinforcement of production facilities for achieving enhanced efficiency through technological innovation.

Basic strategy 5

Enhance corporate value by reinforcing personnel & corporate governance

In addition to securing and nurturing human resources who will support the business activities at the development, production and sales sections to enhance the responses to the drastically changing Japanese agriculture and to expand overseas business, response to work style reform has become an issue.

ISEKI Group has established specialized training centers and is striving to enhance the development of human resources such as young designers engaged in development, personnel who play active roles in manufacturing sites, and highly specialized employees in sales and servicing within and outside Japan. In terms of work style reform, we are promoting the development of a workplace that realizes improved productivity and diverse ways of working through improvement of work efficiency by thoroughly eliminating unreasonableness, inconsistency, and waste on individual levels, promotion of cross-organizational efficiency improvement themes, and review of operations.

As part of corporate social responsibility, ISEKI Group is working on strengthening of internal control and compliance. We will ensure awareness activities and in-house training to enable each and every person at ISEKI to act responsibly with high ethical standards and good social conscience in addition to compliance with related laws, regulations, and rules.

To strengthen governance, ISEKI Group in 2018 established the Nomination Advisory Committee with Independent Outside Directors as its main members to make the appointment process of Director candidates transparent. Proposals of agenda regarding appointment and dismissal of Directors for general shareholders' meeting as well as selection and removal of Representative Directors will be determined based on deliberations of and reports from the committee. The Nomination Advisory Committee was reorganized into the Nomination and Compensation Committee in March 2020 to include a function to deliberate and report on Directors' remuneration.

Envision a story with the essence of ISEKI for its 100th anniversary

To realize the Mid-term Vision "To establish a firm position both in domestic and world market" as an integrated manufacturer specializing in agricultural machinery for 2025, the 100th anniversary of its foundation, ISEKI Group in 2016 formulated the Mid-term Management Plan as it positioned the first five years as an important step and implemented activities centered on the five basic strategies. In 2019, there were major changes in the business environment from what it had initially envisioned both in Japan and abroad, which resulted in unsatisfactory performance that declined from a year earlier. Nevertheless, we believe that the five basic strategies are still highly valid and will continue to implement these initiatives in a steady manner.

The environment surrounding ISEKI Group is changing drastically. In addition to the various social issues including environmental issues such as climate change and SDGs, diversifying needs, and utilization of new digital technology, the risks that might affect business performance, such as demand trend reflecting economic climate and agricultural environment and increasing natural disasters and infectious diseases, are becoming more complex and diverse.

ISEKI plans to discuss measures to mitigate these risks and create opportunities and formulate a new mid-term management plan for its 100th anniversary that would enable the group to continue growing in uncertain times. We will set forth the direction toward which ISEKI should advance and once again recognize its strengths and weaknesses to draw a value creation story with the essence of ISEKI.

While the impact of the current global pandemic of the novel coronavirus (COVID-19) infection is not small, ISEKI Group will continue its business activities and contribute to the society by implementing measures to prevent the infection and by minimizing its impact as a company that supports producers who are playing the main role in food and farming.

Strive to contribute to the creation of a prosperous and sustainable society**Contribute to realization of SDGs by creating value through business activities**

The total world population in 2050 is expected to reach 9.7 billion people, and it is necessary to significantly increase food productivity.

However, when you look at it on a global scale, many developing countries in Africa and Asia are lagging in introduction of machinery in farming and irrigation facilities, and it is necessary for these countries to have efficient food production through improved productivity and labor saving with agricultural machinery. In the meantime, farm population has been declining, and aging and the scale of farming has become large in countries such as Japan, South Korea, Taiwan, and other countries and regions. These countries and regions not only require further labor savings and improvements in efficiency through development of larger agricultural machinery and utilization of advanced technology but also seeks high value addition and consideration to the environment. ISEKI Group will contribute to the "promotion of sustainable agriculture and practice of resilient farming" through development and offering of products that respond to issues that differ from region to region and diversifying needs as well as through farm business proposals and support.

ISEKI's riding mowers and compact tractors, which it offers mainly in the European and U.S. markets, are utilized in landscape improvement such as development of parks and green space, road cleaning, and clearing snow. They are contributing to "urban development through landscape improvement" and supporting lives of people in the community.

ISEKI Group aims "to contribute to the creation of a prosperous and sustainable society" through simultaneous creation of social and economic value through business activities. We believe that the Group's business activities lead to contributions to the Sustainable Development Goals (SDGs) for 2030 adopted by the United Nations Summit. ISEKI Group has identified priority issues that link the social issues to be addressed and management strategies. The Group will contribute to the realization of Goal 2. Zero Hunger and Goal 11. No Poverty through "promotion of sustainable agriculture and practice of resilient farming" and realization of Goal 11. Sustainable Cities and Communities in "urban development through landscape improvement."

**Environmental preservation that allows for the creation of a sustainable society**

Environmental issues such as response to global warming and other climate changes have become common challenges for the world.

ISEKI Group considers environmental preservation that allows for the creation of a sustainable society, as one of its priority issues and has introduced environmental management system throughout the Group. We will carry out environmental preservation activities that reflect various business activities and regional characteristics.

We have also established concrete environmental targets and a structure for their promotion and management from the initial stage of product development in an effort to develop and spread products that reduces environmental burden (eco-products).

Human resource development

ISEKI Group believes that what contributes to the solution of various issues is people and recognize that human resource development is essential for the Group. ISEKI Group has been promoting improvement and handing down of skills and techniques indispensable at development and production sites as well as development of human resources capable of offering comprehensive farm business proposals to our customers or working actively in global fields. We also promote diversity in the utilization of a wide range of human resources.

ISEKI is also actively engaged in activities aimed at promoting active roles of women in society and the development of children. The group will also continue to offer opportunities for learning such as workshops for female farmers and food and agricultural events and craft workshops for children.

We continue to aim "to contribute to the creation of a prosperous and sustainable society" and strive to solve various issues together with our stakeholders.

For the 100th year and beyond – becoming an indispensable company

For the past 95 years, ISEKI has stayed by the side of farmers and contributed to development of agriculture together with farmers. With the slogan of "ISEKI, the supporter for the farming industry full of dreams," we will contribute to development of agriculture on a global basis.

To this end, we will once again return to our starting point and work on *Henkaku* (Change) on issues such as the change in the domestic agricultural structure and food shortage caused by global population increase with the pride of the frontrunner in agricultural machinery.

The novel coronavirus (COVID-19) pandemic completely changed people's lifestyles and work styles around the world. Even if it subsides, things will not go back to how they used to be but instead we are required to adapt to new norms. We, at ISEKI Group, will make even more concerted efforts to drive forward *Henkaku* (Change).

Agriculture is the basis that supports food and is an important industry. We expect that the awareness towards food to change in the future and the importance of agriculture will further increase with food self-sufficiency rate becoming more important. ISEKI has to continue to be an "indispensable company" that supports agriculture. ISEKI Group will further advance *Henkaku* (Change) so as to continue demonstrating its presence in its 100th anniversary in 2025 and beyond and increase its corporate value.



Domestic business

Message from the General Division Manager of the Business Division

We will support new-age agriculture to attain a farming industry full of dreams (i.e., profitable agriculture).



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

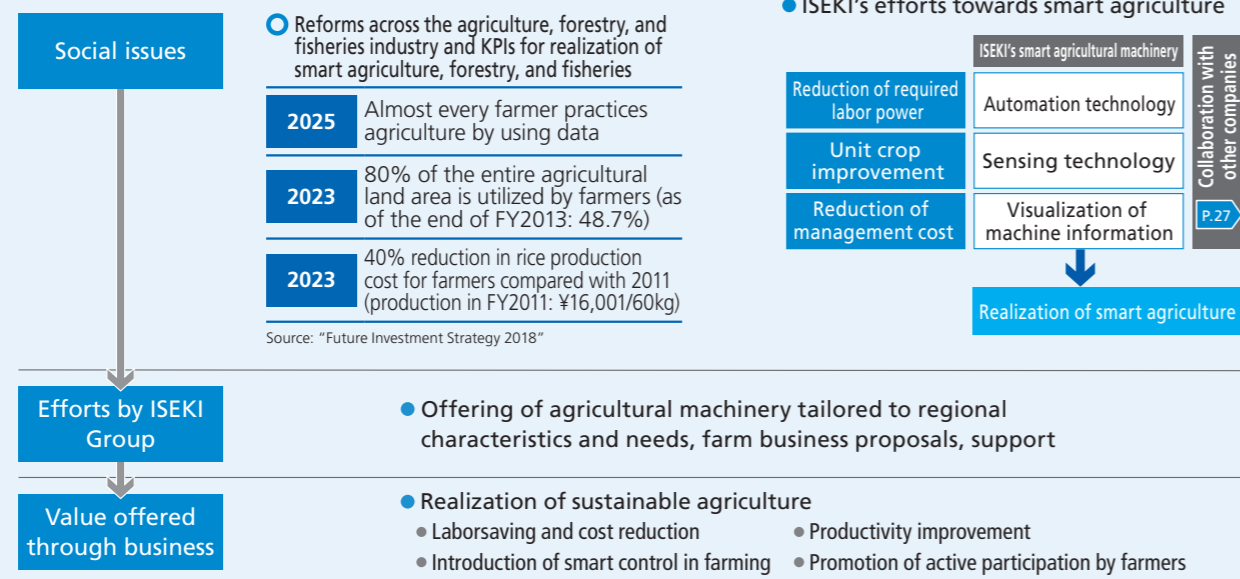
Japanese agriculture is increasingly witnessing structural changes such as introduction of large-scale farming caused by consolidation of farmland and crop conversion from staple food rice to field crops and vegetable farming. Meanwhile, the needs for agricultural machinery such as high performance, labor-saving machinery for solving serious manpower shortage due to aging of farmers and lack of successors, smart control agricultural machinery employing latest technology including robotics and ICT, and mechanization of vegetable farming, which continues to heavily rely on manpower are growing more and more.

ISEKI Group sets forth "Strengthen responsiveness to drastic changes in agriculture in Japan" as one of its basic strategy and is working on changes in market needs from both software and hardware aspects. In response to the scale of farming becoming large, we have been enhancing our sales and service structure by developing and increasing sales bases with large-scale maintenance centers at the core throughout Japan and redistributing personnel. Through these initiatives, we will implement swift and efficient sales activities and fully support our customers.

With respect to the hardware aspects, ISEKI Group has been strengthening supply of products with focus on market trends in each region centered on smart controlled agricultural machinery aimed at reducing requirement of labor power, improvement of unit crop and reduction of management cost represented by low-priced simple machinery and vegetable farming machinery. In particular, to realize smart agriculture, in which most of farmers utilize data by 2025, among the government's policy goals, we will promote introduction and demonstration of advanced technology with our strategic partners through collaboration with smart controlled agricultural machinery and farm business support software.

In terms of software aspects, the group will develop human resources who can respond to market needs mainly at Dream Agricultural Research Institute and ISEKI Global Training Center, where it supports promoting research and demonstration of advanced agricultural management technology and cultivation technique as well as provide support for dissemination to farmers, and works on further enhancement of support capabilities for making farm business proposals and technology service capability for farming in the new age.

The group will continue to contribute to sustainable development of Japanese agriculture and improvement of food self-sufficiency rate through assistance to farmers to attain agriculture full of dreams (profitable agriculture).



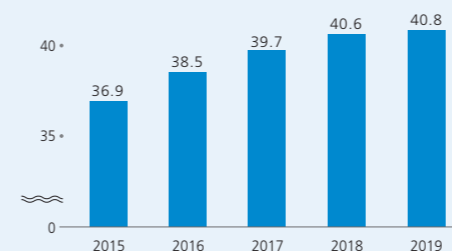
Priority initiatives

○ Establishment of sales and service systems for wider areas

To cope with the increase in large-scale farming, ISEKI Group has developed block-based sales structures centered around large-scale maintenance centers, and is swiftly and efficiently transforming the various sales and service activities for covering wider areas.

We have been pursuing structural reforms, in which we expand sales and profit primarily of agricultural machinery such as implements, parts, used machinery, and repair fees, so as to build a stable revenue base, and have ensured a stable base that is less likely to be affected by market trends while strengthening our earnings structure. Net sales of implements, parts, and repair fees were 40.8 billion yen in FY2019 and they are increasing every year.

● Sales trends of implements, parts, and repair fees (billion yen)

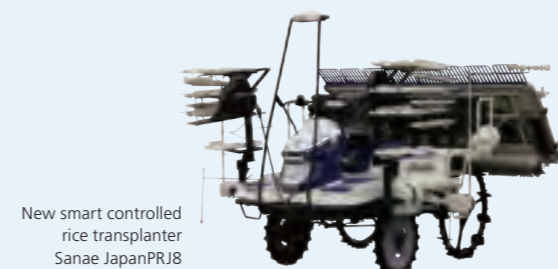


○ Product development in response to wide-ranging needs

● Agricultural machinery tailored to large-scale farming

In response to the increasing large-scale farming in Japanese agriculture, ISEKI Group has a product lineup covering from highly efficient, highly durable, and high performance models to simple, low-price models suitable for respective crop cultivation methods and farm business scale.

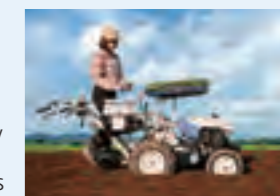
In recent years, needs for smart controlled agricultural machines installed with automatic steering function are growing, and models installed with straight-travel assisting function account for about 40% of the smart eight-row rice transplanters. Moreover, in June 2020, we launched a new smart controlled rice transplanter Sanae JapanPRJ series, in which the steering assistant function performs turning and row adjustment in addition to straight-travel assisting function, ahead of the world.



New smart controlled rice transplanter Sanae JapanPRJ

● Agricultural machinery for vegetable farming market

The vegetable farming market has been witnessing increased introduction of machinery required for development of new production areas and low cost production, and ISEKI Group has been focusing on the development and promotion of an integrated system for mechanization in vegetable farming. In particular, we will enhance the production lineup variety of vegetable transplanter Naueru, which is ISEKI's strength, by grasping the crop-system unique to a particular region and local needs. In addition to the fully-automated vegetable transplanter PVZ1 series, which has been popular for its high efficiency, the walking-type PVH series, which is a versatile semi-automated vegetable transplanter, and the riding-type PVHR series, ISEKI remodeled the walking-type PVH series, which is lightweight, compact, and easy to operate, and has been responding to the requirements of the vegetable farming market with its enhanced lineup.



Walking-type one-row vegetable transplanter PVH100

○ Strengthening of service and support

The most important thing necessary to systematically carry out work in agricultural management is provision of accurate and swift services and support. We are making farm business proposals reflecting the various needs of our customers and carrying out activities to ensure our customers are using agricultural machinery safely and securely.

<Key initiatives>

- Participation in the Japan Farm Work Safety Confirmation Campaign
- Holding farm work safety workshops utilizing various events (seminars for female farmers)
- Implementation of farm work safety campaigns (single-sided braking alarm installation campaign, etc.)
- Thorough implementation of pre-delivery testing
- Encouragement of inspection and maintenance before and after the use

○ Human resource development

ISEKI Group is strengthening human resources through various initiatives aimed at growing their support capability to offer farm business proposals and improving technical service capability.

<Key initiatives>

- Implementation of various specialized training sessions (ISEKI Global Training Center)
- Promotion of acquiring qualifications as agricultural machinery mechanic (The number of employees with the qualification in FY2019: 2,322 people)
- Nation-wide Service Skills Contest
- Holding an advanced farm business technologies support workshop "Team-TJ"



Service Skills Contest where service persons from around the country match-up their techniques

Overseas business

Message from the General Division Manager, Overseas Business Division

We will further accelerate the development of business on a global scale to solve various issues facing the global market.



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

Currently the world is seeking solutions to social issues such as population increase, development of a stable food production system to address that, climate change and other environmental problems. Under such circumstances, ISEKI's overseas business is supporting sustainable food production around the world through provision of agricultural machinery. At the same time, it is also supporting people's daily lives through offering of landscaping machinery for development of cities that are comfortable to live.

"Expanding overseas business" is the key item of our mid-term strategies. Subsequent to the expansion of its overseas business, ISEKI products have been rated highly in the European and U.S. markets, and we are expecting to continue expanding the market share and grow the business. In the meantime, most of ISEKI's rice crop machinery, which have become better over the years in the Japanese market, are being earnestly sought especially by business partners in various Asian countries, and quick business expansion in the Asian market is considered to be our obligation also from the perspective of increasing food production around the world. We will not only focus on provision of products that are meticulously tailored to the needs of each market but also further strengthen the structure of after sales service of parts and develop human resources that support these activities.

In addition to the existing local network, we will reinforce the collaborations with strategic partners having worldwide presence in order to further speed up the business expansion, and steadily grow ISEKI Group. We will firmly establish ISEKI brand in the global market and contribute to solving of social issues around the world.

Social issues

↓

Efforts by ISEKI Group

↓

Value offered through business

- Forecast for global population and food supply and demand

Year	Population in developing countries (billion people)	Population in developed countries (billion people)	Grain production volume (million tons)
2003-05	6.36	11.9	1,945
2015-17	7.44	12.5	2,569
2028	8.38	12.8	2,956

Source: "World Food Supply and Demand Trends and Projections in the Medium- and Long-Term" published by the Policy Research Institute, Ministry of Agriculture, Forestry and Fisheries
- World rice production Produces about 80% of the total in Asia

Country	Percentage
China	30.4%
India	22.4%
Philippines	2.4%
Myanmar	2.6%
Thailand	3.8%
Vietnam	5.7%
Bangladesh	7.0%
Indonesia	7.0%

2016/2018 average Source: USDA PS&D Online Data (2019.1)

- Offering of agricultural machinery and landscaping machinery that address regional needs
- Mechanization and laborsaving of farming
- Advancement of developing countries
- Improvement of productivity
- Development of comfortable cities
- Landscape conservation

Priority initiatives

○ Business expansion through reinforcement of collaboration with strategic partners

In promoting overseas expansion, we are growing the business through collaboration with strategic partners as well as the existing network with the ISEKI Group in Europe at core.

In North America, ISEKI Group has been mutually supplying products with global major AGCO over many years, and most recently we have been shipping our products to Latin America and South Asia. In Europe, the Group sets ISEKI France at the center of business expansion and has been focusing on expansion of sales and market share. In the ASEAN region and rest of Asia, we have been strengthening collaboration with Indonesian major agricultural machinery manufacturer RUTAN, IST Farm Machinery, which is a joint sales company with Mitsubishi Corporation, targeting Thailand and neighboring countries, and large Indian agricultural machinery manufacturer TAFE and accelerating business expansion in those countries. In China, we established Dongfeng Iseki Agricultural Machinery Co., Ltd. with Dongfeng Motor Group in 2011 and are endeavoring to expand the business in the Chinese market, which has great potential.

ISEKI Group will continue to expand overseas business as it builds strong relationships of trust with its strategic partners.

○ Development and introduction of products that suit each market

ISEKI Group is developing and offering products that incorporate the characteristics of each country and region.

In Europe, it offers landscaping machinery (tractors and riding mowers) for mowing lawns in parks, road cleaning, and snow clearing and ISEKI products are playing a role in the preservation of the beautiful landscape in Europe. In 2019, the Group introduced TH5 series tractors and SF5 series riding-mowers that are compliant with EU Stage V standards, said to be the strictest emission regulations in the world.

In North America, ISEKI supplies AGCO with compact tractors of PTO horsepower less than 40 and utility tractors of horsepower less than 100 under an OEM contract and these products are being used by a wide range of users. In particular, sales volume of the compact tractors has been strong and increasing every year. Moreover, we began supplying a new tractor model since May 2020 in an effort to further expand the market share.

China, which has the world's largest population, is facing the challenge of expanding food production by means of improving efficiency and expanding scale of farming. ISEKI has been supplying rice transplanters with cutting-edge technology in addition to large-scale agricultural machinery in response to the needs of the country, where large-scale farming is increasing.





In ASEAN, where the requirement for mechanization of agriculture is high, ISEKI Group introduced a new tractor model NT542 in 2019 with better durability and workability in Thailand. In India, which neighbors the ASEAN region, the Group began test marketing a rice transplanter in cooperation with its strategic partner TAFE. In South Korea, where the large-scale farming is expanding like Japan, we have introduced our large-scale, highly efficient mainstay products to establish the ISEKI brand in the country.

○ Strengthening of service and support

ISEKI Group provides community-based service and support. To offer swift support to customers, we established the Parts Depot Center in Europe and local subsidiary ISEKI (THAILAND) Co., Ltd., in addition to a parts center in Thailand to cover the entire ASEAN region in 2016 to strengthen the parts and after-sales service business. We also directly ask our customers their opinions and requests by asking the condition of products and through operation inspection so as to develop superior products.

○ Human resource development

We place emphasis on human resource development to enable us to offer the high-quality products and services developed in Japan to customers overseas. We offer farm business technical guidance to overseas agents through local service workshops and technical workshops to strengthen their technical and service capabilities.

Main market	Main users	Target models
North America	<ul style="list-style-type: none"> ● Farmers ● Hobby farmers ● Landscape developers, light civil engineering companies 	<ul style="list-style-type: none"> ● Tractors ● Utility ● Compact (premium, economy) ● Sub-compact 
Europe	<ul style="list-style-type: none"> ● Small-sized farmers ● Hobby farmers ● Landscape developers 	<ul style="list-style-type: none"> ● Tractors ● Compact (premium, economy) ● Sub-compact ● Riding mowers, etc. 
Asia	ASEAN	<ul style="list-style-type: none"> ● Tractors ● Versatile combine harvesters ● Rice transplanters, etc. 
	China	<ul style="list-style-type: none"> ● Tractors ● Versatile, auto-threshing combine harvesters ● Rice transplanters ● High-clearance multipurpose vehicles 

Development and production

Message from the General Division Manager, Development & Production Division

Combine all collective technical strengths and strategically respond to market needs in Japan and abroad



Hajime Odagiri
Director & Managing Corporate Officer,
General Division Manager,
Development & Production Division

ISEKI Group has positioned the structural changes occurring in Japanese agriculture such as the introduction of large-scale farming and crop conversion to field crops and vegetable farming, laborsaving and cost reduction using advanced technology, and the response to diverse needs in the global market as key strategic fields and is engaged in strategic research and development in those fields.

Upholding the “spirit as the engineer,” striving “to market ideas,” “to exert all technical potential,” “always being one step ahead of the competitors,” and “to be totally dedicated to product philosophy,” we are carrying out creative research and development leveraging high technological advantages. In production activities, ISEKI Group makes the most of the high manufacturing quality and expertise in productivity improvement that it has cultivated over the years in Japan and is adopting them on a global scale.

Human resource development is important for further reinforcement and development of the integrated manufacturing system from development to production, which is one of ISEKI Group’s strengths. Towards that end, the Group is promoting improvement and early nurturing of design skills in young employees engaged in development along with fostering human resources who would become leaders of production sites in Japan and abroad.

To create “excellent products,” which is the starting point of ISEKI, we will contribute to sustainable development of agriculture around the world by integrating the collective technical strengths we have accumulated so far and offering products that satisfy customers.

Key results in 2019

ISEKI Group introduced sub compact tractor TXGS24 in the professional landscaping market in Europe to cater to diverse needs such as mowing lawns, cleaning roads, and clearing snow and commercialized the HJ series, the most prominent auto-threshing combine harvester in Japan, for South Korea in response to strong requirements of professional Korean farmers who seek high performance, high quality high efficiency Japanese agricultural machinery. Further, as part of the measures to reinforce its manufacturing structure, ISEKI newly established an engine cylinder head processing line at ISEKI-Matsuyama MFG. Co., Ltd. leveraging latest IT and robot technology with the aim of streamlining and laborsaving.

Number of new products introduced: 40 models in 23 items

Key initiatives in 2020

ISEKI will expand the models of products installed with advanced technology such as automation and sensing technologies in response to the increasing demand for smart agriculture including manned monitoring-based robot agricultural machinery and strengthen product appeal by introducing low-priced machinery and vegetable farming machinery. We will continue to introduce new models of compact tractors in the North American market and launch products that respond to the needs of large-scale high-performance products in China and South Korea.

We will install our proprietary low-environmental load engines such as the non-road diesel engine compliant with EU Stage V in our products one by one and introduce them in the markets. Further, we will optimize the design and reduce costs through in-house development and manufacturing of engines.

Research and development policy

We pursue research and development with a mission to “contribute to society through agricultural machinery” in accordance with the four items of the “spirit as the engineer.”

Spirit as the engineer

- To market ideas
- To exert all technical potential
- Always being one step ahead of the competitors
- To be totally dedicated to product philosophy

Research and development and production system that support manufacturing

To provide “products that satisfy customers,” ISEKI Group has been enhancing its competitive edges such as performance, quality, and cost of the products in development, production, and sales and created various innovative products and value that contribute to improvement in efficiency and productivity of agriculture.

○ Research and development system

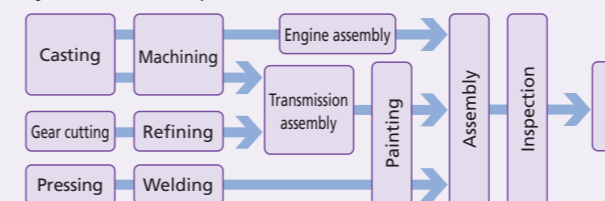
ISEKI Group has a research and development system where each product field has its own engineering department that enables each employee to be passionate about the field they are in charge of as an expert. Moreover, ISEKI Group as a whole displays collective power in development, production, and marketing departments. It determines the direction for the product strategy and research and development based on the needs and market trends in each region, drafts plans, and drives forward research and development with the five key strategic fields of (i) advanced technologies, (ii) products for large business, (iii) integrated system of vegetable farming, (iv) support for low-cost agriculture, and (v) global response. ISEKI also collaborates with research institutions and universities and jointly carries out research and development to improve speed and efficiency of technology development.

○ Domestic production system in Japan

The four manufacturing bases in Japan have respective production systems that reflect each factory’s characteristics. ISEKI-Matsuyama MFG. Co., Ltd., which is the mainstay factory, produces various parts from gear shaft parts to diesel engines in diverse work categories of casting, machining, press welding, and painting. It also assembles tractors, high-clearance multipurpose vehicles, and dryers, performing manufacturing in an integrated manner. This integrated production system enables us to demonstrate high manufacturing capacity and cost competitiveness while ensuring manufacturing quality that satisfies customers. We are also actively implementing QC activities and aim to further improve our productivity.

■ Work type and production system

Diversity of work type and integrated production system for each product



■ Machining facility production system



Machining center (FMS line)

* FMS (flexible manufacturing system) denotes system suitable for small lot production of variety of products

○ Global production system

ISEKI Group seeks to build a global production system in order to offer products in a timely manner to each market. 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 expertise it has acquired locally over many years. The company is working to further expand its business operations by increasing production capability while stepping up efforts to improve profitability, such as optimizing suppliers and improving site operations. Dongfeng Iseki Agricultural Machinery Co., Ltd. (Xiangyang and Changzhou) produces rice transplanters, high-horsepower tractors, and combine harvesters and supplies them to the local market in China and exports them to the ASEAN region.

● Production volume at PT. ISEKI INDONESIA (units)



○ Improving profitability through optimization of development and production

To introduce more competitive products in the markets in Japan and elsewhere, ISEKI Group has been promoting cost structure reform primarily in development and production departments. It has been continuously strengthening initiatives to raise productivity through thorough improvement of efficiency such as accelerating the speed of development by standardizing and unifying design, reducing costs, and reducing man-hour and improving indirect operations at manufacturing sites.

In addition, the Global Strategic Products Project Management Department was established directly under the General Division Manager of Development & Production Division and it is centrally managing initiatives to improve productivity of overseas products to reform earnings structure in group-wide efforts.

○ Development of high-quality and low-cost products

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

A system for proposing improvements targeting quality improvement, cost reduction and man-hour reduction has been put in place under which active improvement activities are conducted including 52,534 proposals made in FY2018. Value engineering (VE) activities that allow for cost cutting through improvements in products designing and manufacturing methods, parts procurement methods, etc., are also conducted to manufacture products at a lower cost.

Three strengths

Three strengths of ISEKI Group 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 business activities that leverage these strengths cultivated over the years as the source of its competitive edge.



Front runner

Strength ① — Technological capabilities

Since its foundation in 1926, ISEKI Group has been developing groundbreaking agricultural machinery as the front runner and has brought about innovation to agriculture and society. ISEKI's high technological capabilities are backed by patents it holds.



Solutions

Strength ② — Support capabilities to offer farm business proposals

ISEKI Group offers comprehensive farm business proposals and support from both hard (agricultural machinery) and soft (production management and advanced farm business technologies) aspects and solves issues faced by customers. In addition, the Group is making group-wide efforts to nurture experts to further strengthen its support capabilities to offer farm business proposals.

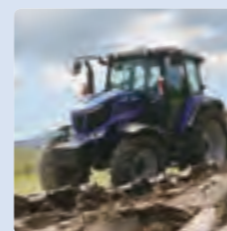


Innovation

Strength ③ — Innovation based on collaboration

We work together with partners in each field and each region in Japan and overseas to create new value such as development and provision of groundbreaking products and services and their offering in new markets.

Creating social and economic value



Strength ① — Technological capabilities

With the philosophy of our founder, “free farmers from exhausting labor,” ISEKI Group has consistently pursued efficiency and laborsaving advances in agriculture and have developed a significant amount of revolutionary agricultural machinery and facilities with ISEKI's unique technologies that meet the changes and needs of agriculture and social issues. The high technological capability that it developed in Japan serves as a major strength in ISEKI Group's global expansion.

Proof of ISEKI Group's 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, awards received in recognition of the inventions, and high patent allowance rates. ISEKI endeavors to differentiate its products from those of competitors by taking advantage of its “strengths” underpinned by intellectual property.

Number of patent application registrations in Japan per specialty field

Year	2000-2006	2007-2014	2016-2017	2018
Category	Number of laid-open patent applications per specialty field		Number of patent application registrations per specialty field	
Specialty field	Agriculture and fishery		Other special machinery	
Rank	No. 1			No. 2

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

Patent allowance rate

Year	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Patent allowance rate (%)	84.6	83.7	90.4	89.3	85.8	88.5	91.8	91.8	94.7	97.0	99.2	97.5	100	98.1	96.4
Rank	No. 1							No. 2		No. 1				No. 2	

Invention awards

● Number of invention awards received (cumulative) 223 (as of December 2019)

● National Awards for Inventions 18

Special Awards	President's Award of the Japan Institute of Invention and Innovation	1
	The Asahi Shimbun Award	1
Excellent Awards		2
Invention Awards		14

● Regional Awards for Inventions 205

Special Awards	Encouragement Award of the Minister of Education, Culture, Sports, Science and Technology (Encouragement Award of the Director-General of the Science and Technology Agency)	10
	Encouragement Award of the Commissioner of the Japan Patent Office	6
Awards of the Director-General of the Regional Bureaus of Economy, Trade and Industry (Award of the Director-General of the Regional Bureaus of International Trade and Industry)		9
	Encouragement Award of the President of the Japan Institute of Invention and Innovation	7
	Encouragement Award of the President of the Japan Patent Attorneys Association	4
	Awards of the President of the Ehime Institute of Invention and Innovation (District Head Award)	16
	Outstanding Invention Awards, etc.	37
	Invention Encouragement Awards	115
	Invention Encouragement and Merit Award	1

▲ Award of the Minister of Education, Culture, Sports, Science and Technology at the 2019 Shikoku Regional Invention Award

ISEKI's “heat recycling control of grain drying machine” received the Award of the Minister of Education, Culture, Sports, Science and Technology at the 2019 Shikoku Regional Invention Award hosted by the Japan Institute of Invention and Innovation.

Originally, exhaust wind that dries the grains used to be released outside the dryer as it contains a large amount of dust and moisture. Monitoring of the absolute moisture in the exhaust wind made it possible to recycle the wind for drying, enabling ISEKI to establish a heat recycling drying technology that realizes both improvement in energy efficiency (a maximum of 13% decline in kerosene consumption compared with its hot air dryer) and high speed drying (a maximum drying speed of 1.2% per hour). The company has certified this dryer series as a super eco-product, which reduces environmental burden.



GML series drying machine adopting heat recycling control (type H)

ISEKI's innovative technology in the 50-year history of rice transplanter

ISEKI has been supporting Japan's post war food production increase and high economic growth by realizing improved efficiency and laborsaving through mechanization of farming. In the current farming structure characterized by declining farm hands and introduction of large-scale farming, we are contributing to significant laborsaving of farming and realization of highly profitable agriculture by leveraging our technology.

It has been 50 years since ISEKI developed a representative of rice transplanter Sanae. Here we introduce ISEKI's technology hidden in the history.

ISEKI's Innovation

Taking ISEKI's technology to the world



ISEKI's smart rice transplanters installed with variable fertilizing and straight-travel assisting functions are playing active roles in agriculture in China and South Korea, where large-scale farming is gaining ground and needs for large-sized agricultural machinery are rising.

Development of variable fertilizing rice transplanter

This innovative rice transplanter measures soil fertility and depth using two types of sensors and automatically controls the amount of fertilizer to be added to the soil where the seedlings are being planted. Addition of optimum amount of fertilizer helps in reducing lodging of rice plants and uniform growth thus facilitating systematic harvesting. It also realizes low-cost farming such as quality stabilization and prevention of excessive fertilizing.



2020

Rice transplanter Sanae Japan installed with straight travel and turning assisting system Operesta + TURN (PRJ and PR series)



2017

Rice transplanter installed with automated straight-travel system Operesta (NP series)



2016

First in the industry! Variable fertilizing rice transplanter installed with soil sensor (NP series)



2007

Rice transplanter installed with Z Turn, turning assisting system (PZ series)



1999

37 seedlings sparse planting rice transplanter (PA3 series)

Development of PA series installed with rotary-type planting equipment

When the PA series installed with rotary-type planting rod was being developed, rice transplanters typically adopted a conventional crank-type (one transplanting rod per row), which limited the number of seedlings that can be planted per rod to 350 seedlings per minute. ISEKI developed the rotary system that uses two transplanting rods per row, which meant 700 seedlings per minute, enabling significant improvement in efficiency.



1987

Rice transplanter installed with rotary-type transplanting rod (PA series)

1971

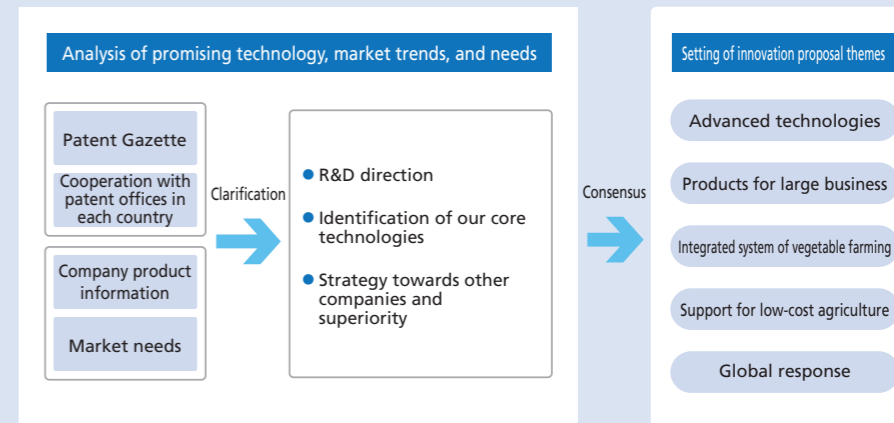
Development of walking-type rice transplanter equipped with backward-tilting seedling tanks Sanae (PF20)

Intellectual property strategies that support innovation

ISEKI strategically acquires rights for inventions and creations, which are intellectual outcomes of the activities to create core technologies of agricultural machinery and related products, and engages in business activities that emphasizes on intellectual properties that lead to value creation.

Invention creation and patent strategy

ISEKI Group is driving forward invention proposal activities based on invention themes considering promising technologies and market trends and needs. We also bring together engineers in charge of various products and carry out invention creation activity by systematically grasping agriculture as a whole to improve the quality and quantity of inventions through horizontal deployment of technology. We acquire rights to inventions with high effectiveness by reviewing the proposed inventions taking into account future social environment, technology trends, and feasibility of the business to protect ISEKI's proprietary technology and boost the superiority of product development.



Design/Trade mark strategy and Building of overseas network of intellectual properties

We accumulate attractive designs and easy-to-remember product marketing names as design rights and trademark rights to differentiate our products from those of other companies, strengthening product design protection and improving our brand value. We facilitate prevention of copying of our products in respective areas including emerging countries by improving analytical accuracy of market trends/ status of intellectual properties in respective country and by striving to acquire and accumulate effective rights.

Education on intellectual property and transfer of creation techniques

ISEKI Group proactively undertakes education on intellectual property and creativity so as to invigorate creativity on a group-wide basis and demonstrate its technological capabilities to the fullest extent. ISEKI Group offers intellectual property training corresponding to the years of experience of employees, including for new employees, to improve the level of their knowledge. Particularly, we encourage handing down of expertise in innovation and creation from experienced engineers to young engineers, thus promoting improvements in creative ability of young engineers.

Mutual study within the Group

Holding of technology research presentations

With the objective of developing products that contribute to the changing market environment in Japan and overseas, ISEKI holds "technology research presentations" annually as an opportunity to share and discuss the outcomes of research and development and invention information. The event celebrated its 30th anniversary in 2020. We conducted repeated discussions including the company's executives with the aim of raising the level of such matters on a group-wide basis. In addition, ISEKI Group invites external experts to present lectures on relevant themes in the pursuit of technological studies and knowledge improvement.

Intellectual Property Reports introduce details of ISEKI's technology and intellectual properties.

Intellectual Property Reports can be found on our website. <https://www.iseki.co.jp/english/company/intellectual/>





Strength ② – Support capabilities to offer farm business proposals

To realize agriculture full of dream (i.e. profitable agriculture) for producers, it is important to carry out agricultural management in a comprehensive manner from the aspect of agricultural machinery, which improves laborsaving and productivity (hardware aspect) and from the aspect of production management and advanced farm business technology (software aspect). With the Dream Agricultural Research Institute as the base, ISEKI will strengthen farm business proposals and support for producers and offer new value of agriculture.

Dream Agricultural Research Institute

In 2015, ISEKI established the Dream Agricultural Research Institute in Tsukubamirai, Ibaraki Prefecture. It is engaged in research, demonstration, and promotion of smart agriculture that utilizes advanced technologies and advanced farm business technologies by strengthening collaboration with the government, municipalities, research institutions, universities, private businesses, and Japan Agricultural Cooperatives (JA). The institute also strongly promotes development of the Group's human resources, dissemination of information, and farm business proposals.



A wide variety of research, verification, and promotion activities

Dream Agricultural Research Institute supports producers' farm management through a wide variety of research, verification, and promotion activities.

<Main initiatives>

- Fostering the dissemination of smart agriculture
- Utilization of rice paddies (conversion into soybean, barley or vegetable farming)
- Support aimed for obtaining GAP certification
- Proposing cultivation technologies to entrants from other industries and new entrants
- Support for cultivating regions' traditional crops
- Support for restoring deserted farmland and regional revitalization in collaboration with local governments, etc.
- Working on a project to support female farmers in Japan ("YUMEARU NOGYOJOSHI OEN" project)
- **Strengthening support capabilities to offer farm business proposals**
Dream Agricultural Research Institute accepts tours from a number of agriculture-related groups led by producers, and offers proposals corresponding to the requirements of customers and holds seminars at the exhibition hall and demonstration field. We will provide farm management proposals and support that only ISEKI can offer by leveraging the knowledge and experiences we have accumulated over the years as an integrated manufacturer specializing in agricultural machinery.
- **Development of professional human resources**
ISEKI offers proposals and support tailored to solving issues faced by producers by increasing professional human resources at its sales companies throughout Japan. The Group, in fFY2019, upgraded the contents of its training programs by enhancing training on smart agricultural management so as to respond to the drastically changing agricultural environment.

Number of visitors for tour About **11,000** in total (as of March 2020)



Exhibition hall



Smart agricultural machinery training

Community-based farm business proposals and support

ISEKI has been distributing Group human resources who have acquired knowledge and technique at its sales companies throughout Japan to offer community-based farm business proposals and support. ISEKI has been contributing to regional agriculture through community-based research and demonstration, farm business proposals, and promotion activities from the perspective of customers' agricultural management in collaboration with the government, municipalities, research institutions, universities, private businesses, and JA.

○ Collaboration for development of community-based farming in hilly and mountainous areas

ISEKI and ISEKI Chushikoku Co., Ltd., in collaboration with Tottori Prefecture, Tottori University, and private businesses, have been implementing research and demonstration on utilization of smart agricultural machinery in rice paddy cultivation management. The project is aimed at improving work efficiency and quality in hilly and mountainous areas by utilizing smart fertilizing system, etc. using variable fertilizing rice transplanters and high-clearance multipurpose vehicles.



Demonstration of smart high-clearance multipurpose vehicles

○ Initiative to establish large-scale flower production system

ISEKI and ISEKI Tohoku Co., Ltd. in collaboration with Akita Prefecture, JA, and private businesses are demonstrating large-scale outdoor production system for small chrysanthemum. The project aims to build a mechanized system to expand the scale of flower farming by utilizing auto-steering equipment and semi-automated transplanter in flower production system.

○ Holding seminars on how to handle agricultural machinery as part of the NOGYOJOSHI (female farmer) Project of the Ministry of Agriculture, Forestry and Fisheries (MAFF).

About 40% of agricultural workers are women and they play important roles in farming and community activities. To offer more support to female farmers, ISEKI Group took part in the NOGYOJOSHI Project by MAFF and has been holding seminars on how to operate agricultural machinery as its project. It has also prepared the Simple Manual of Agricultural Machinery and developed agricultural machinery that is easy for everyone to operate.



Seminars on how to operate agricultural machinery

Number of seminars on how to operate agricultural machinery (total) 30

Number of participants in ISEKI's project (total) 630 or more

>> Comments from the participants

- "I was not very comfortable with the machines but I was able to overcome it. I want to utilize it in farm work."
- "I had no one to whom I can ask how to use or maintain the machinery I usually use. I was able to learn how to use them effectively."
- "It gave us local female farmers an opportunity to connect."

○ Farm business proposals and support overseas

ISEKI Group spreads farm business and cultivation technologies and knowhow that it has accumulated in Japan to promote synergies with mechanization of agriculture and improve laborsaving and productivity. In India, it teaches cultivation technologies to local partner agents.



Cultivation technology training in India



Strength ③ — Innovation based on collaboration

To respond swiftly to the ever-changing business environment, ISEKI Group improves technological capabilities and develops and offers innovative products and services through industry-academia-government cooperation. The Group is not too particular about self-sufficiency and collaborates with a wide range of partners. In addition, the group is accelerating its global expansion by exploring new markets through collaboration with prominent strategic partners in each region.

Collaboration with the national and local governments

ISEKI Group carries out demonstration experiments in actual fields utilizing smart technology in collaboration with the government and municipalities to develop and promote technologies for cost reduction and laborsaving.

○ Collaboration with Tsukubamirai City on promotion of farming utilizing advanced technology

In March 2020, ISEKI and ISEKI Kanto Koshinetsu Co., Ltd. signed the Partnership Agreement Regarding Promotion of Agriculture Utilizing Advanced Technology with Tsukubamirai City, Ibaraki Prefecture, and began practical application and verification of smart agriculture. The agreement is aimed at improvement of rice crop production technology, cost reduction, and establishment of cultivation methods for high quality farm produce ultimately to realize sustainable agriculture by utilizing smart technologies such as paddy field sensors, sensing technology using satellites, yield combine harvesters, and variable fertilizing rice transplanters.



Signing ceremony with Tsukubamirai City

Collaboration with private-sector companies

ISEKI Group is creating new technologies in agriculture through open innovation combining innovative technologies possessed by each company and ISEKI's smart agricultural machinery. Combining ISEKI's smart agricultural machine and information obtained using member companies' remote sensing technology (drones and satellites), we will realize laborsaving, cost reduction, and improvement in quality.

○ Collaboration for realization of farming utilizing data

ISEKI and ISEKI Kanto Koshinetsu Co., Ltd. are participating in the Smart Agriculture Inter-business Cooperation Demonstration Consortium and carrying out demonstration for establishing smart agricultural system based on central management of farming data. The consortium started as the Smart Agriculture Inter-business Cooperation Demonstration Project by Niigata City in May 2018 and was adopted by the Project for Accelerating Installation of Smart Agriculture by MAFF from FY2019.



Start of the Smart Agriculture Inter-business Cooperation Demonstration Project by Niigata City

○ Collaboration for building integrated system of smart agriculture

ISEKI's smart agricultural machinery is combined with advanced technologies of private businesses including startup companies to form an integrated system for smart agriculture in rice paddy cultivation machinery. The work information of ISEKI products is linked to farm business management tool agri-note through Agri Support, which can be used free of cost, allowing to reduce troublesome data entry work and visualize management cost. Since FY2019, ISEKI began offering cloud-based low-priced water management system "farmo" and is pursuing smart agriculture further through reduction and visualization of work hours.

	April	May	June	July	August	September	October
Work	Tilling rice paddies Soil puddling, fertilizing Rice transplanting	Water management, topdressing, weeding, pest control				Reaping, drying/hulling	
Smart agriculture	ISEKI smart agricultural machinery		P Drone leaf color assessment service IROHA, UP-a-ray, visualization of growth status using satellites		ISEKI smart agricultural machinery		
			P Water level/temperature sensor Paddy Watch, MIMAWARI-KUN, automatic multifunction watering machine		P Remote water level/ watering management Suiden farmo		
Farm business management tools	ISEKI Agri Support, P agri-note						

* P: collaboration with private-sector companies

Collaboration with strategic partners

In the overseas business, ISEKI Group ensures the market-in approach and business expansion in each market through collaborations with prominent strategic partners as well as existing networks in each region.

In an effort to develop products that reflect local characteristics, the Group carries out tests and test marketing with the partners and strives to grasp the needs. In India, it began test marketing of riding rice transplanters and advancing the business in collaboration with TAFE while enhancing the software aspect including training for raising seedlings. In addition, the Group utilizes the sales network of AGCO and is carrying out test marketing also in new markets of Latin America and Asia.

We will introduce new products to expand overseas business and work on development of new markets.

TAFE Test marketing of rice transplanter in India



AGCO Test marketing in new markets of Latin America and Asia



TONGYANG MOOLSAN GROUP Marketing of high-performance agricultural machinery in South Korea



Joint development with research institutions and universities

ISEKI Group engages in joint research and development of agricultural machinery with testing research institutions and universities to accelerate and improve efficiency of technology development. It creates new value in agriculture and contributes to sustainable development of agriculture through development of innovative agricultural machinery.

○ Joint research projects in FY2019

Testing research institutions 20 themes

Universities 3 themes

○ Product resulting from joint development

Plant growth diagnosis device

A plant growth diagnosis device jointly researched and developed by ISEKI and Ehime University. The CCD (charge coupled device) camera installed in the body measures and digitize (visualize) the photosynthesis function of the plant without contact. Utilization of data enables laborsaving in verification process, while the quick response to changes in cultivation environment and growth enables early detection and prevention of crop damage due to disease, resulting in stable production of the crop.



Governance

Governance for sustainable and sound growth

As an integrated manufacturer specializing in agricultural machinery, ISEKI Group has contributed to the modernization of farming in Japan for more than 90 years since its founding. Looking ahead, the group considers it as its social mission to contribute to agriculture in Japan and overseas. As a company with a high level of lasting public trust, we need to continue our sustainable and sound growth to realize this mission.

Having designated establishment of internal group controls as a priority management policy, the company has compiled a basic internal control policy and is establishing an internal control system, with modifications made as and when necessary. Under the leadership of the officer in charge, we ensure continuous training centered on a cross-organizational compliance team, while remaining committed to preventing misconduct and scandals from occurring by promoting awareness of compliance among our employees.

At the same time, we believe it is important to maintain good relations with stakeholders including shareholders, customers, suppliers, local communities and employees, to respond to severe change in the recent business environment and ensure sustainable growth and improvement in corporate



Akio Kikuchi
Representative Director,
Chairman & Executive Officer

value over the medium and long term. To further improve standards of corporate governance, we have launched various initiatives based on our Corporate Governance Code compiled in 2015.

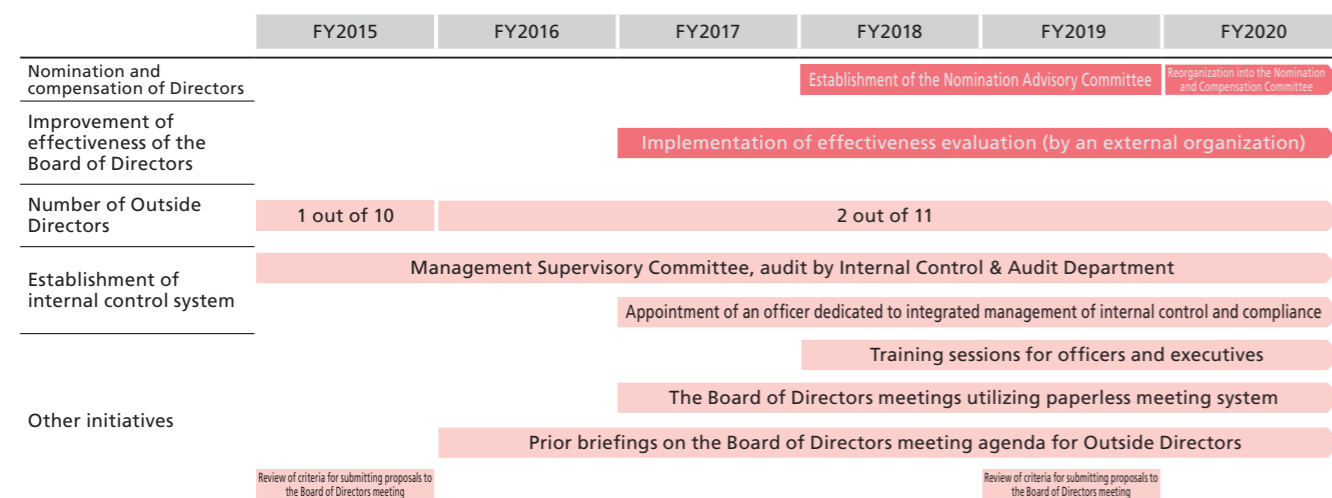
One such exemplary initiative is the appointment of Outside Directors. This measure was taken to further deepen the "visualization" of management from an external perspective. In 2016, we decided to switch to a system with two Outside Directors, who bring an objective perspective to management through their participation and are tasked with strengthening the management supervisory functions and ensuring transparency.

Another example is the implementation of the evaluation of the effectiveness of the Board of Directors to further improve its functions. ISEKI has been carrying it out since 2017 by appointing a third-party organization for evaluation. The company takes into account the result of the effectiveness evaluation while carrying out various measures to address the issues shared by the Board of Directors. We will continue to implement the PDCA cycle so as to further improve the functions of the board.

Still another is ensuring greater transparency in the process of selection of candidates for Directors. In 2018, we established a Nomination Advisory Committee, chiefly comprising Independent Outside Directors. As a consultative body to the Board of Directors, it discusses Directors' appointment and dismissal proposals that go before the general shareholders' meeting. Other core tasks include the discussion of appointment and dismissal of Representative Directors and reporting the results to the Board of Directors. The Ordinary General Meeting of Shareholders and the subsequent Board of Directors meeting in March 2020 passed a resolution regarding the appointment of new Directors and Representative Directors through this process. The committee was reorganized into the Nomination and Compensation Committee in March 2020 to include a function to deliberate and report on Directors' remuneration.

Going forward, we plan to take further steps to develop our corporate governance system to ensure sustainable growth, including the consolidation and improvement of a system of internal controls.

Transition in measures to strengthen governance



Corporate governance

Fundamental concept

The main purpose of our management system is to respond swiftly and accurately to changes in the management environment and to maintain fair management. In addition, achieving stable growth and improvement in corporate value over the medium and long term is our top priority of management. To maintain positive relations with our stakeholders, including shareholders, customers, suppliers, local communities, and employees, we are endeavoring to expand and improve our corporate governance. We acknowledge the importance of establishing an internal control system that provides stakeholders with important information in a timely and appropriate manner and of reinforcing corporate governance on a group-wide basis. Based on that recognition, we plan to establish administrative rules for group companies and a reporting structure to maintain fair business practices and share information.

Governance system: Key points (as of March 31, 2020)

Organizational format	Company with a Board of Auditors
Number of Directors	11
Chairperson of the Board of Directors	Chairman
Number of Outside Directors	2
Term of office of Directors	1 year
Number of Corporate Auditors	5
Number of Outside Corporate Auditors	4
Number of Independent Directors and Auditors	3

Board of Directors/ Directors' Operation Committee

Meetings are held once or more per month to make decisions on basic matters in relation to management as well as matters set forth in laws, regulations and the articles of association. Regarding the business execution, the corporate officers fulfill their duties smoothly as the persons responsible for the various operations. In addition, to manage businesses in a sound manner, Directors' Operation Committee meetings are held at least twice a month in order to share the latest information and discuss and report on how the business should be operated, the existence of risks, and how to prevent and avoid them.

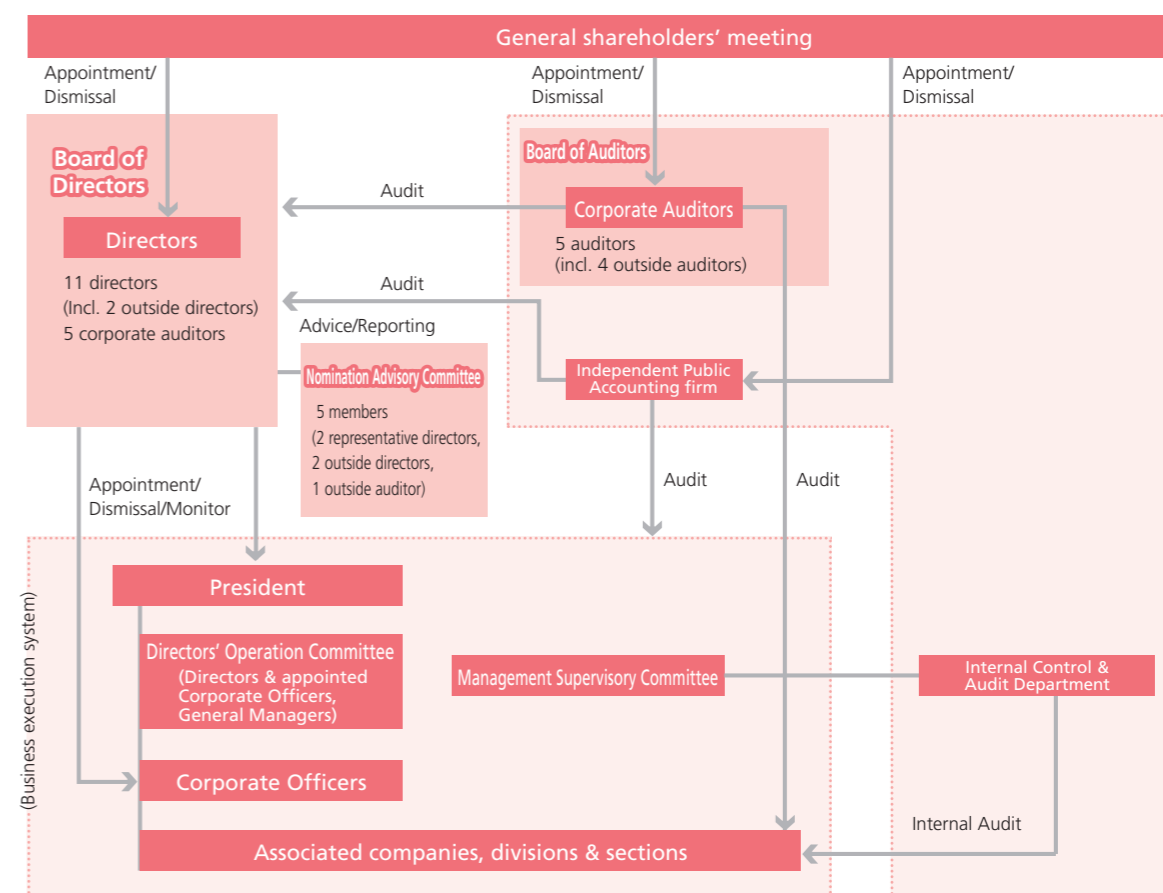
Board of Auditors

Corporate Auditors attend key meetings such as the Board of Directors, Management Supervisory Committee, and Directors' Operation Committee meetings. They independently formulate audit policy and audit the operations and assets of our offices and subsidiaries in cooperation with the Internal Audit Department and accounting auditors. Moreover, they strictly check the important agenda at the Directors' Operation Committee meetings and the status of operation execution by Directors to monitor management status and ensure the effectiveness of our corporate governance.

Management Supervisory Committee

We hold the Management Supervisory Committee once a month with the chairman of the Board of Directors as the head, all the directors as members and all the auditors as observers to check if compliance is penetrated thoroughly into the Group, as well as to check the measures and their status to establish and maintain internal control system.

Corporate governance system



Appointment and dismissal of Directors and Corporate Auditors

○ Policies and procedures

Directors' appointment and dismissal proposals and selection and removal of Representative Directors are resolved by the Board of Directors meeting based on the report from the Nomination and Compensation Committee in accordance with the criteria below.

① Criteria for appointment of Directors

- Has appropriate personalities as Director
- Has outstanding leadership
- Has abundant capability, knowledge, and experience in the specialized field
- Appointment is considered in a comprehensive manner taking into account the company's situation and governance structure at that time.

② Criteria for selection of Representative Directors

- Fulfills the appointment criteria for Directors
- Has a company-wide perspective as well as abundant capability, knowledge, and experience in corporate management
- Experience in the overseas business is considered
- Appointment is considered in a comprehensive manner taking into account the company's situation and governance structure at that time.

③ Criteria for dismissal of Directors and those for removal of Representative Directors

- Upon committing an act that violates laws, regulations, and the Articles of Incorporation
- When acknowledged that it is difficult to perform duties due to deteriorating health
- When acknowledged to have significantly damaged ISEKI's corporate value
- When acknowledged to have lost the capabilities and quality stipulated by the appointment or selection criteria

For the nomination of candidates for Corporate Auditors, we undertake an overall review in terms of their knowledge and experience in finance, accounting, and their specialized fields as well as whether or not they have an understanding of the full range of the company's business and it is resolved by the Board of Directors meeting.

In cases where it is deemed necessary to dismiss a Corporate Auditor for having inflicted significant damage to corporate value, submission of a proposal to dismiss the Corporate Auditor to the general shareholders' meeting is resolved by the Board of Directors.

Nomination of candidates for Outside Directors and Outside Corporate Auditors is subject to comprehensive review in terms of conditions of independence laid down in the Companies Act and whether or not the candidate is able to strengthen the monitoring function of the management team through his or her wealth of knowledge and experience in his or her specialized field.

To nominate a person as an Independent Director or Auditor, he or she must satisfy ISEKI's Independence Judgment Criteria for Outside Directors and Outside Corporate Auditors as well as meet the independence criteria set forth by the Tokyo Stock Exchange. Upon appointment, emphasis is given on high degree of specialization and ample experience that would enable the person to provide appropriate advices on and supervise ISEKI's business management.

○ Establishment of Nomination and Compensation Committee

ISEKI has established the Nomination and Compensation Committee comprised mainly of Independent Outside Directors as a consultative body of the Board of Directors regarding nominations such as proposal of a general shareholders' meeting agenda item regarding appointment and dismissal of Directors, selection and removal of Representative Directors, and compensation of Directors. In 2019, the committee held five meetings, discussed matters such as appointment and dismissal criteria of Directors, selection and removal criteria of Representative Directors, Independence Judgment Criteria for Outside Directors and Outside Corporate Auditors, nomination of Director candidates, and selection of Representative Directors, and presented reports on them to the Board of Directors.

Nomination and Compensation Committee	
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, two Independent Outside Directors, one Independent Outside Corporate Auditor
Chairperson	Independent Outside Director
Roles	(1) Appointment and dismissal of Directors (general shareholders' meeting proposal) (2) Selection and removal of Representative Directors (3) Representative Director successor plan (4) Amount of compensation for Directors (5) Composition and decision process of Directors' compensation (6) Establishment and change of basic policy and criteria for deliberation of the above. (7) Other matters recognized by the Board of Directors as necessary in association with each of the above items.

○ Evaluation of the effectiveness of the Board of Directors

To further facilitate the roles of the Board of Directors, the company launched a self-appraisal and analysis program for individual senior officers in 2017. The evaluation was done through a third-party organization using methods for canvassing personalized opinions, such as individual questionnaires and individual interviews for all Directors and Corporate Auditors.

Number of the Board of Directors meetings held	Attendance
18	Internal Directors: 99.3%
Time of the Board of Directors meetings	Outside Directors: 100%
2 hours 22 minutes on average	

○ Main content of the questionnaire survey

- Members and operation of Board of Directors meetings
- Support system for Directors and Corporate Auditors
- Training
- Dialogue with shareholders
- Own efforts

○ Evaluation results

As a result of evaluation, we were able to confirm the overall effectiveness of the Board of Directors.

<Items with high score>

- Incorporating Outside Directors' opinions and supervising function
- Appropriate supervision of Director candidates through the Nomination and Compensation Committee

<Issues>

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

List of officers

(As of the end of the general shareholders' meeting held on March 27, 2020)

○ Directors



Akio Kikuchi
Representative Director,
Chairman & Executive Officer



Shirou Tomiyasu
Representative Director,
President & Executive Officer
In charge of Corporate Planning Department,
Investor Relations Section, Financial Department



Shinji Arata
Director & Managing
Corporate Officer
Deputy Division Manager, Business
Division (in charge of systems).
In charge of General Affairs Department
and General Affairs Departments at
regional offices



Takafumi Kanayama
Director & Managing
Corporate Officer
In charge of Internal Control & Audit
Department and Compliance



Yukio Nawata
Director & Managing
Corporate Officer
General Division Manager, Business Division,
In charge of Business Division, Dream Agricultural
Research Institute, and Tsukubamirai Office



Masayuki Fukami
Director & Managing
Corporate Officer
In charge of Personnel Department, deputy
in charge of Corporate Planning Department,
Investor Relations Section, and Compliance



Hajime Odagiri
Director & Managing
Corporate Officer
General Division Manager, Development & Production Division
In charge of Global Strategic Products Project Management
Department and Purchasing Department, deputy in charge of
Matsuyama General Affairs Department



Shuichi Jinno
Director & Corporate
Officer
In charge of IT Planning
Department, deputy in charge of
Financial Department



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



Atsushi Iwasaki
Outside Independent
Director
[Significant concurrent positions]
Certified public accountant,
Outside Director, NH Foods Ltd.,
and Outside Director, OLYMPUS
CORPORATION



Shoji Tanaka
Outside Independent
Director
[Significant concurrent positions]
Attorney

○ Corporate Auditors



Seigo Kimoto
Outside
Full-time Corporate
Auditor



Yoshiki Kawano
Outside
Full-time Corporate
Auditor



Masato Machida
Full-time Corporate
Auditor



Yasuhide Motokawa
Outside
Full-time Corporate
Auditor



Mami Taira
Outside Independent
Corporate Auditor
[Significant concurrent positions]
Certified public accountant,
Certified tax accountant, and
Outside Director & Audit and
Supervisory Committee Member,
Suzuden Corporation

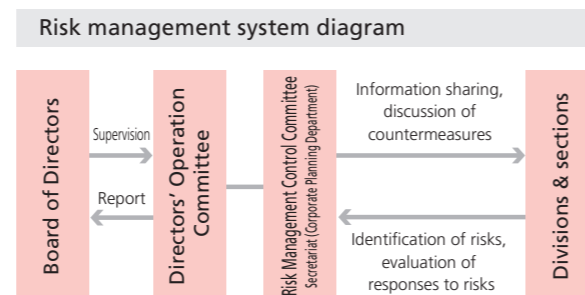
Risk management

Fundamental concept

ISEKI Group is committed to putting in place management standards, regulations and monitoring and response mechanisms to pre-empt risk facing group operations and to minimize losses when a risk event materializes. The Group risk management regulations define factors potentially leading to physical, economic and reputational losses and disadvantages as risks. The aim of the Group's risk management is to prevent risk from materializing and minimize losses when it does so as to ensure smooth business operations, soundness of assets and maintenance of corporate credit.

Risk management system

The Risk Management Control Committee under the Directors' Operation Committee periodically identifies and evaluates 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. It re-evaluates the extent of possible damage and frequency of occurrence of the identified risks in individual business processes, and discusses countermeasures, whose contents are then reported to the Board of Directors.



Risks that could affect ISEKI Group's business

Latent risks and uncertainties which could affect ISEKI Group's future financial performance are exemplified as below. We recognize the possibility of the occurrence of such risks and uncertainties, and will strive to avoid their occurrence and take proper measures should they occur.

- 1 Changes in economic conditions and the environment of agriculture**
Sluggishness of domestic and / or overseas economic conditions and any change in the agricultural policy may harm our financial performance through reduced demand for agricultural machinery.
- 2 Exchange rate fluctuations**
There is a possibility that fluctuation of foreign exchange may adversely impact our financial performance.
- 3 A price hike of raw materials, difficulty in procurement, and confusion in the supply chain**
As ISEKI Group procures raw materials and parts from numerous suppliers, situations such as sudden unexpected increase in prices or a prolonged tightening of supplies may harm its business performance.
In addition, a fall in production activities due to disruptions in the supply chain may adversely impact the Group's business performance and financial position.
- 4 Dependency on specific customers or suppliers**
Any change of business policy, business depression or bankruptcy of the Group's specific customers or suppliers may harm its financial performance.
- 5 Competition with other companies**
ISEKI Group is involved in fierce competition with other companies in the market, and unless overall product competitiveness, including relevant services, is maintained, there is the possibility of a decline in its performance.
- 6 Serous defects in products and services**
Occurrence of serious defects in the ISEKI Group's products or services may harm its financial performance.
- 7 Stock market fluctuation**
As ISEKI Group holds securities, stock price declines may adversely impact its business performance and financial position.
- 8 Government regulations on environmental issues, etc., and occurrence of related difficulties**
Substantial costs may be incurred related to our products or business activities due to necessitated responses to public regulation of environmental issues, etc., corrective measures undertaken upon the occurrence of troubles, lawsuits and other situations which could lead to a deterioration of its financial performance.
- 9 Risks derived from international business**
As ISEKI Group promotes overseas business development, unexpected changes in tax and legal systems, trade policies, or political unrest in any particular country may harm its financial performance when it engages in international business activities.
The Group is focusing on expanding its business in the Asian region, but the difficulties in securing human resources, immature level of technologies and unstable labor-management relationships in the region may primarily hinder its business development.
- 10 Risk of legal violation**
ISEKI Group is making group-wide efforts to ensure legal compliance and code of conduct and ethics by establishing the ISEKI Group Code of Ethical Behavior that is based on legal compliance and ethics and preparing an internal control system. In spite of such efforts, if any of its executives or employees should conduct any acts that violate laws and regulations, the business activities of the Group may be impeded and the business performance may deteriorate.
- 11 Risk of natural disasters, unexpected accidents, spread of infectious disease, etc.**
Natural disasters such as earthquakes, typhoons, floods or unexpected accidents may occur, which may harm ISEKI Group's financial performance.
In addition, a fall in production due to constraints on business activities accompanying the spread of infectious disease or disruptions in the supply chain may adversely impact the Group's business performance.
- 12 Business alliances, joint ventures and strategic investment with other companies**
ISEKI Group forms business alliances and joint ventures and carries our strategic investment with other companies as necessary. It believes that these measures are an effective means for the effective utilization of the management resources of both parties and for the timely development, production and sales of products.
However, should a conflict of interest occur between the parties concerned in business alliances or joint ventures due to financial position or other reasons, the Group would not be able to maintain the alliances. With regard to strategic investment including acquisitions, the expected results and / or effects may not be obtained in the integration of business, technologies, products and human resources, or more-than-expected time and expenses may be required. Accordingly, the success or failure of these measures may materially impact ISEKI Group's business and may adversely impact its business performance and financial position.
- 13 Debt**
ISEKI has outstanding syndicated loan and commitment line contracts with financial institutions. Should any of covenants of these contracts be triggered, the Group could face obligation to pay back some or all of these loans early, which could adversely impact the financial position of ISEKI Group.
There is a possibility that a hike in interest rate may harm its financial performance.
The forecasts of future results and target figures produced by ISEKI & CO., LTD. are based on information available as of the time of publication of this report, and assumptions made as of the same day regarding a number of latent risks and uncertainties that could affect future financial performance. Actual results may differ considerably depending on economic conditions, market trends, and future conditions for business operations hereafter.

Compliance

Fundamental concept

In order to raise compliance-focused management to a higher level, ISEKI Group works to make the importance of compliance thoroughly understood and enforced by each and every employee with the aim of raising compliance awareness.

System for promoting compliance

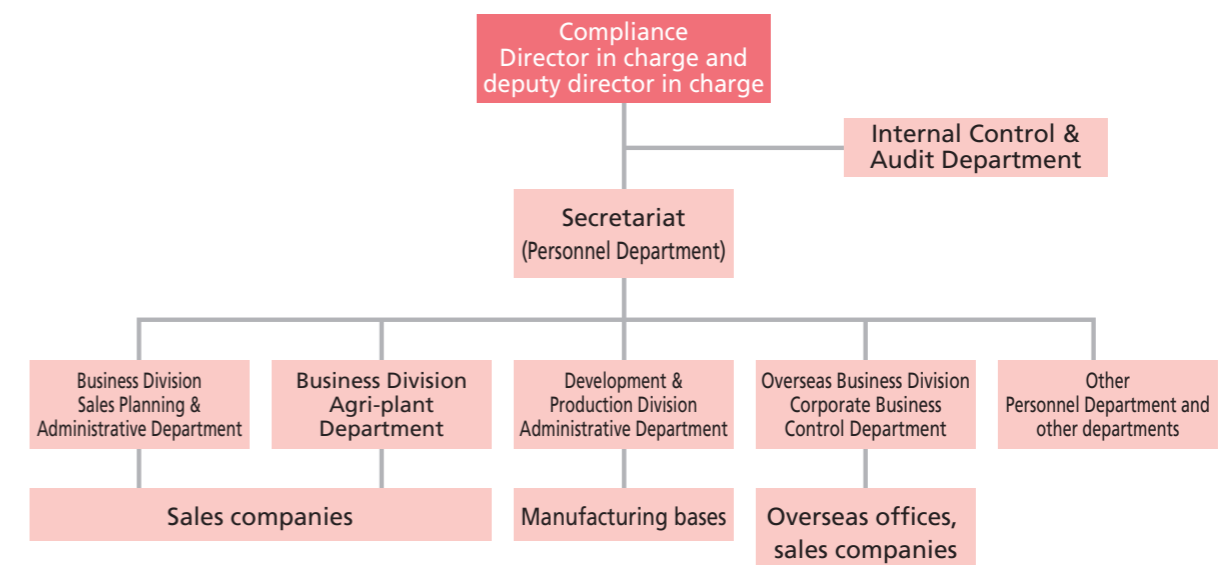
To prevent misconduct and scandals from occurring by promoting the penetration of knowledge and the awareness of compliance among each of the Group members, the compliance team established as an intragroup organization promotes compliance initiatives under the leadership of the Director in charge of compliance.

The Personnel Department handles overall management of compliance activities across the whole ISEKI Group, and

organizes companywide events, training sessions based on the educational system, and awareness activities. Management of compliance training and awareness activities at individual departments of group companies is carried out by the supervising unit of the departments.

The internal control & audit department conducts compliance status checks and works to raise employees' compliance awareness.

System for promoting compliance (Compliance team)



Activity content

To carry out compliance-related training and educational activities systematically

<Activities for penetration and education on compliance>

- **Distribution of the pamphlet "ISEKI Group Code of Ethical Behavior"**
The company has distributed the "ISEKI Group Code of Ethical Behavior" to all employees of the Group and works to ensure a thorough understanding of this pamphlet, so as to ensure that business activities meet corporate ethical requirements.
- **Issuance of "Compliance News"**
As a means to provide information regarding compliance, the company issues the quarterly "Compliance News" bulletin to raise compliance awareness among employees. 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.

<Training activities>

- 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

Concrete initiatives

ISEKI Group is implementing various group-wide initiatives to ensure compliance.

● Legal compliance training

Legal training is held for departments and employees in charge at Development & Production Division using video conference system. In September 2019, we held compliance training on explanation of non-disclosure agreement. After the training, the attendees went back to their respective departments and shared the information they gained in an effort to improve awareness of employees.

● Compliance training and initiative for penetration

ISEKI Group holds compliance training twice a year for employees of the sales companies. Also, it has developed an environment where employees can view the compliance education materials on the intranet to raise compliance awareness of individual employees.

○ Establishment of whistle-blower system (Ethical Hotline)

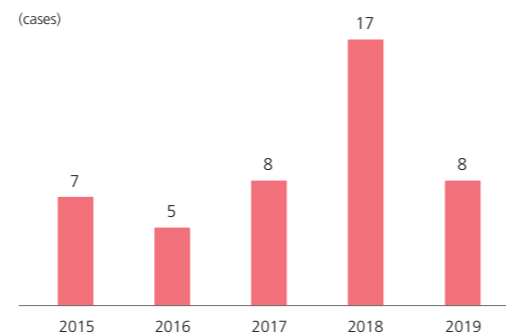
ISEKI Group has set up a group-wide whistle-blower system (Ethical Hotline) for the use of all employees, retirees and suppliers. The aim is to establish an open corporate culture and enable pre-emptive detection of problems within the company. In the system, telephones, e-mail, and other communication methods may be used in the event of detection of conduct in violation of laws and regulations, the company Code of Ethical Behavior or the company regulations on employment, or other rules. To protect the human rights of whistle-blowers and keep them anonymous, the system makes available three convenient channels of communication: the staff workplace organization, the Personnel Department and an external channel involving an outside law office.

In FY2019, the system handled eight cases of consultation and whistle-blower reports.

Channels for reporting

	Channel	Method of consultation
Staff workplace	Consultation and reporting to a line manager within specific staff hierarchies	
Personnel Department channel	Personnel Department	Telephone, e-mail, regular mail
External channel	(External) Law office of the company's consultant lawyer	Regular mail

Number of whistle-blowing cases



○ Initiatives for fair trade

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

○ Initiatives for protecting personal information

The Personal Information Handling Regulations is formulated and internal systems concerning the management of personal information are maintained. ISEKI Group works to appropriately protect personal information by carrying out activities for even further awareness and education on such protection for employees.

Society Promotion of sustainability

Fundamental concept

ISEKI Group believes that, in order to achieve sustained growth and improve corporate value over the medium to long term, solving social issues through business activities unique to ISEKI and making its presence felt would result in development of the relationships of trust with its stakeholders and lead to mitigation and prevention of risks.

The Group identifies and promotes priority issues so as to respond to requests and expectations of the society and fulfill its corporate social responsibility (CSR) to contribute to development of sustainable society (see p. 9 for details of the priority issues).

System for promoting sustainability

ISEKI Group promotes sustainability activities with the Corporate Social Responsibility Committee put in place for discussing CSR-related matters. The committee is chaired by the director in charge of the Corporate Planning Department, which promotes CSR activities, and is comprised of the members of the Directors' Operation Committee for deliberation and the department heads of CSR-promotion departments for promotion, and the committee meets twice a year.

The Corporate Social Responsibility Committee deliberates matters including the vision and strategy regarding sustainable management, review of priority issues addressed by ISEKI Group, and initiatives to promote CSR and manages the progress of these matters, while practicing management activities based on the PDCA cycle. Upon deliberation, the committee submits important matters to the Directors' Operation Committee and the Board of Directors for their decision. Departments in charge manage implementation and progress of CSR activities, report them to the management at relevant meetings, and evaluate them.

Major related meeting bodies

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

To spread sustainability

Case 1.

ISEKI held SDGs study sessions for the employees to deepen their understanding of how the businesses of ISEKI Group and SDGs are connected. The participants learned about the situations around the world and social issues through SDG-themed games and reviews and engaged in group work on how ISEKI Group can contribute to improve the situation.



Case 2.

ISEKI has been offering its employees educational opportunities to learn about CSR of ISEKI Group and sharing the importance of CSR and the concept of solving social issues in approaches unique to ISEKI through business activities. An education program was held at a purchasing department for its members with focus on the importance of supply chain management.



Society Human resource development and utilization

Fundamental concept

ISEKI Group promotes diversity as one of its management strategies by employing diverse human resources. It supports career development of employees through proper treatment of highly motivated employees with various abilities and offering them opportunities to play active roles to secure outstanding talents. ISEKI Group respects basic human rights and shall not discriminate on the ground of nationality, race, belief, gender, or disabilities.

Human resource development

Human resource development at ISEKI Group




ISEKI Group offers a wide variety of training programs ranging from the Agri-Heroes Support Project Training to strengthen farm business proposals for customers and the Team TJ Training specially designed for proposals utilizing large-sized tractors. It also offers

trainings based on their skills and occupation, foreign language courses, trade skill tests, correspondence courses, and opportunities to study abroad. It has also introduced the Meister system for smoothly passing on accumulated skills and experiences.

Initiatives for developing global human resources undertaken at enhanced and specialized training facilities—three pillars for human resource development—

ISEKI Group has put in place a system for developing human resources specialized in the three fields of development, production, and sales and services. IETC nurtures young designers in the development field, ITTC develops human resources for production sites in Japan and abroad, and IGTC trains employees in sales and services in Japan and abroad. ISEKI holds contests for the employees to compete on their skills to improve

their levels throughout the Group. It focuses on strengthening of human resource development to realize manufacturing that is trusted by customers as well as provision of innovative products and services. ISEKI is also actively conducting training for employees working outside Japan and leveraging manufacturing skills accumulated in Japan in other countries.

Development	Production	Sales and services
<p>IETC ISEKI Basic Engineering Training Center</p> <p>Nurturing young designers</p>  <p>Number of trainees: 566 in 2019</p> <p>Main training contents</p> <ul style="list-style-type: none"> ● Young engineer development training ● Training on integrated system of rice cultivation ● Training on laws and regulations 	<p>ITTC ISEKI Technical Training Center</p> <p>Nurturing leaders of production sites in Japan and overseas</p>  <p>Number of trainees: 164 in 2019</p> <p>Main training contents</p> <ul style="list-style-type: none"> ● Manufacturing leader development course ● New employee training course ● Trade skill test and qualification acquisition preparatory courses ● Special education 	<p>IGTC ISEKI Global Training Center</p> <p>Nurturing sales and services representatives in Japan and overseas</p>  <p>Number of trainees: 819 in 2019</p> <p>Main training contents</p> <ul style="list-style-type: none"> ● Product fundamental ● Product technology training ● Professional mechanic training ● Sales training ● Training for acquiring qualifications

Diversity –utilization of diverse human resources

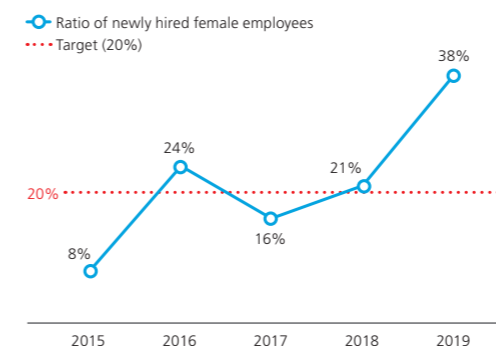
Initiatives for promotion of active participation by women

ISEKI Group works on promotion of active participation by women as part of utilization of diverse human resources. In the action plan for development of workplace environment that facilitates greater participation by women, ISEKI aims to achieve the ratio of women among the hires to 20% or more. In addition, the Group continues its efforts toward increasing the ratio of female employees in the superintendent class, who are manager candidates.

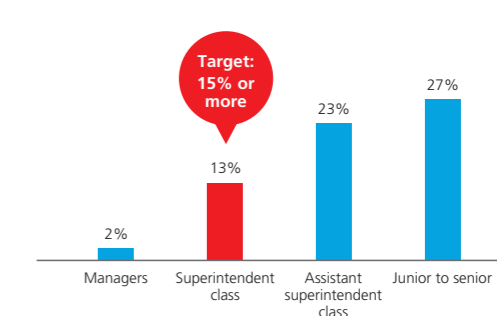
Action plan (target for 2022)

- Achieve 20% or more in the ratio of newly hired female employees and actively recruit women with engineering background.
- Achieve 15% or more in the ratio of female employees in the superintendent class, who are manager candidates, to raise the ratio of women in management.

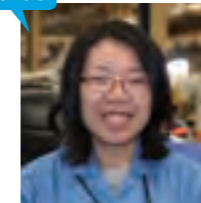
Ratio of newly hired female employees



Ratio of female employees by rank



voice



>> Successful female employee

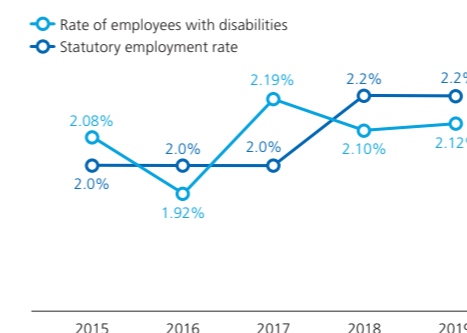
Kanako Kamota
Tractor Technology Department,
ISEKI & CO., LTD.

I am in charge of engine auxiliary and exterior design of economy tractors for North America and Europe. I am engaged in a wide range of operations such as negotiations and adjustment with business partners and factories outside Japan as well as drawing, assembly and test of prototypes, and I find it rewarding. I had taken maternity leave and am currently working full time. While my work volume is adjusted because I have a child who is yet to start school, my responsibility regarding the operations I can handle has not changed from earlier. To increase participation by women, I believe that it becomes even more important to have a support system and workplace environment that takes the situation of each employee, both men and women, into account.

Employment of people with disabilities

Irrespective of having or not having disabilities, ISEKI aims to create a workplace where different kinds of people can fulfill their potential. The ratio of employees with disabilities in FY2019 was lower than the statutory employment rate. We are determined to work towards creation of job opportunities for them.

Rate of employees with disabilities



Employment of foreign nationals

ISEKI Group works on continuous employment of foreign nationals, which is indispensable for its global business expansion. Employees from various nationalities are working in a wide range of fields including development, production, and sales.

Employment of senior citizens

ISEKI actively promotes participation by senior citizens. It has introduced a reemployment system for all employees as a rule who wish to continue working after their retirement age of 60 till 65 years old in anticipation that it would enable handing over of their experiences, skills, and knowledge.

Prohibition of discriminatory treatment and respect for human rights

ISEKI Group Code of Ethical Behavior stipulates that its employees are required 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," and the Group distributes the code to all employees.

It has established the Harassment Prevention Regulations and conducts power harassment training to ensure prohibition of harassment including sexual harassment and maternity harassment.

Society Creation of employee-friendly workplaces

Fundamental concept

One of the principles set forth in the Company Motto of ISEKI Group is to provide “a stable workplace to the employees,” and one of the basic rules of ISEKI Group is to “aim for creating a healthy and safe working environment where employees can feel that their work is rewarding.” The Group also positions the provision of a secure and safe working environment to employees as one of priority issues.

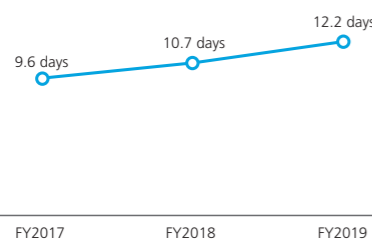
Creation of employee-friendly workplaces

The Act on the Arrangement of Related Acts to Promote Work Style Reform was enacted prompting everyone to review how people work. Against this background, ISEKI Group is striving to develop a workplace that is more employee-friendly. In particular, it is working on promoting enhancement of employees’ work-life balance so that they can spend fulfilling days not only at work but also in their private lives. As part of the effort, the Group is strengthening the systems for balancing work and child rearing and promoting utilization of annual paid leaves through a planned leave system. In order to encourage male employees to take child care leave, ISEKI attaches a document encouraging the employee to take child care leave when it gives congratulatory money upon child birth. In 2019, five male employees took child care leave.

Utilization of paid leaves

Along with promoting improvement in operation efficiency, ISEKI Group is encouraging employees to utilize annual paid leave. The level of utilization is not yet high, but the number of days of such leaves taken by the employees has been on an increasing trend in recent years.

Number of annual paid leave days per employee (average for union members) Non-consolidated



voice

>> Voice of a male employee who took childcare leave

Ryo Kazahaya
Europe Sales & Marketing Department,
Overseas Business Division, ISEKI & CO., LTD.

I am primarily engaged in sales management, product shipment, and amendment of contracts of European agents at the Overseas Business Division. When my child was born, I took a total of seven months in childcare leave – one and a half months and five and a half months for a total of seven months. I was worried about certain things such as its impact on operation and work environment after returning to work, but my superior and colleagues shared my assignments and supported me and I was able to take the leave comfortably. In actual child rearing, I not only experienced the difficulties and troubles but also witnessed how my child grew by the day and conversations with my family increased. I also began studying bookkeeping and accounting using the time during the leave, and I would like to work on new assignments in addition to my current operations. I would like to enhance my work-life balance even after I return to work by utilizing flextime and other systems and cooperating with my wife.

Examples of internal systems

- Flextime system
 - No overtime day
 - Systems for childcare leave and shortened work hours for child rearing (promotion of male employees’ taking paternity leave)
 - Systems for leave and shortened work hours for nursing care
- Child care support company certification mark Kurumin

Act on Advancement of Measures to Support Raising Next-Generation Children (2021 goals)

- Creation and maintenance of a working environment where work-child care balance can be achieved
- Promotion of active participation by female employees caring for children
- Reexamination of work styles
- Carrying out of activities to support child rearing in local communities

Thorough management of occupational safety and health

Setting up “a healthy and safe workplace” as the code of conduct and having formulated the Policies Concerning Safety, ISEKI Group manages occupational safety and health in a group-wide effort. It carries out safety and health activities reflecting the actual situations of each company and office and implements safety checks at the sites of manufacturing subsidiaries and thereby strives to reduce accident risks to achieve “zero industrial accidents.”

The Group has established safety training hall as a place for experiencing near-accidents and offers employees to have simulated experience of actual occupational accidents to improve safety awareness. Further, ISEKI Group also carries out safety audit at all workplaces and the entire Group works together to ensure occupational safety.

Statistics of industrial accidents: severity rate (%)

Year	2015	2016	2017	2018	2019
Severity rate (%)	0.008	0.000	1.760	0.001	0.371

*Severity rate: Number of work days lost per 1,000 working hours
*Scope: ISEKI & CO., LTD. and its three factories in Japan
*Period: The figure for 2015 is for the nine months from April to December due to a change in the fiscal year end. They are for twelve months from January to December for 2016 onward.

Policies Concerning Safety

“Safety takes precedence over everything”
—promoting initiatives to achieve “zero” industrial accidents—

Implementation of risk assessment based on risk-prediction activities

- ▶ Identifying risks and hazards in operations, taking risk reduction measures and thereby preventing accidents from occurring.

Provision of safety education

- ▶ Thoroughly entrenching awareness of safety once again through education provided at the safety training hall so as to build a framework that prevents any industrial accidents.

Society Product quality assurance

Fundamental concept

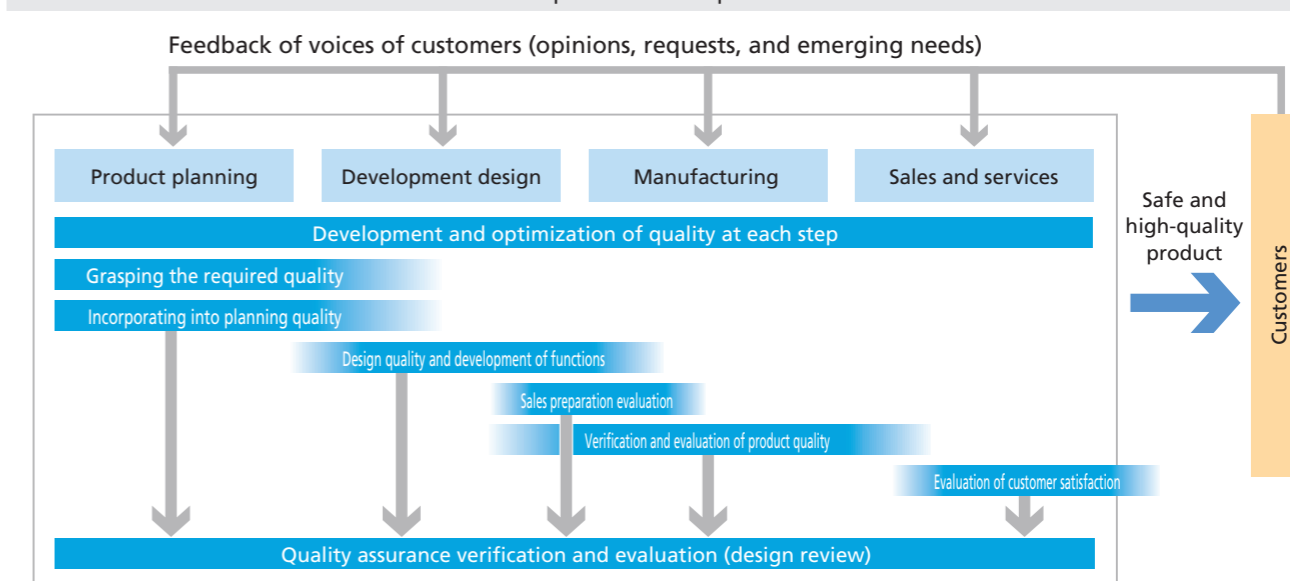
ISEKI Group works to provide consistent product quality assurance from product planning to sales and after-sales service while reflecting the opinions from the market in product development and improvement so as to offer products developed from the customers’ perspective in a timely manner. Further, the basic rule of ISEKI Group is to take all possible measures for quality control and make prompt responses in good faith should any quality related issues arise.

Offering safe products that respond to the customers’ trust

ISEKI Group carries out consistent quality assurance activities across the Group by reviewing the design in every step from product planning and development design to manufacturing, sales, and services with the aim of providing products that respond to the trust placed by the customers. In product development, ISEKI Group grasps the requirement details based on customer opinions and utilizes that in “planning quality” and elaborates on functions in “design quality,” ultimately

reflecting that in “product quality.” In each step, the Group carries out evaluation and verification of quality optimization. ISEKI Group also gathers customer opinions through service activities such as providing instructions on test operations upon delivery and inquiring 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 product.

Flow of how voices of customers are reflected in product development



Handling of recalls

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

When we launch a recall, we notify and report to the concerned authorities*1 and disclose the information on the website of ISEKI & CO., LTD. to draw attention of customers and provide them information.

Number of recalls by fiscal year*2

Year	2015	2016	2017	2018	2019
Number of recalls	3	5	6	0	2

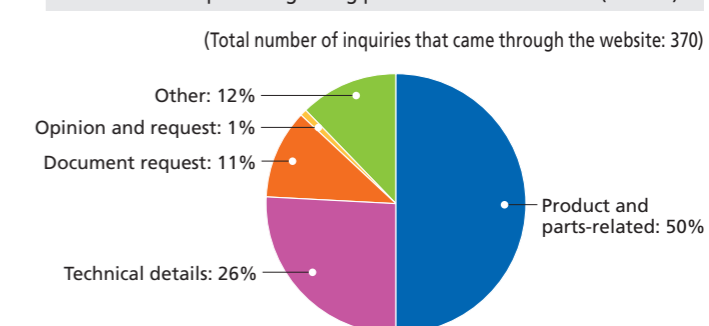
*1. Ministry of Land, Infrastructure, Transport and Tourism, Ministry of Agriculture, Forestry and Fisheries, Ministry of Economy, Trade and Industry, etc.
*2. Number of recalls filed with the Ministry of Land, Infrastructure, Transport and Tourism

Customer inquiries concerning the products

Inquiries concerning the products are accepted by phone, on the website, etc. and the department in charge carefully and promptly (target of within one day) provides in-depth answers. For matters that receive a large number of inquiries, ISEKI Group posts them on its website and works to provide sufficient explanation so that customers can solve the issues on their own.

Further, the valuable opinions from customers are fed back to the company’s executives and concerned department and are actively used in its product development, sales, and service activities.

Contents of inquiries regarding products from customers (FY2019)



Society Fair and equitable trade

Fundamental concept

The relationship with suppliers who support ISEKI Group's business is important for it to remain as an indispensable company in the world and the basic policy of the Group 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." ISEKI Group believes that the building of a sustainable supply chain and developing human resources inside and outside is indispensable to achieve sustainable growth to fulfill social responsibilities in the rapidly changing business environment. Towards this end, the Group will pursue initiatives that would lead to mutual cooperation and business development as well as building relationships of trust and improving corporate value.

Initiatives aimed at strengthening relationship with suppliers

IR information meetings are held every year for domestic manufacturing vendors where the company's executives explain the management status and policy. ISEKI Group also conducts superior company tours, through which suppliers observe good practices and the latest initiatives, and also carries out supplier audits and business support so as to build relationships of trust and to expand and develop business together.



ISEKI President making a presentation at an IR information meeting for vendors

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

Checks and supervision have been established in each group company, including checks and balances based on systems such as periodic reporting to the Management Supervisory Committee and monitoring through audits. The Group also carries out continuous training concerning the Act against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors.

Support for human resource development and activities to educate each other

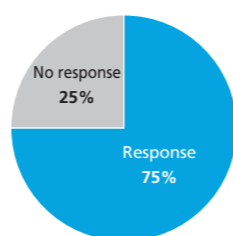
In order to support human resource development at suppliers, ISEKI Group provides them with opportunities for training and study sessions at ISEKI's human resource development facilities with the aim of improving their skills, knowledge, and capabilities of providing sales and technology services. Various types of ability development programs are undertaken with suppliers by making effective use of the human assets of the Group. A training program for nurturing successors of dealerships is being carried out as part of this training.

Further, ISEKI Group and suppliers work to educate each other through methods such as raising the level of the company's employees in the trainings on the characteristics and functionalities of products provided by supplier companies.

Promotion of CSR procurement

ISEKI Group has drafted the 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. ISEKI Group, along with disseminating the guidelines, carries out periodic surveys to grasp the status of CSR initiatives at suppliers. The Group continuously seeks the understanding of those suppliers who do not respond to the surveys.

CSR survey response rate



ISEKI Group CSR Procurement Guidelines (excerpts)

[1] ISEKI Group's CSR

(Fundamental concept)

- Contribute to the creation of a prosperous and sustainable society
- Resolve social issues through business and improve corporate value

[2] CSR procurement policy

(Fundamental concept)

- Policy that the ISEKI Group complies with in procurement activities and to promote CSR procurement

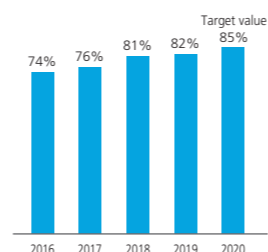
[3] CSR procurement guidelines (basic items)

1. Customer satisfaction and quality assurance
2. Compliance with laws and ethical business activities
3. Respect for human rights and creation of healthy and safe workplace
4. Environmental preservation and green procurement
5. Coexistence with local communities and international cooperation
6. Management transparency and accountability

<Promotion of green procurement>

ISEKI Group has drafted the ISEKI Group Green Supply Guidelines to take the environment into account in matters related to products such as parts and materials procurement, and carries out activities to gain the understanding and cooperation of suppliers. Regular reports regarding the status of initiatives at suppliers are obtained through self-check questionnaires and those suppliers superior in environmental activities are designated as Certified Green Suppliers. ISEKI Group continues to propose improvement to those suppliers yet to obtain the certification.

Ratio of Certified Green Suppliers



Society Stakeholder engagement

Fundamental concept

ISEKI Group strives to build strong relationships of trust with stakeholders by engaging in responsible dialogue with them including direct interaction by company's executives.

In terms of information disclosure, the basic policy of the Group is to "disclose information properly to fulfill social accountability" (fundamental principle) and "promptly disclose accurate information required from inside or outside of the Group in recognition of the importance of social accountability and thereby endeavor to become a company with transparency" (code of ethical behavior), as described in ISEKI Group Code of Ethical Behavior

To win fair evaluation from all our stakeholders, including shareholders, investors, customers, suppliers, local communities, and employees, and to ensure management transparency, we strive for fair, equitable, timely, and appropriate disclosure of management-related information keeping with the purpose and meaning of fair disclosure rules.

Also, the opinions and requests received through the various dialogues are compiled by the respective departments in charge and reported to the company's executives at the Public Relations Liaison Committee meetings held every month and are appropriately reflected in the business activities.

Major engagements with stakeholders

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 support 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.	<ul style="list-style-type: none"> ● 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
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 fair disclosure policy.	<ul style="list-style-type: none"> ● General shareholders' meeting M ● Quarterly briefing sessions M ● Individual meetings M ● Information meetings for individual investors and shareholders M ● Facility tours M
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.	<ul style="list-style-type: none"> ● 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
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.	<ul style="list-style-type: none"> ● Internal IR information meetings M ● Labor management council M ● Employee meetings M ● Various training ● Various commendation meets and contests M ● Former employees' meeting 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.	<ul style="list-style-type: none"> ● 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

M denotes involvement of company executives

Society Constructive dialogue with shareholders and investors

Fundamental concept

ISEKI Group believes that the understanding of shareholders and investors is indispensable for achieving sustained growth and the improvement of corporate value over the medium to long term. The Group engages in constructive dialogue and strives to build long-term relationships of trust with the shareholders and investors by explaining the management policy in an easy-to-understand manner.

Constructive dialogue with shareholders and investors

Framework to promote dialogue

The dialogue with shareholders and investors is supervised by the officers in charge of the various business administration departments (Investor Relations Section, Corporate Planning Department, Financial Department, and General Affairs Department) and the President, said officers and business administration departments strive to actively engage in constructive dialogue utilizing various opportunities such as earnings briefings. In order to improve the dialogue, the person in charge of IR collaborates with the department in charge of the specific theme and works on preparation of disclosure materials, sharing of information, etc. on a company-wide scale, in addition to collaborating and sharing information with the various departments at the Public Relations Liaison Committee held once every month. ISEKI Group has also set up pages dedicated to shareholders and investors on its website and provides disclosure information such as its management policy and performance in an easy-to-understand manner.

The opinions, etc. obtained through the dialogue are fed back to the Directors, management executives, and related departments by way of reporting to meeting bodies, distribution of reports, etc. for the purpose of information sharing.

Opportunities for dialogue with shareholders and investors <Key initiatives in FY2019>

- Briefing sessions by officers held every quarter*
- Individual meetings
- Information meetings for individual investors and tours for individual shareholders
- Facility tours for institutional investors (ISEKI-Matsuyama MFG. Co., Ltd., Dream Agricultural Research Institute)
- Disclosure of related materials (posting of earnings-related materials with summary, disclosure of question and answers during briefings, posting of English language materials)

*From FY2020, ISEKI Group plans to hold briefing sessions for the first and third quarters via teleconferencing system.

Tours for individual shareholders

ISEKI Group conducted a tour of ISEKI-Matsuyama MFG. Co., Ltd., its mother factory, for individual shareholders in November 2019. During the visit, the shareholders were briefed by the company President of ISEKI Group's business profile and growth strategy, and they were also given a tour of the factory and ISEKI Dream Gallery. From the views exchanged with the shareholders who participated and collected through the questionnaire survey we were able to obtain the following observations: "I understood the stance of ISEKI towards manufacturing and its initiatives," "Touring the manufacturing and engineer educations sites were meaningful," and "The 5 S of Seiri, Seiton, Seizou, Seiketsu and Shitsuke (Sort, Set in order, Shine, Standardize, and Sustain) were seen to be thoroughly implemented in the factory." ISEKI Group will continue to engage in constructive dialogue through such tours and enhanced information dissemination and strive to build long-term relationships of trust.



Briefing by the President



Factory tour

Society Social contribution

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 by leveraging the strengths of its main business aiming for the development of local communities in the medium- to long-term.

Key initiatives in FY2019

Field		Key initiatives
Development of the next generation	Food and agricultural education	<ul style="list-style-type: none"> ● Food education project to grow rice in buckets (lectures at schools) ● Awareness campaign through displays of agricultural machinery and holding workshops at food and agricultural events ● Cultivation of rice with children in the community as part of voluntary activities
	Manufacturing education	<ul style="list-style-type: none"> ● Held manufacturing education for elementary school students to learn manufacturing process ● Awarded the Iseki Prize at the 78th Ehime Prefecture Children's Exhibit of Invention and Devices ● Cosponsored the Youth Development Project of Ehime Institute of Invention and Innovation
	Experience and activity education	<ul style="list-style-type: none"> ● As a global corporation, conducted lectures for high school students as part of SGH* ● Accepted students for internships and hands-on experience
	Culture, arts, and sports	<ul style="list-style-type: none"> ● Held the 24th Sanae National Children's Drawing Contest ● Cosponsored National Sports Festival Ikiiki Ibaraki Yume Kokutai and Ikiiki Ibaraki Yume Competition 2019
Contribution to local community		<ul style="list-style-type: none"> ● Held factory tours and ISEKI Dream Gallery tour ● Participated in the local traffic safety campaign
Contribution to environment		<ul style="list-style-type: none"> ● Carried out cleaning and environmental beautification activities ● Held activity to turn off the lights at various offices
Assistance for disaster recovery		<ul style="list-style-type: none"> ● Assistance to agricultural areas affected by Typhoon Hagibis (donations, maintenance of agricultural machinery)

*SGH (Super Global High School): An educational program promoted by the Ministry of Education, Culture, Sports, Science and Technology aimed at nurturing global human resources.

Factory tours and ISEKI Dream Gallery

In addition to disseminating information regarding agriculture and agricultural machinery through tours of the ISEKI Group factories in Matsuyama, Kumamoto, and Niigata and the ISEKI Dream Gallery, the Group strives to strengthen its dialogue with all the stakeholders led by customers and residents in the local community. We also carry out questionnaire surveys targeting the visitors and convey the valuable opinions that we receive to the management.



Number of visitors in FY2019: 8,977

Educational project to grow rice

ISEKI Group offers opportunities to deepen the understanding of food and agriculture by teaching students the series of processes in the production of rice from planting rice in spring, harvesting it in autumn, and then making and eating rice balls. In FY2019, we held lectures for the students of Kuma Kogen Choritsu Kuma Elementary School for half a year.



Harvesting the rice grown in a bucket

Environment ISEKI Group environmental management

Message from the officer in charge of the environment

We strive to contribute to the realization of a sustainable society.



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

Recent years have seen worsening environmental problems around the world such as climate change caused by global warming, frequent occurrences of disasters caused by abnormal weather, and exhaustion of resources, and the impact on food and agricultural fields is also becoming severe.

ISEKI Group has designated environmental protection that would enable the creation of a sustainable society as one of the business priorities, and practices environmental management by setting the Basic Environmental Policy and Environmental Conduct Guidelines.

Along with introducing the environmental management system (EMS) across the Group and building a structure to promote it, ISEKI Group has set specific environmental targets from the initial stages of product development to production, distribution, sales, and service, and works to reduce environmental burden and environmental risks of the entire business activities.

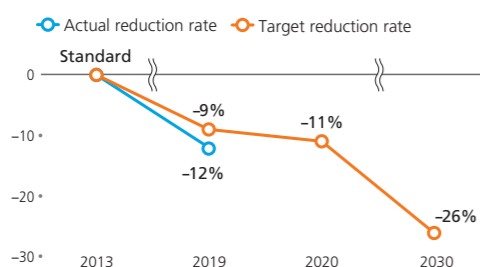
Further, in order to ensure reduction of environmental burden when using the product, ISEKI Group promotes environmentally-friendly design and strives to expand the sales of environmentally-friendly products through the eco-product certification system.

We will continue to optimize the use of resources and energy across our entire business activities led by manufacturing and further energize the initiatives aimed at achieving the mid- to long-term environmental preservation targets and contribute to the realization of a sustainable society.

Mid- and long-term targets

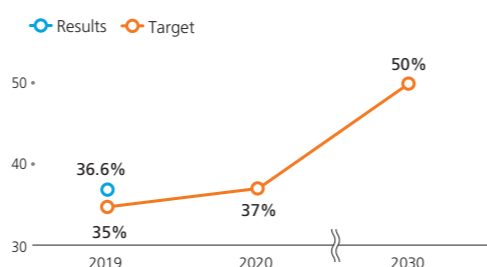
Reduction in CO₂ emission volumes in production activities in Japanese manufacturing locations

2030: **26% reduction** (compared to FY2013)



Eco-product ratio in domestic sales

2020: **37%**
2030: **50% or more**



Environment Environmental management

Basic Environmental Policy

ISEKI Group is committed to contributing to the realization of a sustainable society through business activities that aim to achieve harmony among nature, society and corporations.

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

Environmental Conduct Guidelines

- 1 Development activities considering the environment
Recycling and reduction of noise, vibration, fuel consumption, emission gas, and environmental stress substances
- 2 Environment-friendly manufacturing activities
Prevention of (air, water, noise, and vibration) pollution, energy-saving, resource-saving, and green procurement
- 3 Office activities considering the environment
Energy-saving, resource-saving, and recycling
- 4 Distribution and logistics considering the environment
Improvement of transportation (packing material, more efficient transportation, modal shift), disposal
- 5 Development of biodiversity
Products/services, business activities, supply chain
- 6 Environmental education and information disclosure
Environmental education to be offered to employees, participation in social activities and information disclosure

System for promoting environmental management

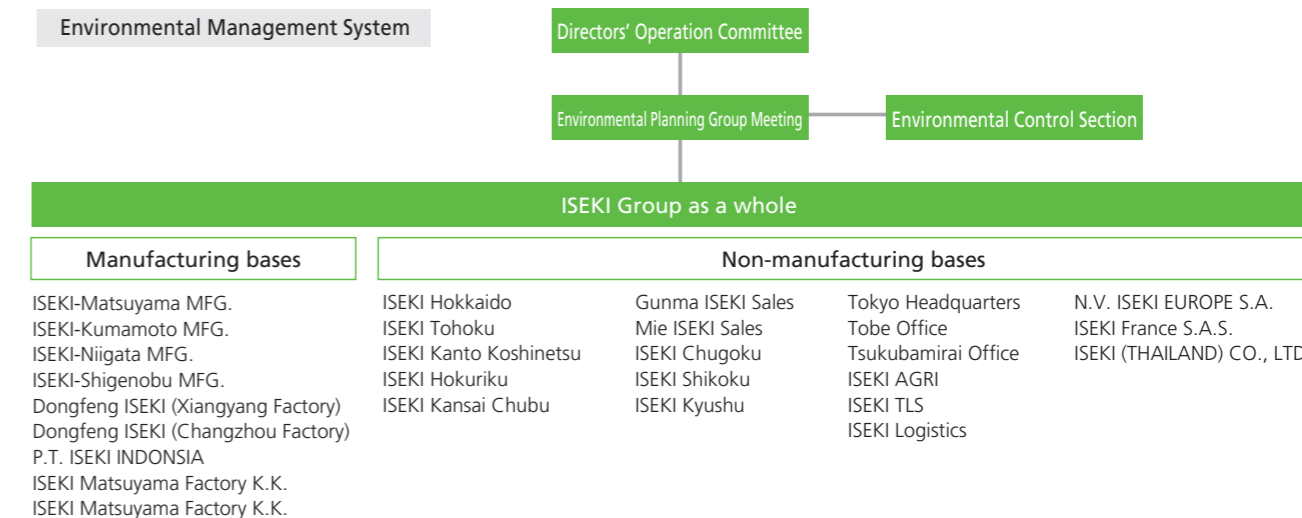
ISEKI Group works on environmental management centered around a Plan-Do-Check-Action (PDCA) cycle by establishing an intragroup system for promoting environmental management.

The Directors' Operation Committee chaired by the President deliberates and decides upon action plans and targets for the environment based on the Basic Environmental Policy. The Committee receives progress reports from the Environmental Planning Group Meeting and gives advice on evaluation and improvement measures. It reports on progress to the Directors' Operation Committee, and upon receipt of the review results from the Committee, horizontally implements them at the offices. Chief Managers and Environment Control Managers who promote environmental control activities are put in place

in each office to strengthen promotion activities for environmental management.

In 2017, ISEKI Group launched the Corporate Social Responsibility Committee. It shares with Committee members tasked with review and promotion activities alignment with business plans and materiality evaluation with regard to results and issues reported to the Environmental Planning Group Meeting. In this way, ISEKI Group has put in place a mutually supportive framework for resolution of issues.

In FY2019, the Environmental Planning Group Meeting held four meetings, made reports/escalations to the Directors' Operation Committee and the Public Relations Liaison Committee four times, and made reports to the Corporate Social Responsibility Committee twice.



Acquisition of environment-related certifications

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

Acquisition of EMS certification at domestic and overseas manufacturing bases

<6 bases in Japan and 3 bases overseas>
Certified bases: **9**
Acquisition rate: **100%**

Acquisition of EMS certification at non-manufacturing bases

<Sales subsidiaries in Japan: 9>
Certified companies: **9**
Acquisition rate: **100%**

<Others: 9>
Certified bases: **9**
Acquisition rate: **100%**

Environment Mid- to long-term environmental targets and results

ISEKI Group works on environmental management by introducing an environmental management system (EMS) on a group-wide basis. It has set mid- to long-term environmental targets for 2020 and 2030 for environmental burden reduction. The results of its activities for FY2019 and the trends in recent years are as given below.

Mid-term environmental targets and activity results

Mid- to long-term environmental targets

- Reduction in CO₂ emission volumes in production activities in Japanese manufacturing locations
2030: **26% reduction** (compared to FY2013)
- Eco-product ratio in domestic sales
2020: **37%** 2030: **50% or more**

Major activity results in FY2019 in promoting environmental management

Major activity targets in FY2019	Major activity results in FY2019
Management using stricter voluntary standard values than stipulated by laws and regulations for prevention of air and atmospheric pollution	Cleared the voluntary standards in four manufacturing bases in Japan
Improve environmental awareness of employees	Implementation of environmental education (twice), and participation in environmental beautification and cleaning activities
Prohibition, reduction, and restraint of use of toxic chemical substances included in procured parts	Improved green procurement ratio through the promotion of EMS certificate acquisition by suppliers and information provision
Development of environmentally-friendly products through implementation of the product assessment system and life-cycle assessment (LCA) evaluation	Added six certified eco-product models through the promotion of environmentally-friendly design
Promotion of CSR procurement and its parallel implementation across the Group	Explained ISEKI Group's concept of CSR to suppliers Distributed CSR Procurement Guidelines to suppliers and carried out CSR questionnaire survey
Promotion of environmental burden reduction in production activities	See below

Promotion of environmental burden reduction in production activities

	Mid-term environmental targets FY2013 standards		Management item (unit)	FY2019		
				Target	Result	Evaluation
Creation of a low-carbon society	Reduction of CO ₂ emission	Reduction of 11% by 2020 Reduction of 1.57% per year	Per net sales unit (t-CO ₂ /100 million yen)	45	52	Average
			Total emission (t-CO ₂)	26,800	26,100	Good
Manufacturing resources	Reduction of CO ₂ emission during transportation	Reduction of 10.5% by 2020 Reduction of 1.5% per year	Per transportation unit (t-CO ₂ /10,000 ton-km)	1.24	1.34	Average
			Total input volume (ton)	52,600	40,600	Good
Development of recycling-oriented society	Reduction of volume of water used	Reduction of 51% by 2020 Reduction of 7.3% per year	Per net sales unit (t/100 million yen)	281	332	Average
			Total volume used (10,000 ton)	17	17	Good
Toxic chemical substances	Reduction of final volume of waste	Reduction of 14% by 2020 Reduction of 2% per year	Per net sales unit (t/100 million yen)	0.60	0.29	Good
			Total volume used (ton)	362	143	Good
Toxic chemical substances	Reduction of used volume of chemical substances subject to PRTR law	Reduction of 19.6% by 2020 Reduction of 2.8% per year	Per net sales unit (t/100 million yen)	0.23	0.20	Good
			Total volume used (ton)	138	100	Good

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

*CO₂ emission during transportation is energy-generated CO₂ emission volume.

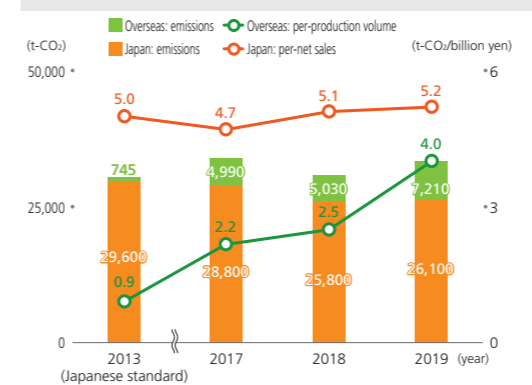
*Reduction targets for overseas manufacturing bases are not listed as the base year is different by base.

Creation of a low-carbon society

Reduction of CO₂ emissions

Japan	The emission reduction target was achieved. The target was not achieved with respect to ratio to the net sales due to increased usage of heating facility and compressors. ISEKI Group continues with improvement activities towards achieving the target.
Overseas	The CO ₂ emission volume increased due to the start of operation of a new painting line at Dongfeng Iseki Agricultural Machinery Co., Ltd. (Xiangyang Factory).

Volume of energy-generated CO₂ emissions and per-net sales (per-production volume)



Note: In order to assess the trend of reduction in Japan since before, the electricity emission factor 0.378 kg-CO₂/kWh is used for the calculation

Reduction of CO₂ emission during transportation

With the reduction in rail and sea cargo and increase in their demand, usage of those services became difficult and with the increase in truck transportation, the modal shift rate declined and the ISEKI Group failed to achieve the CO₂ emission reduction target by volume of cargo shipped. The Group works to reduce CO₂ emission volume and improve the modal shift rate by further promoting the improvement of loading efficiency.

Fiscal Year	2013	2017	2018	2019	
				Target	Result
CO ₂ emission volume (t-CO ₂)	4,340	3,200	3,160	—	3,240
Ratio to cargo transportation volume (t-CO ₂ /10,000 ton-km)	1.36	1.27	1.27	1.24	1.34
Modal shift rate	47%	53%	54%	—	51%

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

Scope: Between bases in Japan and transportation to domestic port of export products

*Scope: Factories in Japan (ISEKI-Matsuyama MFG. Co., Ltd., ISEKI-Kumamoto MFG. Co., Ltd., ISEKI-Niigata MFG. Co., Ltd.), overseas factories (Dongfeng Iseki Agricultural Machinery Co., Ltd. [Xiangyang Factory, Changzhou Factory] and PT. ISEKI INDONESIA). The results of FY2013 for overseas manufacturing bases are for Xiangyang and Changzhou Factories.

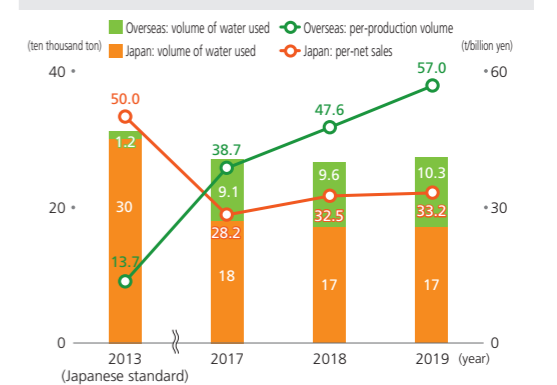
*As for final volume of waste in Japan, the base year of 2013 had a period with temporary abnormal values and therefore the average of the values before and after the said period is used as the adjusted value.

Development of recycling-oriented society

Reduction of volume of water used

Japan	While the reduction target was achieved in terms of volume of water, the target was not achieved in terms of per-net sales ratio. ISEKI Group will further promote reduction activities on-site such as studying the volume of water used in the painting line.
Overseas	The volume of water used increased marginally due to the start of operation of a new painting line at Dongfeng Iseki Agricultural Machinery Co., Ltd. (Xiangyang Factory) and per-production volume also worsened due to decrease in production volume at Xiangyang Factory and Changzhou Factory.

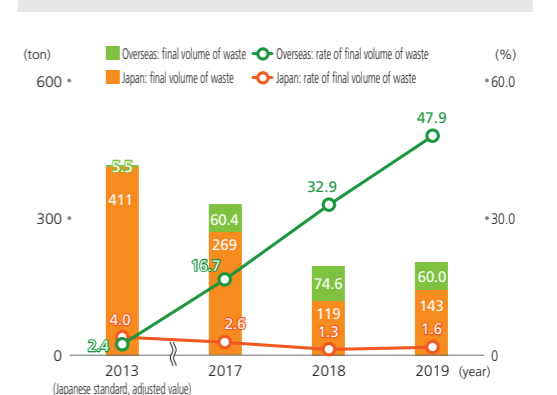
Volume of water used/per-net sales (per-production) volume (10,000-ton)



Reduction of final volume of waste

Japan	The rate of final volume of waste declined in the past few years with the increase in type of waste subject to recycling.
Overseas	Reduction was achieved in terms of final volume of waste. In FY2019, the paper and scrap metal to be recycled at Changzhou Factory was stored as the volume did not reach specified levels. This was therefore not counted in total volume of waste and led to worsening of rate of final volume of waste.

Reduction of final volume of waste and rate of final volume of waste



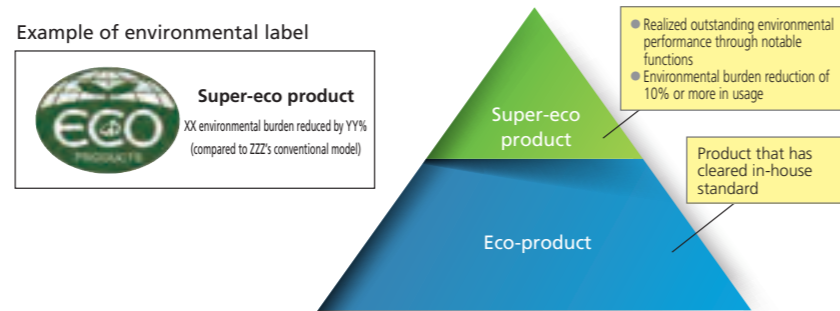
Note: Rate of final volume of waste = Final volume of waste / Total volume of waste

Environment Initiatives for environmentally-friendly design

ISEKI Group promotes environmentally-friendly design in the entire product development process with the aim of reducing the environmental burden in each of the stages of development, manufacture, use by customers, and disposal, and strives to offer environmentally-friendly products.

Eco-product certification system

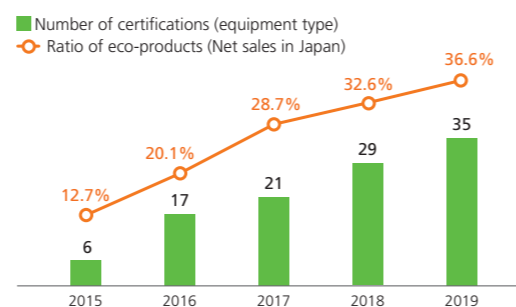
Eco-product certification system is an in-house system that certifies products with high environmental conformance that meet ISEKI-original evaluation criteria. Certified products are granted environmental labels, which are conveyed to customers through product catalogs and user manuals in an easily noticeable format. Further, the environmental label conforms to Type II stipulated under ISO14021 (self-declared type that does not need third-party certification).



Eco-product certification trend

In addition to products featuring functions that contribute to energy and laborsavings at customers, the certification of products installed with engines conforming to the strengthened emission regulations in Japan and abroad has been increasing each passing year. The number of such products accounted for 36.6% of domestic sales in FY2019.

Number of certified eco-products and ratio



Examples of certified products

Operesta NP80D, variable fertilizing rice transplanters with soil sensor and straight-travel assisting function Energy saving, laborsaving Resource saving



The rice transplanter, certified as a super-eco product, is a variable fertilizing rice transplanter that enables laborsaving and lower cost by reducing plant lodging and the amount of fertilizer through its optimal application.

It is also installed with the automated straight-travel assisting function that allows anyone to carry out easy and straight-line planting, which reduces fatigue of the operator and makes the operation more efficient. It eliminates the necessity of adjusting the amount of water in paddy even if the level of water is high and the marking is not visible, contributing to water saving and maintaining water quality.

Large grass collector front mower SF5 series Energy saving, resource saving Reduction in environmentally hazardous substances



SF5 series, a front mower installed with Stage V compliant engine that meets the strict emission regulation of Europe and with improved operational efficiency (5% increase in speed compared to existing models) as well as reduced time for moving when not cutting grass, has been certified as an eco-product.

The mower, having high horsepower and aimed at the professional landscaping market in Europe where environmental awareness is high, is installed with a clean engine equipped with diesel particulate filter (DPF), a post-emission processing device, and diesel oxidation catalyst (DOC), which ensures reduced NOx and other emissions compared to conventional models.

The model, in addition to an eco-mode switch for low noise operation in urban areas, has a high-low toggle switch for blower speed setting, and enables low-noise operation according to the surrounding environment.

Environment Preservation of biodiversity

ISEKI Group's business activities as well as agriculture, which uses agriculture equipment and services, exist thanks to benefits of ecosystem services.

[ISEKI Group's Biodiversity Guidelines]

Fundamental concept

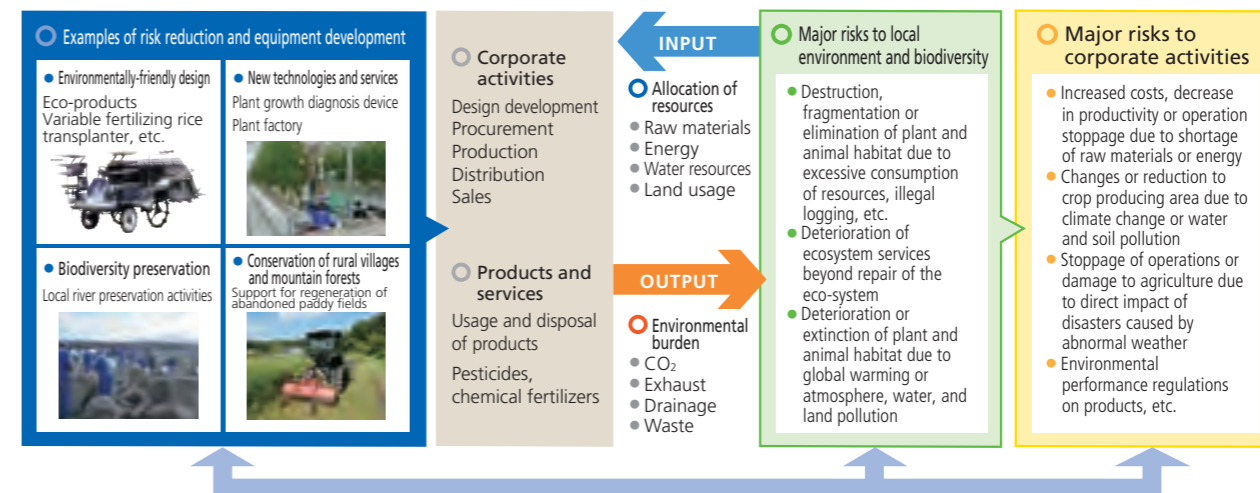
ISEKI Group acknowledges the fact that it benefits from the blessings of nature (ecosystem services) that biodiversity produces, and therefore it has positioned preservation of biodiversity as a priority task of its environmental management. In cooperation with local communities and various stakeholders, the ISEKI Group will contribute to the realization of a sustainable society that coexists with nature by promoting business activities and offering products and services that are biodiversity-friendly as well as preservation of biodiversity and continued use of the blessings from biodiversity.

Specific initiatives

1. ISEKI Group will strive to preserve biodiversity by considering the impact on biodiversity at all stages of its business activities, and by reducing the harmful load discharged into the environment from all offices.
2. ISEKI Group will strive to preserve biodiversity by offering biodiversity-friendly agricultural machinery and facilities that are safe and easy-to-use, and by supporting sustainable agriculture and initiatives aimed at preserving rivers and other natural resources.
3. ISEKI Group will strive to develop and popularize technologies that will contribute to preservation of biodiversity by promoting technological development that learns from nature's blessings and traditions.
4. ISEKI Group will strive to share the awareness regarding biodiversity by establishing communication with various involved people including stakeholders and local communities and collaborate with them so as to make the initiatives for preserving biodiversity more effective.
5. ISEKI Group will strive to improve awareness regarding nurturing of biodiversity preservation by the society as a whole by implementing environmental education of its employees.

ISEKI Group's environmental and corporate risks

ISEKI Group has been working on reducing risks and developing equipment by grasping the impact of its business activities on biodiversity.



Initiatives aimed at biodiversity preservation

ISEKI Group carries out business activities across its four manufacturing bases in Japan mindful of reducing the burden on plants and animals in the locations as well as the local communities, and has stipulated stringent voluntary management standards corresponding to the environment-related laws and regulations and associated reference values in order to reduce the environmental risks such as atmospheric and water pollution.

It has cleared the voluntary management reference standards for FY2019, and has promoted reduction in environmental pollution.

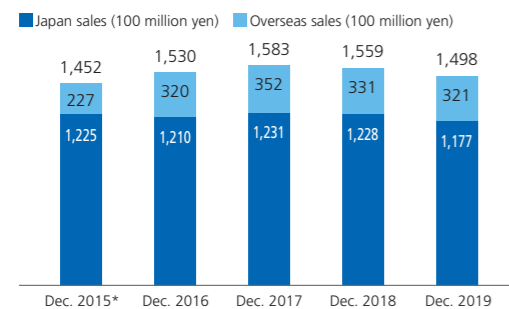
Measured item	Unit	ISEKI-Matsuyama MFG. Co., Ltd			ISEKI-Kumamoto MFG. Co., Ltd			ISEKI-Niigata MFG. Co., Ltd			ISEKI-Shigenobu MFG. Co., Ltd			
		Regulation standard value	Voluntary standard	Measured value	Regulation standard value	Voluntary standard	Measured value	Regulation standard value	Voluntary standard	Measured value	Regulation standard value	Voluntary standard	Measured value	
Water quality	Suspended matter (SS)	600	500	26	200	40	2	90	45	3	200	120	4	
	Biochemical oxygen demand (BOD)	600	500	44	25	8	8	60	30	19	160	90	14	
	n-hexane extract (oil extracted from plants and animals)	30	18	3	30	24	<0.5	30	4	2	-	-	-	
Atmospheric air	Particulate matter	g/m ³ N	0.30	0.18	<0.01	0.30	0.08	<0.01	0.30	0.20	0.01	0.35	0.18	<0.01
	Nitric Oxide (NOx)	ppm	260	91	41	250	200	37	180	100	79	250	125	5
	Particulate matter (cast iron electric furnace dissolution)	g/m ³ N	0.10	0.08	<0.01	-	-	-	-	-	-	-	-	-

"-" denotes not applicable, or outside of regulation value.

Financial highlights

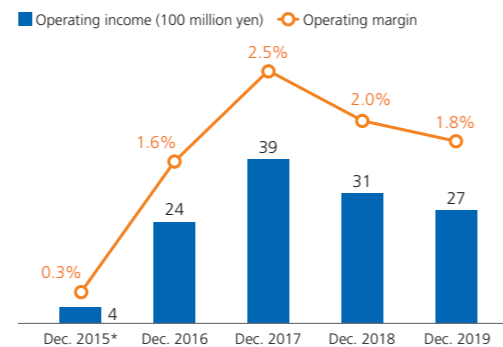
Net sales

Net sales came to ¥149.8 billion, down ¥6.0 billion year on year. In Japan, while spare parts and repair fees remained strong, overall sales fell as sales of agricultural machinery declined due to the impact of the increase in consumption tax rate. Overseas sales also declined due to weak performance in ASEAN and China despite strong sales in North America.



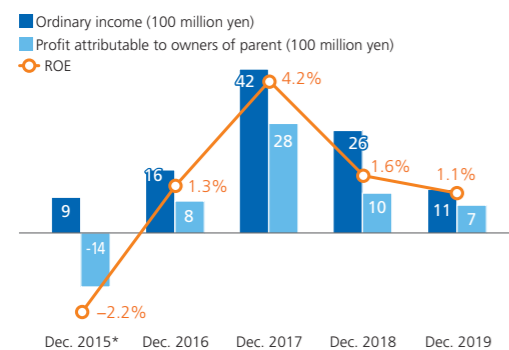
Operating income / Operating margin

Operating income came to ¥2.7 billion, down ¥0.4 billion year on year, despite the partial offsetting of revenue falls by improvement in profitability and reduction of selling, general and administrative expenses as part of the revenue-expenditure structure reform at the sales companies in Japan.



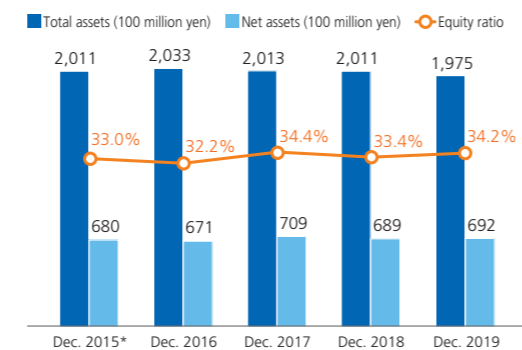
Ordinary income / Profit attributable to owners of parent / ROE

Ordinary income came to ¥1.1 billion, down ¥1.5 billion year on year, due to recording of loss of entities using equity method. Profit attributable to owners of parent declined ¥0.3 billion year on year to ¥0.7 billion due to decline in tax expenses in addition to extraordinary income such as reversal of provision incurred from business combination.



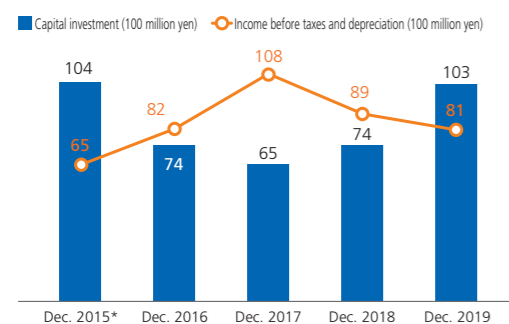
Total assets / Net assets / Equity ratio

Total assets fell by ¥3.6 billion year on year to ¥197.5 billion due to a decrease of ¥3.6 billion in notes and accounts receivable – trade following fall in net sales. Net assets, meanwhile, rose ¥0.2 billion year on year to ¥69.2 billion following the increase in remeasurements of defined benefit plans even as foreign currency translation adjustment fell.



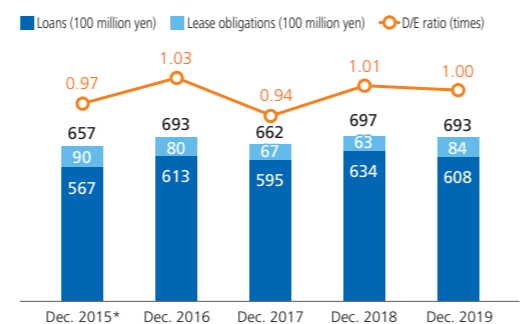
Capital investment / Income before taxes and depreciation

Capital investment was basically being carried out within the amount of income before taxes and depreciation, and rose ¥2.9 billion year on year to ¥10.3 billion due to expansion of large maintenance centers, necessary for growth strategy, and introduction of new line of engines.



Interest-bearing debt / D/E ratio

Interest-bearing debt fell ¥0.4 billion year on year to ¥69.3 billion. While loans payable reduced as repayments progressed, lease obligations rose on the back of capital investment in a manufacturing subsidiary and other factors. D/E ratio, which shows the soundness of finance, was more or less same as the previous term at 1.00 times.

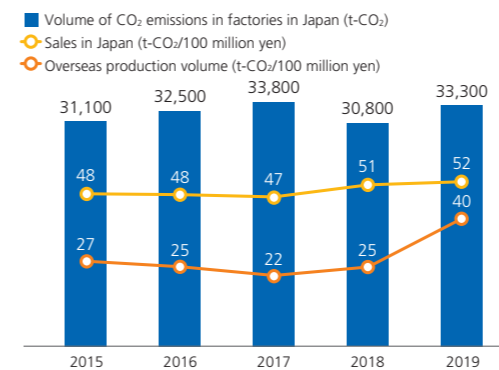


*FY2015 is an unusual reporting period of only nine months (April to December 2015) due to the change in reporting period.

Non-financial highlights

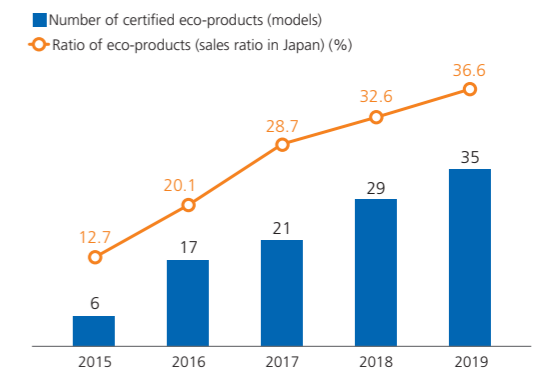
Volume of energy-generated CO₂ emissions in factories

We are working to reduce CO₂ emission volumes in our business activities as part of corporate activities to make possible a sustainable society.



Number and ratio of certified eco-products

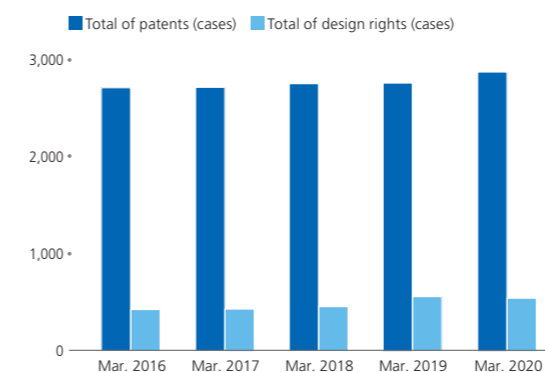
The company is promoting the provision of environmentally-friendly products through implementation of the "eco-product certification system" based on independently developed evaluation standards. It aims eco-products to account for 50% or more by 2030.



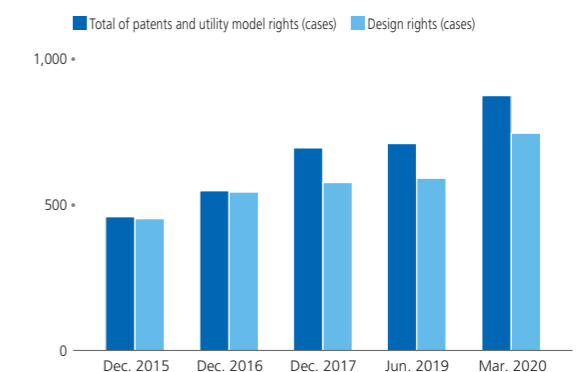
Patents, utility model rights and design rights held

The company has over approximately 2,800 patents, thanks to its acquisition and accumulation of validated claims, and it also holds more than approximately 500 design rights.

Japan

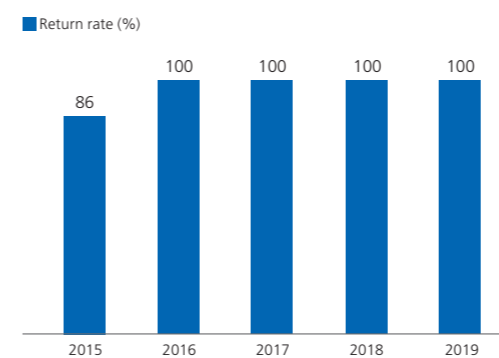


Overseas*



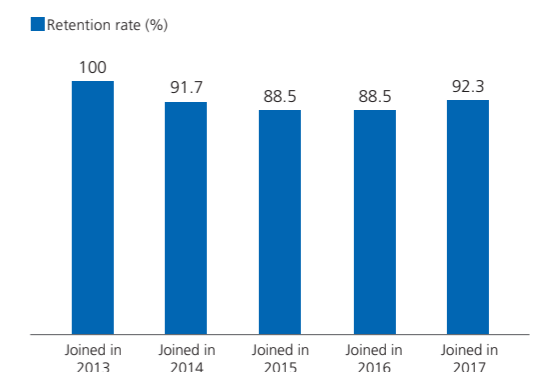
Rates of return to work following childcare leave non-consolidated

As part of measures to create workplace environments easy to balance work and childcare, we have established various work-life balance support mechanisms including childcare leave.



Retention rate in three years from joining non-consolidated

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



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

Consolidated Balance Sheets

(Millions of yen)

	As of December 31, 2018	As of December 31, 2019
Assets		
Current assets		
Cash and deposits	7,475	8,404
Notes and accounts receivable – trade	23,327	19,675
Merchandise and finished goods	46,495	46,426
Work in process	6,046	6,580
Raw materials and supplies	1,177	1,171
Other	7,320	4,952
Allowance for doubtful accounts	(51)	(52)
Total current assets	91,791	87,159
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	25,378	26,050
Machinery, equipment and vehicles, net	9,257	9,236
Tools, furniture and fixtures, net	2,854	3,191
Land	50,873	50,759
Leased assets, net	6,001	8,006
Construction in progress	2,446	1,066
Other, net	29	34
Total property, plant and equipment	96,842	98,346
Intangible assets	1,082	1,288
Investments and other assets		
Investment securities	5,817	5,303
Long-term loans receivable	33	1,620
Deferred tax assets	1,878	1,512
Net defined benefit asset	587	500
Other	3,270	1,908
Allowance for doubtful accounts	(146)	(128)
Total investments and other assets	11,440	10,717
Total non-current assets	109,365	110,352
Total assets	201,156	197,511

(Millions of yen)

	As of December 31, 2018	As of December 31, 2019
Liabilities		
Current liabilities		
Notes and accounts payable – trade	23,803	22,142
Electronically recorded obligations – operating	15,933	15,610
Short-term loans payable	31,475	28,633
Current portion of long-term loans payable	11,401	10,717
Lease obligations	2,337	2,057
Accrued consumption taxes	434	665
Income taxes payable	368	356
Accrued expenses	4,240	4,116
Provision for bonuses	482	443
Other	5,117	4,990
Total current liabilities	95,593	89,735
Non-current liabilities		
Long-term loans payable	20,571	21,525
Lease obligations	4,009	6,390
Deferred tax liabilities	26	55
Deferred tax liabilities for land revaluation	5,780	5,759
Provision for directors' retirement benefits	132	140
Net defined benefit liability	4,063	3,059
Asset retirement obligations	322	325
Other	1,696	1,267
Total non-current liabilities	36,603	38,524
Total liabilities	132,197	128,259
Net assets		
Shareholders' equity		
Capital stock	23,344	23,344
Capital surplus	13,452	13,452
Retained earnings	16,932	17,025
Treasury shares	(983)	(982)
Total shareholders' equity	52,746	52,840
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	418	380
Deferred gains or losses on hedges	(0)	(0)
Revaluation reserve for land	12,670	12,622
Foreign currency translation adjustment	864	648
Remeasurements of defined benefit plans	501	989
Total accumulated other comprehensive income	14,454	14,641
Subscription rights to shares	78	75
Non-controlling interests	1,681	1,694
Total net assets	68,959	69,252
Total liabilities and net assets	201,156	197,511

Consolidated Statements of Income

(Millions of yen)

	Fiscal year ended December 31, 2018	Fiscal year ended December 31, 2019
Net sales	155,955	149,899
Cost of sales	110,009	105,392
Gross profit	45,945	44,507
Selling, general and administrative expenses		
Advertising expense	908	795
Packing and transportation expenses	3,437	3,287
Directors' compensations, salaries and allowances	17,650	17,352
Bonuses	2,801	2,612
Retirement benefit expenses	765	682
Provision for bonuses	333	308
Provision for directors' retirement benefits	31	30
Depreciation	2,072	2,142
Other	14,764	14,547
Total selling, general and administrative expenses	42,765	41,761
Operating income	3,179	2,745
Non-operating income		
Interest income	133	192
Dividend income	145	204
Subsidies received	47	48
Rent income	171	173
Technical support fee	499	—
Gain on sales of scraps	138	78
Other	751	548
Total non-operating income	1,887	1,244
Non-operating expenses		
Interest expenses	669	729
Sales discounts	88	88
Foreign exchange losses	151	115
Share of loss of entities accounted for using equity method	1,083	1,472
Other	445	476
Total non-operating expenses	2,438	2,881
Ordinary income	2,629	1,108
Extraordinary income		
Gain on sales of non-current assets	79	29
Gain on sales of investment securities	52	243
Gain on reversal of specified account related to business combination	—	265
Gain on step acquisitions	16	—
Total extraordinary income	148	538
Extraordinary losses		
Loss on sales and retirement of non-current assets	252	220
Impairment loss	133	122
Loss on valuation of investment securities	160	1
Other	1	0
Total extraordinary losses	548	344
Income before income taxes	2,229	1,302
Income taxes - current	756	477
Income taxes - deferred	346	83
Total income taxes	1,102	560
Profit	1,126	741
Profit attributable to non-controlling interests	35	18
Profit attributable to owners of parent	1,090	723

Consolidated Statement of Cash Flows

(Millions of yen)

	Fiscal year ended December 31, 2018	Fiscal year ended December 31, 2019
Cash flows from operating activities		
Income before income taxes	2,229	1,302
Depreciation	6,727	6,852
Impairment loss	133	122
Loss on disaster	2	2
Increase (decrease) in net defined benefit liability	752	(993)
Loss (gain) on sales of investment securities	(52)	(243)
Interest and dividend income	(278)	(396)
Interest expenses	669	729
Foreign exchange losses (gains)	41	(0)
Loss (gain) on sales of property, plant and equipment and intangible assets	172	190
Penalty	(16)	—
Decrease (increase) in notes and accounts receivable – trade	1,807	3,528
Decrease (increase) in inventories	(297)	(778)
Increase (decrease) in notes and accounts payable – trade	(1,028)	(1,867)
Other, net	(1,340)	2,851
Subtotal	9,521	11,299
Interest and dividend income received	269	396
Interest expenses paid	(665)	(733)
Proceeds from subsidy income	373	—
Penalty paid	(427)	—
Income taxes paid	(1,455)	(452)
Net cash provided by (used in) operating activities	7,616	10,509
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	(6,849)	(8,354)
Proceeds from sales of property, plant and equipment and intangible assets	438	556
Purchase of investment securities	(940)	(0)
Proceeds from sales of investment securities	77	638
Decrease (increase) in loans receivable	(2,783)	(4)
Decrease (increase) in time deposits	98	53
Other, net	15	7
Net cash provided by (used in) investing activities	(9,944)	(7,104)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	4,313	(2,697)
Proceeds from long-term loans payable	8,122	12,176
Repayments of long-term loans payable	(8,506)	(11,902)
Proceeds from sales and leasebacks	979	3,058
Repayments of lease obligations	(2,254)	(2,346)
Purchase of treasury shares	(0)	(0)
Cash dividends paid	(678)	(680)
Dividends paid to non-controlling interests	(4)	(4)
Other, net	0	—
Net cash provided by (used in) financing activities	1,970	(2,396)
Effect of exchange rate change on cash and cash equivalents	(51)	(26)
Net increase (decrease) in cash and cash equivalents	(408)	981
Cash and cash equivalents at beginning of period	7,795	7,387
Cash and cash equivalents at end of period	7,387	8,369

Company profile

As of December 31, 2019

Company name:	ISEKI & CO., LTD.
Head office:	700 Umaki-cho, Matsuyama-shi, Ehime-ken, 799-2692 JAPAN
Tokyo headquarters:	5-3-14, Nishi-Nippori, Arakawa-ku, Tokyo, 116-8541 JAPAN
Foundation:	August 1926
Paid-in capital:	23,344 million yen
Number of employees:	Consolidated: 5,563 (Development and Production Section: 1,798; Sales Section: 3,376; and Other Sections: 389) Non-Consolidated: 739

Status of shares

As of December 31, 2019

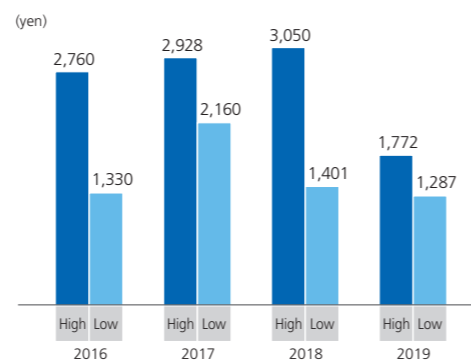
Total number of authorized shares	69,000,000 shares
Shares issued and outstanding	22,590,428 shares (excluding treasury stock of 394,565 shares)
Number of shares per trading unit	100 shares
Number of shareholders	19,044

Major shareholders (top 10)

Name of major shareholder	Number of shares held (shares)	Shareholding ratio (%)
Mizuho Bank, Ltd	1,070,800	4.74
Japan Trustee Services Bank, Ltd. (Trust Account)	974,500	4.31
The Master Trust Bank of Japan, Ltd. (Trust Account)	899,300	3.98
The Norinchukin Bank	868,785	3.84
Sumitomo Mitsui Trust Bank, Limited	800,000	3.54
Iseki <i>kabushiki hoyukai</i> (Company's Stockholding Co-op.)	702,212	3.10
The Iyo Bank, Ltd.	580,042	2.56
Iseki <i>eigyo-hansya group syain mochikabukai</i> (Business-selling Group Holdings)	507,500	2.24
Sompo Japan Nipponkoa Insurance Inc.	434,500	1.92
Japan Trustee Services Bank, Ltd. (Trust Account 5)	404,400	1.79

(Note) Shareholding ratios are calculated after the deduction of treasury stock (394,565 shares).

Share price trends

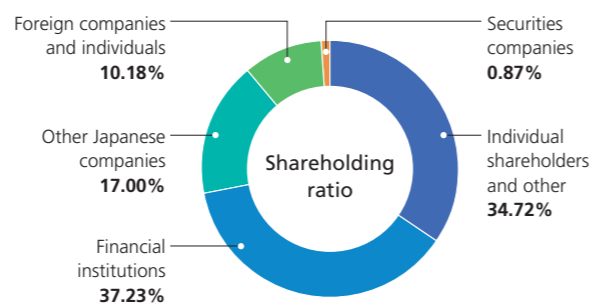


Calculations are carried out taking into account the one-for-ten share consolidation of the company's common stock on July 1, 2017.

Number of shares held by type of shareholder

Shares issued and outstanding: 22,590,428 shares (excluding treasury stock of 394,565 shares)

Breakdown	Number of shares held (shares)	Shareholding ratio (%)
Individual shareholders and other	7,842,820	34.72
Financial institutions	8,410,012	37.23
Other Japanese companies	3,840,128	17.00
Foreign companies and individuals	2,299,597	10.18
Securities companies	197,871	0.87



Evaluation by third parties

DBJ Environmental Rating – highest rating 14 times in a row

In April 2020, ISEKI received the highest rating as one of the “Companies doing environment-friendly business activities progressively,” 14 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 steadily striving to upgrade and spread environmental management
- 2 ISEKI is contributing to laborsaving and production efficiency in agriculture
- 3 ISEKI is focusing on CSR management that broadens the range from environment and has been delivering concrete results



Main locations

(As of January 1, 2020)

ISEKI & CO., LTD.	
Name	Location
Head office	Matsuyama-shi, Ehime
Tokyo Headquarters	Arakawa-ku, Tokyo
Tobe Office	Iyo-gun, Ehime
Kumamoto Office	Kamimashiki-gun, Kumamoto
Niigata Office	Sanjo-shi, Niigata
Tsukubamirai Office	Tsukubamirai-shi, Ibaraki
Ibaraki Center	Inashiki-gun, Ibaraki
Kansai Office (IMPL)	Omihachiman-shi, Shiga

Subsidiaries

Company name	Location	Capital (million yen)	ISEKI's ownership ratio (%)
ISEKI Hokkaido Co., Ltd.	Iwamizawa-shi, Hokkaido	90	100.0
ISEKI Tohoku Co., Ltd.	Iwanuma-shi, Miyagi	90	100.0
ISEKI Kanto Koshinetsu Co., Ltd.	Inashiki-gun, Ibaraki	90	100.0
Gunma ISEKI Sales Co., Ltd.	Maebashi-shi, Gunma	45	46.7
ISEKI Hokuriku Co., Ltd.	Kanazawa-shi, Ishikawa	90	100.0
ISEKI Kansai Chubu Co., Ltd.	Anjo-shi, Aichi	81	100.0
Mie ISEKI Sales Co., Ltd.	Tsu-shi, Mie	40	49.0
ISEKI Chushikoku Co., Ltd.	Higashi Hiroshima-shi, Hiroshima	90	100.0
ISEKI Kyushu Co., Ltd.	Kamimashiki-gun, Kumamoto	90	100.0
ISEKI AGRI Co., Ltd.	Arakawa-ku, Tokyo	80	100.0
ISEKI FRANCE S.A.S.	Aubièrre, Puy-de-Dôme, France	1,500 thousand euros	100.0
ISEKI (THAILAND) CO., LTD.	Chonburi, Thailand	113,000 thousand baht	100.0
ISEKI-Matsuyama MFG. Co., Ltd.	Matsuyama-shi, Ehime	90	100.0
ISEKI-Kumamoto MFG. Co., Ltd.	Kamimashiki-gun, Kumamoto	80	100.0
ISEKI-Niigata MFG. Co., Ltd.	Sanjo-shi, Niigata	90	100.0
PT. ISEKI INDONESIA	Lumbang, East Java, Indonesia	18,750 thousand U.S. dollars	95.0
ISEKI Matsuyama Factory K.K.	Matsuyama-shi, Ehime	10	100.0
ISEKI-Shigenobu MFG. Co., Ltd.	Toon-shi, Ehime	80	0.0 ^{*1}
Kita-Nihon Shodo K.K.	Kamikawa-gun, Hokkaido	10	0.0 ^{*2}
ISEKI Logistics Co., Ltd.	Matsuyama-shi, Ehime	20	100.0
ISEKI TLS Co., Ltd.	Arakawa-ku, Tokyo	80	100.0

Note 1. ISEKI-Shigenobu MFG. Co., Ltd. is a wholly owned subsidiary of ISEKI-Matsuyama MFG. Co., Ltd. and is a consolidated subsidiary.
Note 2. Kita-Nihon Shodo K.K. is a wholly owned subsidiary of ISEKI Hokkaido Co., Ltd. and is a consolidated subsidiary.