

Achieving Harmony between Human Beings and the Earth



Contact about this ISEKI report

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

**ISEKI & CO., LTD**

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



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

#### <Company Motto>

Our management philosophy is to provide:

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

and thereby we will fulfil our social mission.

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### Editing policy

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

### Covered period

From January 2020 through December 2020.  
The report also includes some information from and after January 2021.

### Scope

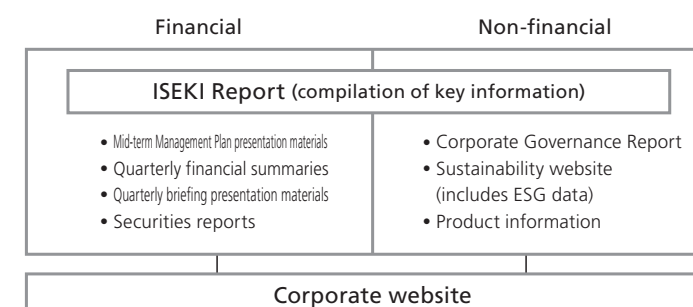
As a general rule, this report covers the activities of ISEKI & Co., Ltd. and ISEKI Group’s associated companies in Japan and overseas. Notes will be added in this report when the range of activities and/or data is limited in certain part hereof.

### Referenced guidelines

- International Integrated Reporting Council (IIRC): “The International Integrated Reporting Framework”
- GRI Standards
- ISO26000
- Ministry of the Environment, “Environmental Reporting Handbook –Environmental Reporting Guidelines 2018”
- Ministry of the Environment, “Environmental Reporting Handbook –Environmental Reporting Guidelines 2018”

### Communication map

ISEKI Group uses a variety of tools to communicate with its stakeholders, sharing a range of information.  
We will continue our efforts toward constructive dialogue and active information disclosure to ensure our stakeholders’ understanding of ISEKI Group.



### About forecasts, plans, and targets

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

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



# Track record of value creation

- 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).
- 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).
- 2020 > Made Thai distributor IST Farm Machinery a subsidiary.



Main social issues and needs	1945 to 1950s	1960 to 1970s	1980 to 1990s	2000s	2010 to 2020s -
<ul style="list-style-type: none"> <li>&gt; Post-war food production increase</li> <li>&gt; Start of the high economic growth period</li> </ul>	<ul style="list-style-type: none"> <li>&gt; High economic growth period, decline in agricultural work force due to concentration of population in urban areas</li> <li>&gt; Modernization of farming</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Progress of globalization</li> <li>&gt; Decline in agricultural workers, advancement of aging society</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Increasing interests in security and safety of food</li> <li>&gt; Improvement in food self-sufficiency rate</li> <li>&gt; Continued development in agriculture</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Increase in size of farm business</li> <li>&gt; Decline in agricultural workers, aging population</li> <li>&gt; Adding high value to farm produce</li> </ul>	

ISEKI Group's solutions	1945 to 1950s	1960 to 1970s	1980 to 1990s	2000s	2010 to 2020s -
<ul style="list-style-type: none"> <li>&gt; Development and spread of agricultural machinery, which supports food production increase</li> <li>&gt; Increase in size and diversification of agricultural machinery</li> <li>&gt; Establishment of integrated system for automating rice farming</li> <li>&gt; Development of machinery contributing to labor saving in and lowering cost of farming</li> <li>&gt; Mechanization of vegetable farming</li> <li>&gt; Development of large machinery to contribute to improvement of productivity</li> <li>&gt; Strengthening of intangible aspects such as farm business proposals and support</li> <li>&gt; Realization of smart agriculture utilizing latest technology and data</li> <li>&gt; Promotion of environmentally sound agriculture</li> </ul>					

**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.



**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.



**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>**  
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.



**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.



**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.



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



**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.



**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.



**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.



**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.



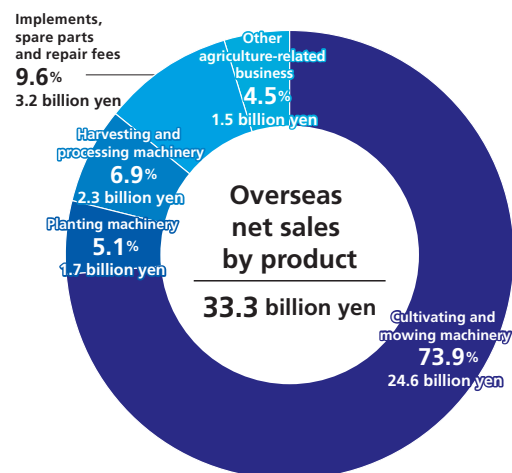
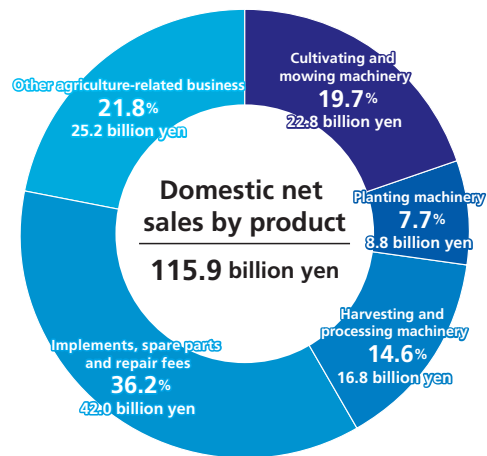
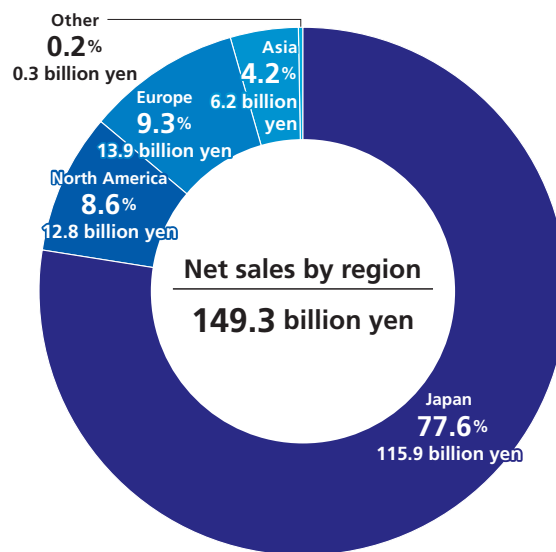
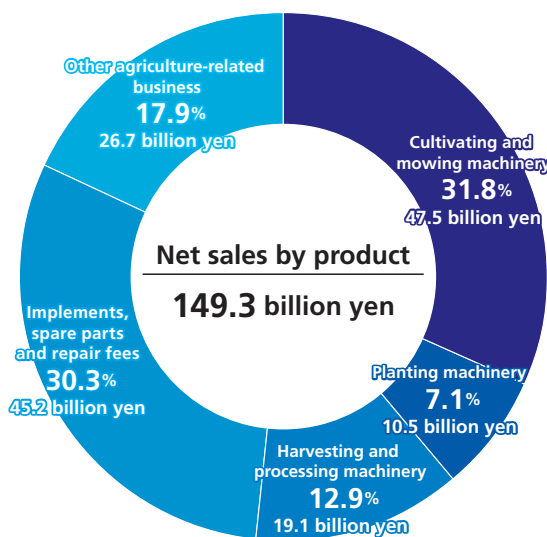
**2018>**  
Development of manned monitoring-based robot tractors  
Realized significant labor saving in farming. This type of agricultural machinery was the first big step toward the future of agriculture.





# 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.



(Results for fiscal year ended December 31, 2020)

## Cultivating and mowing machinery

Tractors, tillers, high-clearance multipurpose vehicles and mowers



Tractors (For agricultural use)



tillers



High-clearance multipurpose vehicles



Tractor for overseas markets (for light civil engineering)



Tractor for overseas markets (for landscaping)



Riding lawnmowers

## Planting machinery

Rice transplanters and vegetable transplanters



Rice transplanters



vegetable transplanters

## Harvesting and processing machinery

Combine harvesters, binders, harvesters, rice hullers, dryers, Measuring and sorting machinery rice graders and vegetable harvesting and processing machinery



Auto-threshing combine harvesters



General purpose combine harvesters



Japanese radish harvesting machinery



dryers

## Implements, spare parts and repair fees



Implements



Repair and maintenance

## Other agriculture-related business

Agricultural facility construction, Agricultural material, Coin rice milling business・Rice cooking business, etc.



Solution culture facility



Coin rice milling machine

number of employees (consolidated)

5,510

**Development and manufacturing department** ..... 1,756

**Sales department** ..... 3,384

**Other division** ..... 370

(As of December 31, 2020)

**● 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 Kansai Chubu Co., Ltd.
- Mie ISEKI Sales Co., Ltd.
- Nara Iseki Sales Co., Ltd. (\*1)
- Nishioka Shokai Co., Ltd. (\*1)
- ISEKI ChuShikoku 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 AGRI Co., Ltd.
- ISEKI Logistics Co., Ltd.
- ISEKI TLS Co., Ltd.
- Kita-Nihon Shodo K.K.

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

N.V. ISEKI EUROPE S.A. (Belgium) (\*1)

ISEKI France S.A.S. (France)

Iseki-Maschinen GmbH Deutschland (Germany) (\*1)

PREMIUM TURF-CARE LTD. (U.K.) (\*1)

AGCO Group (\*3)(Atlanta, U.S.)

IST Farm Machinery (Thailand) (\*2)

PT. ISEKI INDONESIA (\*2) (Indonesia)

Dongfeng ISEKI Agricultural Machinery Co., Ltd. (China) (\*1,2) (Xiangyang, Hubei Province and Changzhou, Jiangsu Province)

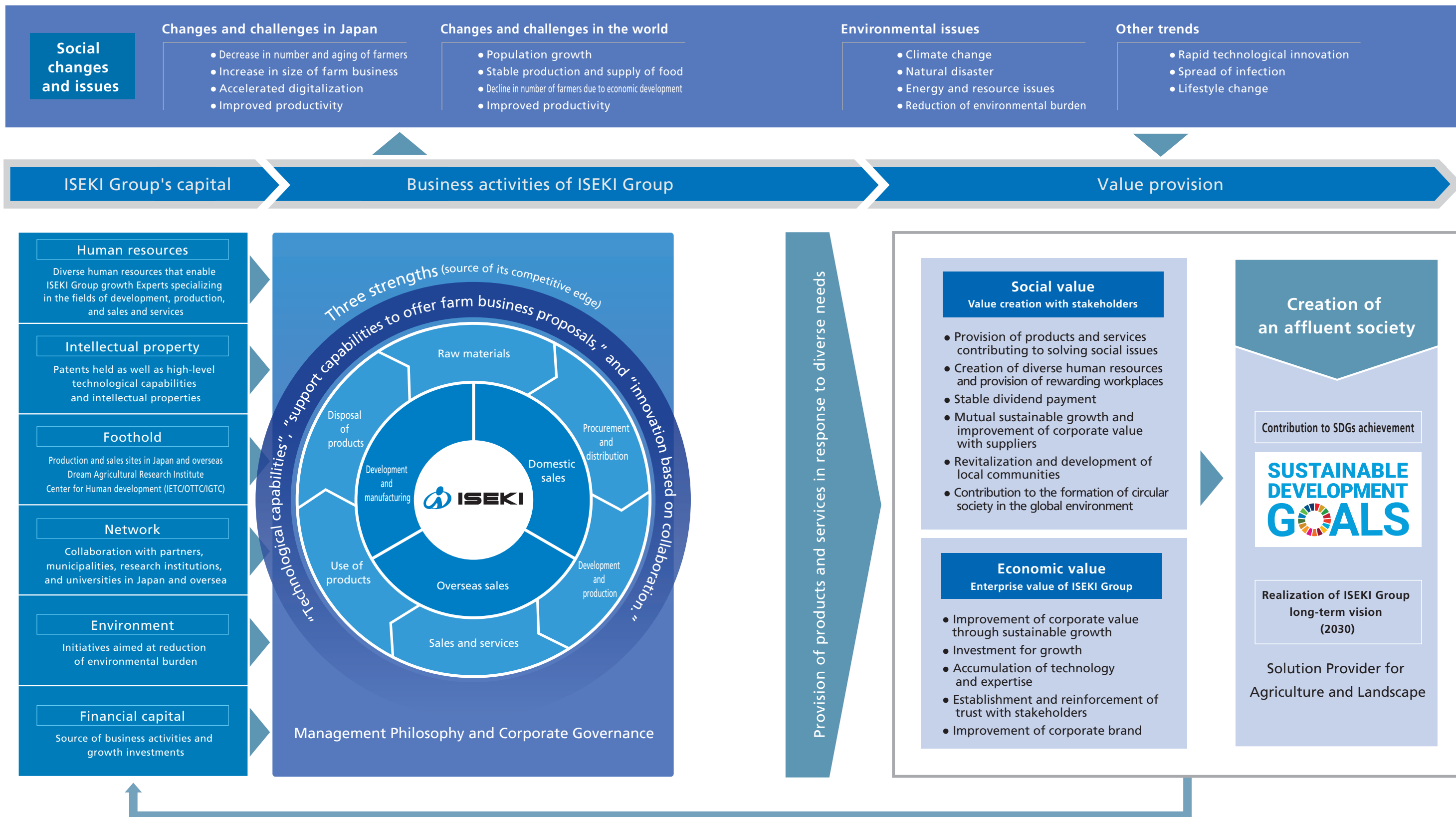
\*1: Non-consolidated subsidiaries \*2: Joint ventures

\*3: OEM customer



# ISEKI Group's value creation process by leveraging its 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.





ISEKI Group's strengths 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 simultaneously through the business activities that leverage these strengths cultivated over 96 years as the source of its competitive edge.

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

Intellectual capital Human capital Manufacturing capital

### Technological capabilities

Technological capabilities to develop breakthrough agricultural and landscape machinery and create innovation as a leading company



Social and relationship capital

### Innovation based on collaboration

Capabilities to develop and provide groundbreaking products and services and pitch new value to the new markets by collaborating with partners in each field and region both in Japan and overseas

Intellectual capital Human capital Manufacturing capital

### Support capabilities to offer farm business proposals

Support capabilities to offer farm business proposals to solve customer's issues from both hard (agricultural machinery) and soft (production management and advanced farm business technologies) aspects

### Business foothold supporting our strengths Manufacturing capital

#### Dream Agricultural Research Institute

In order to create new agricultural value, the Dream Agricultural Research Institute is engaged in research, demonstration, and promotion of smart agriculture that utilizes advanced technologies and advanced farm business technologies while strengthening collaboration with the government, municipalities, research institutions, universities, private businesses, Japan Agricultural Cooperatives (JA), and farm producers.

In addition, the Group strives to develop specialists to further strengthen its support capabilities to offer farm business proposals.



The Dream Agricultural Research Institute located in Tsukubamirai City, Ibaraki Prefecture

#### Research & Development center and Production sites

The research & development center located in Ehime prefecture plays an important role in developing products to solve our customer needs and issues and conducting advanced research on the products required by the next generations.

With four production sites in Japan and three overseas, we have built a manufacturing system that enables overseas production sites to produce the same high quality products as those in Japan.



PT. ISEKI INDONESIA as a global production site

### Human resources development to enhance our strengths Human capital

#### Development of experts through professional training

We have built a comprehensive human resources development scheme from "development" and "production" to "sales and services," to produce reliable products and provide breakthrough products and services. ISEKI holds several technology contests internally to improve the firm-wide technological capabilities. We also conduct training for employees working outside Japan actively to leverage our technological capabilities developed in Japan to roll out the global operations.

Since FY2020, we have been developing human resources in various fields by blending online training with classroom training.

Development	Production	Sales and services
<b>IETC</b> ISEKI Basic Engineering Training Center Nurturing young designers  Number of trainees: 455 in 2020	<b>ITTC</b> ISEKI Technical Training Center Nurturing leaders of production sites in Japan and overseas  Number of trainees: 214 in 2020	<b>IGTC</b> ISEKI Global Training Center Nurturing sales and services staffs in Japan and overseas  Number of trainees: 451 in 2020



## Intellectual property strategies supporting our strengths

Intellectual capital

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 society. We are working on the intellectual property strategies to support our strengths.

### Proof of ISEKI Group's high technological capabilities

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

Number of laid-open application per specialty field/Number of patent application registrations per specialty field

Year	2000~2006	2007~2014	2016~2017	2018	2019
Field	Agriculture and fishery	Other special machinery			
Rank	No. 1		No. 2		No. 1

Patent allowance rate

Year	2004~2010	2011	2012~2017	2018	2019
Patent allowance rate	83.7~91.8%	91.8%	94.7~100%	96.4%	97.7%
Rank	No. 1	No. 2	No. 1	No. 2	No. 1

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

National Awards for Inventions: 19

Regional Awards for Inventions: 208

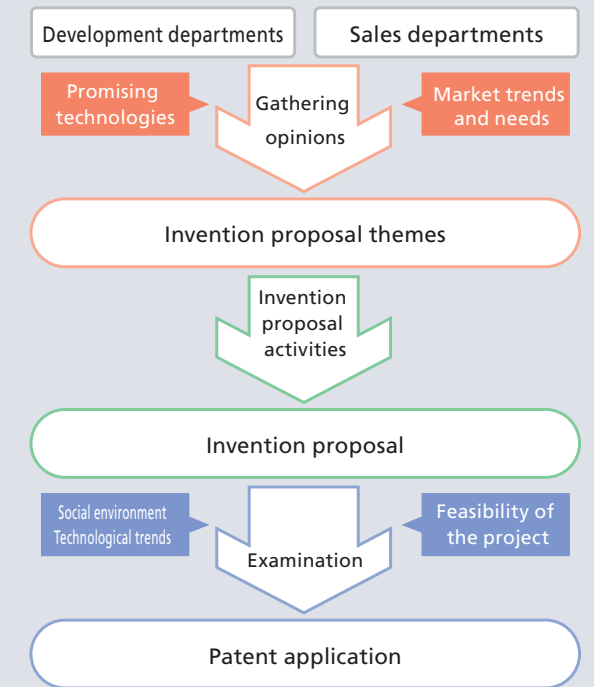
(As of June 2021)

### Invention creation and rights acquisition

Given the significance of patent acquisition to achieve a competitive advantage, the Group engages in intellectual property activities that bring about innovation. Such activities include the creation of core technologies and strategic acquisition of rights to, and use of, inventions and creations, which are intellectual outputs derived from the creation of core technologies.

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

In preparation for the 100th anniversary in 2025, we have set the invention proposals related to advanced technologies such as electrification and smart agriculture (ICT, robots, etc.) as a priority issue. We will increase the ratio of advanced technologies relating proposals to more than 60% of all invention proposals, building a solid intellectual property portfolio of advanced technologies.



## Initiatives to leverage our strengths

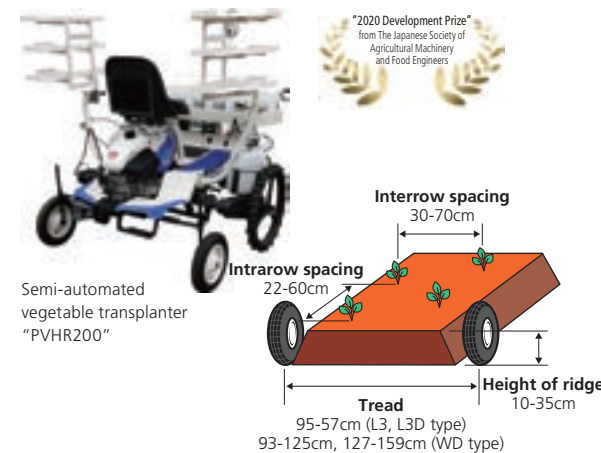
### Case 1. Development of the "Semi-automated vegetable transplanter PVHR200" adaptable to various crops

Technological capabilities

The vegetable farming market experiencing rapid growth has recently seen growing needs of mechanization, while requiring more versatility of machinery which accommodate the different types of planting depending on the area and crops.

The semi-automated vegetable transplanter PVHR200 series is a riding-type semi-automatic vegetable transplanter adaptable to a wide range of crops. In response to the demands from many vegetable growers, the enhanced adaptability to various planting enables 27-step adjustment of intrarow spacing (distance between nursery plants) and seamless adjustment of interrow spacing (between rows of nursery plants) from 30 to 70cm.

The riding-type two-row semi-automated vegetable transplanter received "2020 Development Prize" from The Japanese Society of Agricultural Machinery and Food Engineers, for a contribution to technological advancement.



voice



>> Comments from a developer

**Nobuhiro Yamane**  
Head of Vegetable Farming Transplanting Research Team, Vegetable Farming Machinery Research Group, Agri Create Department

Semi-automated vegetable transplanter "PVHR series" is an unprecedented type of vegetable transplanter that shares the handiness the light walking-type machinery have with the functions that allows for planting on board.

Of PVHR series, PVHR 200 which was awarded as "2020 Development prize" has been highly evaluated in the market for its further improvement of operator handling, its safety and adaptability to planting.

I continue to work on the development and provision of competitive, innovative products with a view to expand the sale of vegetable farming machinery.

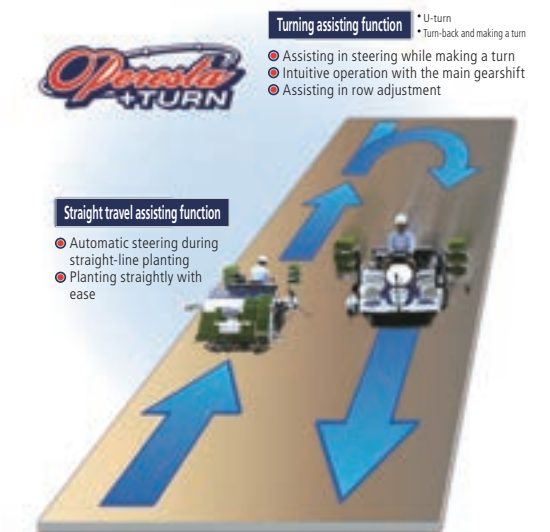
### Case 2. Development of "PRJ series," riding rice transplanter installed with turning assisting function

Technological capabilities

On the occasion of the 50th anniversary of Sanae, a flagship rice transplanter, we have launched PR series and PRJ series of riding rice transplanters. These series are innovative riding rice transplanters equipped with advanced technologies while inheriting the high-level basic performance of the existing models.

In addition to the conventional straight travel function, the new addition of a turning assisting function (Operesta Turn®) enables the rice transplanter to assist not only straight-travel operation while planting but also steering operation while making a turn. This makes it possible for even inexperienced workers to plant with ease and precision, alleviating labor shortages, reducing fatigue from long hours of work, and improving efficiency.

To protect such proprietary inventions, the development, sales, and intellectual property departments work together to strategically acquire intellectual property rights.



### Number of industrial property rights relating to PR/PRJ series (in Japan) (As of March 31, 2021)

	Patents	Design rights
Registered	107	49
Pending	21	7



Case 3. Joint research and development with research institutions and universities

Technological capabilities × Innovation based on collaboration

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. Such collaboration facilitates the rapid realization of future-oriented technologies and commercialization, which contribute to a sustainable growth of agriculture.

Research collaboration agreement with Ehime University and continuous provision of endowed courses

ISEKI and Ehime University entered into a research collaboration agreement on the "Intelligent Food Production System" in 2005 with an aim to enhance academic research on stable food provision and facilitate the use of the research outcome into the regional communities. Moreover, in 2010, we started another endowed course, "Design Engineering for Horticultural and High-technology Greenhouse" to facilitate research and development and human resource development to spread the use of the plant factories. As a result, we commercialized "PD6C," the first plant growth diagnosis device in the industry in 2015.

We will continue to strengthen our collaboration with Ehime University. Through the cutting-edge cultivation technology that integrates information and communication technology (ICT), artificial intelligence (AI), and robotization technology, we will dramatically increase the productivity of crops, including safe and secure food, while contributing to promotion of smart agriculture and revitalizing local communities.



Plant factory and Plant growth diagnosis device

Joint research development projects in FY2020

Testing research institutions 10 themes

Universities 2 themes

Case 4. Support for obtaining GAP certification to visualize agriculture

Support capabilities to offer farm business proposals

ISEKI Group helps farm producers to obtain GAP certification as an initiative to provide comprehensive support of farm management.

voice

>>Comments from farm producers



Mr. Kai at Nobeoka Farm of M Trust Co., Ltd. (left) and Mr. Yoshikawa at Sales Promotion Department of ISEKI Kyushu Co., Ltd.

Miyazaki Prefecture is home to a variety of agricultural products such as green peppers and cucumbers. However, in recent years, abandoned and wasteland areas have been increasing due to a lack of farmers. I formed an agricultural corporation in September 2019 by using

abandoned land and local employment. To maintain stable agricultural management and establish safe agricultural production system, we started initiatives to obtain JGAP certification with the aid of a JGAP instructor from Iseki Kyushu Co., LTD.

To obtain JGAP certification, we need to manualize the agricultural production process including preparing a production plan and setting a standard for safer crops, while keeping the operation under control to ensure the work safety of employees. Creating an easy-to-understand manual was difficult, as the employees did not usually pay attention to how to wash their hands and machines or how to harvest cabbages. However, by solving each issue toward obtaining certification, we were able to "visualize" the farm management—where and how the crops were produced—, realizing that it enhanced the safety of crops.

Going forward, thorough familiarity with the manual among the employee is encouraged so that they can further improve their work efficiency and use it to plan next year's crops. In addition to providing safe and delicious agricultural products, we are committed to community-based sustainable farm management.

About GAP

GAP stands for "Good Agricultural Practice," a method of farm management used by producers to achieve sustainable agriculture. JGAP is a Japanese version of agricultural production process management certified by Japan GAP Foundation. The certification is granted upon the assessment by a third-party organization, whether the agricultural operation including the management of fertilizers and pesticides or labor safety at the site meets the criteria. Implementing JGAP is expected to help curb food and agricultural accidents, protect the environment, develop human resources, and improve work efficiency, as well as secure the trust of consumers.

Case 5. Collaboration with global strategic partners

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

AGCO

We collaborate with a global major company, AGCO Corporation, to supply our OEM products to countries around the world. Especially in North America, the compact tractor market is expanding due to stay-at-home special demands and changing lifestyle during the pandemic. We further expand sales of our products in North America by using AGCO's sales channel.

TAFE

Leveraging the partnership with Tractors and Farm Equipment Limited (TAFE), the second largest agricultural machinery manufacturer in India, we expand the sales network of our products and to form a technological alliance. The rice transplanters launched in India since 2019 have been highly acclaimed, resulting in an increase in the sales in 2020 by approximately ten times from the previous year.

We are working to strengthen the partnership by providing guidance on the machinery maintenance and technical service training to TAFE. Moreover, by providing training on not only machinery but also raising seeding, 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 labor-saving and productivity.



Compact tractors supplied to North America on an OEM basis



Training for TAFE provided by the employee from ISEKI

Case 6. Collaboration with the national and local governments

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

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 labor-saving.

Partnership agreement regarding smart organic agriculture signed with Kisarazu City

In March 2021, ISEKI and Kisarazu City signed the "Partnership Agreement Regarding Promotion of Agriculture Utilizing Advanced Technology and Organic Agriculture", to start practical application and verification of smart agriculture and organic agriculture.

Organic farming requires weeding without using pesticides. Therefore, by utilizing smart organic technologies including "water management technology" to remotely control the growth of weeds and "weeding technology" to remove weeds when they occur, we aim to achieve sustainable agricultural development based on advanced production technology, cost reduction and establishment of cultivation method for high-quality crops.



Signing ceremony with Kisarazu City

Case 7. Initiatives to energize female farmers

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

About 40% of agricultural workers are women and they play important roles in farming and community activities. To provide further support to the female farmers' activities, ISEKI Group has participated in NOGYOJOSHI (female farmers) project by the Ministry of Agriculture, Forestry and Fishery (MAFF). We held agricultural machinery handling seminars throughout Japan, created clear manuals for safety use, and worked with female farmers to develop "easy-to-handle" agricultural machinery for everyone.

In 2020, given the difficulty in conducting face-to-face initiatives due to the spread of COVID-19, we began to hold online roundtable discussions on useful topics for agricultural management including GAP, sixth industrialization and soil cultivation.

- Total number of seminars on how to operate agricultural machinery: 35
- Total number of participants in the project: over 700

Comments from the participants

- "I could learn the key point of soil cultivation, which is essential to growing crops."
- "The online event was easy to attend, which gave me a chance to interact with female farmers nationwide."



Seminars on how to operate agricultural machinery



Message from our President

We strive to contribute to the creation the prosperous and sustainable society through “providing innovative products and higher quality of services to the customers”



“Toward the next 100 years...”



Shiro Tomiyasu

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

Our response to COVID-19  
Continuing to support essential agriculture and landscaping businesses

I would like to extend my sincerest condolences to the families of all those who have passed away due to COVID-19 and my prayers for the recovery of everyone who has contracted the disease or otherwise suffered as a result of the pandemic. I would also like to pay my profound respects to the healthcare workers and others who have been working strenuously on the frontlines during this crisis.

In 2020, the COVID-19 pandemic had a major impact on economic activities both in Japan and overseas. In ISEKI Group’s business environment as well, sales of agricultural machinery products in Japan declined as businesses exercised restraint in sales and marketing activities such as trade fairs. Overseas, while there was some special demand for compact tractors from consumers staying at home due to the pandemic in North America, shipments were down in Europe due to the impact of lockdowns and in Thailand due to falls in farming income caused by the COVID-19 situation. Although COVID-19 still remains

in Japan and overseas, the environment surrounding ISEKI Group in 2021 is gradually starting to settle down due to vaccine roll-outs, and we have assumed a moderate recovery of social and economic activities in FY2021. Under those circumstances, we will promote “new normal” business styles, which will include innovative sales and marketing activities such as web-based virtual demonstrations and small-scale, long-run sales talk events, and new ways of working such as work-from-home and spreading workers out among multiple sites.

There are also growing concerns about food, including the stable supply of foods and the improvement of food self-sufficiency rates during the pandemic. The importance of agriculture that supports food supply and the landscaping business that supports people’s daily lives is being recognized anew as essential businesses that must not be stopped. In supporting such businesses, ISEKI Group must continue to change and demonstrate its presence into the future.

Reflection of previous Mid-term Management Plan (2016–2020)

Steady progress made in the Plan’s measures, despite sales and profits falling well short of their targets due to the deviation of the assumed environment

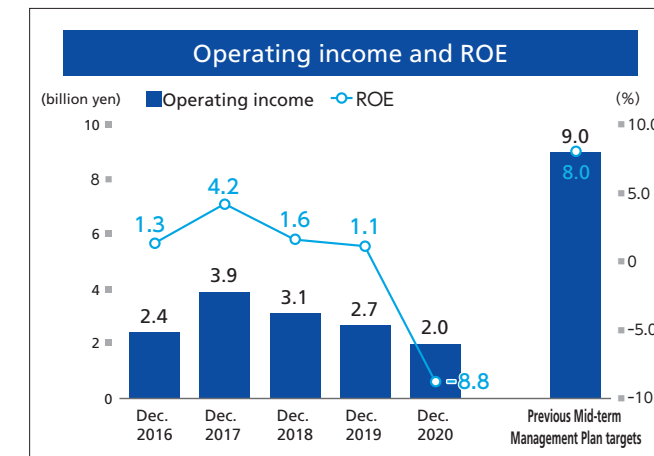
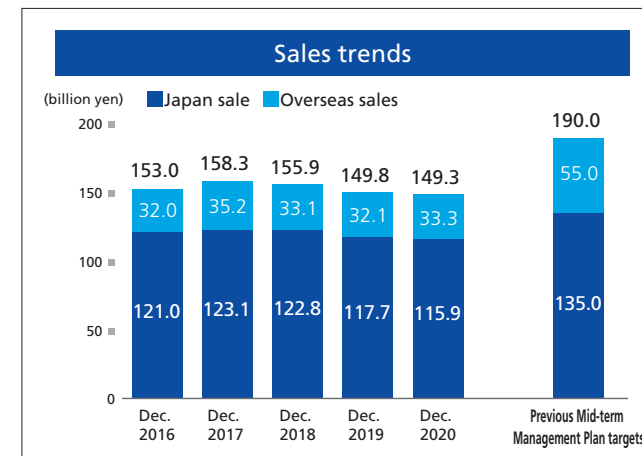
To realize its vision “To establish a firm position both in domestic and world market” as an integrated manufacturer specializing in agricultural machinery for 2025, the 100th anniversary of its foundation, ISEKI Group in 2016 formulated the Mid-term Management Plan as it positioned the first five years as an important step and implemented activities.

However, both the Japan and overseas markets saw dramatic changes in the business environment from what had originally been envisaged at the beginning of the plan. In Japan’s domestic market, the rush of demand prior to the increase in the consumption tax and the consequent fall afterward, along with natural disasters and other factors, impacted on demand for agricultural machinery. Overseas, growth in the ASEAN and Chinese markets, which we had positioned as growth engines, continued to plateau. Added to these factors was the massive impact of the COVID-19 pandemic, resulting in our business performance in 2020, the final year of the previous Mid-term Management Plan, falling far short of the plan’s numerical targets.

The global COVID-19 pandemic was something that could not have been predicted. However, such unpredictability is always a possibility. ISEKI Group must respond to such situations flexibly and grow in a sustainable manner. To this end, we need to transform into a lean and streamlined business structure that can constantly generate profit without being affected by the fluctuation in sales. The improvement of profitability through fixed cost reductions and other methods is essential.

On the other hand, initiatives undertaken in line with our basic strategies have achieved a certain level of results. They include increases in maintenance revenue from repairs, parts, and the like at our Japanese sales subsidiaries, improvements to the profitability of products that target overseas markets, and the enhancement of the ability of PT. ISEKI INDONESIA to turn a profit. We have now formulated a new Mid-term Management Plan, covering the five years from 2021 to 2025, that, as well as continuing to grow the outcomes of the previous Plan, will aim to solve remaining issues.

Results during previous Mid-term Management Plan



Major achievements of the basic strategies and issues remaining to be addressed

	Major achievements	Remaining issues
Strengthen responsiveness to drastic changes in agriculture in Japan	<ul style="list-style-type: none"> <li>Establishment of sales and service systems for wider areas Reorganization of wide-area sales subsidiaries: 10 companies ⇒ 6 companies</li> <li>Revenue-expenditure structural reform Increase in maintenance revenue ⇒ Improvement of sales subsidiary profitability</li> </ul>	<ul style="list-style-type: none"> <li>Strengthening of initiatives in large-scale, advanced technologies, and vegetable farming machinery</li> <li>Further strengthening of sales subsidiaries’ profit structure</li> </ul>
Expand overseas businesses	<ul style="list-style-type: none"> <li>Expansion of business through enhanced cooperation with strategic partnerships U.K. and India</li> <li>Development and introduction of products that suit market needs Response to exhaust gas regulations, advanced technologies, compact tractors, etc.</li> </ul>	<ul style="list-style-type: none"> <li>Business expansion through further reinforcement of cooperation</li> <li>Product development in response to changing needs (Europe: electrification; China: high-end products, etc.)</li> </ul>
Strengthen profitability by optimizing development and production	<ul style="list-style-type: none"> <li>Shift to in-house production of emission regulations-compliant engines Cost-cutting, strengthening of competitiveness</li> <li>Improvement of profits in Indonesian business PT. ISEKI INDONESIA achieving consistent profits</li> </ul>	<ul style="list-style-type: none"> <li>Improvement of profitability of unprofitable products in Japan and overseas, fundamental review of low-cost design</li> <li>Optimization of production categories</li> </ul>

## New Mid-term Management Plan (2021–2025)

Transformation to a lean and streamlined business structure that can constantly generate profit without being affected by the fluctuation in sales

### Business environment and issues

In the business environment surrounding ISEKI Group, the Japanese agriculture industry is witnessing significant structural changes, such as the decline in the number of farms, the increase in large-scale farming, crop diversification, and transition to smart farming. Overseas, the environment differs from region to region, but the business environment is always changing, with diverse needs and intensifying competition.

There is also a wide range of factors that are common to both Japan and overseas markets, including the impact of COVID-19, global food issues, and climate change risks.

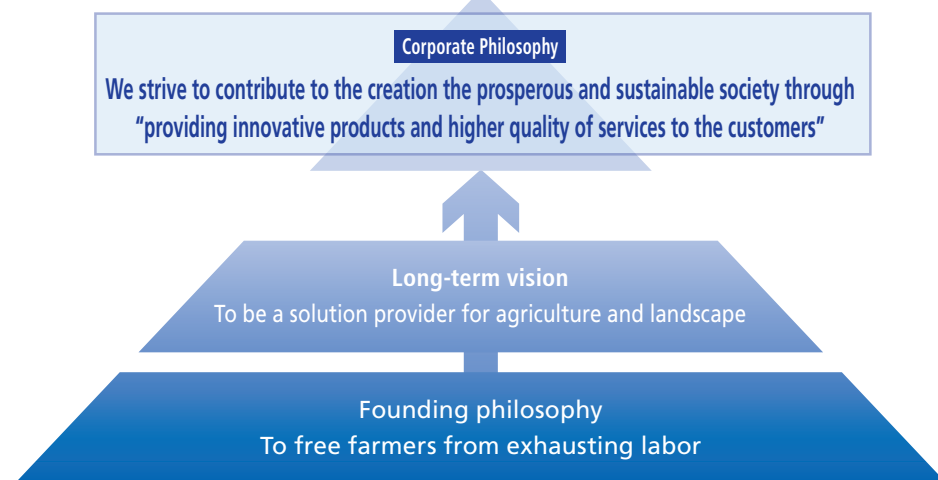
It is with an awareness of this environment that we recognize (1) responses to changing demand and needs, (2) the improvement of financial structure and expansion of profits, (3) strengthening of ESG initiatives, and (4) the realization of technological innovations as business issues, and we will promote a variety of measures that aim to make our long-term vision a reality.

Recognition of environment		Business issues	
Japan	Overseas	Responses to changing demand and needs	Realization of technological innovations
<ul style="list-style-type: none"> <li>✓ Decline in number of farms and increase in large-scale farming</li> <li>✓ Crop diversification</li> <li>✓ Transition to smart farming, regulatory reform (WAGRI, open API, DX, etc.)</li> <li>✓ Lowering of prices</li> </ul>	<ul style="list-style-type: none"> <li>✓ Diverse environments in each region</li> <li>✓ Shift to advanced features ↔ Shift to lower prices (diverse needs)</li> <li>✓ Intensification of competition</li> </ul>	<ul style="list-style-type: none"> <li>Improvement of financial structure and expansion of profits</li> <li>Strengthening of ESG initiatives</li> </ul>	<ul style="list-style-type: none"> <li>Realization of technological innovations</li> </ul>
<ul style="list-style-type: none"> <li>✓ From "with COVID-19" to "post COVID-19," global food issues, climate change risks</li> <li>✓ Change in business model (from products to services)</li> <li>✓ Growing environmental awareness (exhaust emissions, electric vehicles)</li> <li>✓ Growing demand for disclosure of non-financial information, SDGs</li> <li>✓ Responses to changes in laws and regulations, compliance</li> </ul>			

### Corporate Philosophy (Purpose)

ISEKI Group has inherited the company's founding philosophy of "freeing farmers from exhausting labor" in an unbroken line from then until today, and in 2025, we will mark the 100th anniversary of the company's founding. To ensure that ISEKI Group remains farmers' closest supporter over the next 100 years from 2026, we will lay firm foundations and make a dramatic leap forward in the five years of the new Mid-term Management Plan.

Our corporate philosophy for the next 100 years is to contribute to the creation the prosperous and sustainable society through "providing innovative products and higher quality of services to the customers." As well as the provision of products, we will also place efforts into services (information, experiences, features, etc.) and continue our activities as the ISEKI that makes customers happy.



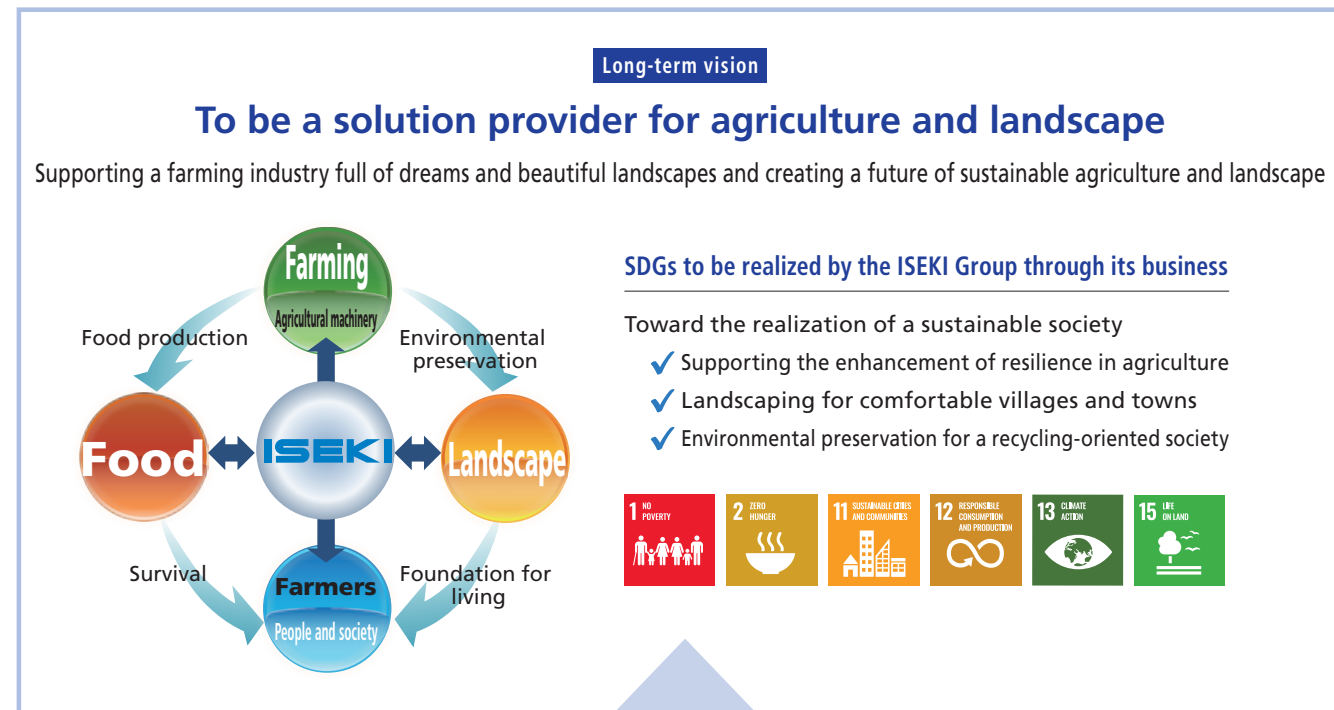
### The aims of ISEKI Group

ISEKI Group has set as its long-term vision for 2030 to be a "solution provider for agriculture and landscape—supporting the farming full of dreams and beautiful landscapes, creating the sustainable future of agriculture and landscape."

Farming safeguards food and land and realizes prosperity for people and society. It is us, ISEKI Group, that support such farming and farmers, and this long-term vision

is imbued with our intention to continue to be a company that solves issues related to them.

Amid significant changes in the business environment, ISEKI Group will solve social issues, with the knowledge and experience we have cultivated over the years as an integrated manufacturer specializing in agricultural machinery at our core. We will drive forward with our *Henkaku* (Change), in our aim to be a solution provider that creates new value, with our seven promises in our hearts.



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



### Basic strategies

To help us realize our long-term vision, ISEK Group will follow two basic strategies to solve business issues.

#### 1 Provision of the best solutions

To respond to changing demand and needs and to technological innovations, we will first analyze growth, needs, and other market factors for each of our major models and, setting medium-term product development themes based on that analysis, put the provision of innovative products and higher quality of services to the customers into practice through the united efforts of development, manufacturing, and sales.

In Japan, we will undertake product development and pursue sales strategies that are in line with the structural changes in agriculture, including the accelerating pace of the introduction of large-scale farming and smart agriculture and the conversion to crops other than rice. In particular, the large-scale farming trend is forecast to progress more and more in coming years, so we will dedicate development and sales resources to this area.

On the service front, we will continue to step up our ongoing initiatives in the expansion of large-scale servicing locations and education that responds to the needs of large-scale farmers. In addition, we will extend the concept of service to include information. We are now witnessing the beginning of a new style of farming that incorporates digital technologies. It is ISEKI Group's

role to expand that style of farming. We will evolve our business model through total ICT solutions, such as the development of new sales services and product development that leverages the data obtained from smart agricultural machinery.

Overseas, we will strengthen our cooperative relationships with our strategic partners in each region, particularly North America, Europe, and Asia, and expand our business domains. In North America, we are witnessing a shift from temporary demand prompted by consumers staying at home to changes in lifestyles, and we believe that this market will be stable over the medium to long term. As well as strengthening our relationships with our OEM partner, we will also work to expand our product range and increase sales. In Europe, where our business focuses on the landscaping market, ISEKI Group has a long history, and recognition of the ISEKI brand is high. We will continue to pursue product development to meet the market needs, while also seeking to elevate our position in the landscaping market through research and development of electric products. Asia, where rice farming is farmers' main focus, is the region with the most potential for expansion of the agriculture market. In ASEAN in particular, we will strive to expand sales by rolling out the technology and expertise we have developed in Japan, centered on IST Farm Machinery, which became a consolidated subsidiary at the end of the previous fiscal year.



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

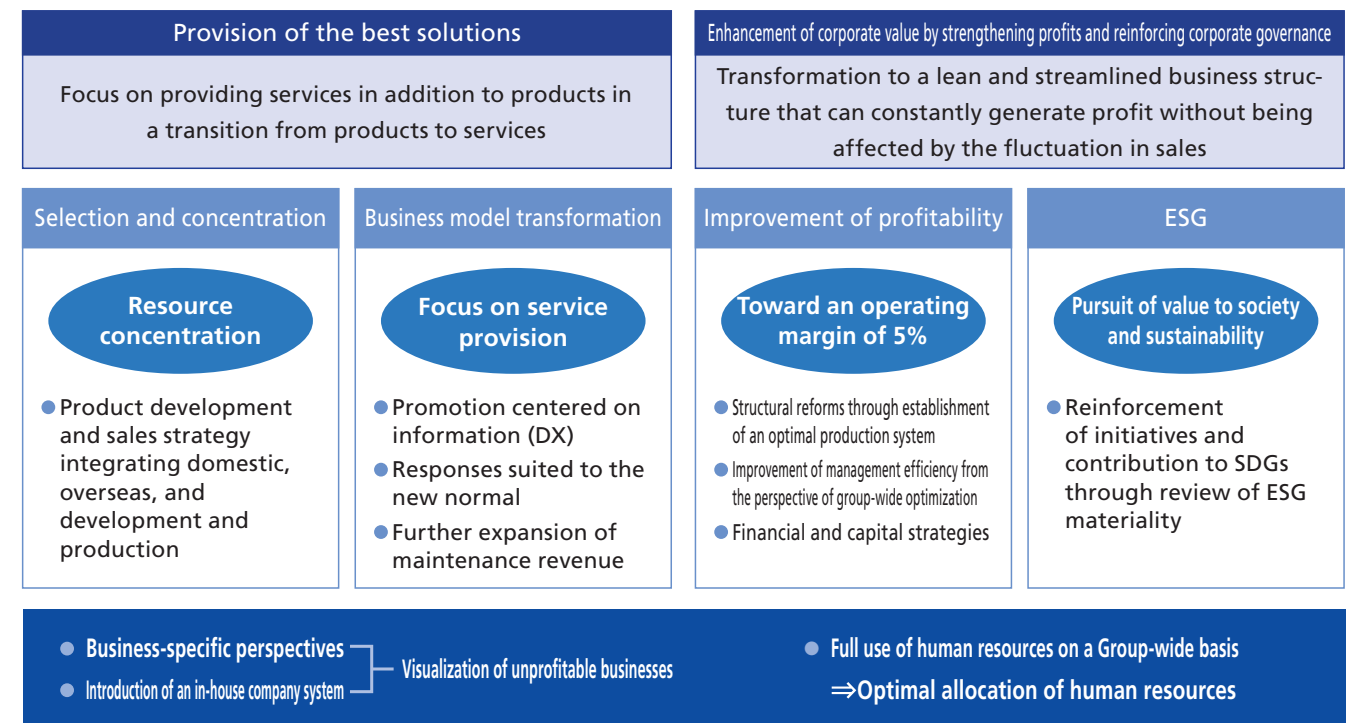
In the area of profitability, one of ISEKI Group's major challenges, we will strive to make improvements through structural reforms and management efficiency improvements. In structural reforms, our basic approaches will be the reorganization of our production system and the selection and concentration of businesses, products, and resources. In particular, our priority measure will be the construction of optimal production system at our Japanese manufacturing locations. Through this, we will strive to revitalize the Group's human resources and equipment and enhance productivity. In management efficiency improvements, in addition to the operational aspects we have worked on to date, we will strive for "business-creating *Henkaku* (Change)" that fundamentally re-examines the way we do things at each stage of design, production, sales, and service. This includes sales that makes use of digital tools, the improvement of investment efficiency through shared design and fewer models, and making full use of personnel across the entire Group. Through these initiatives, we will achieve our transformation to a lean and streamlined business

structure that can constantly generate profit without being affected by the fluctuation in sales.

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. In 2020, this committee was reorganized into the Nomination and Compensation Committee to include a function to deliberate and report on Directors' remuneration. Other initiatives we have pursued include implementing evaluations of the effectiveness of the Board of Directors to further improve its functions. Going forward, we will make efforts toward the further strengthening of our systems in light of the 2021 revision of the Corporate Governance Code. Further, in terms of ESG initiatives, we have reviewed our materiality (priority issues) in line with the formulation of the new Mid-term Management Plan. We will endeavor to fulfill our social responsibilities through initiatives that embody the essence of ISEKI.

By steadily implementing these basic strategies, we will aim for an operating margin of 5% in 2025 and strive to enhance our corporate value.

#### Basic strategies and directions of initiatives



#### Conclusion

This year is the first year of our new Mid-term Management Plan that will take us up to the 100th anniversary of our foundation. Even as we move toward that milestone, we will continue to hold fast to the founding spirit of "freeing farmers from exhausting labor" and our DNA as the front-runner in agricultural machinery. On the other hand, the business environment is changing greatly. To safeguard those things that must not be changed, it is imperative that we undertake *Henkaku* (Change) that goes above and beyond that ever-changing business environment. In that respect, it is important

that the entire Group unites as one to engage in the new Mid-term Management Plan. We will conduct measures to raise awareness of the Plan, including seminars for employees and training for managers, to ensure that all employees are conscious of *Henkaku* (Change) as they give certainty to the new Mid-term Management Plan.

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.



# Risks and opportunities

The environment surrounding ISEKI Group has entered an era of major transformation. We will firmly identify the risks and opportunities in the external environment and aim for the “provision of the best solutions” and “enhancement of corporate value by strengthening profits and reinforcing corporate governance,” which are the basic strategies of the new Mid-term Management Plan.

Risk	Opportunities
<ul style="list-style-type: none"> <li>● Decline in the number of farms in Japan, advancing age of farmers, and slowdown of demand due to an increase in contracting of farm work</li> <li>● Lowering of prices, rise of Indian and South Korean competitors</li> <li>● Impact of changes in policies of individual governments</li> <li>● Climate change, reduction of environmental burden, natural disasters, infectious diseases, etc.</li> </ul>	<ul style="list-style-type: none"> <li>● Larger scale of Japanese producers, diversification of crops</li> <li>● Dissemination of smart agriculture (data-using agriculture)</li> <li>● Partnerships with entities in other industries through DX</li> <li>● Progress in mechanization of agriculture in ASEAN, India, and other regions where rice is the main crop</li> <li>● New demand for electric/robotic products, etc.</li> </ul>



### Basic strategies

<p><b>1 Provision of the best solutions</b></p> <p>Focus on providing services in addition to products in a transition from products to services</p> <p><b>Selection and concentration— resource concentration</b></p> <ul style="list-style-type: none"> <li>● Product development and sales strategy integrating domestic, overseas, and development and production</li> </ul> <p><b>Business model transformation—focus on service provision</b></p> <ul style="list-style-type: none"> <li>● Promotion centered on information (DX)</li> <li>● Responses suited to the new normal</li> <li>● Further expansion of maintenance revenue</li> </ul>	<p><b>2 Enhancement of corporate value by strengthening profits and reinforcing corporate governance</b></p> <p>Transformation to a lean and streamlined business structure that can constantly generate profit without being affected by the fluctuation in sales</p> <p><b>Improvement of profitability—toward an operating margin of 5%</b></p> <ul style="list-style-type: none"> <li>● Structural reforms through establishment of an optimal production system</li> <li>● Improvement of management efficiency from the perspective of group-wide optimization</li> <li>● Financial and capital strategies</li> </ul> <p><b>ESG—pursuit of value to society and sustainability</b></p> <ul style="list-style-type: none"> <li>● Reinforcement of initiatives and contribution to SDGs through review of ESG materiality</li> </ul>
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# ISEKI Group’s SDG objectives

ISEKI Group will contribute to solutions to social issues, including the SDGs, through its business activities as a solution provider for agriculture and landscape.



### Supporting a farming industry full of dreams

SDG icons: 2 (Zero Hunger), 1 (No Poverty), 5 (Gender Equality), 8 (Economic Growth), 9 (Industry, Innovation and Infrastructure), 12 (Responsible Consumption and Production), 15 (Life on Land).

ISEKI Group contributes to the sustainable development of Japanese agriculture through the dissemination and promotion of smart agriculture that uses smart agricultural machinery and data. In addition, while on the one hand, Asia accounts for approximately 90% of global rice production, urbanization in Asia is leading to the problem of farm labor shortages. Leveraging the rice-growing technologies developed in Japan, we are contributing to the improvement of productivity through the mechanization of agriculture in Asia by providing agricultural machinery to suit individual countries and regions.

### Supporting beautiful landscapes

SDG icons: 11 (Sustainable Cities and Communities), 15 (Life on Land), 3 (Good Health and Well-being), 7 (Affordable and Clean Energy), 9 (Industry, Innovation and Infrastructure), 12 (Responsible Consumption and Production), 13 (Climate Action).

ISEKI’s landscaping machinery is utilized in landscape improvement, particularly in Europe, such as the development of parks and sports fields, road cleaning, snow clearing, and other ways. We are contributing to the development of pleasant communities by safeguarding Europe’s beautiful landscapes and environments.

### Environmental preservation for a recycling-oriented society

SDG icons: 12 (Responsible Consumption and Production), 13 (Climate Action), 7 (Affordable and Clean Energy), 15 (Life on Land).

Our aim is to realize a recycling-oriented society through business activities that take the environment into consideration. We are pursuing the development and provision of environmentally-friendly design and eco-products with the aim of reducing the environmental burden of our products in each of the stages of development, manufacture, use by customers, and disposal.



# ISEKI Group's responses to the COVID-19 pandemic

As COVID-19 spread all over the world, it dealt a massive blow to society and the economy. In ISEKI Group as well, in addition to sales and production, work styles and other aspects have also been greatly impacted. Since March 2020, we have held regular COVID-19 Response Meetings, and we have pursued flexible responses to minimize the impact on our business activities, while maintaining the safety of our customers and employees and the prevention of infections as our top priorities. With the sense of uncertainty about the future expected to continue, instead of temporary fixes to this massive social transformation, we will unite as a Group to transform into a corporate structure that will remain flexible and resilient even after the COVID-19 situation has abated.

On the production front, when infections started to increase in China's Wuhan City in late January 2020, the plant of our local affiliated company, Dongfeng Iseki Agricultural Machinery Co., Ltd. was forced to suspend operations, but operations had returned almost to normal by around mid-March.

At our manufacturing sites in Japan, production was affected by temporary delays in the supply of important components, but operations had almost completely recovered to normal levels by around July.

Amid restrictions on movement both in Japan and internationally, our global production base, PT. ISEKI INDONESIA had to rely on remote technical guidance from Japan when launching new products but was able to start production on schedule.



Remote technical guidance under way



On the sales and service fronts, in Japan, we were forced to refrain from sales and marketing activities, including trade exhibitions. Overseas, while in North America, changing lifestyles prompted by a growing preference for the suburbs contributed to an increase in demand for compact tractors, the effect of lockdowns in Europe had a major impact on ISEKI's business results.

Under these circumstances, ISEKI Group promoted the use of IT to communicate product information and to ensure after-sales support could be provided even with restrictions on face-to-face communication. Initiatives included posting videos and other media on the internet, strengthening communication capabilities on social media and corporate websites, and holding online seminars. We are also working to improve the efficiency of sales and marketing activities, including rolling out new sales support software.



Establishment of a virtual demonstration event website

In addition to holding regular COVID-19 Response Meetings to share the latest information and countermeasures, we have worked on business continuity, including in the supply chain.

Even now, our efforts to prevent the spread of COVID-19 both in the company and beyond continue, placing top priority on ensuring the safety of our customers, supplies, employees, and their families, and preventing infections. To prevent transmission of the virus, in addition to thorough sanitary measures, we have developed work systems that allow for flexible work styles, including implementing work-from-home and staggered attendance and temporarily abolishing core hours in the flextime system. Other initiatives include reducing density in the workplace by spreading operational spaces out, postponing or cancelling group training or switching to online training, and no longer accepting visitors for factory tours.

We will continue to strive for a balance between ensuring safety and security, including through work styles suited to the new normal, and business continuity.

In China's Hubei Province, disinfection work was undertaken in all cities in response to the spread of COVID-19 infections. Around 200 high-clearance multipurpose vehicles manufactured at Changzhou Factory of Dongfeng Iseki Agricultural Machinery Co., Ltd. were used in the citywide disinfection of five cities in the province, including Wuhan and Xiangyang, contributing to the prevention of transmission.

The COVID-19 pandemic brought a renewed recognition of the essential nature of agriculture that underpins food supply and landscape improvement that safeguards people's lifestyles, and they have become more important than ever. As a company that supports agriculture and landscape, ISEKI Group will aim to realize a prosperous, sustainable society.



Disinfection work using ISEKI high-clearance multipurpose vehicles

# Business model transformation through the promotion of DX

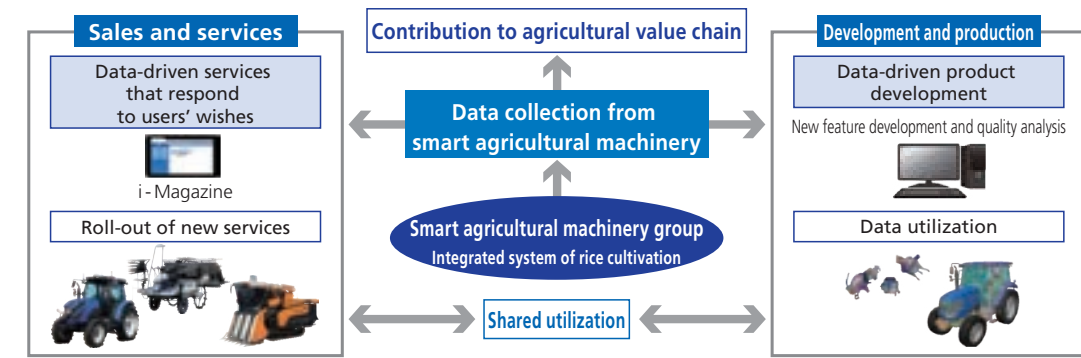
ISEKI Group will strive for the transformation of its business from "products" to "services" by concentrating efforts on the provision of the best solutions that take advantage not only of products but also information, know-how, and other digital technologies.

Currently, agricultural businesses using data in their farming operations account for only about 20% of the total<sup>\*1</sup>. ISEKI Group is working to solve issues in the agricultural industry through the provision of smart agricultural machinery that leverages ICT and robotics technologies. Going forward, it will also strive for further labor-saving and productivity improvements in agriculture by placing efforts into new services that take advantage of the data obtained from such smart agricultural machinery, as well as the farm business technologies and know-how that we have cultivated over many years.

Specifically, we will roll out the provision of data collected by smart agricultural machinery, based on customers' needs, including through open APIs<sup>\*2</sup>. On the sales and services front, "i-Magazine," an IT tool that aids the visibility of information related to sales and marketing activities, including searches for information

such as product inventories, preparation of quotations, viewing of video content, instruction manuals, parts lists, and sales diaries will be introduced at sales subsidiaries all over Japan. This will enable us to provide people on the ground with information that meets customers' true needs in farm management in real time. It will also lead to work style reform through more efficient sales and marketing activities. The tool will also be used in product development, design, and production. By contributing to the agricultural value chain, which includes a variety of activities and services related to agriculture and food, this will lead to *Henkaku* (Change) in agriculture and society.

- \*1 183,000 agricultural enterprises are using data in their farming operations in Japan, accounting for 17% of the total number of agricultural enterprises (source: 2020 Census of Agriculture and Forestry).
- \*2 Open API: Publicly available application programming interface that provides access to other systems under certain conditions



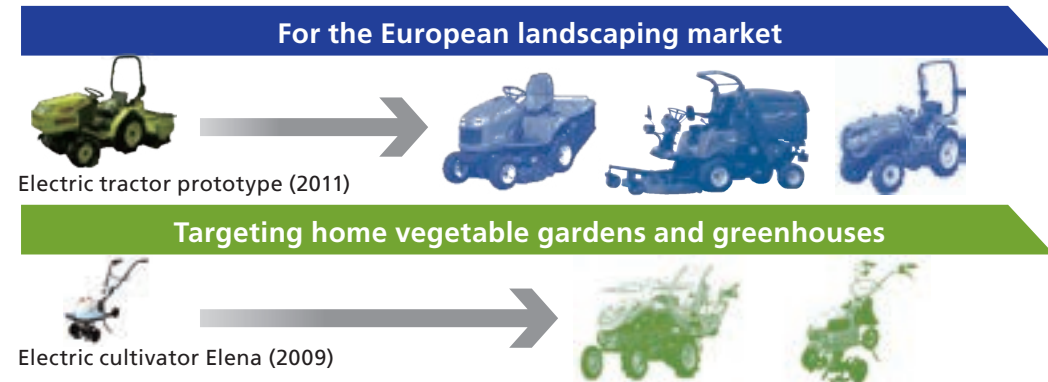
# Toward the realization of a decarbonized society

ISEKI Group practices environmental management based on the positioning of environmental preservation as a business priority for the creation of a sustainable society.

We have long been actively engaged in environmentally-friendly design, including eco-products, and in reducing CO<sub>2</sub> emissions in our production activities. On May 1, 2021, we established a new Green Innovation Promotion Office with the aim of accelerating research and development related to the electrification of our products. In the European landscaping market, where there is a high degree of environmental awareness, we plan to launch limited sales of a small-sized electric tractor mower in 2022, with a view to mass production

by 2024. Further, we are currently also considering the use of hydrogen. In February 2021, we joined Japan Hydrogen Association, which promotes the formation of global partnerships and a hydrogen supply chain in the hydrogen sector. In addition, through solutions that combine our smart agricultural machinery and the farm business technologies and know-how that we have cultivated over many years, we are making sales proposals and providing support for environmentally sound agriculture, including organic agriculture, for the reduction of CO<sub>2</sub> emissions in the agricultural industry overall.

Initiatives toward electrification



# ISEKI Group's materiality

Materiality refers to the important issues that the ISEKI Group will address as a priority for the sustainable growth of society and the company, based on its management philosophy. In the formulation of the Mid-term Management Plan (2021–2025), we reviewed our materiality to realize our long-term vision of being a “solution provider for agriculture and landscape,” identifying important issues that will have an impact on our growth strategies from the perspectives of “solutions to social issues through business” and “factors that support sustainable value creation and growth.”

By strengthening our ESG initiatives, we will pursue the improvement and sustainability of ISEKI Group's value to society.

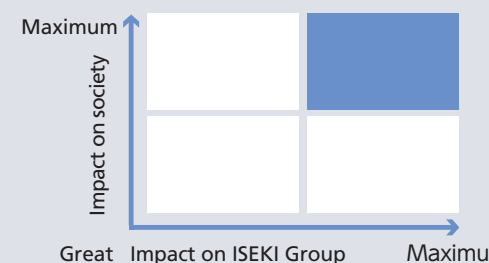
		Materiality	Key themes	Key initiatives	KPI	Value provided to society	Related SDGs	Pages			
Solutions to social issues through business (source of value creation and competitive edge)		Provision of the best solutions	Provision of products and services that satisfy customers Strengthening of intellectual property activities Development of experts	Research and development, demonstration, and dissemination of advanced technologies and advanced farm business technologies Invention creation and rights acquisition Development of specialized human resources for development, production, sales, and service	Enhancement of customer and dealer satisfaction	<ul style="list-style-type: none"> <li>Provision of products and services that contribute to the improvement of productivity of agriculture and landscaping, safety, and the reduction of environmental burden</li> <li>Promotion of active participation by female farmers (Project to support female farmers)</li> <li>Revitalization and development of local communities</li> </ul>		P. 9 ~14 P.27~32			
Factors that support sustainable value creation and growth	S (society)	Enhancement of brand value	Improvement of customer satisfaction and quality assurance Supply chain management Social contribution and international cooperation	Enhancement of customer satisfaction and implementation of design review Promotion of CSR procurement Implementation of activities to communicate with community				Implementation of engagement surveys and score increases	<ul style="list-style-type: none"> <li>Creation of diverse human resources</li> <li>Provision of safe, rewarding workplaces</li> </ul>		P.47~50
		Enhancement of employee engagement	Diversity Creation of employee-friendly workplaces Occupational health and safety management	Promotion of female advancement Encouragement of employees to take various forms of leave Thorough management of occupational safety and health							26% reduction in CO <sub>2</sub> emissions Ratio of eco-products: 50% or more
		E (environment)	Environmental preservation	Environmentally-friendly design (eco-products) Mitigation of environmental burden (reduction of CO <sub>2</sub> emissions) Environmental management	Expansion of eco-products and their dissemination Reduction of five substances of concern (SOC) in production activities Climate change countermeasures, promotion of zero emissions						
	G (governance)	Enhancement of corporate value	Enhancement of governance Risk management Compliance Information disclosure and constructive dialogues	Responses based on the evaluation of the effectiveness of the Board of Directors Operation of the Risk Management Control Committee and risk evaluation and handling Responses to Act on the Protection of Personal Information Enhancement of information disclosure and dialogue opportunities	Increase in ratio of holdings by individuals and long-term investors	<ul style="list-style-type: none"> <li>Enhancement of corporate value and stable dividends</li> </ul>		P.36~46			

## Materiality identification process

**STEP 1 Identification of issues**  
To respond to the diverse needs and demands that are obtained through communication with our stakeholders, we identified issues to be addressed with reference to ISO26000, the GRI Guidelines, and the United Nations Sustainable Development Goals (SDGs), etc. The process identified issues to be addressed as a priority for the creation of social and economic value through business activities and issues to be addressed from the perspective of opportunities and risks in business activities, such as environmental changes, impediments to business activities, and burden on the global environment.



**STEP 2 Evaluation of materiality**  
The identified issues were evaluated in terms of their “impact on society” and “impact on ISEKI Group,” while connecting them to our vision and management strategies.



**STEP 3 Determination of materiality**  
The materiality to be addressed by ISEKI Group were determined through deliberation by the Board of Directors.



# Domestic Business Company

## Message from the General Division Manager of the Business Division

To realize a farming industry full of dreams, we will provide the best solutions and create a sustainable future for farming in Japan.



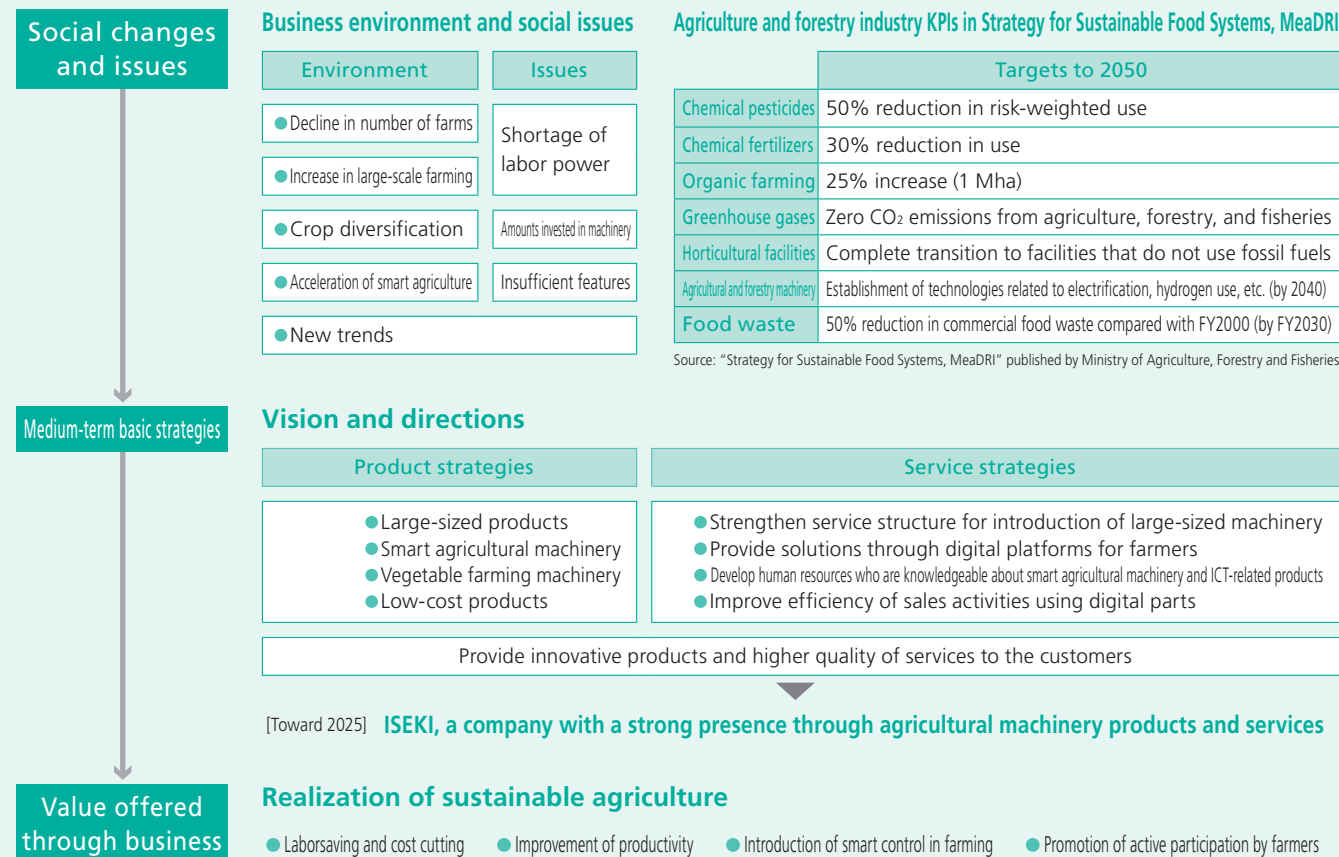
**Yukio Nawata**  
Director & Managing Corporate Officer, General Division Manager of the Business Division  
Director & Managing Corporate Officer,

In Japanese farming, support for the agricultural industry is urgently needed to address its many different issues, including the decline in farmers due to aging and shortages of labor to accommodate the growing scale of farms. Efforts toward smart agriculture are also accelerating, prompted by labor shortages caused by the COVID-19 pandemic.

Under these circumstances, ISEKI Group has declared the “provision of best solutions” tailored to our customers’ farm business styles as a basic strategy. Striving to promote and strengthen DX through smart agricultural machinery and data connections, we aim to build a new agricultural value chain, which will include the improvement of yields and quality and the reduction of costs and labor burdens, and make attractive proposals for “Japanese farming equals profitable farming.” We will also work actively toward innovations aimed at expanding environmentally-conscious products for the reduction of greenhouse gas emissions in the farming sector and the expansion of the area of land used for organic agriculture.

On the service front, in our shift from “products” to “services,” from fiscal 2021, we will roll out “i-Magazine,” a digital support tool that allows quick access to the information that customers want, including product inventory and owned machinery searches, i-Next video content, farm business information, and instruction manual and parts list searches. In the same timeframe, we will also roll out “Amoni,” an agricultural platform that will enable co-creation and coordination between large-scale agricultural creators and farming-related manufacturers and start-up companies to address a variety of issues. In such ways, we will strive for the further expansion of solutions.

As it heads toward the next stage, ISEKI will create a sustainable future for Japanese farming together with farmers.



## Product strategies

As the structure of the farming industry continues to change, we have rolled out products that meet a variety of needs, from smart agricultural machinery to low-priced models.

**○ Agricultural machinery tailored to large-scale farming**  
As the scale of farm management continues to grow, ISEKI Group has a product lineup covering from the most advanced models to simple, low-priced models suitable for different crop cultivation methods and farm business scales.

In recent years, demand has been growing for smart controlled agricultural machines equipped with automatic steering functions. ISEKI is promoting the commercialization of various types of advanced agricultural machinery, including tractors and rice transplanters.

In rice planting operations in particular, which are being increasingly contracted out, there are great expectations for efficient eight-row rice transplanters and growing requirements for automatic steering. To meet this need, in 2020, ISEKI launched rice transplanters equipped with straight travel/turning assist functions, which allow inexperienced operators to operate the machine in straight lines and turns as well as a skilled operator. Already, over 60% of our eight-row class models have straight travel/turning assist functions installed.



Rice transplanter equipped with straight travel/turning assist functions  
Sanae JapanPRJ18

## ○ Products for vegetable farming market

Despite the recent expansion of Japan’s vegetable farming market, many of Japan’s vegetable production systems still rely on manual labor. Needs exist for the commercialization of integrated systems for automating vegetable farming to make the work easier and promote laborsaving.

In the area of vegetable harvesting, where mechanization has been particularly slow, ISEKI has commercialized harvesting equipment for many different vegetables, starting with the VHC18 carrot harvester in 1998. Our line-up now includes harvesters for ginger, cabbage, and Japanese radish.

By continuing to develop a full product range to meet the diverse needs of vegetable farming, we will support expansion of scale and improvement of efficiency in the vegetable market, where demand is expected to grow.



VHD102-5 Japanese radish harvesting machinery

## Human resource development

With the aim of developing human resources who can respond flexibly to structural changes in the agricultural industry, we are implementing a variety of initiatives aimed at improving our people’s ability to offer proposals and support to customers, as well as their technical service capabilities.

### Key initiatives

- Various specialist training programs run by in-house training department (ISEKI Global Training Center)
- Smart Agricultural Machinery Course and Pro Mechanic Course to strengthen ability to respond to farmers
- Pre-exam workshops for agricultural machinery mechanic qualification exam

## Service strategies

In addition to providing agricultural machinery, we will roll out services to solve farm owners’ problems and support challenges toward new types of agriculture.

### ○ Amoni, an agriculture platform co-created by farmers, ISEKI Group, and participating companies

Amoni, a platform for the exchange of agriculture-related information, was built in a partnership between ISEKI Group, companies involved in agriculture, and farm owners. As large-scale farming increases, the need for efficiency improvements and laborsaving in agriculture has become greater than ever, and the information that farm owners require has grown increasingly diverse and complex. By sharing the actual situation on the ground on farms with videos, demonstration reports, and other means via Amoni, we will solve the problems that beset large-scale farming together and support the establishment of a new kind of agricultural management tailored to the changing environment.



Amoni, established in July 2021

### ○ Strengthening of sales and service systems

To provide efficient, effective farm business services of high quality, ISEKI Group is setting up large-scale maintenance bases in each district to act as core centers. By developing systems that will also be able to accommodate large-scale farming, we are working to expand our sales share and maintenance income.

ISEKI Hokkaido Co., Ltd. The three sales offices were merged and a large-scale base with adjoining large-scale maintenance center was opened to respond to the increasing size of machines and growing demand accompanying the expansion of scale of customers in the north Hokkaido area.



ISEKI Hokkaido's Kitasorachi Service Workshop

# Overseas Business Company

Message from the General Division Manager, Overseas Business Division

As a “solution provider for agriculture and landscape,” we will strive to further expand our overseas business, to help solve global issues.



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

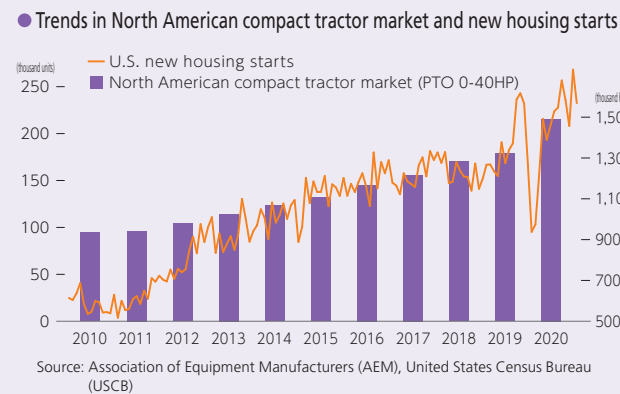
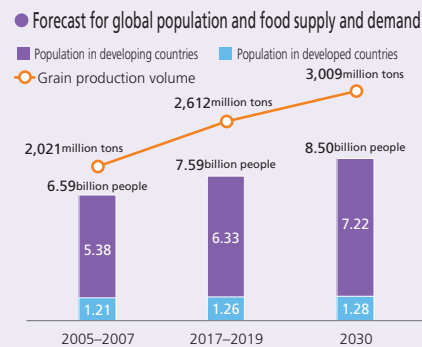
As the COVID-19 pandemic has changed our living environments in direct or indirect ways, the activities of ISEKI Group continue to contribute strongly in the various regions to the creation of a sustainable society as an essential business.

The North American small-sized tractor market expanded to its greatest size ever due to demand prompted by the stay-at-home trend during the pandemic. We believe that there will continue to be more opportunities for ISEKI's products to help people to improve their quality of life through the land, such as enjoying gardening and hobby farming at their homes in the suburbs.

In the European market, the high quality of ISEKI products and our strong track record have made ISEKI a widely known brand. In the individual European countries, which are more advanced in their environmental responses, a green recovery, that is economic recovery through the creation of environment-related businesses, is being considered. Going forward, we will contribute further to environment-related businesses, including with the electrification of our products. Further, amid the various changes in the environment, mechanization of agriculture to secure food supplies remains a challenge in many countries. In Asia, in particular, there are many regions where rice farming is the predominant crop, and demand for agricultural machinery, which has evolved in Japan, is rising sharply. ISEKI integrated its Thai locations last year and now aims to expand our business further.

In the new Mid-term Management Plan, ISEKI declared itself a “solution provider for agriculture and landscape.” We will further expand our overseas business beyond our past status as a well-loved Japanese agricultural machinery manufacturer to a corporate group that provides solutions needed in various parts of the world.

## Social changes and issues



## Medium-term basic strategies

### Vision and directions

We will pursue manufacturing, sales, and service that meet customer needs in the three key regions, aiming for the expansion of our overseas business.

North America	Europe	Asia
<b>Increase share of compact tractor market</b> <ul style="list-style-type: none"> <li>Support expansion of AGCO's sales network</li> <li>Introduce lower-cost economy tractors to market</li> </ul>	<b>Increase presence in landscaping market</b> <ul style="list-style-type: none"> <li>Accelerate response to electrification</li> <li>Expand product line-up, including consumer products</li> <li>Rebuild sales network with a view to consolidation</li> </ul>	<b>Roll out rice farming-related machinery developed in Japan</b> <ul style="list-style-type: none"> <li>Build foundations for ASEAN business based on the revamped IST</li> <li>Introduce high-performance, large-scale rice-farming machinery to market</li> <li>Strengthen systems through integrated operations from production to sales and service</li> </ul>

## Value offered through business

### Meet regional needs and solve issues in various parts of the world

- (North America) Support the enrichment of private lives
- (Europe) Create clean, pleasant urban environment
- (Asia) Reduce burden on farm workers, support food production

## North America strategy

In North America, ISEKI supplies major global company, AGCO, with compact tractors of PTO horsepower less than 40 and utility tractors of horsepower less than 100 under an OEM contract. These products are being used by a wide range of users.

In the North American market, as people have been spending more time at their homes in the suburbs during the COVID-19 pandemic, changes are also being seen in their lifestyles. With this trend, demand for compact tractors targeting private users has increased, and there is growing demand for lower prices and greater ease of use. ISEKI helps consumers to enrich their lives with the kind of quality only we can offer, including human-friendly design based on ergonomics, and we have increased sales of compact tractors in particular.

Going forward, we will further deepen our partnership with AGCO to launch onto the market in a timely manner new products that meet local needs, in an effort to expand our market share. We will also strive for further cost reductions to ensure a proper level of profit amid intense price competition.



Compact tractor popular with private users, MF1835E

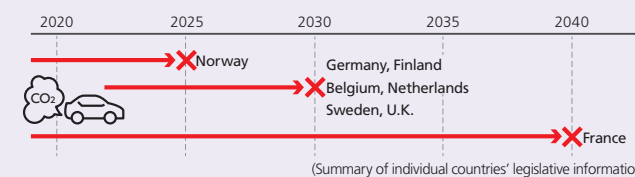
## Europe strategy

In Europe, ISEKI offers tractors, riding mowers, and other machinery for landscaping, such as mowing lawns in parks, road cleaning, and snow clearing. Our products are contributing to the preservation of the beautiful landscape in Europe and to the prevention of epidemics. In Europe, where environmental awareness is higher than anywhere else in the world, exhaust regulations (EU Stage V) that are even stricter than the current regulations will come into full force from 2022. With ISEKI's SF5 series of riding mowers, we have realized a reduction of environmental burden through the installation of EU Stage V-compliant engines, and we have also taken low-noise operations and ease of use into consideration. These features have made the series popular among professional customers such as landscape developers.

In Europe, the European Green Deal, which aims to achieve a balance between decarbonization and economic growth by 2050, is being heralded, and the need for more environmentally-friendly products is predicted to expand. Many countries have also declared that they will prohibit the sale of new gasoline- and diesel-powered vehicles by 2030, and it is possible that agricultural machinery that travels on public roads will also be subject to the same level of restrictions. To meet these daily changing needs, ISEKI is currently progressing research and development of small-sized electric tractor mowers with the aim of mass production by 2024.

In addition to the strengthening of service and sales capabilities by rebuilding our existing sales networks, we will continue to provide products that meet customers' expectations. In this way, we will raise the profile of the ISEKI brand in the landscaping market.

- Restrictions on sale of new gasoline- and diesel-powered vehicles in major European nations



## Asia strategy

In the ASEAN region, the ratio of capital contribution in IST Farm Machinery, the company established in Thailand in a joint venture with Mitsubishi Corporation in 2013, was changed at the end of 2020, and IST became a consolidated subsidiary of ISEKI. In addition, through streamlining and function integration efforts with ISEKI (Thailand) Co., Ltd., our controlling base for parts and service in the region, we will aim to expand our sales and service into countries neighboring ASEAN, with IST playing a central role. The conditions under which farming machinery is used in this region are very harsh, requiring products that are highly durable and low-cost. ISEKI has launched tractors that are low in cost due to production in Indonesia and that also offer improved durability and workability, through which we are supporting mechanization in the region. In India, we have collaborated with our strategic partner, TAFE, to sell rice transplanters, which are proving popular locally.

Like Japan, the East Asia is beset with social issues such as a shortage of farm workers and aging of the farming population, leading to increased needs for advanced technologies and large-scale agricultural machinery. ISEKI has introduced the kind of large-sized, high-performance rice-farming equipment that is in active use in Japan mainly into the Taiwan, South Korea, and China markets, contributing to labor-saving and higher efficiency in farming operations.

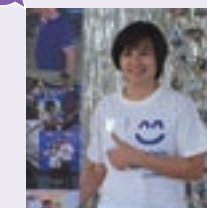


Expansion of sales and service into the ASEAN region, based in IST

## Use of global human resources

Ms. Vilasinee is the Sales Department General Manager of IST Farm Machinery, which has become a consolidated subsidiary. She has worked in sales since first joining the company and was promoted to General Manager of the Sales Department in 2020. The sales division considers measures for expanding sales of ISEKI products through distributors, agents, and direct sales centers and strives to deepen relationships with distributors. Ms. Vilasinee is highly regarded for her meticulous support and sharp perspectives and has earned great trust from customers. ISEKI Group will continue in its efforts to make use of its global human resources with the aim of expanding its business.

### voice



#### Employees succeeding on the global stage

Vilasinee, General Manager, Sales Department  
IST Farm Machinery

ISEKI & Co., Ltd. has insight into the establishment of the ISEKI brand not only in Japan but in overseas markets as well.

Under the new structure, we will incorporate ISEKI's know-how into IST Farm Machinery's strategies and engage in proactive sales and marketing activities to pursue the expansion of sales and to bring smiles to farmers.



# Development and Production Company

## Message from the General Division Manager, Development & Production Division

We will pursue product development strategies that focus on the regions and products where we have strengths and on growth markets.



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

Even as the market environment seems to be changing by the minute, we continue to carry on our founder's passion of "freeing farmers from exhausting labor." Our development and production divisions are working as one to develop products that respond to social changes. We are further strengthening our line-up of smart agricultural machinery that address problems in the agricultural industry, including the shortage of farmers caused by the shrinking and aging of the farming population in Japan and the consequent expansion of scale of farming, contributing to ultra-laborsaving, high-profit agriculture, as well as low-priced products for small-scale farms, and products that meet the needs of field crops and vegetable farming markets. Overseas, we will aim to strengthen our competitiveness and expand our brand through the development of products that meet the respective needs of the North American, European, and Asian regions.

In our production systems, we will pursue structural reforms through the construction of optimal production systems that make effective use of the management resources of our Japanese and overseas production bases. We will also review in-house/external production categories, in our efforts to further strengthen our business structure for the enhancement of profitability and quality. Viewing the changes in the environment surrounding society as opportunities, we will continue to place efforts into farm work safety measures, with the safety of our customers as our top priority. We will also actively engage, from both development and production angles, in initiatives such as the development of high-end automated and robotic products, the roll-out of global strategic machines that meet the diverse needs of individual regions, electrification of products aimed at the realization of a decarbonized society, which has become a pressing issue, and the deliberation of use of new energies.

### Social changes and issues

- Increase in size of farm business
- Increase in size of agricultural machinery
- Acceleration of smart agriculture
- Crop diversification to field crops and vegetables
- Enhancement of farm business technologies
- Need for high quality, high performance, high durability, and low prices
- Stable food production and supply
- Mechanization of agriculture in Asia
- Maintenance and preservation of landscapes, including townscapes
- Lifestyle change
- Environmental response and creation of a decarbonized society

### Medium-term basic strategies

#### Vision and directions

We will pursue product development strategies that focus on the regions and products where we have strengths and on growth markets, as well as structural reforms through the construction of optimal production systems.

#### Product development strategies

Japan	Overseas
<b>Response to large-scale farming</b> <ul style="list-style-type: none"> <li>● Strengthening of large to medium size, low price, smart agricultural machinery and products for field crops and vegetable farming</li> <li>● Products and services in response to changes in farming styles</li> </ul>	<b>Response to brand expansion</b> <ul style="list-style-type: none"> <li>● Strengthening of products for European and North American markets, which are our strength</li> <li>● Gaining foothold by strengthening products for ASEAN</li> <li>● Establishment of brand in China and East Asia</li> </ul>
Common	
<b>Safety and environmental responses</b> <ul style="list-style-type: none"> <li>● Measures to prevent farming accidents</li> <li>● Expansion of emission regulations-compliant engines produced in-house</li> <li>● Development of electric products</li> </ul>	<b>Frontrunner development</b> <ul style="list-style-type: none"> <li>● Introduction of global strategic machines</li> <li>● Electrification and hydrogen use to address environmental issues</li> <li>● Automation, robotics, data use, etc.</li> </ul>

### Value offered through business

As a frontrunner, provide value through the development and production of products that make customers happy

## Product strategies

For product development that focuses on the regions and products where we have strengths and on growth markets, we are pursuing product development in which our Japanese and overseas operations and production and development divisions work as one based on priority measures. Globally, there are concerns about food shortages due to population growth, and there are calls for the expansion of production volumes in rice farming, a sector that is one of ISEKI

Group's strengths. To expand demand for agricultural machinery, ISEKI Group will develop platforms to ensure the respective basic performance of tractors, combine harvesters, and rice transplanters and, on that basis, introduce global strategic machines that complies with each region's regulations and has the necessary fixtures added. This will allow us to meet the diverse needs and regulations of each region, as well as help to reduce development costs.

## Research and development system

ISEKI has built a research and development system that displays collective power through collaboration among the development, production, and marketing departments. We determine the direction for the product strategy and research and development based on the needs and market trends in each region, and engage in speedy research and development. We also collaborate with research institutions and universities, conducting joint research and development to improve the speed and efficiency of technology development. In our frontrunner development, we will pursue research and development and deliberations in the areas of electrification, automation, robotics, data use, and hydrogen use.

### (1) Electrification

Using technologies cultivated through electric products and research, we will pursue the development of electric products for professionals in the European landscaping market in response to environmental issues, home vegetable gardens, and greenhouses.

### (2) Automation, robotics, and data use

Targeting expansion of scale, while progressively launching smart agricultural machinery for laborsaving and farming that uses data, we will pursue development aimed at the full-scale dissemination of completely automated machinery.

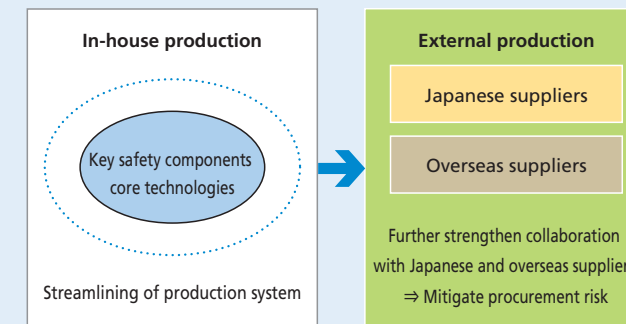
### (3) Hydrogen use

In response to environmental issues, we will pursue the development and consideration of agricultural machinery that uses hydrogen, with zero CO<sub>2</sub> emissions.

## Global production system

### Domestic production system in Japan

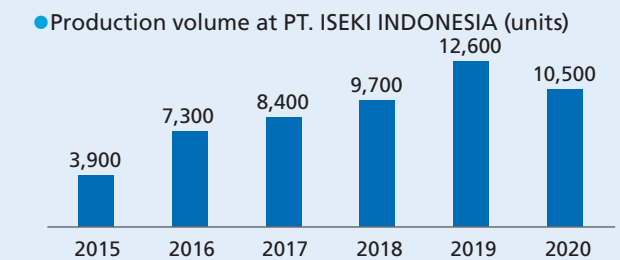
At our Japanese manufacturing bases, to achieve optimal efficiency as a whole that crosses the boundaries of individual factories, we will reorganize into component and unit production bases and product assembly and shipment bases to make effective use of the Group's human resources and equipment. Further, in addition to reviewing the in-house/external production categories, we will further strengthen our collaborations with Japanese and overseas suppliers in an effort to mitigate procurement risk. Through these kinds of structural reforms, we will aim for the further enhancement of quality and profitability.



### Overseas production system

PT. ISEKI INDONESIA is a production base for strategic machinery for North America, Europe, and the ASEAN region, and produces tractors that meet the high quality, low price needs by capitalizing on expertise it has acquired locally over many years. Its production volumes are on the rise, and, by building systems for lowering costs and increasing production through the optimization of its suppliers, it will strive for the further expansion of its business.

Dongfeng Iseki Agricultural Machinery Co., Ltd. (Xiangyang) produces high-performance large rice transplanters, high-horsepower tractors, and combine harvesters that are suited to local large-scale rice farming, which it supplies to the local market in China and exports to the ASEAN region.



## Improvement activities and human resources development in development and manufacturing

Each production base has established a system for proposing improvements that target strengthening of safety, improvement of quality, and reduction of man-hours and costs. These frameworks are highly active, with approximately 50,000 improvement proposals made in FY2020, resulting in cost reductions of approximately 300 million yen. Value engineering (VE) activities that allow for cost cutting through improvements in product designing and

manufacturing methods, parts procurement methods, etc., are also conducted to manufacture products at a lower cost.

In addition to efforts to develop specialist human resources in development and manufacturing, the "technological research presentations" is held every year to share outcomes of research and development and invention information, with the aim of raising the standard of the Group as a whole.

# Financial and capital strategies

Message

We support value creation from financial perspectives by improving our financial structure and creating cash flows



Shuichi Jinno  
Director & Corporate Officer

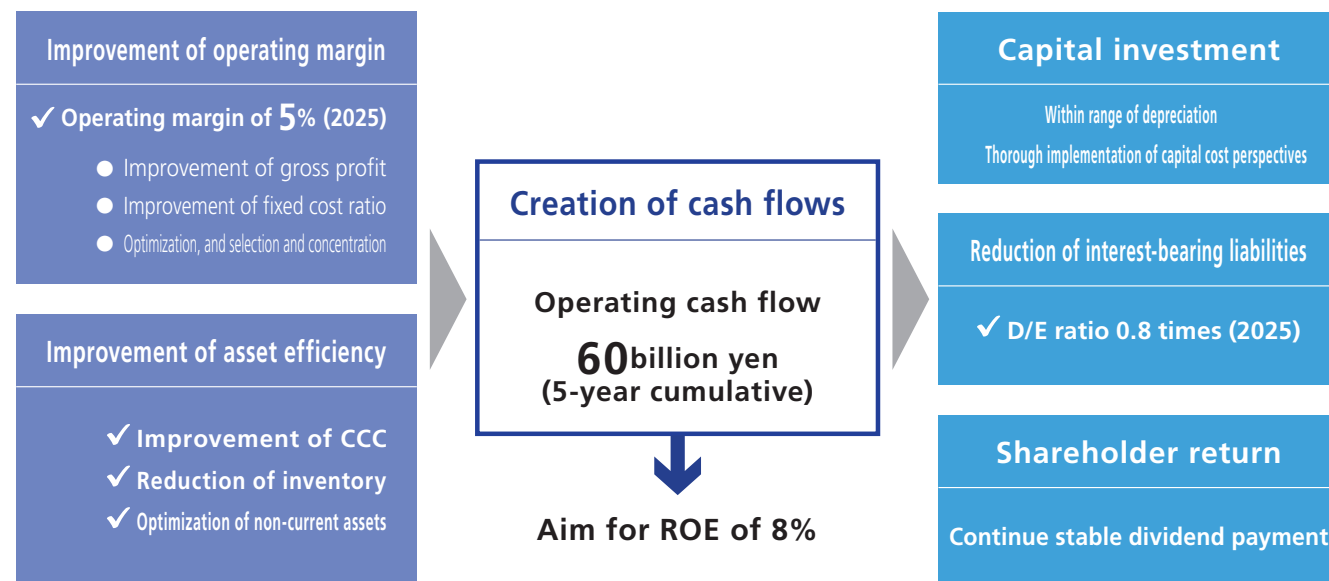
### Reflections on previous Mid-term Management Plan

The targets in the previous Mid-term Management Plan were 190 billion yen in net sales, 9 billion yen in operating income, and ROE of 8% or more in FY2020. However, in addition to significant changes in the business environment compared with our initial assumptions, impairment losses in non-current assets were recorded due to a decline in profitability of our manufacturing subsidiaries, resulting in us falling far short of those targets.

On the financial front, despite the progression of inventory reductions due to production adjustments made in 2020 and contraction of property, plant and equipment accompanying the recording of impairment losses in non-current assets, the cash conversion cycle (CCC) and D/E ratio have remained at high levels, and we believe that improvement of the financial structure is needed.

### Financial strategy directions in the new Mid-term Management Plan

In the new Mid-term Management Plan, whose target year is 2025, the 100th anniversary of ISEKI's foundation, we will adopt a financial strategy that emphasizes improvement of the financial structure. In addition to our basic strategy of improvement of profitability through structural reforms and management efficiency improvements, we will aim to create operating cash flow of 60 billion yen cumulative over the next five years by improving asset efficiency. We will also strive to trim down our property, plant and equipment and reduce interest-bearing liabilities, with the aim of achieving ROE of 8% by 2025, the final year of the new Mid-term Management Plan.



### Initiatives aimed at improvement of financial structure

#### Creation of operating cash flow

To implement measures aimed at the realization of our long-term vision for 2030, we believe it is necessary to secure capital for re-investment through initiatives to improve the financial structure that underpins our business and maximize operating cash flow.

For the maximization of operating cash flow, we will work on inventory reduction that will lead to the shortening of the CCC. In addition to raising inventory operational efficiency through improvements to the distribution system for products manufactured in Japan, we will pursue inventory reductions by optimizing domestic production systems, to enhance our capacity to make production responses to sales situations that change on a daily basis, and by optimizing the balance between sales and production.

#### Selection and concentration in capital investment, improvement of equipment efficiency

In the new Mid-term Management Plan, in addition to investments in sales bases and production equipment, we have planned investments, including into IT, that will lead to greater management efficiency. However, improvement of the financial structure will require trimming down property, plant and equipment, and the total amount of capital investment has been set to within the range of depreciation. As well as concentrating on investments in priority domains with decisions that based thoroughly on capital cost perspectives, we will make effective use of production equipment within the Group through the optimization of domestic production systems, and trim down property, plant and equipment.

#### Contraction of interest-bearing liabilities

From 2016 to 2020, the period of the previous Mid-term Management Plan, interest-bearing liabilities trended around 70 billion yen, with a D/E ratio of around 1.0. In the new Mid-term Management Plan, we will pursue the contraction of interest-bearing liabilities with the aim of improving the financial structure. Free cash flow (FCF) created from the maximization of operating cash flow and the contraction of property, plant and equipment will be used to fund the reduction of consolidated interest-bearing liabilities, and we have set a goal of lowering the D/E ratio to 0.8 in 2025.

To enable the company to respond flexibly to future uncertainties in the environment, including the COVID-19 pandemic, ISEKI has concluded commitment line contracts totaling 20 billion yen with our major banks of account, thus ensuring ample fluidity and stability of the funds needed for the operation of our business.

### Strengthening of business administration systems

To achieve our management goals while responding to a management environment that is changing on a daily basis, we believe that the strengthening of our business administration systems is needed. We had introduced an in-house company system which will evaluate businesses such as tractors, combine harvesters, and rice transplanters by the three functions of development and manufacturing, domestic business, and overseas business. Through this approach, we will pursue the further visualization of our consolidated business management. Further, we will work to strengthen our business administration systems by speeding up business management with the revamping of the financial accounting system, which is currently in progress, and the introduction of a new administrative accounting system.

### Shareholder return policy

ISEKI considers stable dividend payments to shareholders to be a key policy of the company. As a premise of ongoing business activities, we have adopted a basic policy of continuing stable dividend payments, after taking into comprehensive consideration factors such as the profit foundations, future business developments, and changes in the management environment, while aiming to maintain and improve financial soundness.

Regarding dividends for FY2020, in light of the major impact of impairment losses on business performance and the recording of a net loss for the fiscal year, we considered the strengthening of the financial structure to be our top priority. As such, we sincerely regretted to advise that a year-end dividend was not issued for FY2020. The entire company will engage in the structural reforms and management efficiency improvements that will enable us to resume stable shareholder returns at an early stage.

### Conclusion

To contribute to the realization of a prosperous and sustainable society by providing innovative products and higher quality of services to the customers, which is our corporate philosophy, we will improve the financial structure, build firm financial foundations, and support sustainable growth and the enhancement of corporate value.



# Sustainability in ISEKI Group

## Basic Policy 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.

## System for promotion of 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

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

To penetrate sustainability throughout ISEKI Group, the senior managements continue to send messages to employees while awareness activities through internal newsletters and study sessions are conducted. We focus on sharing the Group's vision and philosophy with especially the young and middle-career employees. We will also strengthen the penetration of the concept to employees at sales and manufacturing departments so that each employee will be aware of sustainability in their daily work and get to their actions.

### Case/SDGs study sessions

We held on-line SDGs study sessions and workshops for the wide range of employees including the young and mid-career employees as well as some managers, to deepen their understanding of how the businesses of ISEKI Group and SDGs are related to. In addition to learning about the global landscape and social issues, the participants engaged in active discussions on "what ISEKI Group can do to achieve the SDGs" in the group work activities. According to the survey conducted after the sessions, 90% of participants answered that they had a "good understanding or understanding" of the nature and concept of the SDGs, and the average level of understanding of the SDGs (on a 10-point scale) increased by 3 points compared to the prior study session.



- Comments from the participants
- I want to be more aware of the impact of my actions, choices, and work on society and the SDGs.
  - The backcasting approach made me realize how important it is to spend my days to achieve the goals.
  - I want to enrich our society and people's lives through the products and services of ISEKI, and then extend the affluence through the future.

# Stakeholder engagement

## Basic Policy Fundamental concept

- ISEKI Group strives to build strong relationships of trust with stakeholders by engaging in responsible dialogue with them including direct interaction by the company's executives.
- In terms of information disclosure, we are committed to "disclose information properly to fulfill social accountability" 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."
- 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.

## Major engagements with stakeholders

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.

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"> <li>● Direct dialogue with sales and maintenance staff</li> <li>● User exchange meetings <sup>M</sup></li> <li>● Visit <sup>M</sup></li> <li>● Trainings, seminars</li> <li>● Exhibitions and demonstrations <sup>M</sup></li> <li>● Proposal and support of farm business technologies</li> <li>● Market research</li> </ul>
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"> <li>● General shareholders' meeting <sup>M</sup></li> <li>● Quarterly briefing sessions <sup>M</sup></li> <li>● Individual meetings <sup>M</sup></li> <li>● Information meetings for individual investors and shareholders <sup>M</sup></li> <li>● Facility tours <sup>M</sup></li> </ul>
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"> <li>● IR information meetings for vendors <sup>M</sup></li> <li>● Dealer meetings <sup>M</sup></li> <li>● Superior company tours <sup>M</sup></li> <li>● Inspection and meeting with suppliers <sup>M</sup></li> <li>● Business report meeting <sup>M</sup></li> <li>● Annual general meeting of Ishokai <sup>M</sup></li> <li>● Visits (Japan, overseas) <sup>M</sup></li> </ul>
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"> <li>● Internal IR information meetings <sup>M</sup></li> <li>● Labor management council <sup>M</sup></li> <li>● Employee meetings <sup>M</sup></li> <li>● Various training</li> <li>● Various commendation meets and contests <sup>M</sup></li> <li>● Former employees' meeting <sup>M</sup></li> </ul>
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"> <li>● Tours of factories and exhibition halls <sup>M</sup></li> <li>● CSR activities such as cleaning activities</li> <li>● Exchange of views with local governments, etc. <sup>M</sup></li> <li>● Participation in local events <sup>M</sup></li> </ul>

<sup>M</sup>denotes involvement of company executives

## Constructive dialogue with shareholders and investors

### Initiatives toward fulfilling 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, etc. for the purpose of information sharing.

### Conducting shareholder-centered general shareholders' meetings

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

The convocation notice for the general shareholders' meetings are sent by mail three weeks prior to the meeting date and the details are posted on the website before the convocation notices are sent. Moreover, in order to improve the convenience for voting, electronic exercise of voting rights over the Internet is made available in addition to voting by mail.

Further, the Group visualizes its business reports, posts topics, and introduces its initiatives with the aim of deepening the understanding of ISEKI as much as possible. In addition, by putting shareholders safety first during the spread of COVID-19, the 97th Ordinary General Meeting of Shareholders was streamed via video.

# Messages on Governance E S G

I will take further steps in improving our corporate governance system toward sustainable and healthy growth.



**Akio Kikuchi**

Representative Director, Chairman & Executive Officer

**Q1** | How do you evaluate the corporate governance of ISEKI?

To further improve standards of corporate governance, we have launched various initiatives based on our Corporate Governance Code. Regarding nomination and compensation of officers, we have enforced transparency and objectivity through the establishment of the Nomination and Compensation Committee chiefly comprising of Independent Outside Directors. In March this year, we also increased the number of Outside Directors to three to make the Board of Directors be filled with a keener sense of tension. We will further review the composition of the Board of Directors including the promotion of diversity.

**Q2** | What do you think of your role as the Chairperson of the Board of Directors?

With the belief that the role of the Chairperson is to lead discussion for effective and efficient operation of the Board of Directors, I have taken measures for well-balanced proceedings, such as allocating time for discussion of each proposal in advance, and prompting comments of participants as necessary. Also, I have worked on circulating a list which summarizes the content of discussion at the Directors' Operation Committee meetings to participants of the Board of Directors meetings. This enables the discussion process at the execution side to be smoothly shared with the supervision side.

**Q3** | What do you think are the key issues for our sustainable growth?

The new Mid-term Management Plan is a foothold for the next centennial, and the achievement of the plan by any means is the issue toward our sustainable growth. I believe that transformation to a lean and streamlined business structure which can constantly generate profit without being affected by the fluctuation in sales is most important. The attitude to candidly address any challenges is our strength, we could not fully manage changes in market environment and deliver results in the previous Mid-term Management Plan. We will once again promote Henkaku (Change) in the entire Group.

My role is to promote sustainable growth and improve corporate value over the medium to long term.



**Atsushi Iwasaki**

Independent Outside Director

**Q1** | How do you evaluate the corporate governance of ISEKI?

ISEKI has implemented evaluation by a third party organization on the efficiency of the Board of Directors, and I have the same view as the result of the evaluation which appreciates improvement initiatives such as discussion on the new Mid-term Management Plan. However, from the standpoint of an Outside Director, I recognize lots of areas for improvement regarding the operation of the Board of Directors and the way it should be. I will continue to express my opinion on these matters at the Board of Directors meetings and other occasions.

**Q2** | What do you think of your role as the Chairperson of the Nomination and Compensation Committee?

The Nomination and Compensation Committee was established in March 2020 as an independent consultative body chiefly comprising of Independent Outside Directors. In order to fulfil the responsibility required as a listed company in our Corporate Governance Code, I believe that the role of the Chairperson is to work on issues with a sense of speed, such as revision of Directors' compensation system, formulation of succession planning, and promotion of active participation of female employees.

**Q3** | What do you think are the key issues for our sustainable growth?

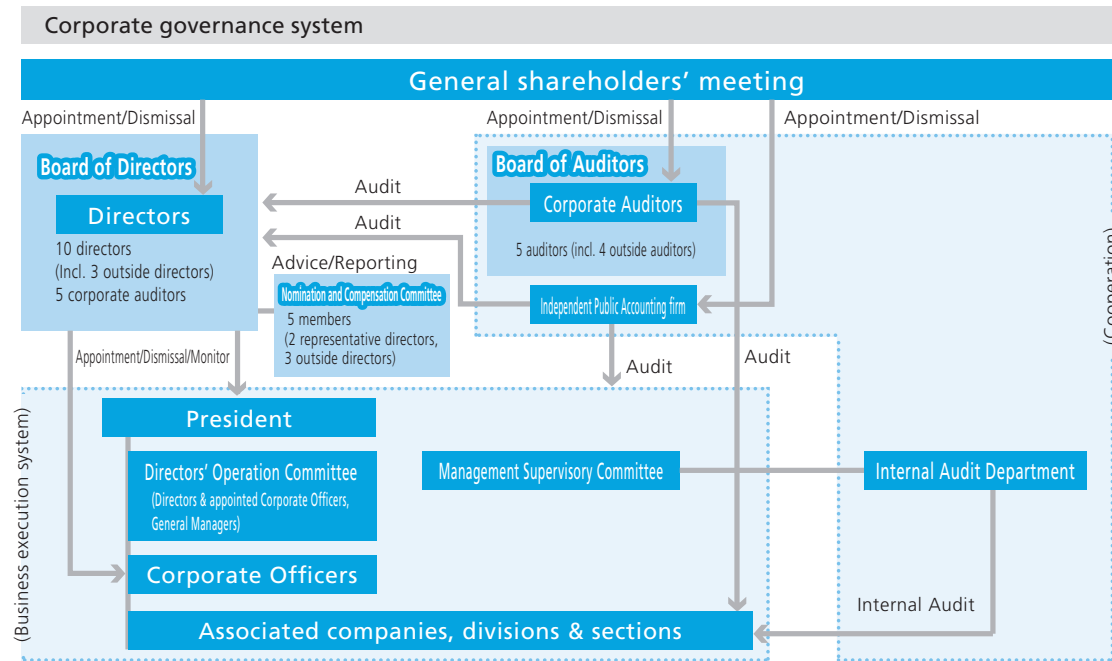
I believe that the most important issue for our sustainable growth is to establish Henkaku (Change), the keyword of the new Mid-term Management Plan in the organization. The environment surrounding the company is drastically changing, and we cannot materialize sustainable growth without breaking through the conventional ways of thinking. Fundamental change in corporate culture is essential to celebrate the 100th anniversary in 2025 and lay the groundwork toward the next centennial.



# Corporate governance E S G

## Basic Policy Fundamental concept

- ISEKI Group operates its management system with the purpose of swiftly and accurately responding to changes in management environment and maintaining fair management.
- Achieving stable growth and improvement in corporate value over the medium to long term is the top priority of our management. In order to maintain a positive relationship with our stakeholders such as shareholders; customers; suppliers; local communities; and employees, we endeavor 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 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.



### Establishment of Nomination and Compensation Committee

ISEKI has established the Nomination and Compensation Committee comprised of two Representative Directors and three Independent Outside Directors as a consultative body of the Board of Directors regarding compensation of Directors and Corporate Officers, in addition to nominations such as proposals of agenda items of general shareholders' meetings regarding appointment and dismissal of Directors; selection and removal of Corporate Officers; and appointment and dismissal of Representative Directors. The Committee was held four times in the Fiscal Year Ended March 31, 2021. It has mainly discussed the items shown on the right and submitted recommendations to the Board of Directors.

- Criteria for appointment of Directors
- Criteria for selection of Representative Directors
- Criteria for dismissal of Directors and those for removal of Representative Directors
- Criteria for judgement of independence of Outside Directors
- Policy for determining the individual compensation etc. of Directors
- Nomination of candidates for Directors and selection of Representative 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) Appointment and dismissal of Corporate Officers (3) Selection and removal of Representative Directors (4) Representative Director successor plan (5) Amount of compensation for Directors and Corporate Officers (6) Composition and decision process of compensation for Directors and Corporate Officers (7) Establishment and change of basic policy and criteria for deliberation of the above. (8) Other matters recognized by the Board of Directors as necessary in association with each of the above items.

## Toward the improvement of effectiveness of the Board of Directors

To further facilitate the roles of the Board of Directors, ISEKI has implemented a self-appraisal and analysis program for individual senior officers since 2017. The analysis 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.

Overview of evaluation	[ Target audience ] All Directors and Corporate Auditors		[ Main items for appraisal ]	
	[ Methodology of Questionnaire ] Anonymous survey		<ul style="list-style-type: none"> <li>● Members and operation of Board of Directors meetings</li> <li>● Support system for Directors and Corporate Auditors</li> <li>● Training for Directors and Corporate Auditors</li> <li>● Dialogue with shareholders</li> <li>● Directors and Corporate Auditors' own efforts</li> </ul>	
	[ Methodology of Interview ] Individual implementation to target audience by a third-party organization		[ Efforts for analysis of results and solution of issues ]	
			<ul style="list-style-type: none"> <li>● Analysis of the results of questionnaires and interviews done through a third-party organization</li> <li>● Debriefing sessions organized by a third-party organization</li> <li>● Development and implementation of action plan for identified issues toward solution</li> </ul>	
Initiatives toward improvement of effectiveness	FY2018	Issues	Initiatives toward solution	
		Narrowing down agenda items of the Board of Directors meetings  The way nomination of Corporate Officers through the Nomination Advisory Committee should be	Review of criteria for submitting proposals to the Board of Directors meeting  Establishment of the Nomination Advisory Committee (currently the Nomination and Compensation Committee)  Establishment of following criteria <ul style="list-style-type: none"> <li>● Criteria for appointment of Directors</li> <li>● Criteria for selection of Representative Directors</li> <li>● Criteria for dismissal of Directors and those for removal of Representative Directors</li> </ul>	
	FY2019	Issues	Initiatives toward solution	
	Devising ways to have more strategic discussions at Board of Directors meetings  Improvement of objectivity and transparency of the Directors' compensation system and process	Holding free discussion on selected themes after the Board of Directors meetings Main themes selected for discussion <ul style="list-style-type: none"> <li>● Overall framework of the new Mid-term Management Plan</li> <li>● Aggregate result of the opinions of young employees, and report of the analysis of training sessions for officers and executives</li> </ul>		
	FY2020	Issues	Initiatives toward solution	
	Following through the progress of Management Plan  Formulation and operation of succession planning of the Chief Executive Officer (CEO), etc.	To be implement in FY2021		

# List of officers

(As of the end of the general shareholders' meeting held on March 30, 2021)

## Directors



**Akio Kikuchi**  
Representative Director,  
Chairman & Executive  
Officer

● Reason for appointment

Having served as General Division Manager of the Business Division and President at the sales company of domestic agricultural machinery, he has extensive experience and achievements in domestic sales and business management, and currently operates the meetings of the Board of Directors as a forum for constructive discussions and exchange of opinions as chairman of the Board. The Company appointed him as a Director as it expects him to continue to contribute to business promotion and the enhancement of corporate governance.



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

● Reason for appointment

With advanced knowledge in the areas of management planning and accounting and finance, he has demonstrated great leadership from a company-wide perspective as President & Executive Officer. The Company appointed him as a Director as it expects him to continue to contribute to the enhancement of corporate value.



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

● Reason for appointment

Having been responsible for sales planning of domestic agricultural machinery and serving as President at major sales companies, he has extensive experience and achievements as President General Division Manager of the Business Division. The Company appointed him as a Director as it expects him to make further contributions.



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

● Reason for appointment

Having served as Director and President at major domestic sales companies, he has extensive experience and achievements in domestic sales, business management, and personnel management. The Company appointed him as a Director as it expects him to make further contributions.



**Hajime Odagiri**  
Director & Managing Corporate Officer  
General Division Manager, Development  
& Production Division  
In charge of Cost Control Department  
and Purchasing Department deputy in  
charge of Matsuyama General Affairs  
Department

● Reason for appointment

Having been involved in the engineering and development fields of agricultural machinery for many years and having served as President of domestic sales company and Chairman & President of Chinese joint venture companies, he has extensive experience and achievements related to agricultural machinery in Japan and overseas. The Company appointed him as a Director as it expects him to make further contributions.



**Shuichi Jinno**  
Director & Corporate Officer  
In charge of IT Planning  
Department, deputy  
in charge of Financial  
Department (Leader of  
operational efficiency  
improvement project)

● Reason for appointment

Having served as General Manager of divisions relating to information systems, investor relations, and personnel affairs, he has extensive experience and achievements in management areas. The Company appointed him as a Director as it expects him to make further contributions.

## Director



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

● Reason for appointment

Having served as officers and President of sales companies in Europe, he has extensive experience and achievements in sales, business management, and personnel management related to overseas business. The Company appointed him as a Director as it expects him to make further contributions.



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

● Reason for appointment

With extensive experience and knowledge as a certified public accountant, he has been monitoring the Company's management from an objective viewpoint to enhance the supervisory functions and ensure transparency of the Board of Directors. The Company appointed him as an Outside Director as it expects him to continue to supervise the Company's management for the sustainable enhancement of corporate value.



**Shoji Tanaka**  
Director  
[Significant concurrent positions]  
Attorney

● Reason for appointment

With extensive experience and knowledge as an attorney, he has been monitoring the Company's management from an objective viewpoint to enhance the supervisory functions and ensure transparency of the Board of Directors. The Company appointed him as an Outside Director as it expects him to continue to supervise the Company's management for the sustainable enhancement of corporate value.



**Kazuo Nakayama**  
Director  
[Significant concurrent positions]  
-

● Reason for appointment

Having been in charge of overseas business and the food resources business unit as well as achievements in business management at a general trading firm, he has extensive knowledge and experience related to food resources and agriculture in Japan and overseas. The Company appointed him as an Outside Director as it expects him to utilize his wealth of knowledge to monitor from an objective viewpoint, and supervise the Company's management for the sustainable enhancement of corporate value.

## Corporate Auditors



**Seigo Kimoto**  
Full-time Corporate Auditor

● Reason for appointment

He is well versed in the Company's businesses, having served as Outside Corporate Auditor of the Company for 7 years and 9 months. In addition, he has advanced knowledge and extensive experience in the area of financing. The Company appointed him as an Outside Corporate Auditor as it believes that he will appropriately audit the performance of duties by Directors.



**Masato Machida**  
Full-time Corporate Auditor

● Reason for appointment

He has advanced knowledge, having experienced in various fields of corporate planning, information systems, development and manufacturing. The Company appointed him as a Corporate Auditor as it believes that he will appropriately audit the performance of duties by Directors.

## Corporate Auditors



**Yasuhide Motokawa**  
Full-time Corporate Auditor

● Reason for appointment

The Company appointed him as an Outside Corporate Auditor as it believes that he will appropriately audit the performance of duties by Directors as he has extensive knowledge and experience in the finance area.



**Yukito Shiraiishi**  
Full-time Corporate Auditor

● Reason for appointment

He has advanced knowledge and extensive experience in the areas of agriculture, forestry and fisheries in general as well as in the areas of audit and internal control. The Company appointed him as an Outside Corporate Auditor as it believes that he will appropriately audit the performance of duties by Directors.



**Mami Taira**  
Corporate Auditor  
[Significant concurrent positions]  
Certified public accountant, Certified tax  
accountant, and Outside Director & Audit  
and Supervisory Committee Member,  
Suzuden Corporation, External Director  
and Audit & Supervisory Committee  
Member, FOOD & LIFE COMPANIES LTD.

● Reason for appointment

She has specialized knowledge and extensive experience related to accounting and tax practices as a certified public accountant and certified tax accountant. The Company appointed her as an Outside Corporate Auditor as it believes that she will appropriately audit the performance of duties by Directors.

● Message from the newly appointed Outside Director

### Toward Henkaku (Change)

I have been in charge of the machine and food businesses at a trading firm, and been in charge of the various businesses including the domestic agricultural business at a leasing company. I will make every possible effort to realize *Henkaku* (Change), our key vision, together, by utilizing my experience and knowledge of various businesses.

Kazuo Nakayama, Director





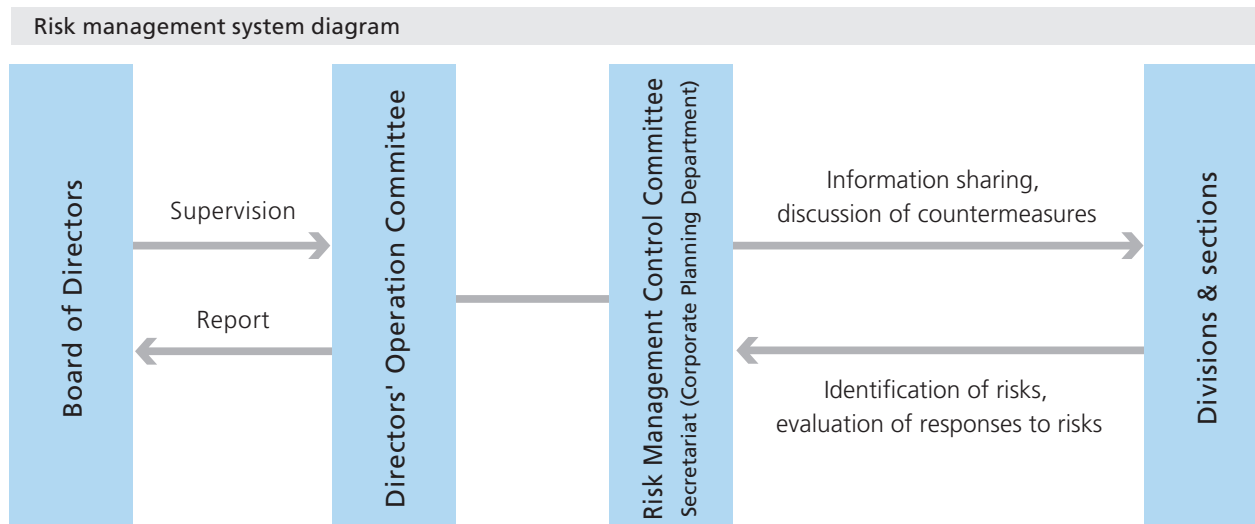
# Risk management E S G

## Basic Policy Fundamental concept

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

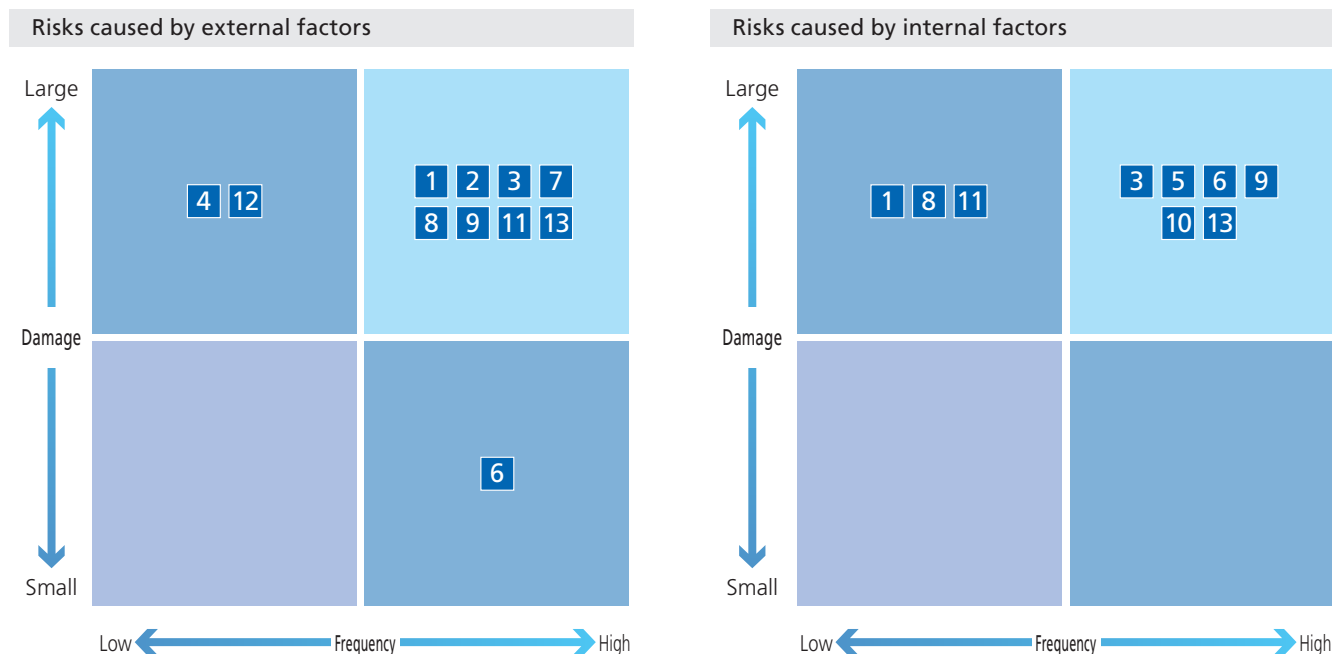
## Risk management system

The Risk Management Control Committee under the Directors' Operation Committee periodically identifies and evaluates risks, reevaluates magnitude of damage and frequency of occurrence, and examines countermeasures, in accordance with the risk management regulations to minimize the risk of causing damage or disadvantage to ISEKI Group under the supervision of Corporate Planning Department.



## Risk Mapping

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



## Typical risks and mitigation measures

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.

Risk items	Content of typical risks	Major risk mitigation measures
<b>1</b> Changes in economic conditions and the environment of agriculture	● Sluggishness of domestic and/or overseas economic conditions, in addition to characteristic structure of agricultural machinery market, such as aging of agricultural workforce; a decreasing number of farm households due to labor shortage; any change in agricultural policy; and influence of price volatility of agricultural products which are easily affected by weather conditions on purchasing sentiment of farmers, may harm our financial performance through reduced demand for agricultural machinery.	● Build sales network and formulate strategies while anticipating changes in market trends
<b>2</b> Exchange rate fluctuations	● Appreciation of Japanese yen may decrease our price competitiveness. ● Preparation of consolidated financial statements based on financial statements of our foreign subsidiaries which are prepared in local currencies and then converted to Japanese yen may expose us to a fluctuation risk of foreign exchange.	● Pay in Japanese yen to settle a half of the export transactions and in foreign currencies to settle another half, or buying forward contracts ● Increase the ratio of local procurement in overseas production
<b>3</b> A price hike of raw materials, difficulty in procurement, and confusion in the supply chain	● As we procure raw materials and parts from numerous suppliers, situations such as sudden and unexpected increase in prices or a prolonged tightening of supplies may harm our business performance.	● Procure raw materials and parts from multiple suppliers
<b>4</b> Dependency on specific customers or suppliers	● Any change of business policy, business depression or bankruptcy of our specific customers or suppliers may harm our financial performance.	● Sustain sound partnership with customers and suppliers ● Procure raw materials and parts from multiple suppliers
<b>5</b> Competition with other companies	● Competition with other companies associated with "social implementation of smart agriculture" and in compliance with the changes in business environment associated with numerous needs and hike in environmental awareness in overseas markets may harm our performance.	● Develop products with high functionality and in compliance with smart agriculture, and reduce price following the decreased demand for agricultural materials ● Strengthen product competitiveness including after-sales service.
<b>6</b> Serious defects in products and services	● Serious defects in products and services, or erosion of trust for ISEKI Group and its products may harm its financial performance.	● Establish the system of quality control and quality guarantee ● Implement product development, manufacturing, and after-sales service in compliance with defined internal processes ● Carry product liability insurance
<b>7</b> Stock market fluctuation, Price decline in land and other fixed assets	● Impairment loss, loss on valuation or loss on sale associated with significant decline in stock and land price may adversely affect the business performance and financial position. ● Decline in profitability associated with significant deterioration of business environment, or impairment loss caused by market price decline may adversely affect the business performance and financial position of ISEKI Group.	● Reassess the significance of cross-holding of shares to consider selling those shares whose significance is reduced.
<b>8</b> Government regulations on environmental issues, etc., and occurrence of related difficulties, Response to climate change	● Cost burdens in case of escalated public regulations of environmental issues or market demand as well as corrective measures undertaken upon the occurrence of troubles, lawsuits and others may deteriorate the financial performance. ● Change in supply and demand affected by the reduction in agricultural land and change in system of crops associated with the global temperature increase in the long term may deteriorate the financial performance.	● Reduce environmental burden in production activities and entire business activities ● Take appropriate measures in entire business activities including the product lineup, sales volume and others of ISEKI Group.
<b>9</b> Risks derived from international business	● When ISEKI Group engages in international business activities, unexpected changes in tax and legal systems, trade policies, or political unrest in any particular country may harm its financial performance. ● Difficulties in securing human resources, immature level of technologies and unstable labor-management relationships may primarily hinder the business development of ISEKI Group mainly in the Asian region.	● Strengthen research capabilities and the system of information gathering
<b>10</b> Risk of legal violation	● If any of executives or employees of ISEKI Group should conduct any acts that violate laws and regulations, its business activities may be impeded and the financial performance may deteriorate.	● Establish the ISEKI Group Code of Ethical Behavior based on legal compliance and ethics ● Prepare an internal control system ● Ensure legal compliance and the code of ethical behavior in the entire ISEKI Group
<b>11</b> Risk of natural disasters, unexpected accidents, spread of infectious disease, etc.	● Natural disasters such as earthquakes, typhoons, floods, unexpected accidents, or infectious diseases at major sites at home and abroad may harm the financial performance of ISEKI Group.	● Carry various insurance against fire, wind and flood damage ● Establish and implement business continuity plans ● Restrict business travels and review working styles to stop the spread of novel coronavirus infections ● Continuously implement various measures utilizing the Web
<b>12</b> Business alliances, joint ventures and strategic investment with other companies	● A conflict of interest to occur between the parties concerned in business alliances or joint ventures due to financial position or other reasons may hinder the maintenance of 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.	● Foster mutual trust and ensure mutual benefits ● Review contract conditions from a comprehensive viewpoint
<b>13</b> Debt	● Should any of covenants of outstanding syndicated loan and commitment line contracts with financial institutions be triggered, ISEKI Group could face obligation to pay back some or all of these loans early, which could adversely impact its financial position. ● A hike in interest rate may harm the financial performance.	● Combine with various loan conditions such as fixed interest rates ● Sustain sound partnership with financial institutions

# Compliance ESG

Basic Policy Fundamental concept

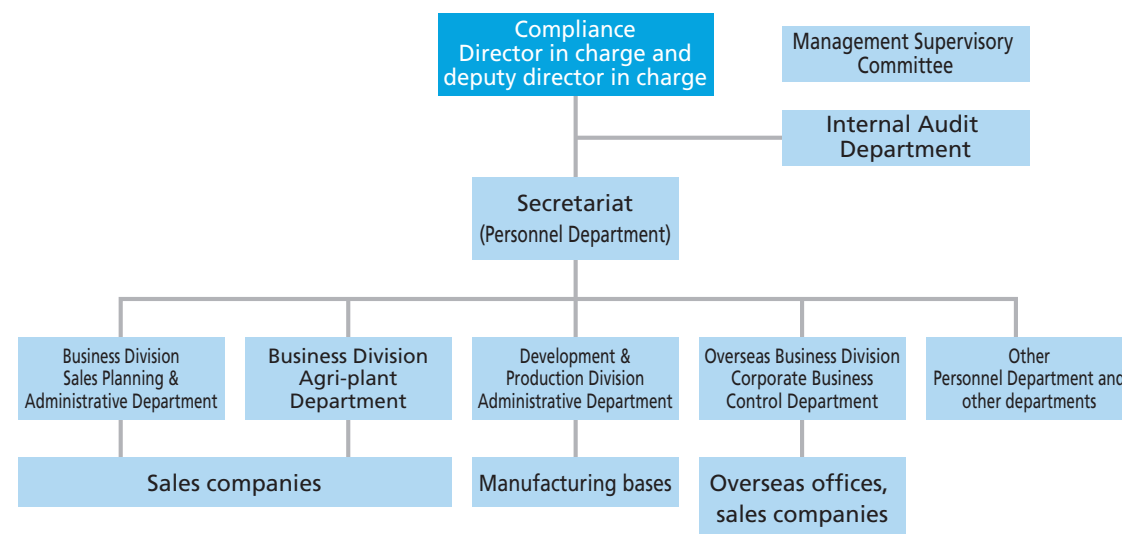
- In order to raise compliance-focused management to a higher level, ISEKI Group works to make the importance of compliance thoroughly understood and enforced by each and every employee with the aim of raising compliance awareness.

## Compliance system

To prevent misconduct and scandals from occurring by ensuring thorough compliance and raising awareness among each of the Group members, the Group has built a compliance team structure organized cross-functionally 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 the supervising unit of individual departments handles overall management of compliance education and awareness activities at the departments.

Auditors at the Management Supervisory Committee meetings held every month. Internal Audit Department audits the state of compliance and reports the results to the Management Supervisory Committee for discussion. Any material incident occurred or discovered is reported to the Management Supervisory Committee and Corporate Auditors without delay. To improve the independence of internal audits, the Internal Control & Audit Department was reorganized into the Internal Audit Department in September 2020, and the Internal Audit Department performs internal audits thereafter.

System for promoting compliance (Compliance team)



## Education and awareness-raising

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

○ Activities for enlightenment

<Activities for penetration and education on compliance>

● Ensuring of thorough understanding of the "ISEKI Group Code of Ethical Behavior"

The company has distributed the "ISEKI Group Code of Ethical Behavior" to all employees of the Group and works to ensure a thorough understanding of this pamphlet, so as to ensure that business activities meet corporate ethical requirements.

● Awareness-raising by issuing "Compliance News"

As a means to provide information regarding compliance, the company issues the quarterly "Compliance News" bulletin 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

## Examples of initiatives undertaken

ISEKI Group is implementing various group-wide education and awareness-raising activities to ensure compliance.

● Compliance training for newly-hired employees

ISEKI Group provides compliance training to all newly-hired employees across the Group every year. Although some training sessions were provided on a remote basis due to the impact of the novel coronavirus (COVID-19) in 2020, we are working on awareness-building among employees that compliance means not only compliance with laws and regulations but also behaving in compliance with ISEKI Group's management philosophy.

● Harassment training and establishment of consultation system

In response to the enforcement of the so-called Anti-Power Harassment Law in June 2020, we provided harassment training to all officers and managers across ISEKI Group in June the same year. The Group has also set up a harassment help desk at each group company to put in place a system to provide consultation across the Group.

○ 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 for report or consultation in the event of detection of conduct in violation of laws and regulations, the company's 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, as well as to make the system readily accessible, the Group has set up contact desks both internally and outside the company.

In FY2020, the system handled six cases of consultation and whistle-blower reports.

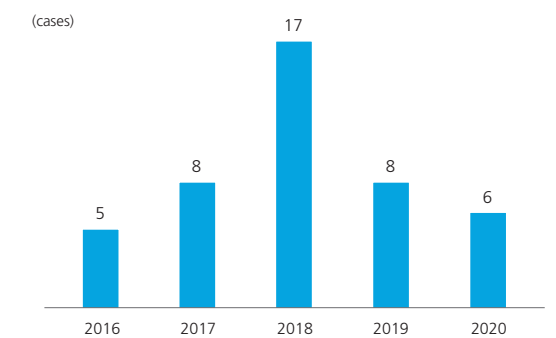
○ Initiatives for fair trade

ISEKI Group formulated the "Code of Ethical Behavior" as a basic policy to prevent any form of corruption, such as bribery, and is ensuring group-wide compliance with the code. In light of experience of receiving a cease and desist order under the Anti-Monopoly Act in relation to facility construction, the Group formulated conduct guidelines and compliance manual focused on the Anti-Monopoly Act in 2015 to inculcate the awareness of compliance across the Group. In addition to the conventional whistle-blower system, we have set up a help desk for consultation on the Anti-Monopoly Act to enhance the prevention of legal violation.

○ Initiatives undertaken by overseas group companies

With the expansion and diversification of its overseas business, ISEKI Group has been working to build and improve compliance systems at overseas group companies. Further, we will strive to strengthen internal controls of overseas group companies.

Number of whistle-blowing cases



○ 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. Further, we will work to strengthen protection of personal information both in Japan and abroad.

○ Information security

ISEKI Group has striven for the maintenance and management of information security by establishing regulations for the handling of electronic information and setting up the "Electronic Information Security Management Committee" led by an officer in charge of the information system division. The Group has also worked to improve information literacy among employees by providing training for the handling of internal information as part of education for newly-hired employees.



# Improvement of customer satisfaction and quality assurance

Basic Policy

- ISEKI Group provides products and services that satisfy customers through activities to improve customer satisfaction.

## Product quality assurance

### Basic Policy

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

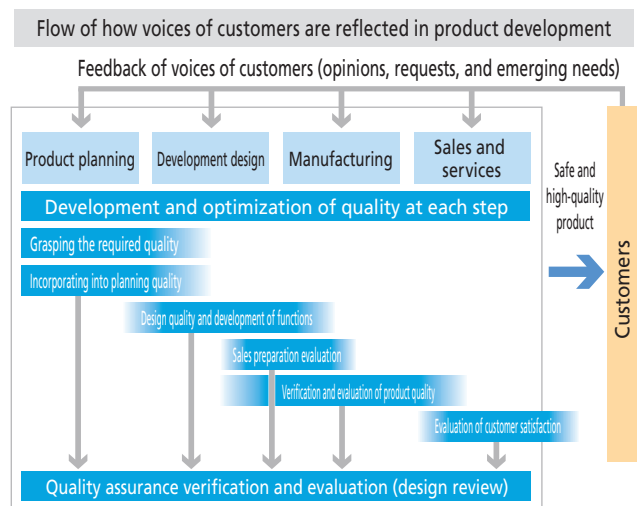
### Product development and consistent quality assurance system that reflect the voice of customers

ISEKI Group carries out consistent quality assurance activities 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 are safe and respond to the trust placed by the customers.

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

### Strengthening of quality control

As part of "Monozukuri (making of things) Innovation" set out in the Mid-term Management Plan to increase the Group's competitiveness, ISEKI Group repositioned the "Quality Control Department," which controls overall product quality, above the "Development & Production Division" to strengthen the quality control system in January 2021. The Group holds a CS Enhancement Committee meeting, participated by officers in charge of product development and sales activities, once a month to ensure security and safety in product development.



## Responses to quality defects

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.

We share information on quality deficiencies internally in order to prevent the recurrence of the same deficiency.

### Responses to and utilization of inquiries from customers

Inquiries, opinions, comments and complaints from customers, such as on products, are accepted by phone and on the website, and the department in charge strives to respond to them promptly in a sincere manner (target of within one day). The valuable opinions from customers are fed back to the company's executives and concerned departments and are actively used for better product development, sales, and service activities to increase customer satisfaction.

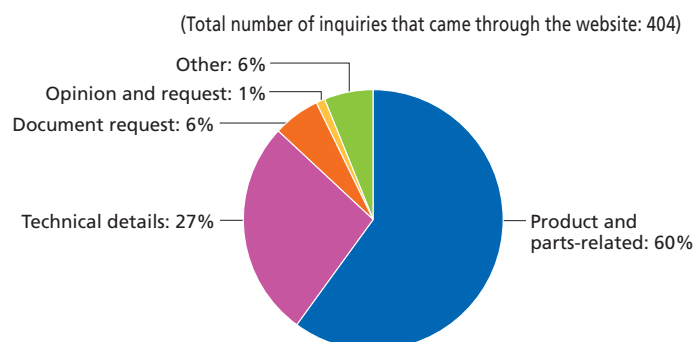
Further, for matters that receive a large number of inquiries, ISEKI Group works to disclose sufficient information on its website so that customers can solve the issues on their own.

Number of recalls by fiscal year*2					
	2016	2017	2018	2019	2020
Number of recalls	5	6	0	2	0

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

▶ Please find the link below to access important notifications of recalls:  
<https://www.iseki.co.jp/news/>

### Contents of inquiries regarding products from customers (FY2020)



## Product development in consideration of the needs of customers and society

To ensure customers' safety in farm work, ISEKI works to develop products with enhanced security and safety features. One of the challenges faced to ensure the safety of farm work using tractors is to prevent accidents caused by erroneous operations due to single-sided braking. To address this challenge, ISEKI released a "single-sided braking alarm device" for small-sized tractors\* in June 2020. In order to prevent accidents and ensure secure and safe use, the device sets off a sound alarm to warn

the driver that the brake pedals are not locked together when he/she operates the accelerator pedal without interlocking the right and left brake pedals. We also ran a campaign to promote the installation of the alarm device so as to build awareness among more customers.

\*Models equipped with the alarm device: TQ13/15/17, TM150/170, 16/18, 165/185, TC11/13

## Strong relationship building with customers through sales and services

We believe that increasing the brand value of ISEKI Group and building trust with customers are keys for us to continue to be chosen by customers. In selling and service activities, ISEKI Group is striving to build stronger relationships with customers

through sales activities for the sake of customers, such as by implementing the "Sales Administrative Rules," which set out rules for adequate provision of information on and fair transactions of products and services, at its sales companies in Japan.

## Awareness-raising activities for safer use

To ensure secure and safe use of purchased products, ISEKI Group provides a pre-delivery inspection using a checklist and usage instructions on test operations. The Group is also working to provide after-sales support to ensure safe and efficient farm work through efforts, such as calling on users to check the operations and perform pre- and post-season inspections. Further, ISEKI Group holds seminars on how to handle agricultural machinery for female farmers as part of the "NOGYOJOSHI (female farmer) Project" sponsored by the Ministry of Agriculture, Forestry and Fisheries, in addition to providing safety training at sales companies throughout Japan. The Group is also focusing its efforts on human resource development of service staff both in Japan and abroad in order to provide high-quality and prompt services.



### Major service activities

Before-sales services	After-sales services
<ul style="list-style-type: none"> <li>• Safety training Provide safety training at sales companies throughout Japan</li> <li>• Instructions on test operations upon delivery Provide usage instructions using a checklist upon test operation</li> </ul>	<ul style="list-style-type: none"> <li>• Inspections and maintenance Provide inspections and maintenance to ensure safe use</li> <li>• Responses to product failures Provide a prompt repair service to respond to a defect occurred</li> </ul>

### Agricultural machinery mechanics

Approximately 2,200  
(As of March 2021)

## Adequate information provision and enhancement of the content thereof

ISEKI Group is working on marketing activities to increase ISEKI brand awareness among a wider range of people in society, while continuing to pursue community-based activities. In addition to providing accurate and easy-to-understand information on products and product labeling and marking in accordance with laws and regulations in each country and region, the Group delivers useful farm business information for customers'

farm management through media, such as a farm business information magazine "FARM ISLAND" and Dream Agricultural Research Institute Bulletin titled "Yumesoken Dayori," which communicates cutting edge farm business technologies.



Special website to introduce ICT and laborsaving and lower-cost cultivation



Farm business information magazine introducing farm business technologies and nationwide initiatives

# Supply chain management E S G

Basic policy (fundamental concept)

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

## 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 through periodic reporting to the Management Supervisory Committee and monitoring through audits. The Group also provides continuous education and training concerning the Act against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors (the "Subcontract Act") to conduct proper transactions with subcontractors.

### Educational agenda on the Subcontract Act

- |   |   |
|---|---|
| <ul style="list-style-type: none"> <li>1 Reaffirmation of what violates the Subcontract Act and compliance with recurrence prevention measures</li> <li>2 Explanation on the details of recurrence prevention measures; Ethical Hotline</li> <li>3 Operational manual for compliance with the Subcontract Act</li> <li>4 Provisions of the Subcontract Act                         <ul style="list-style-type: none"> <li>(1) Definitions (definitions of main subcontracting entrepreneur and subcontractor)</li> <li>(2) Obligations of a main subcontracting entrepreneur</li> <li>(3) Prohibitions</li> </ul> </li> </ul> | <ul style="list-style-type: none"> <li>5 Participation in an outside seminar on the Subcontract Act</li> <li>6 Compliance education (Code of Ethical Behavior, Casebook of Scandals, etc.)</li> <li>7 CSR education (CSR procurement guidelines, etc.)</li> </ul> |
|---|---|

## CSR procurement policy

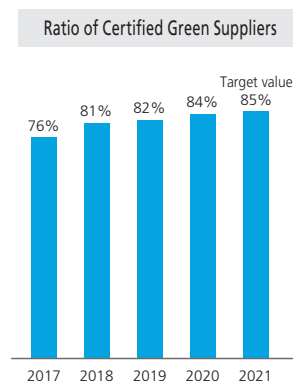
ISEKI Group aims to be a company trusted by society by working on CSR procurement together with its suppliers to give its priority to environmentally- and socially-friendly material procurement and product and service provisions.

### Promotion of CSR procurement

ISEKI Group has 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, as well as to seek their support and cooperation. ISEKI Group, along with disseminating the guidelines, carries out periodic surveys to grasp the status of CSR initiatives at suppliers.

### Promotion of green procurement

ISEKI Group has drafted the ISEKI Group Green Supply Guidelines to take the environment into account in parts and materials procurement, and carries out activities to gain cooperation of suppliers. Regular reports regarding the status of initiatives at suppliers are obtained using a self-check sheet, and those suppliers superior in environmental activities are designated as Certified Green Suppliers.



### 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

# Contribution to local community and international cooperation E S G

Basic Policy Fundamental concept

- The basic rule of ISEKI Group is "to actively contribute to local communities as a member responsible for society" and "to contribute to local society while affording respect for laws and regulations, practices and culture of the country when doing business overseas." ISEKI Group works on contributing to society by leveraging the strengths of its main business aiming for the development of local communities in the medium- to long-term.

## Key initiatives in FY2020

ISEKI Group is engaged in social contribution activities centered on fields of "food," "agriculture" and "landscape."

Field		Key initiatives
Development of the next generation	Food and agricultural education	<ul style="list-style-type: none"> <li>● Disseminated information on agriculture and agricultural machinery through factory tours and ISEKI Dream Gallery*1</li> <li>● Awareness campaign through displays of agricultural machinery and holding workshops at food and agricultural events</li> <li>● Cultivation of rice with children in the community as part of voluntary activities</li> </ul>
	Manufacturing education	<ul style="list-style-type: none"> <li>● Awarded the Iseki Prize at the 79th Ehime Prefecture Children's Exhibit of Invention and Devices</li> </ul>
	Experience and activity education (Development of diverse human resources)	<ul style="list-style-type: none"> <li>● As a global corporation, conducted remote lectures for high school students as part of WWL*2</li> <li>● Provided educational programs on smart agriculture for agricultural high schools and universities</li> <li>● Accepted students for internships and hands-on experience</li> <li>● Donated tillers as prizes of excellence in the Fourth National Agricultural High School and University Website Contest</li> </ul>
	Culture, arts, and sports	<ul style="list-style-type: none"> <li>● Held the 25th Sanae National Children's Drawing Contest</li> </ul>
Contribution to local community		<ul style="list-style-type: none"> <li>● Participation in a tree-planting activity</li> <li>● Participated in the local traffic safety campaign</li> </ul>
International cooperation		<ul style="list-style-type: none"> <li>● Cooperated in the First Rice Taste Appraisal Contest in China (delivered a lecture on recommendations for rice farming in China; participated as a Rice Taste Appraiser representing Japan)</li> </ul>
Contribution to environment		<ul style="list-style-type: none"> <li>● Carried out cleaning and environmental beautification activities</li> <li>● Held activity to turn off the lights at various offices</li> </ul>
Assistance for disaster recovery		<ul style="list-style-type: none"> <li>● Provided support for the COVID-19 pandemic (see p. 23 for details)</li> </ul>

\*1. We are temporarily suspending the acceptance from the perspective of preventing the spread of COVID-19.

\*2. WWL (Worldwide Learning): An educational program development promoted by the Ministry of Education, Culture, Sports, Science and Technology aimed at nurturing innovative global human resources capable of demonstrating their abilities internationally.

### Sanae National Children's Drawing Contest

ISEKI Group holds a children's drawing contest every year with the aim of helping children nationwide familiarize themselves with agriculture and provide education on coexistence with nature and environment. The Group has so far held the contest for 25 times and received a total of 30,500 entries.



25th National Best Picture "Rice Transplanting by All Family Members"

### Cooperation in the First Rice Taste Appraisal Contest in China

ISEKI participated as a jury member in the First Rice Taste Appraisal Contest held in Guangdong, China with the aim of improving the quality of Chinese rice by adopting the Japanese rice taste appraisal standard. We presented our riding rice transplanters PZ80 to the top three contestants who won the Japanese Gold Awards. We also delivered a lecture on recommendations for rice farming in China based on rice farming techniques and know-how we have cultivated.



Lecture delivered by ISEKI's representative



# Human resource development and utilization ESG



Masayuki Fukami  
Director & Managing Corporate Officer

ISEKI Group believes that what contributes to the solution of various issues is people and recognizes that the development and utilization of human resources are essential for the Group. To achieve the vision set out in the Mid-term Management Plan, the Group set "Enhance employee engagement" and "HR transformation" as key initiatives to be undertaken.

Employee engagement is indispensable for ISEKI Group to grow sustainably and increase its corporate value. To enhance employee engagement, the Group will strive to strengthen its bond with employees by working to create employee-friendly and attractive workplaces, enhance human resource development programs and further promote diversity in the workplaces. We will also assess the status of employee engagement in a timely manner by conducting regular engagement surveys.

To transform human resources, the Group will press forward with the transformation of corporate culture by working harder than ever to shift its human resources to growing fields within

Basic Policy 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.

## Human resource development

ISEKI Group offers diverse human resource development programs ranging from training programs based on employees' skills and occupation, foreign language courses, trade skill tests, correspondence courses, training programs specialized in development, manufacturing, sales and services (see p. 10 for details), and opportunities to study abroad. It has also introduced

the Group and mobilize its human resources. Previously, the utilization of human resources took place primarily within each group company. However, to execute our business strategies, we will strive to optimize the allocation of human resources across the Group beyond the boundaries of companies going forward. Further, the Group will also direct its efforts toward the securement and development of human resources to execute its business strategies, such as cutting edge technologies and global talent.

In order to drive forward with these initiatives, the Group has decided to introduce the talent management system to effectively assess and manage experience, competence and skills of employees.

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

the Meister system for smoothly passing on accumulated skills and experience. Going forward, the Group will work to further enhance specialized human resources in line with its business strategies and develop human resources to expand its global talent pool.

## Diversity –utilization of diverse human resources

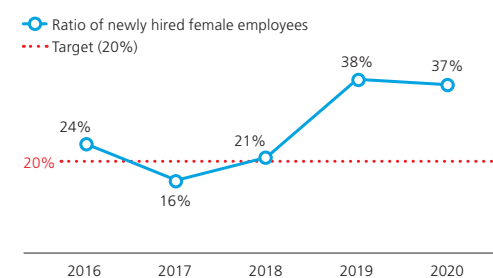
ISEKI Group is working on the promotion of diversity as one of its management strategies by employing diverse human resources. To secure outstanding talent, the Group is also promoting mid-career recruitment of highly specialized human resources, in addition to hiring new graduates. Further, it supports career development of employees through proper treatment of highly motivated employees with various abilities and offering them opportunities to play active roles.

### 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.

The Group is also planning to put in place a system to further promote active participation by women and work to achieve this objective going forward.

### Ratio of newly hired female employees



### 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.

### voice



### >> Successful female employee

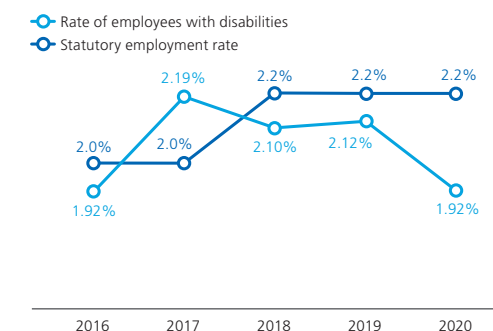
Misato Tokuyasu  
Agri-Business Solution Department,  
ISEKI & CO., LTD.

As a person in charge of, among other things, cultivation demonstration of crops, including seedlings, and support for obtaining GAP certification, I am engaged in disseminating information and teaching at training sessions on cutting edge farm business technologies for customers and group companies. While I find the wide scope of my work rewarding, I also enjoy my private time by actively taking paid leave. I believe, to further empower women, what is important is to create a workplace where every and each employee can work with pride regardless of gender. I will continue to work hard so that I can assist farmers in their farm management and in-field sales activities.

### 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.

The Group is also looking into securing employment opportunities for employees after age 65, which is required by the Amended Act on Stabilization of Employment of Elderly Persons.

### Mid-career employment

In order for ISEKI Group to grow, it is necessary to have ideas and innovations generated by having expertise in various fields and diverse senses of value. To this end, the Group will strive to secure diverse human resources by promoting mid-career employment of highly specialized human resources from outside the Group.

## Prohibition of discriminatory treatment and respect for human rights

### Basic Policy

The policy set out in the ISEKI Group Code of Ethical Behavior is to "respect basic human rights and not engage in any act of discrimination or harassment on the grounds of nationality, race, creed, gender and disabilities."

The Group educates its employees, through training and other measures, to always respect human rights of others and always pay extra attention to their speech and behavior so as not to commit acts that ignore others' human rights, such as harassment.

# Enhancement of employee engagement E S G

## Basic policy (fundamental concept)

- ISEKI Group will work to enhance its engagement with employees in order to increase the retention of talented human resources and create employees who actively work for the company's growth.
- The Group will place its focus on delivering a secure and safe work environment, providing career support, and developing and utilizing diverse human resources. At the same time, it will conduct regular engagement survey to assess the status of employee engagement.

## Creation of employee-friendly workplaces

ISEKI Group is striving to create employee-friendly workplaces through various efforts.


To realize diverse work styles, the Group introduced the geographically confined employment system in 2020, in addition to implementing the flextime system, no overtime day and other such measures. The Group set up the Operational Efficiency Improvement Project headed by the Chairman of the company in 2018 to realize the work style reform, and is working to improve productivity and reduce working hours by improving operational efficiency. In response to the recent COVID-19 pandemic, the Group has actively been utilizing remote meetings more than ever, and adopting new work styles, including working from home and split ship at some offices. On this occasion, we will look into institutionalizing such ways of working taking into account their effectiveness.

The Group is also 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 2020, six male employees took child care leave.

### Utilization of paid leaves

Along with promoting improvement in operational efficiency, ISEKI Group is encouraging employees to utilize annual paid leave. As a result, the number of days of paid leave taken by employees is increasing in recent years.

**voice**



>> Voice of a male employee who took childcare leave

**Keisuke Umemoto**  
Overseas Administrative Group, ISEKI & CO., LTD.

I am engaged in distribution to sales agents primarily in the Asian region at the Overseas Business Division. I took child care leave upon the birth of my child last year. I could feel the growth of my child through child rearing. After return to work, I have been utilizing the flextime system and other such systems to set aside time for child rearing and household chores, while increasing operational efficiency by honing my work-related knowledge on bookkeeping, accounting terminology and logistics expertise, so as to enhance work-life balance. I am also intending to take my career to the next level, while taking on a personal challenge to acquire various qualifications, by making best use of my time so that I can present multifaceted proposals at work.

Number of annual paid leave days per employee (average for union members) <small>non-consolidated</small>			
2017	2018	2019	2020
9.6 days	10.7 days	12.2 days	12.2 days

**Act on Advancement of Measures to Support Raising Next-Generation Children (2025 goals)**

- Creation and maintenance of a working environment where work-child care balance can be achieved
- 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, 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 manufacturing subsidiaries to promote awareness-raising at the sites, thereby striving 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.

**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.

Statistics of industrial accidents: severity rate (%)				
2016	2017	2018	2019	2020
0.000	1.760	0.001	0.371	0.000

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

# Toward our "Henkaku (Change)"

To realize ISEKI Group's vision "To be Solution Provide for 'Agriculture and Landscape'," it is essential for each and every employee to demonstrate his/her strength to maximize the Group's capabilities. To this end, ISEKI Group is working on various initiatives to instill and share common value and ideals that translate into the mindset and behavior of employees.

When announcing the new Mid-term Management Plan in February 2021, the President gave employees an online briefing on the concept of the Mid-term Management Plan and strategies. Each and every employee is required to understand the message implied in the keyword "Henkaku (Change) - Toward the next 100 years..." and figure out what they need to change by themselves by interpreting "... as "their Henkaku (Change)," thereby working on it on their own initiatives.

## ISEKI Group's values that we cherish to create a prosperous and sustainable society



With these seven promises, we will drive forward with our "Henkaku (Change)" toward our 100th anniversary of foundation in 2025 and the next 100 years.





# Environmental management E S G

## 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

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 Environmental Policy.

To practice environmental management across the Group, we have introduced the environmental management system (EMS) at our manufacturing bases and non-manufacturing bases, such as sales companies, both in Japan and abroad and built a structure to promote it, headed by the Directors' Operation Committee chaired by the President.

ISEKI Group has set mid- to long-term targets to practice activities to reduce environmental burdens and environmental risks of the entire business activities, such as optimizing the use of resources and energy.

Further, the Group is working on product development that contributes to environmental protection from various different approaches, such as energy saving, exhaust gas purification feature, and technique to optimize the amount of fertilizer using a cutting edge technology, by promoting environmentally-friendly design and operating the eco-product certification system.

In order to realize a carbon-free society, we will further energize the initiatives aimed at achieving the mid- to long-term environmental targets and aim to create a sustainable society.

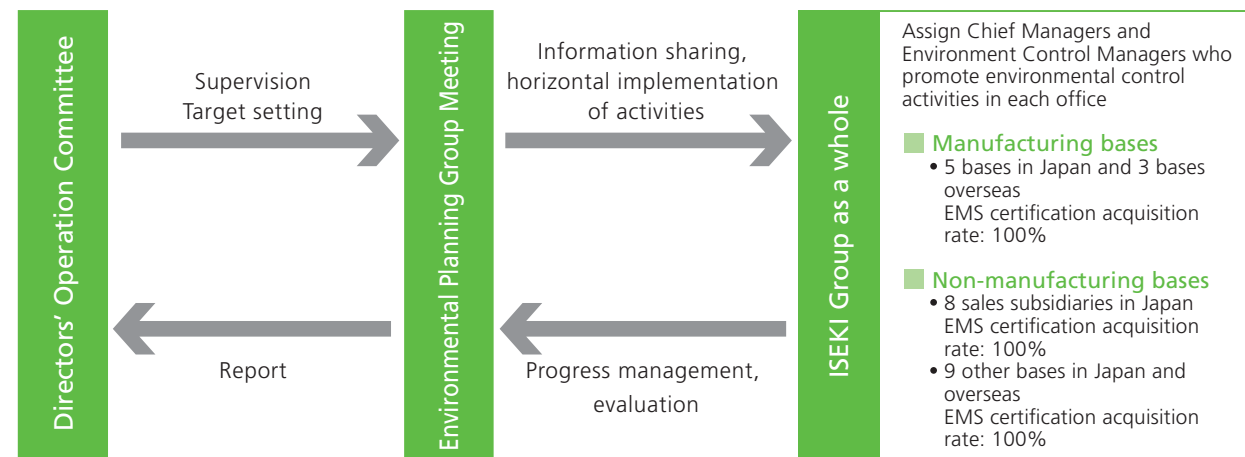
### Basic Environmental Policy

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

### 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.

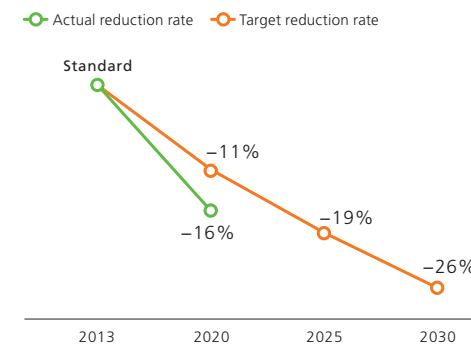


## Mid- to long-term environmental targets

ISEKI Group has set mid- to long-term environmental targets to promote environmental management. In order to realize a carbon-free society, the Group is looking into setting higher targets.

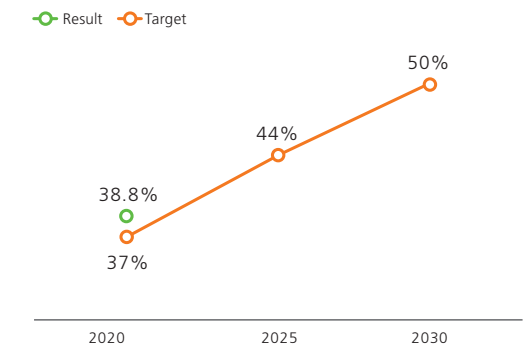
### Reduction in CO<sub>2</sub> emissions per net sales in production activities in Japanese manufacturing locations

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



### Eco-product ratio in domestic sales

2030: **50% or more**



## Major activity results in FY2020 in promoting environmental management

Major activity targets	Major activity results
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
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
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
Promotion of green procurement and its parallel implementation across the Group	Conducted a green procurement questionnaire survey and issued Green Procurement Certificates
Reduction of CO <sub>2</sub> emissions during transportation	See below
Promotion of environmental burden reduction in production activities	

## Promotion of environmental burden reduction in production activities

	Mid-term environmental targets FY2013 standards	FY2020 targets and result evaluation			FY2030 reduction targets
		Target	Result	Evaluation	
Creation of a low-carbon society	Reduction of CO <sub>2</sub> emission	(11)%	(16.4)%	Good	(26)%
	Reduction of CO <sub>2</sub> emission during transportation	(10.5)%		Bad	(8.8)% (FY2019 standard)
Manufacturing resources	Reduction of total material input	(10.5)%	(6.4)%	Average	(18)%
Development of recycling-oriented society	Reduction of volume of water used	(51)%	(37.3)%	Average	(51)%
	Reduction of final volume of waste	(14)%	(63.6)%	Good	(65)%
Toxic chemical substances	Reduction of used volume of chemical substances subject to PRTR law	(19.6)%	(28.0)%	Good	(37)%

\*Scope: Three factories in Japan (ISEKI-Matsuyama MFG. Co., Ltd., ISEKI-Kumamoto MFG. Co., Ltd., ISEKI-Niigata MFG. Co., Ltd)  
\*CO<sub>2</sub> emission during transportation is energy-generated CO<sub>2</sub> emission volume.  
\*The historical results of environmental burden reduction by base in Japan and overseas are posted on the company's website.

# Response to climate change E S G

## Climate change governance

ISEKI Group has designated responses to climate change as one of its priority issues, and works on environmental management. Corporate Social Responsibility Committee supervises and manages climate change-related risks and opportunities. The committee is comprised of the members of the Directors' Operation Committee for deliberation and discusses and evaluates

issues. Meanwhile, important matters are deliberated and decided by the Board of Directors and the Directors' Operation Committee. CSR Corporate Social Responsibility Committee meets twice a year and makes reports to the Board of Directors to ensure proper supervision by the Board of Directors (see p. 35 for details of the Corporate Social Responsibility Committee).

## Major risks and opportunities brought by climate change

In order to realize a carbon-free society, ISEKI Group is working to offer environmentally-conscious products and solutions, while striving to reduce CO<sub>2</sub> emissions from business activities so as to reduce environmental burdens. Meeting bodies that discuss future directions of product planning, development themes and other issues, such as the Product Development Strategy Committee and the Advanced Technology Strategic Committee, identify and evaluate opportunities for climate

change-related products and solutions and incorporate their results in development planning with the approvals of the Directors' Operation Committee and the Board of Directors. The Risk Management Control Committee is responsible for, among other things, identification, assessment and progress management of risks. We will work on scenario analysis going forward (see p. 43 for details of the Risk Management Control Committee).

	ISEKI's initiatives	Types	Impact on ISEKI's business	
Products	Research on market and regulatory trends	Risk	Transition	Risk of low sales caused by a gap in progress between commercialization, such as electrification, and infrastructure improvement
	Human resource development and human asset enhancement			Potential increase in development costs due to compliance with tightened engine exhaust gas regulations
	Environmentally-conscious products	Opp.	Transition	Risks of market contraction for and low sales of products with lower environmental performance due to market changes brought by climate change, legal regulations and increasing environmental awareness among users
	Environmentally-conscious products			Contribution to reducing environmental burdens upon customer use by expanding sales of eco-products and environmentally-conscious products
Solutions	Gathering of information on market impact	Risk	Transition	Potential market contraction due to changes in forms of agriculture, such as changes or reduction in crop producing areas
	Thorough implementation of health damage control			Physical
	Proposal for environmentally sound agriculture	Opp.	Transition	Expectation for new market creation stemmed from changes in crop production areas
	Early detection of information on subsidies, etc.			Expectation for reduction in greenhouse gas emissions through environmentally sound agriculture and reduction in CO <sub>2</sub> emissions through carbon storage
Business activities	Reduction of environmental burden	Risk	Transition	Risk of increases in operating costs and transportation costs due to the tightening of energy-saving regulations, such as a carbon tax
	BCP and hazard map			Physical
	Supplier risk assessment	Opp.	Transition	Risk of suspension or delay in the supply of parts due to supply chain disruptions and stoppage caused by natural disasters
	Capital investment plan			Expectation for controlling energy costs by upgrading production and other facilities to high-efficiency equipment

## Risk management

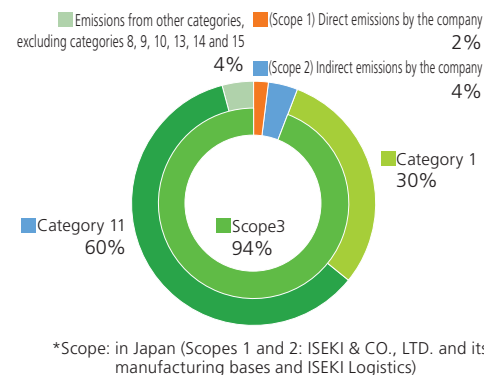
The Risk Management Control Committee identifies and assesses risks of climate change impacts on business activities based on two axes, severity of damage and frequency of occurrence, and selects risks that require focused follow-up based on degree of importance and priority of initiatives. The committee confirms the existence of emerging risks arising from environ-

mental changes on a quarterly basis, while checking the progress of focused risk follow-up. Further, identified risks are compiled into database by operating process and utilized for ordinary operations (see p. 44 for details of risk screening and assessment processes).

## Indicators and targets

ISEKI Group consistently manages and discloses the achievement of greenhouse gas emissions by Scope as a climate-related indicator. For Scopes 1 and 2, the Group has set reduction targets of 26% to be achieved by 2030 based on the results in 2013, and manages the progress. Meanwhile, for Scope 3, emissions from customer use of products sold by Category 11 account for 60% or more. In addition to offering eco-products that meet ISEKI-original evaluation criteria, the Group will work to upgrade products such as by promoting electrification and hydrogen utilization so as to contribute to realizing a carbon-free society.

\*Scopes 1 and 2: Greenhouse gas emissions resulting from production activities within the Group  
 \*Scope 3: Greenhouse gas emissions resulting indirectly from supplier/customer use in relation to business activities  
 \*Category 11 includes future emissions based on the assumptions of useful lives of products



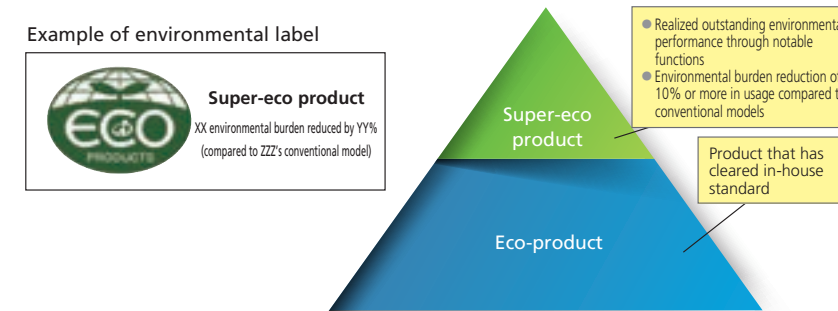
\*Scope: in Japan (Scopes 1 and 2: ISEKI & CO., LTD. and its manufacturing bases and ISEKI Logistics)

# Initiatives for environmentally-friendly design E S G

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.

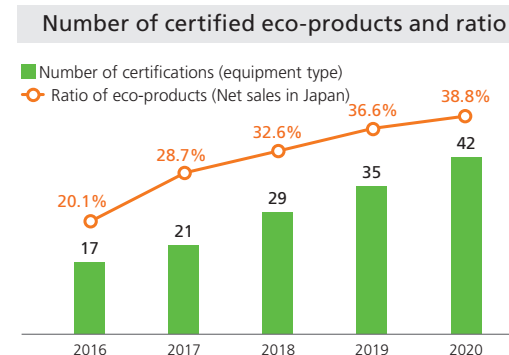
## Eco-product certification system

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 38.8% of domestic sales in FY2020.



## Examples of certified products

### FRONTIER FIGHTER HFR475, 5075



Energy saving, resource saving Reduction in environmentally hazardous substances

FRONTIER FIGHTER HFR475 and 5075 (four- and five-row reaping), certified as eco-products, are equipped with an engine that meets exhaust gas regulations as well as an IQ threshing control feature that automatically controls the engine rotation within the range of working rotation speed (green zone) according to engine load, vehicle speed and layer thickness of rocking shelf during operations.

They reduce threshing losses by optimizing the air volume of winnower during low-speed operations, such as turning and rice plant lodging. During operations, the workload level of thresher is displayed on the monitor located at the center of the operation seat so that the operator can carry out reaping with the optimal setting.

# Preservation of biodiversity E S G

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.

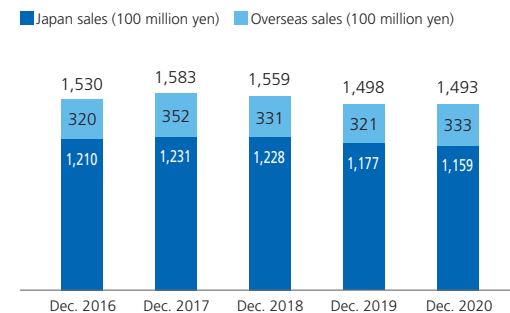
\*For details, please visit the company's website.



## Financial highlights (FY2020)

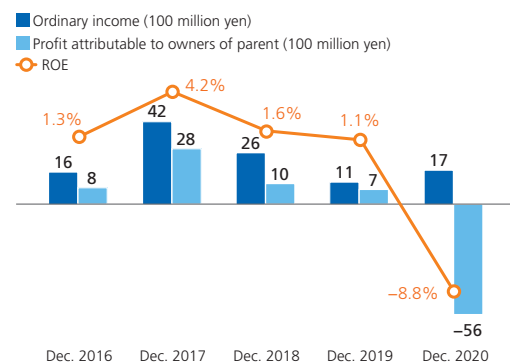
### Net sales

Net sales came to 149.3 billion yen, down 0.5 billion yen year on year. In Japan, overall sales fell due to the impact of the increase in the consumption tax rate, and the impact of voluntary suspension of operating activities because of the COVID-19 pandemic. Overseas sales increased due to unification of accounting period of a consolidated subsidiary in France (accounting period of 15 months), in addition to the increase in shipments of products for China, South Korea, and Taiwan.



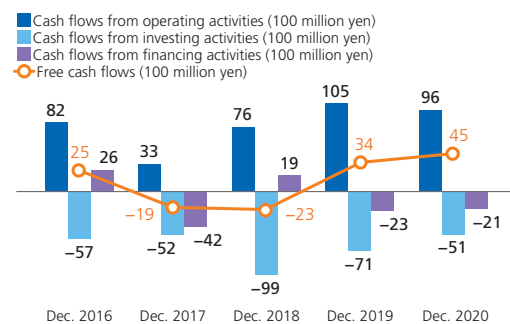
### Ordinary income / Profit attributable to owners of parent / ROE

Ordinary income came to 1.7 billion yen, up 0.5 billion yen year on year due to the reduction of loss of entities using equity method. Profit (loss) attributable to owners of parent declined 6.3 billion yen year on year to a loss of 5.6 billion yen due to recording of impairment loss on non-current assets caused by a decrease in profitability of manufacturing subsidiaries.



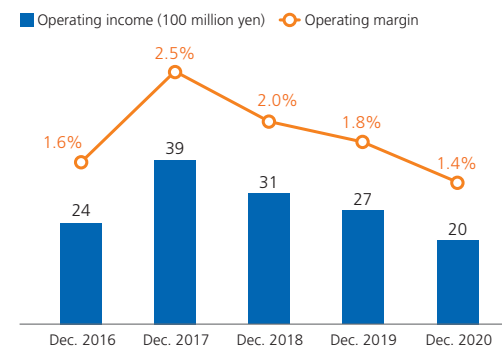
### Cash Flows

In the cash flows from operating activities, proceeds decreased by 0.8 billion yen year on year due to the reduction in net sales, while the inventory reduction was realized. In the cash flows from investing activities, purchase decreased by 1.9 billion yen year on year due to the reduction in capital investment. As a result, in the free cash flows, proceeds increased by 1.1 billion yen year on year.



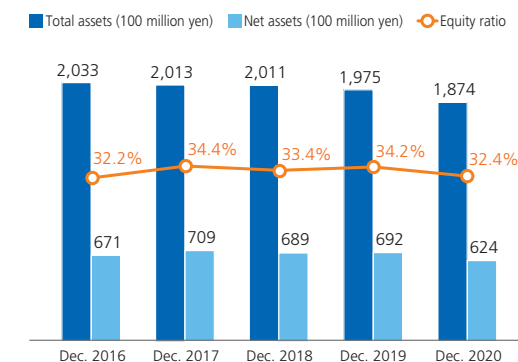
### Operating income / Operating margin

Operating income came to 2.0 billion yen, down 0.6 billion yen year on year due to temporary factors such as loss on valuation of parts inventory and retirement benefit expenses as a result of the merger of sales companies, despite the offsetting of a decrease in gross profit caused by revenue falls by reduction of selling, general and administrative expenses.



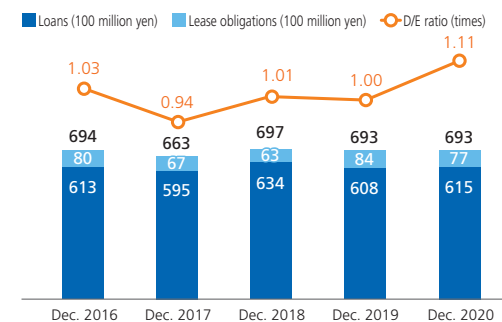
### Total assets / Net assets / Equity ratio

Total assets fell by 10.0 billion yen year on year to 187.4 billion yen due to the inventory reduction and recording of impairment loss on non-current assets. Net assets fell by 6.8 billion yen year on year to 62.4 billion yen due to the decreases of retained earnings and revaluation reserve for land.



### Interest-bearing debt / D/E ratio

Interest-bearing liabilities came to 69.3 billion yen, the same amount as that of the end of the previous fiscal year. While the interest-bearing liabilities were reduced in sales companies in Japan, it increased due to the new consolidation of local sales company in Thailand. D/E ratio, which shows the soundness of finance, was at 1.11 times due to the decrease in net assets.



## Consolidated Financial Summary

(Millions of yen)

	93rd Fiscal Year (December 31, 2016)	94th Fiscal Year (December 31, 2017)	95th Fiscal Year (December 31, 2018)	96th Fiscal Year (December 31, 2019)	97th Fiscal Year (December 31, 2020)
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### Results of Operations

Domestic sales	121,041	123,136	122,812	117,717	115,907
Overseas sales	32,055	35,245	33,143	32,181	33,397
Net sales	153,097	158,382	155,955	149,899	149,304
Gross profit	44,852	46,206	45,945	44,507	43,476
Operating income	2,469	3,953	3,179	2,745	2,084
Ordinary income	1,635	4,250	2,629	1,108	1,702
Profit (loss) attributable to owners of parent	858	2,807	1,090	723	(5,641)

### Financial Position (at the end of the fiscal year)

Cash and deposits	13,936	7,981	7,475	8,404	10,787
Notes and accounts receivable – trade	24,911	25,113	23,327	19,675	21,780
Inventories	49,316	53,406	53,719	54,179	51,847
Other	4,769	5,249	7,269	4,900	5,564
Total current assets	92,934	91,751	91,791	87,159	89,979
Property, plant and equipment	96,466	95,592	96,842	98,346	86,287
Intangible assets	1,062	1,025	1,082	1,288	1,967
Investments and other assets	12,893	12,978	11,440	10,717	9,193
Total non-current assets	110,422	109,596	109,365	110,352	97,449
Total assets	203,356	201,348	201,156	197,511	187,428
Notes and accounts payable – trade	42,421	40,673	39,736	37,752	36,872
Short-term loans payable (including current portion of long-term loans payable)	33,593	35,220	42,877	39,351	37,460
Other	13,433	13,750	12,979	12,630	11,814
Total current liabilities	89,447	89,644	95,593	89,735	86,147
Long-term loans payable	27,788	24,354	20,571	21,525	24,114
Net defined benefit liability	4,491	3,312	4,063	3,059	3,144
Deferred tax liabilities for land revaluation	5,790	5,780	5,780	5,759	4,097
Other	8,687	7,339	6,188	8,180	7,504
Total non-current liabilities	46,757	40,787	36,603	38,524	38,861
Total liabilities	136,205	130,432	132,197	128,259	125,009
Shareholders' equity	49,842	52,330	52,746	52,840	50,346
Accumulated other comprehensive income	15,588	16,833	14,454	14,641	10,310
Subscription rights to shares and non-controlling interests	1,720	1,752	1,759	1,770	1,762
Total net assets	67,151	70,916	68,959	69,252	62,419
Total liabilities and net assets	203,356	201,348	201,156	197,511	187,428

### Cash Flows

Cash flows from operating activities	8,283	3,308	7,616	10,509	9,694
Cash flows from investing activities	(5,736)	(5,273)	(9,944)	(7,104)	(5,167)
Free cash flows	2,547	(1,965)	(2,327)	3,404	4,526
Cash flows from financing activities	2,621	(4,294)	1,970	(2,396)	(2,179)
Net increase (decrease) in cash and cash equivalents	5,147	(6,113)	(408)	981	2,383

### Information Per Share (Yen)

Net assets	2,896.8	3,061.8	2,974.8	2,987.2	2,683.1
Profit (loss)	38.0	124.3	48.3	32.0	(249.6)
Cash dividends	1.5*	30.0	30.0	30.0	—

### Management Indicators

Equity ratio (%)	32.2	34.4	33.4	34.2	32.4
ROE (%)	1.3	4.2	1.6	1.1	(8.8)
ROA (%)	0.4	1.4	0.5	0.4	(3.0)
CCC (days)	82.6	99.3	101.0	104.8	104.9
D/E ratio (times)	1.03	0.94	1.01	1.00	1.11

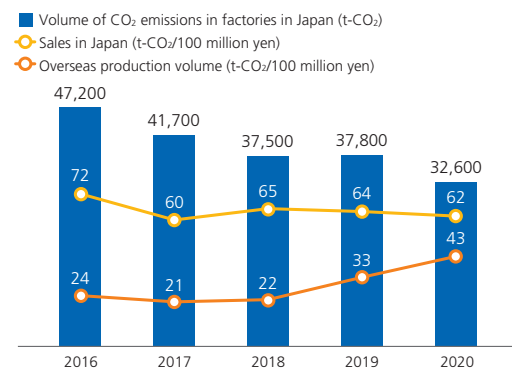
Note \*Calculations are carried out taking into account the one-for-ten share consolidation of the company's common stock on July 1, 2017, and on the assumption that such share consolidation was implemented at the beginning of the 93rd fiscal year.

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

Non-financial highlights (FY2020)

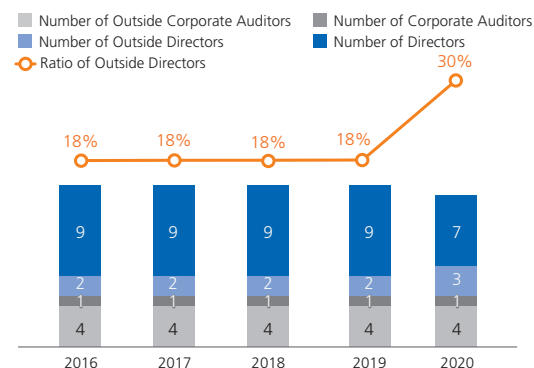
Volume of energy-generated CO<sub>2</sub> emissions in factories **Environment**

We are working to reduce CO<sub>2</sub> emission volumes in our production activities as part of corporate activities to enable a sustainable society.



Number of Directors and Corporate Auditors/Ratio of Outside Directors **Governance**

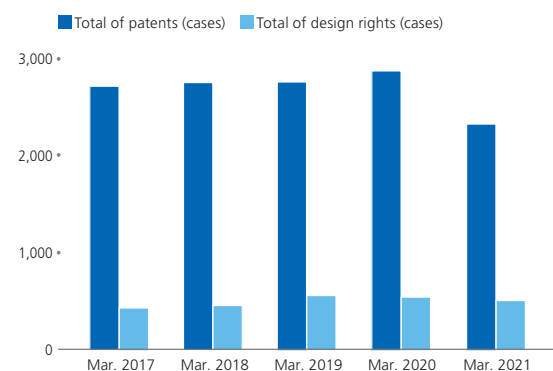
In March 2021, we added one more Outside Director to enhance corporate governance. We are working on further enhancement of transparency and objectivity of management.



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

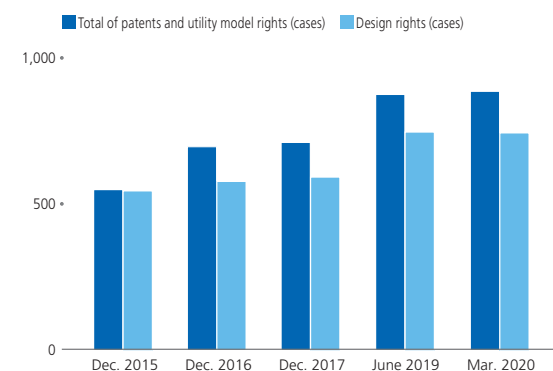
The company has over approximately 2,300 patents, thanks to its acquisition and accumulation of validated claims, and it also holds more than approximately 500 design rights.

● Japan



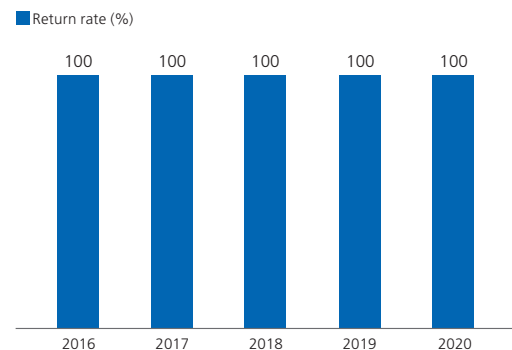
We actively submit applications using the intellectual property regimes of various countries to lead to differentiation of products in the overseas market. The number of patents held by ISEKI Group is increasing annually.

● Overseas\*



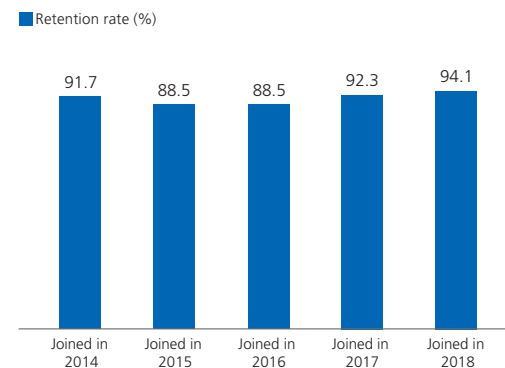
Rates of return to work following childcare leave **Human resources**

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. One hundred percent of the employees who took childcare leave returned to work.



Retention rate in three years from joining **Human resources**

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



Note 1. The value is different from the past report, because of the review of electricity emission factor.  
 Note 2. The tabulation period for some overseas patents, utility model rights, and design rights is different, and therefore the year and month of results vary.

Company profile

As of December 31, 2020

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: 5,510 (Development and Production Section: 1,756; Sales Section: 3,384; and Other Sections: 370)  
 Non-Consolidated: 738

Status of shares

As of December 31, 2020

Company code: 6310  
 Total number of authorized shares: 69,000,000 shares  
 Shares issued and outstanding: 22,606,820 shares (excluding treasury stock of 378,173 shares)  
 Number of shares per trading unit: 100 shares  
 Number of shareholders: 18,471

Major shareholders (top 10)

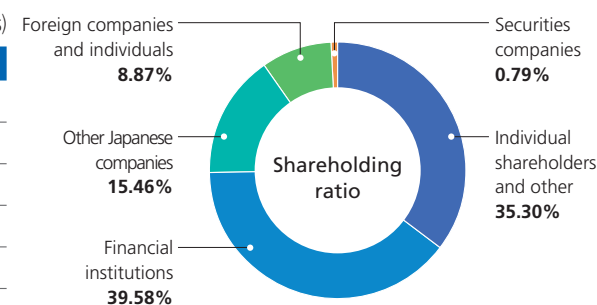
Name of major shareholder	Number of shares held (shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,359,500	6.01
Mizuho Bank, Ltd	1,070,800	4.73
Custody Bank of Japan, Ltd. (Trust Account)	1,024,000	4.52
The Norinchukin Bank	868,785	3.84
Sumitomo Mitsui Trust Bank, Limited	800,000	3.53
Iseki kabushiki hoyukai (Company's Stockholding Co-op.)	776,809	3.43
The Iyo Bank, Ltd.	580,042	2.56
Iseki eigyo-hansya group syain modhikabukai (Business-selling Group Holdings)	571,500	2.52
Sompo Japan Insurance Inc.	434,500	1.92
The Kyoei Fire and Marine Insurance Company, Limited	352,700	1.56

(Note) Shareholding ratios are calculated after the deduction of treasury stock (378,173 shares).

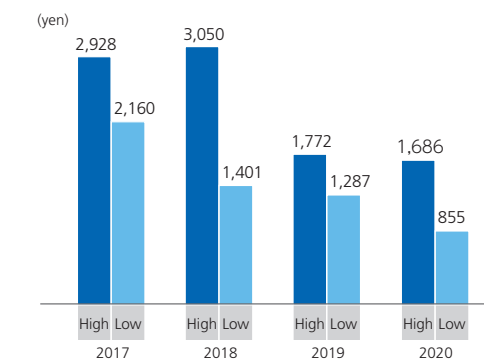
Number of shares held by type of shareholder

Shares issued and outstanding: 22,606,820 shares (excluding treasury stock of 378,173 shares)

Breakdown	Number of shares held (shares)	Shareholding ratio (%)
Individual shareholders and other	7,979,763	35.30
Financial institutions	8,949,012	39.58
Other Japanese companies	3,494,554	15.46
Foreign companies and individuals	2,004,970	8.87
Securities companies	178,521	0.79



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.

Evaluation by third parties

DBJ Environmental Rating – highest rating 15 times in a row

In April 2021, ISEKI received the highest rating as one of the "Companies doing environment-friendly business activities progressively," 15 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 putting advanced environmental management into practice.
- 2 ISEKI is steadily working on building of supply chain in consideration for CSR.
- 3 ISEKI is contributing to realization of society with low environmental load, through its main business.

