



ISEKI Report 2022

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Contact about this ISEKI report

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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”



Long-term Vision

To be a Solution Provider for Agriculture & Landscape

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

Our Value

Seven Promises – To Contribute to the Creation of the Prosperous and Sustainable Society –

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

Spirit of ISEKI – Passion of founder –

“I want to free farmers from exhausting labor”

Agriculture was hard work, done by hand and with the help of animal power. To change this, Kunisaburo Iseki, the founder, realized laborsaving through mechanization and endeavored to further develop agriculture. “We produce good machinery,” Kunisaburo Iseki, the founder, used to say. He devoted himself to providing products that made customers happy. The founder’s passion has been inherited in an unbroken line to this day as “ISEKI’s spirit.”

Company Motto

Our management philosophy is to provide:

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

and thereby we will fulfil our social mission.

Key Points of ISEKI Report 2022

ISEKI Report 2022 presents our mid- to long-term strategies, measures, and initiatives for what kind of value we will create and how we will create and sustain that value for the solution of social issues through business, as our long-term vision of being a “solution provider for agriculture and landscape.” We hope that it will give our wide-ranging stakeholders, including shareholders and investors, a deeper understanding of the value creation of the ISEKI Group.

ISEKI Report 2022 Key Point 1

What kind of company is ISEKI?

Social issues that we have solved to date and the business activities of the ISEKI Group
Introduction (P5–10) / **Business strategies** (P31–44)

ISEKI Report 2022 Key Point 2

ISEKI Group’s vision

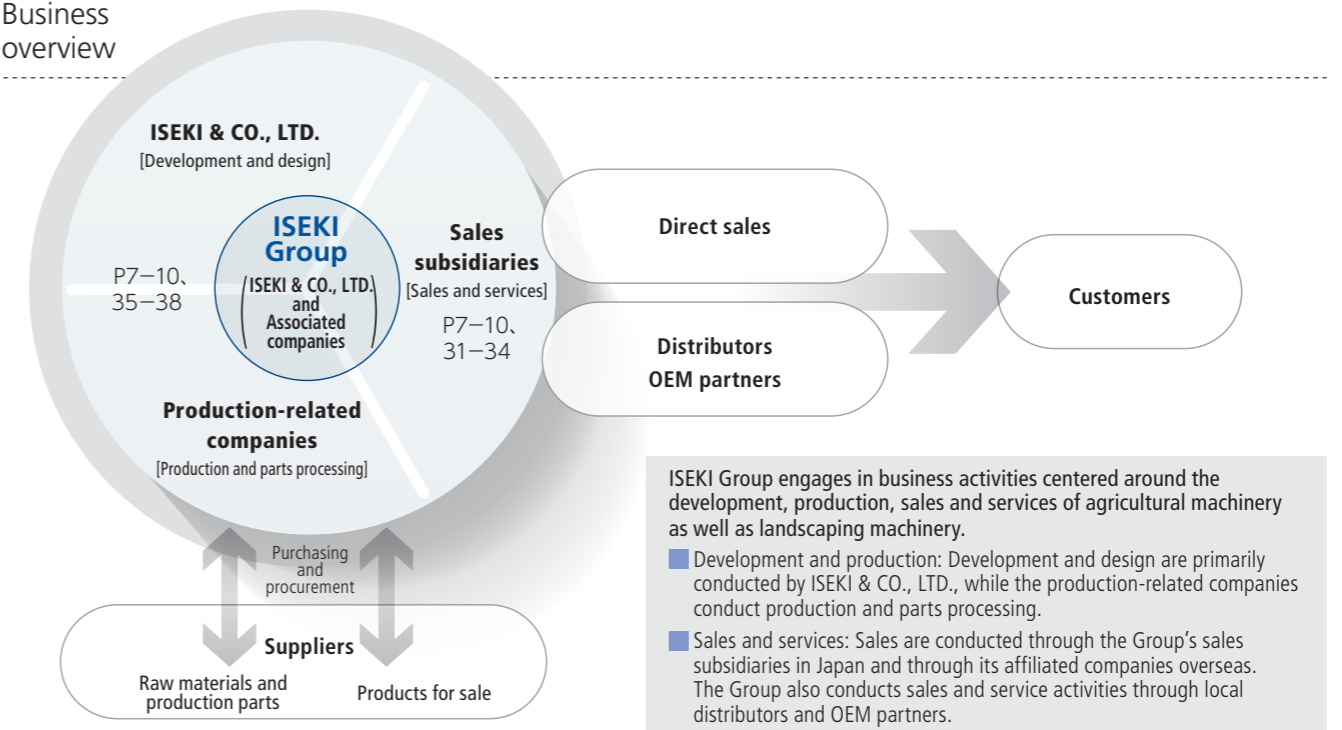
Our mid- to long-term strategies, measures, and materiality for achieving our long-term vision of being a “solution provider for agriculture and landscape”
Message from our President (P11–16) / **Materiality** (P21–22) / **Mid-term Management Plan** (P23–26)

ISEKI Report 2022 Key Point 3

Uniquely “ISEKI” initiatives

The strengths that the ISEKI Group has cultivated to date and unique initiatives such as environmental management
ISEKI Group’s strengths (P27–30) / **Strategies of product development and intellectual property** (P35–38) / **Environmental initiatives** (P39–44)

Business overview



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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 2021 through December 2021.
The report also includes some information from and after January 2022.

Scope

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

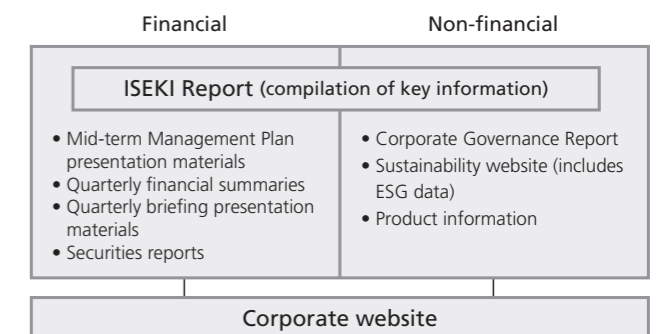
Referenced guidelines

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

Communication map

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

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

History of solving social issues

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



1926 Iseki Farm Implement Trading Co. was established.

1936 ISEKI & CO., LTD. was established.

1946 Matsuyama Factory was established.

1949 Kumamoto Factory was established.

1958 Began establishing sales subsidiaries. Subsequently, sales subsidiaries established around Japan.

1961 Niigata Factory was established. Listed its shares on the Tokyo Stock Exchange.

1969 Renamed Tokyo Branch as Tokyo Headquarters.

1971 Established N.V. ISEKI Europe S.A. in Brussels.

1972 Expanded Matsuyama Factory, relocated Head Office to Matsuyama.

1977 Established Central Training Center in Ibaraki Prefecture. Commenced exporting tractors (OEM) to North America




2001 Separated the Production Section from the company and established ISEKI-Matsuyama MFG, Co., Ltd. and ISEKI-Kumamoto MFG, Co., Ltd.

2003 Established Iseki-Changzhou Mfg. Co., Ltd. in Jiangsu Province, China.

2011 Established Dongfeng Iseki Agricultural Machinery (Hubei) Co., Ltd. in Hubei Province, China.

2012 Established PT. ISEKI INDONESIA.

2013 Established ISEKI Technical Training Center (ITTC). Established ISEKI SALES (THAILAND) CO., Ltd. (current IST Farm Machinery Co., Ltd.)

2014 Integrated the businesses of Iseki-Changzhou Mfg. Co., Ltd. and Dongfeng Iseki Agricultural Machinery (Hubei) Co., Ltd. and established Dongfeng Iseki Agricultural Machinery Co., Ltd. Acquired French agents Yvan Beal S.A.S. and YB Holding S.A.S. (current ISEKI France S.A.S.) and made them subsidiaries.

2015 Established Dream Agricultural Research Institute.

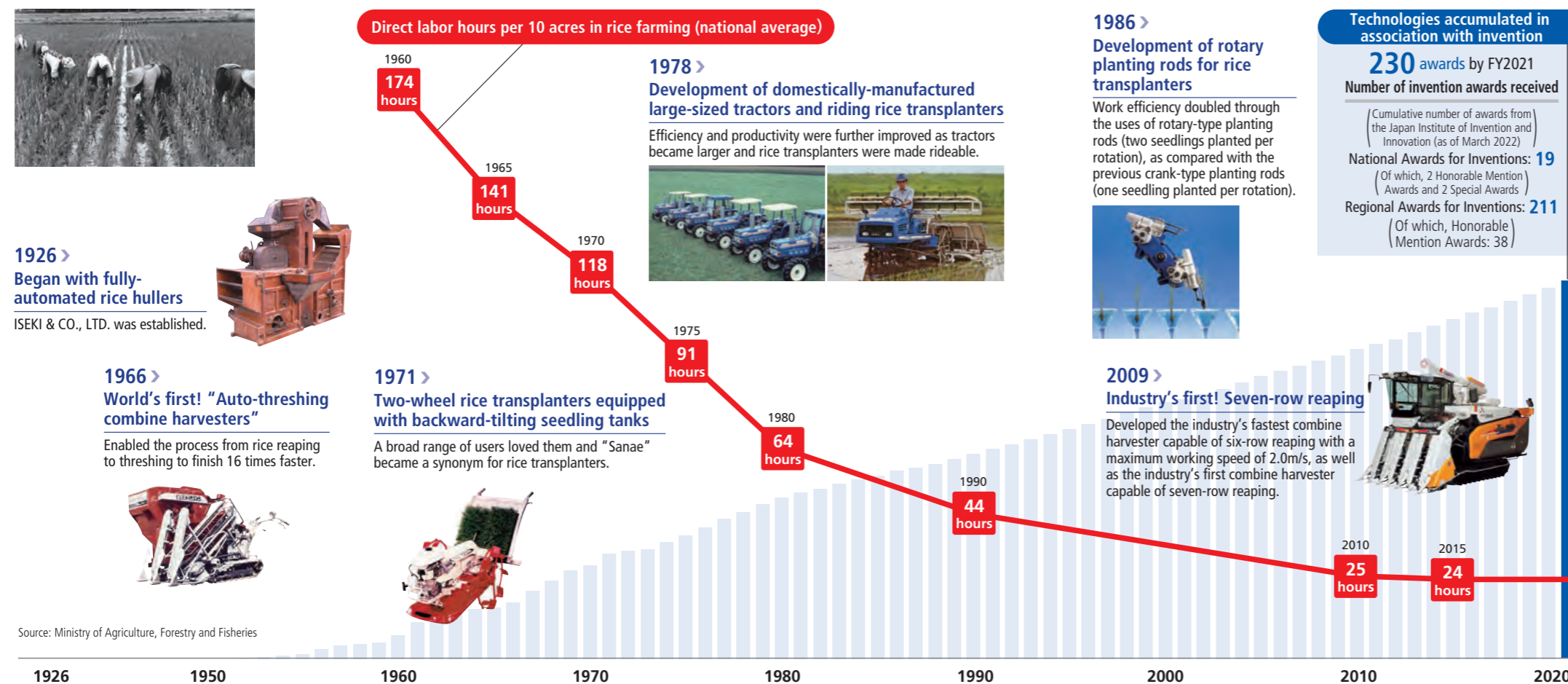
2016 Established Iseki Basic Engineering Training Center (IETC).

2017 Established ISEKI Global Training Center (IGTC).

2020 Made Thai distributor IST Farm Machinery Co., Ltd. a subsidiary.

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

Productivity improvement of agriculture in Japan through automation and modernization—Time required for rice farming reduced to one-seventh



Present day and toward the future

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

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

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

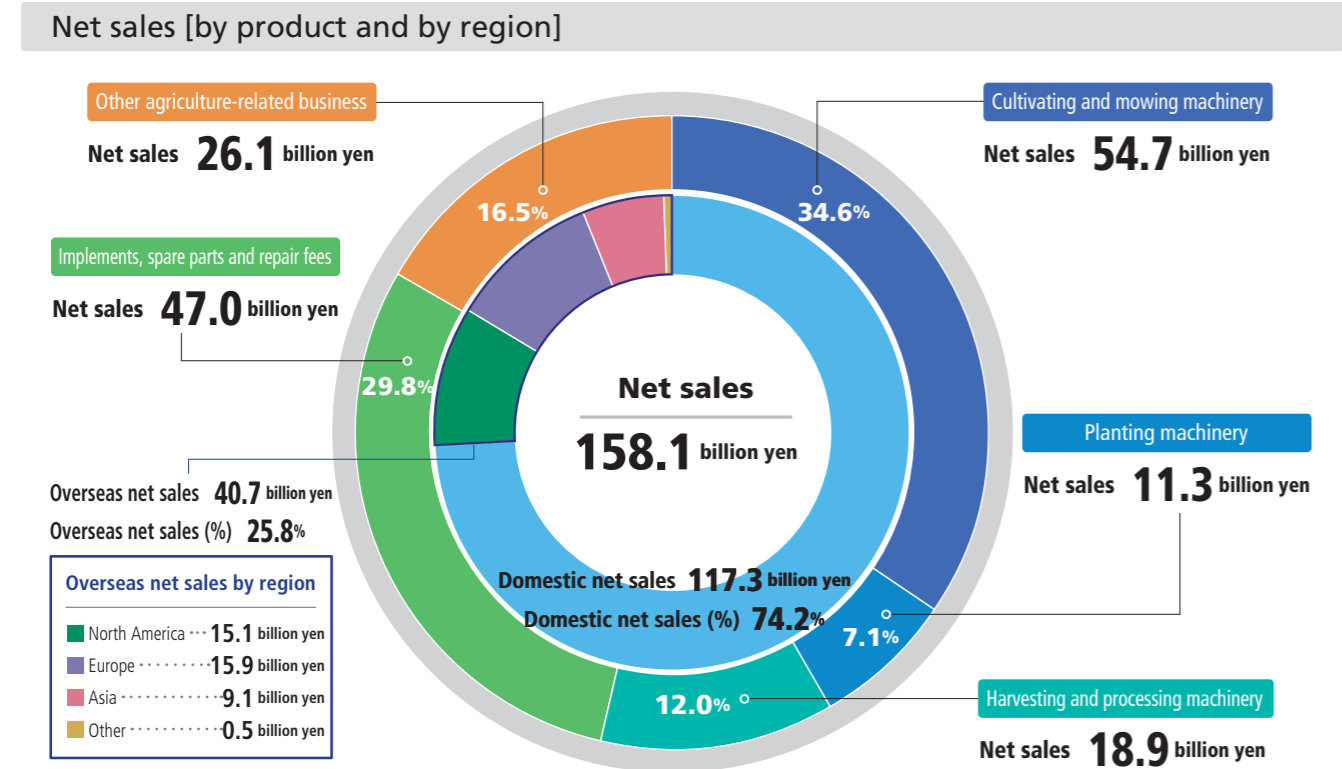
Environmental preservation
We will contribute to the realization of a decarbonized and recycling-oriented society.






ISEKI Group

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.



Overview of products and services

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

Category	Description	Main sales region			
		Japan	Asia	Europe	North America
Agricultural machinery products	Developed and produced mainly by ISEKI Group (machinery for agriculture and landscaping)	For agricultural use		For landscaping	
For cultivating and mowing	Tractors, riding lawn mowers, tillers, multipurpose vehicles, high-clearance multipurpose vehicles, etc. Tractors (for agricultural use) Tillers High-clearance multipurpose vehicles Tractor for overseas markets (for light civil engineering) Tractor for overseas markets (for landscaping) Riding lawn mowers	○	○	○	○
For planting	Rice transplanters, vegetable transplanters, etc. Rice transplanters Vegetable transplanters	○	○	-	-
For harvesting and processing	Combine harvesters, binders, dryers, rice hullers, measuring and sorting machinery rice graders, etc. Auto-threshing combine harvesters Rice hullers Japanese radish harvesting machinery	○	○	-	-

number of employees (consolidated)

5,371

Development and manufacturing department 1,669
 Sales department 3,356
 Other division 346
 (As of December 31, 2021)

Japan: Main associated companies/sales subsidiaries

- 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.
- 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.

Overseas: Main associated companies/strategic partners

[Associated companies]

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

[Strategic partners]

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

◆ Production sites
 *1: Non-consolidated subsidiaries *2: Equity-method subsidiary *3: OEM customer

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.

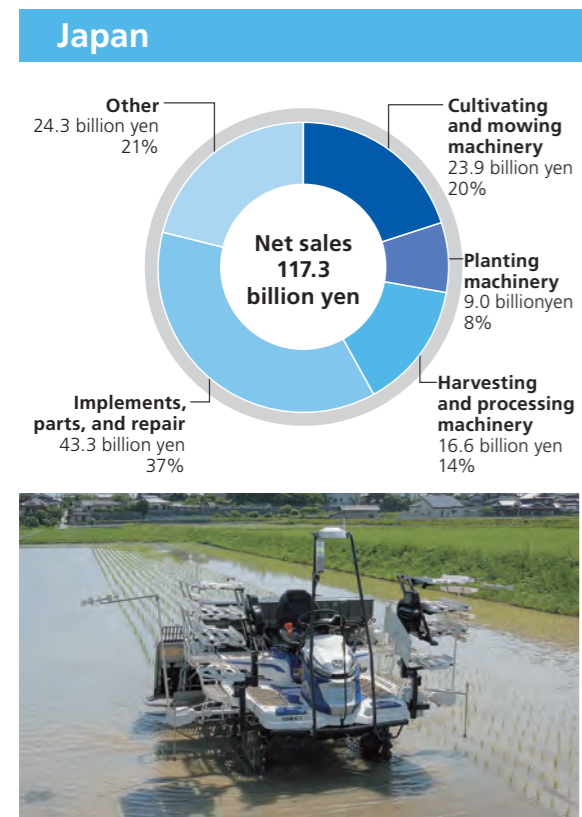
Category	Description	Main sales region			
		Japan	Asia	Europe	North America
Implements, spare parts and repair fees	Parts for repairing products of Japanese and foreign implements manufacturers, etc. (part of them are developed and produced by ISEKI Group) Repair, maintenance, etc. Implements Repair and maintenance	○	Part of the region	Part of the region	Mainly parts
Other agriculture-related business	Facility construction (agricultural facilities, plant factories), agricultural materials (fertilizers, etc.), coin rice milling business, rice cooking business, etc. Solution culture facility Coin rice milling machine	○	-	-	-

Production sites/main machine types produced

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

ISEKI Group

We conduct business in Japan, as well as overseas where priority is put on “Europe,” “North America,” and “Asia.”



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

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

Sales route

- 11 sales subsidiaries

Agricultural machinery products (for agricultural use)

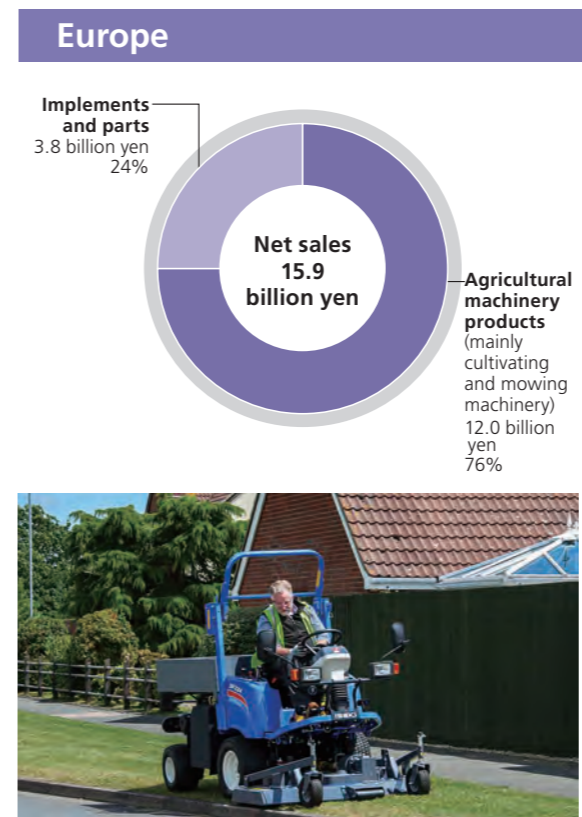
As an integrated manufacturer specializing in agricultural machinery, we have established an integrated system for automating farming of rice, field crops, vegetables, etc. and we also have a broad range of product lineup including products for hobby farmers.

Implements, parts, and repair fees

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

Other

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



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

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

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

Sales route (major agents)

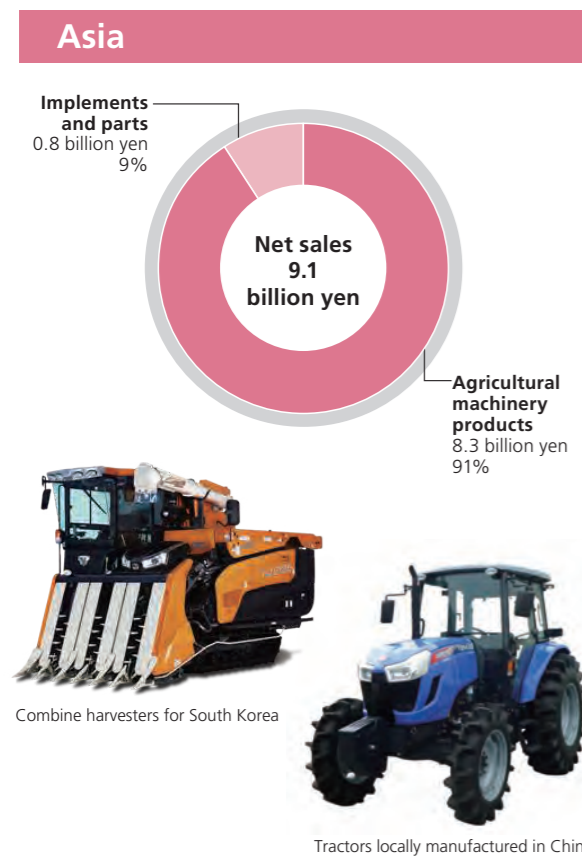
- France: ISEKI France (consolidated subsidiary)
- Germany: ISEKI Germany
- U.K.: ISEKI UK & IRELAND

Agricultural machinery products (for landscaping)

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

Other products

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



Combine harvesters for South Korea
Tractors locally manufactured in China

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

ASEAN market

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

Sales route

- IST (consolidated subsidiary)

East Asia (South Korea and Taiwan)

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

Sales route

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

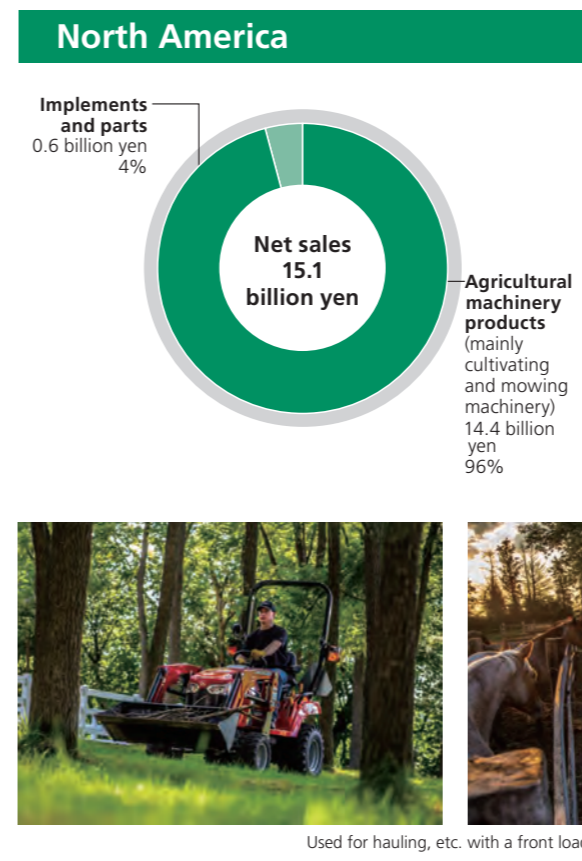
Chinese market

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

Sales route

- Dongfeng Iseki (equity-method subsidiary)

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



Used for hauling, etc. with a front loader

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

Sales route

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

Agricultural machinery products: Compact tractors

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

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

Used for mowing with a mower deck

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.



Review of the fiscal year ended December 31, 2021

Achievement of first-year targets of the Mid-term Management Plan

I would like to extend my prayers for the recovery of all those who have suffered as a result of the COVID-19 pandemic and to pay my profound respects to the healthcare workers and others who have been working strenuously on the frontlines during this crisis. I would also like to express my sincerest condolences to the victims of the current situation in Ukraine and my hopes that this situation will be resolved as soon as possible and that peace and safety will be restored to daily life in that region.

2021 was the first year of the new Mid-term Management Plan, whose target year is 2025, the 100th anniversary of ISEKI's foundation. It was an important year that marked our first step in building the foundation of the next 100 years. The initiatives that we implemented in line with the measures of the Mid-term Management Plan included strengthening our responses to changes in the structure of the agricultural industry, such as enhancing our customer services in Japan, as well as initiatives to strengthen our overseas sales, primarily in our core markets of North America, Europe, and Asia. As a result of these efforts, in contrast with the previous fiscal year (ended December 2020), in which we recorded a net loss due to significant impairment losses, both sales and profit increased in the fiscal year ended December 31, 2021, and we recorded our highest profit result in recent years. After we upgraded our earnings forecast

during the fiscal year, the results were almost in line with the revised forecast. Moreover, we paid a dividend of 30 yen and achieved the first-year targets of the Mid-term Management Plan.

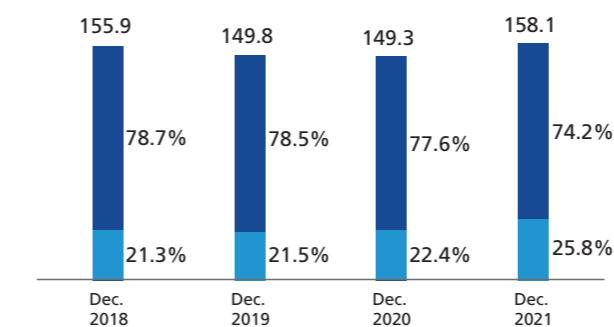
By region, sales of tractors, rice transplanters, and implements trended positively due to a recovery from the reactionary fallout from the consumption tax hike and demand spurred by business continuity subsidies and other factors. Maintenance revenue from parts and repair fees, an area in which we are working on revenue-expenditure structural reform at our sales subsidiaries, was also strong. Purchasing sentiment among farmers cooled due to the fall in rice prices from autumn onward, and cautious attitudes toward the purchase of combine harvesters were observed, but Japan sales overall exceeded the previous year's result.

Overseas sales increased year on year in all regions. Net sales were the highest on record. Sales of compact tractors in North America and consumer products in Europe performed well thanks to our efforts to identify changes in lifestyles due to the pandemic. In Asia, demand for agricultural machinery trended toward recovery in Thailand, and sales at IST, which became a consolidated subsidiary in December 2020, were also steady. In China, demand for agricultural machinery was positive due to the food security policy of the Chinese government, and sales of rice transplanters by Dongfeng Iseki Agricultural Machinery Co., Ltd. remained as steady as the previous fiscal year. In South Korea, strong sales of combine harvesters and other products continued thanks to increasing demand for large, high-performance agricultural machinery.

Business results trends

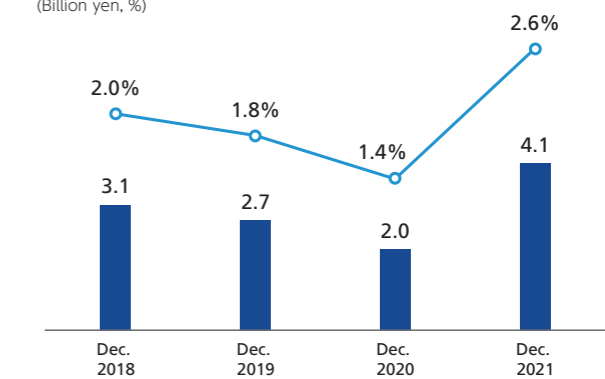
Net sales

■ Japan sales ■ Overseas sales
(Billion yen, %)



Operating income / Operating margin

■ Operating income ○ Operating margin
(Billion yen, %)



Aiming to achieve an operating margin of 5% in FY2025, which is the only numerical target set in the Mid-term Management Plan, we set an initial target for FY2021 for 2.3% and pursued initiatives to achieve that target. Despite the emergence of initially unforeseen challenges and risks such as the adverse effects of production delays due to supply chain disruptions and soaring raw material prices, the operating margin of 2.6% that we achieved was higher than expected, due in part to higher sales and income in Japan and overseas.

Although we made a good start in the first year of the Mid-term Management Plan, the business environment has been changing drastically due to the global COVID-19 pandemic, supply chain disruptions, difficulties in procuring production parts, and soaring raw material prices, and I believe that responding to such changes will be a challenge for ISEKI Group. We will further accelerate *henkaku* (Change), the keyword of the new Mid-term Management Plan in the organization, and work on our transformation to a lean and streamlined business structure.

ISEKI & CO., LTD.'s Purpose

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

Directions of market environment

Last year, amid the ongoing structural changes in agriculture in Japan, including the increase in large-scale farming, utilization of cutting-edge technologies, and crop diversification to dry-field crops and vegetable farming, the Ministry of Agriculture, Forestry and Fisheries announced the Strategy for Sustainable Food Systems, MeaDRI. This strategy strikes a balance between the improvement of production capabilities and sustainability in the food, agriculture, forestry and fisheries industries through innovation. To realize the strategy, various measures are being implemented, including the acceleration of smart agricultural technologies, the promotion of carbon neutrality, and the expansion of organic farming. For example, agriculture robots and smart agricultural machinery are becoming a mainstay for large, understaffed farms. They are attracting attention as a tool for achieving zero CO₂ emissions as well as for greater efficiency of farm operations. ISEKI Group has a huge role to play in this area, and we will work on it in a proactive manner.

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, even with the adverse effects of the COVID-19 pandemic, the compact tractor market, one of ISEKI Group's target

markets, has been growing significantly due to changes in lifestyle as more consumers relocate to more spacious residential areas in the suburbs. We believe that this market will become stable over the medium to long term, albeit with some fluctuations along the way. As well as strengthening our collaboration 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 business history of more than 50 years, 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 wet rice farming is farmers' main focus, is the region with the most potential for expansion of the agriculture market, with the growing global need to increase food production. 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, a consolidated subsidiary of the ISEKI Group.

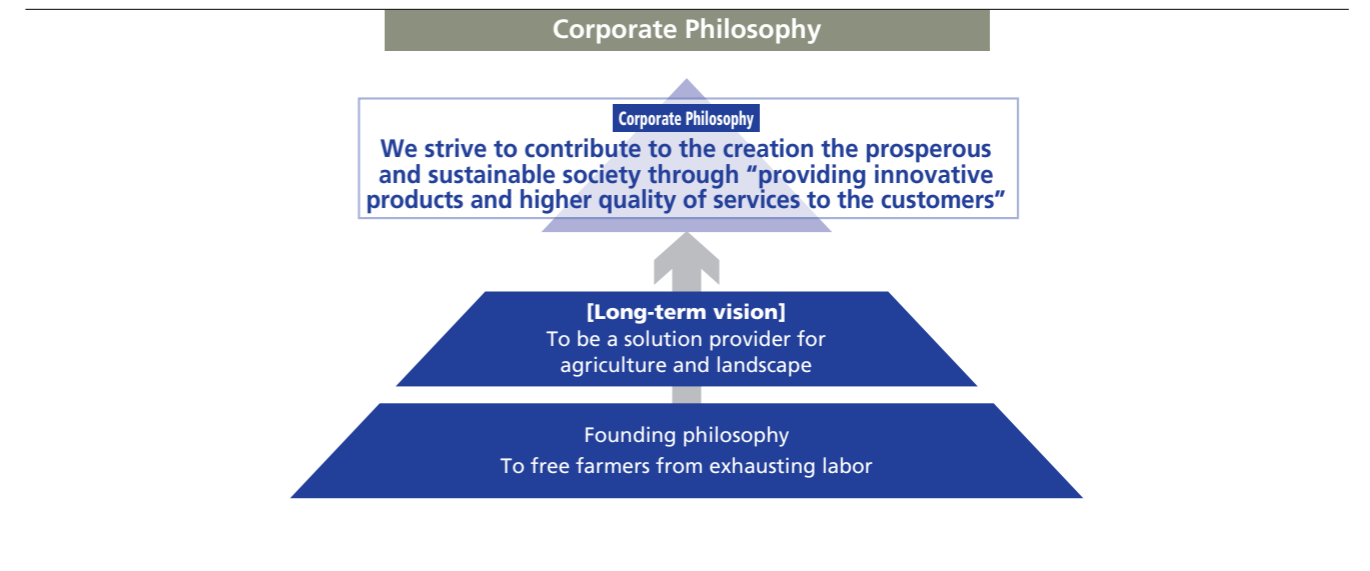
Corporate Philosophy

Based on these directions, last year, ISEKI Group formulated the new Mid-term Management Plan with a target year of 2025, the 100th anniversary of ISEKI's foundation. ISEKI Group has inherited the company's founding spirit of "freeing farmers from exhausting labor" and has adopted "We strive to contribute to the creation of the prosperous and sustainable society through "providing innovative products and higher quality of services to the customers"" as its Corporate Philosophy. This Mid-term Management Plan revised the Corporate Philosophy, taking the Purpose of ISEKI Group into account by adding "services," which includes information and know-how, as well as products, to the Group's offerings.

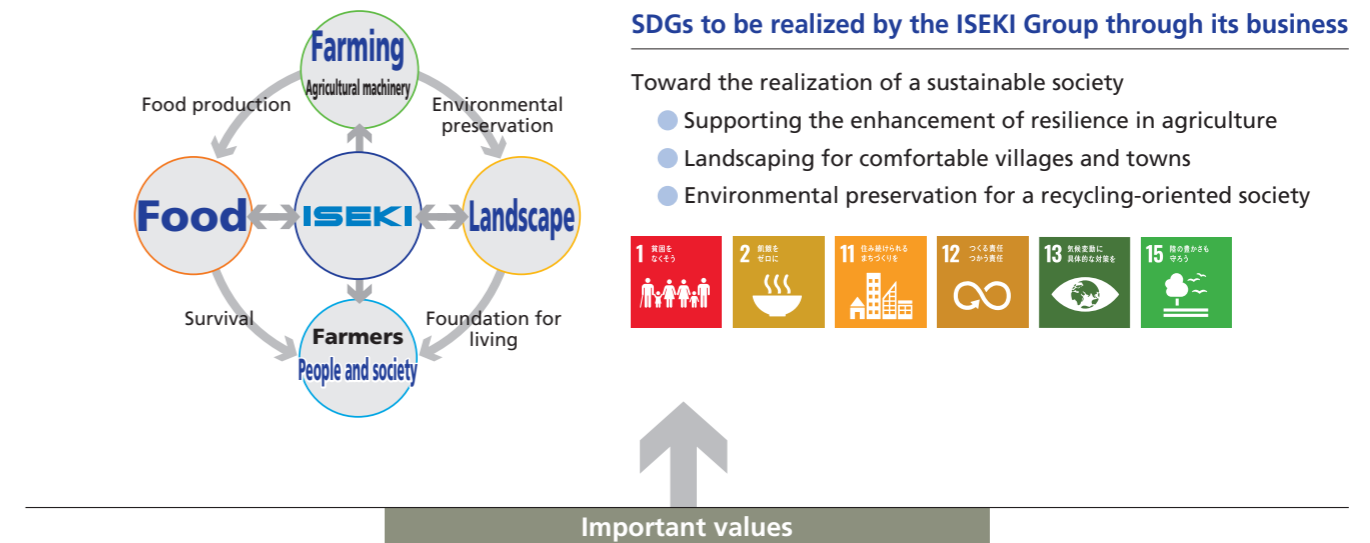
Long-term vision

As an interim target for fulfilling our Corporate Philosophy while upholding the company's founding spirit, ISEKI Group has set its long-term vision of becoming "solution provider for agriculture and landscape," which indicates our vision of what we aiming for and what we want to become. Farming safeguards food and land and realizes prosperity for people and society. This long-term vision is imbued with our aspirations to be a company that supports such farming and farmers and that contributes to the creation of new value.

Amid significant changes in the business environment, ISEKI Group will use the knowledge and experience we have cultivated over the years to solve social issues and fulfill social responsibilities, as well as contribute to the achievement of the SDGs.



Long-term vision
To be a solution provider for agriculture and landscape
 — Supporting a farming industry full of dreams and beautiful landscapes and creating a future of sustainable agriculture and landscape —



Important values
Keyword
 変革
 "Toward the next 100 years..."

Seven promises of ISEKI Group (values)

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

With our aim to be a solution provider that creates new value, we will drive forward with our *henkaku* (Change), with our seven promises (values) in our hearts.

➡ For information about the Mid-term Management Plan, please refer to p. 23.)

● **Basic strategy of Mid-term Management Plan**

(1) Provision of the best solutions

In Japan, we will put even more efforts into our main target market of large-scale products by responding to smart agriculture that uses cutting-edge technologies, approaching with both our tangible and intangible capabilities. In terms of tangible capabilities, we launched the NTA series of medium-size tractors equipped with a function to assist straight traveling, which helps to reduce operator labor and improve operational accuracy, and the PRJ, a robot rice transplanter that uses highly precise location information. With our "All Japan" series of highly functional and durable products for large-scale farmers now complete, we will now work on expanding both sales and market share. For the penetration and promotion of environmentally sound agriculture, such as organic farming, and the preparation of production areas to accommodate those forms of farming, we will strengthen our partnerships with local governments and private-sector companies across Japan. We recently concluded a partnership agreement with Nikaho City in Akita Prefecture and three private-sector companies that aims to establish and promote environmentally sound smart agriculture, with a focus on automatic weeding robots. We will continue to roll out such initiatives going forward.

In terms of intangible capabilities, we launched Amoni last year, a web portal for farm business solutions that gives agricultural producers direct access to information on the farm business, cultivation and cutting-edge technologies. We will support farm owners, helping them to solve their problems and take on the challenge of new types of agriculture, and concentrate our efforts on the provision of services in addition to products.

I feel quite certain that we now have the resources and systems that will allow us to respond to the diverse needs of customers in both tangible and intangible areas and to compete in the Japanese market.

➡ For information about domestic market strategy, please refer to p. 31.)

While mechanization is becoming more widespread in Asia, IST in Thailand, which became a consolidated subsidiary of ISEKI Group in 2020 and whose business operations have been led by ISEKI since then, has become an additional driving force for the acceleration of our business expansion in the ASEAN market. In our growth-engine markets, which include the Chinese market, we will leverage the strengths we have cultivated in Japan to take the next leap in our growth. In the North American and European markets, where demand remains strong, we will further refine our collaborations with our

business partners and promote the marketing of products with enhanced decarbonization and environment performance. In Europe in particular, we plan to launch a compact electric tractor (ride-on mower) on a limited scale in 2022, with a view to mass production by 2024. Through these initiatives, we will further enhance our presence in the market.

➡ For details of overseas market strategy, please refer to p. 33.)

(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 centered on structural reforms and management efficiency improvements. Specifically, with our basic approach of transforming into a lean and streamlined business structure that can constantly generate profit without being affected by the fluctuation in sales, we will pursue the selection and concentration of businesses and products, optimal allocation and sharing of resources, and, in particular, the construction of an optimal production system at our production sites in Japan and overseas, as priority measures. Through this, we will strive to revitalize the Group's human resources and equipment and enhance productivity. (➡ For information about product and development strategies, please refer to p. 35) In addition to operational efficiency improvements, we will strive for "business-creating *henkaku* (Change)" that fundamentally re-examines the way we do things at each stage of development, production, sales, and service. This includes making use of digital tools in sales, thorough cost reductions in development through shared design and fewer models, and the optimal placement of personnel across the entire Group.

Further, in terms of strengthening our ESG initiatives, we have reviewed our materiality (priority issues) and are moving our initiatives forward in line with the formulation of the new Mid-term Management Plan. In July 2021, we established a Sustainability Committee, a progression from the previous Corporate Social Responsibility Committee, to further strengthen the involvement of management through supervision of the Board of Directors regarding matters such as the realization of a sustainable society, the enhancement of mid- to long-term corporate value, and the handling of environmental and social issues. In this way, we are moving our response to sustainability-related issues forward through our business activities.

Regarding the environment, we established a new Green Innovation Promotion Office in May 2021, creating a framework for the development and commercialization of technological strategies to realize zero CO₂ emissions from our products, including electrification and the use of hydrogen. In May 2022, we formulated the Environmental Vision and reviewed

the Basic Environmental Policy and mid- to long-term environmental targets. We also announced our endorsement of the TCFD Recommendations. Going forward, we will conduct our information disclosures in line with the TCFD Recommendations.

For society, ISEKI Group strives to build strong relationships of trust with stakeholders by engaging in responsible dialogue with them. Amid increasing importance of investment to "human capital", under themes of "Enhance employee engagement" and "HR transformation", ISEKI Group will strive for the maximization of HR capability of the Group toward achievement of the Mid-term Management Plan and the realization of the vision.

To strengthen governance, ISEKI Group established the Nomination and Compensation Committee with two Representative Directors and three Independent Outside Directors (chaired by an Independent Outside Director) as its members. This committee was convened eight times in 2021. The Nomination and Compensation Committee mainly deliberates on matters such as the nomination, remuneration, and systems of Directors and Corporate Officers, and succession plans for the Chief Executive Officer (CEO), etc., submitting its recommendations to the Board of Directors. In 2022, we introduced a performance-based stock compensation system to make it clear that compensation of management executives shall be in conjunction with business results, including medium- and long-term ones, and shareholders' value, making compensation function as a sound incentive. To this end, we will pursue the revitalization of corporate organization. Other initiatives we have pursued include implementing evaluations of the effectiveness of the Board of Directors to further improve its functions. In light of the revision of the Corporate Governance Code, we are making efforts toward the further enhancement of initiatives such as the election of Independent Outside Directors to account for at least one-third of Directors and sustainability initiatives.

➡ For information about initiatives regarding Environment, Society and Corporate Governance, please refer to p. 39, 46, and 59 respectively.)

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

Acceleration of *henkaku* (Change)
To remain an essential company

During the COVID-19 pandemic, our business environment changed drastically, including supply chain disruptions, difficulties in procuring production parts, and soaring raw material prices. In addition, due to Russia's recent invasion of Ukraine, there is a concern about the potential for greater impact on our business. On the other

hand, with growing interest in food issues, including the stability of food supplies and the improvement of food self-sufficiency, agriculture, which supports food supply, and the landscaping business, which supports people's daily lives, are being recognized anew as essential businesses. In supporting such businesses, ISEKI Group will continue to change and demonstrate its presence into the future. I am proud of ISEKI Group as a company that follows the founding spirit and stands closest to farmers. As a front-runner, we will continue to produce innovative products and services, based on our thoroughly market-oriented design philosophy. Our overseas sales have been trending higher than the Mid-term Management Plan, and we are currently building a framework for increased production at PT. ISEKI Indonesia to respond to this situation. In Japan, our initiatives for organic farming are making progress, and we will continue to implement it relentlessly.

Finally, we are witnessing rapid changes in our business environment in recent years, such as climate change and other environmental issues and action on digital transformation (DX). On the other hand, I also feel that the trend toward the new normal is driving our *henkaku* (Change) even further. The aspiration of our founder, "to free farmers from exhausting labor" is something that must never be changed. To uphold the company's founding philosophy, each and every employee of ISEKI Group will take ownership of their "own *henkaku* (Change)." We will always make *henkaku* (Change) happen ahead of the times. ISEKI Group will strive to enhance our corporate value by leveraging the full capabilities of the Group, so as to continue demonstrating our presence as an indispensable company in our 100th anniversary in 2025 and beyond.



Financial and capital strategies

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

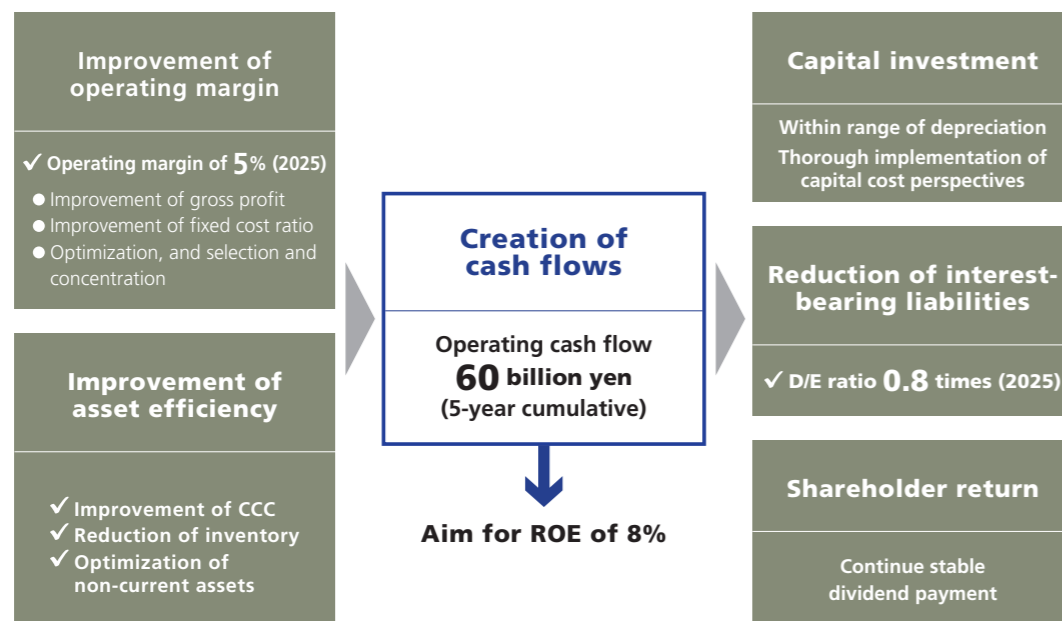
Basic policy of financial strategy in the Mid-term Management Plan

In the Mid-term Management Plan, whose target year is 2025, the 100th anniversary of ISEKI's foundation, we will strive to build a strong financial foundation by improving our 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 five years of the Mid-term Management Plan 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 Mid-term Management Plan.



Shuichi Jinno
Director & Corporate Officer in charge of Finance, IT Planning, and Operation Efficiency Improvement

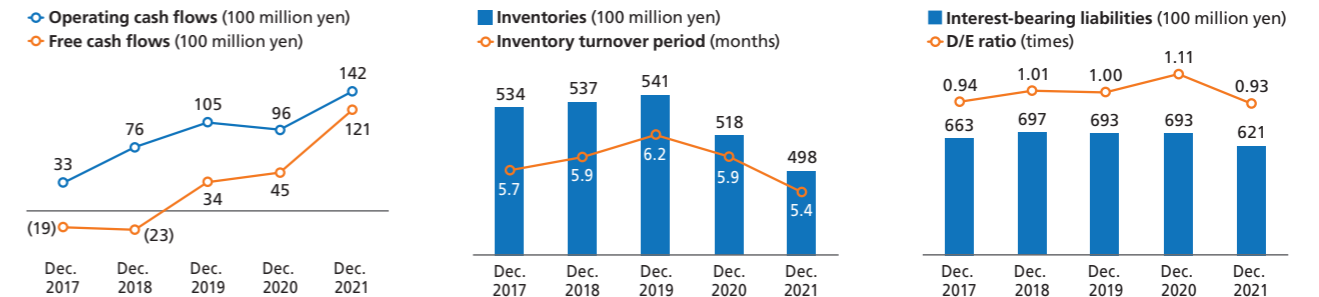


Review of the fiscal year ended December 31, 2021

In the fiscal year ended December 31, 2021, the first fiscal year of the Mid-term Management Plan, both domestic and overseas sales increased year on year. In particular, overseas sales reached a record high, indicating an acceleration of the trend of overseas business expansion. In terms of earnings, despite negative factors such as soaring raw material prices, gross profit increased and the operating margin exceeded the forecast at 2.6%. As a result, we recorded a net profit of 3.1 billion yen,

recovering from a deficit due to a significant impairment loss in the fiscal year ended December 31, 2020.

In addition to the increase in sales and profit, progress was made in the reduction in inventories and fixed assets, which resulted in operating cash flows and free cash flows (FCF) reaching record-high levels. The D/E ratio, which was at 1.11 times in the previous fiscal year, improved to 0.93 times, due in part to the contraction of interest-bearing debt.



Measures aimed at improvement of financial structure

Having made progress in fiscal year 2021, we will continue our efforts to improve our financial structure while responding to uncertainties such as soaring raw material prices, supply chain disruptions, and exchange rate fluctuations.

● Maximizing operating cash flow and optimizing inventories

Although we have made progress in the reduction of inventories since the second half of 2020, exceeding the initial plan, the inventory turnover period remained high at 5.4 months as of December 31, 2021, and further reduction of inventory is necessary for the maximization of operating cash flow. On the other hand, to prevent production delays and loss of sales opportunities resulting from supply chain disruptions and other causes, we believe that we also need to secure a certain level of inventories of raw materials, parts and products that are expected to be in high demand. We will aim to achieve both the reduction of inventories and the stable provision of products by promoting more precise inventory management that uses the new administrative accounting system that is currently being introduced.

● Selection and concentration of investment for growth

As well as improving the effective use of production equipment within the Group through the optimization of production systems, which is a priority measure of the Mid-term Management Plan, we will work to trim down property, plant and equipment by concentrating on investments in priority domains, with decisions that are based thoroughly on capital cost perspectives. We have various plans for capital investment in fiscal 2022, including the construction of a large-scale maintenance facility to enhance our sales and service systems in Japan,

production facilities for the improvement of quality and profitability, building systems for the increasing production in anticipation of the expansion of overseas business, and IT investments that will lead to management efficiency improvements.

● Contraction of interest-bearing liabilities

One goal of the Mid-term Management Plan is to reduce consolidated interest-bearing liabilities and to lower the D/E ratio to 0.8 times in 2025 through the improvement of profitability and asset efficiency and the maximization of free cash flows (FCF). To enable the company to respond flexibly to future uncertainties, 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. Currently, we raise funds mainly through borrowings from financial institutions, but in the future, we intend to diversify our fund-raising methods.

● Strengthening of Group 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 Group business administration systems is needed. We will strive to further strengthen Group business administration systems through advances in profitability management in the separate functions of development and manufacturing, domestic business, and overseas business, and of profitability management in the separate businesses such as tractors, combine harvesters, and rice transplanters, using the new administrative accounting system that is currently being introduced.

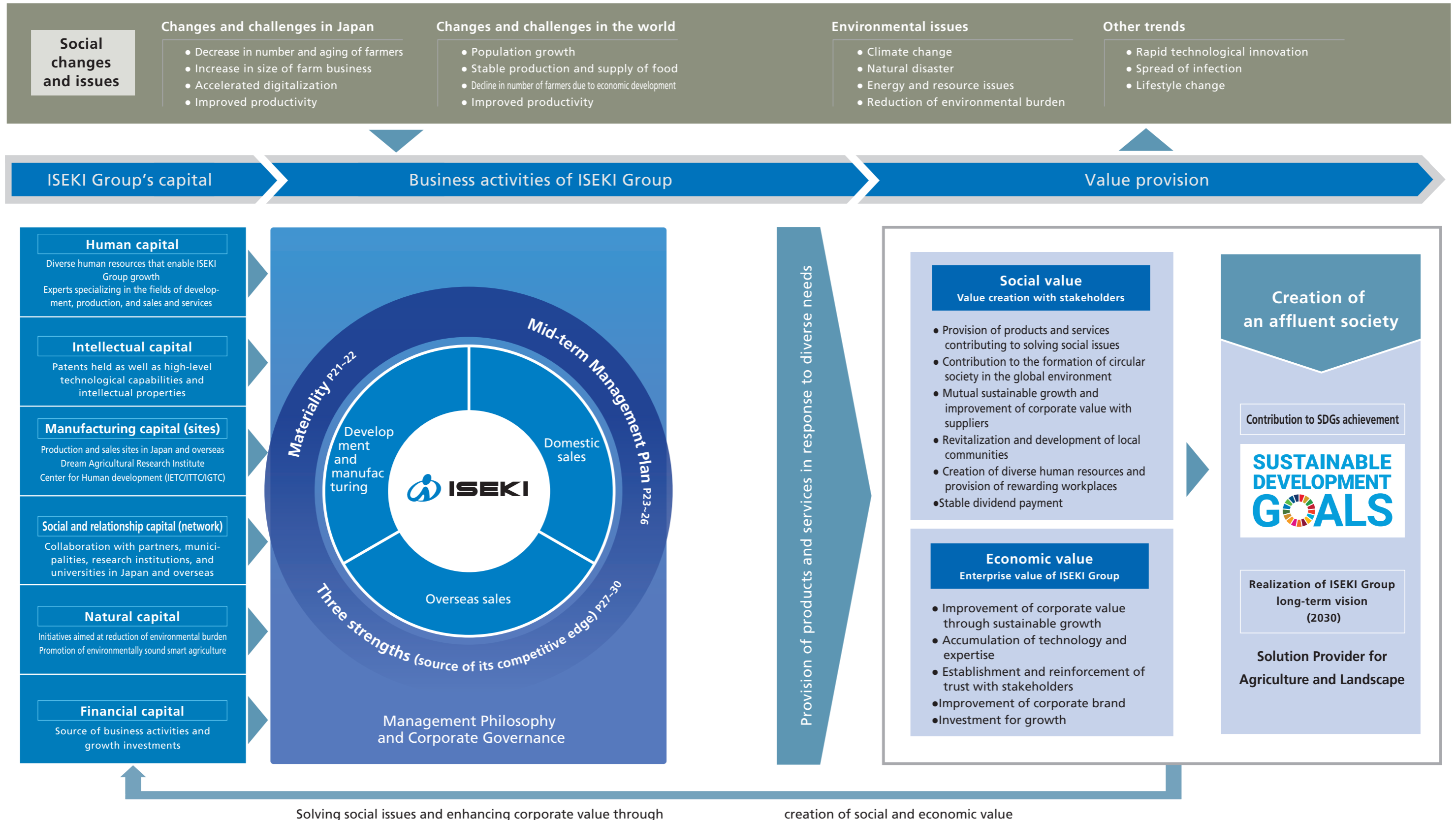
Shareholder return policy

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

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

Value Creation Process

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



Materiality

Materiality refers to the important issues that the ISEKI Group will address as a priority for the achievement of ISEKI Group's aspirations and long-term vision. We have sorted out our materiality once again by aligning them with risks and opportunities identified through SWOT analysis, etc., as well as our visions and management strategies, after discussions with external experts. We have set KPIs and formulated a plan for specific initiatives for each materiality item and promote efforts toward the accomplishment of the plan. The Sustainability Committee manages the progress and reports to the Board of Directors.

Materiality	Vision (2030)	Related SDGs	Risks and opportunities		KPI	Status of activities		
			Risks	Opportunities				
Value creation through business	Improved agricultural productivity	Japan	Supporting the enhancement of resilience in agriculture 2, 1, 5, 8, 9	Japan	Decline in the number of farms in Japan, advancing age of farmers, and slowdown of demand due to an increase in contracting of farm work	Larger scale of Japanese producers, diversification of crops Dissemination of smart agriculture (data-using agriculture) Partnerships with entities in other industries through DX	Development and dissemination of large-sized agricultural machinery and smart agricultural machinery Co-creation of new farm business through agricultural platform "Amoni"	P.31~32
		Asia	Contribute to the improvement of productivity through the mechanization of agriculture by providing agricultural machinery to suit individual countries and regions, leveraging the rice-growing technologies developed in Japan 12, 15	Asia	Lowering of prices, rise of Indian, South Korean, and Chinese competitors	Progress in mechanization of agriculture in ASEAN, India, and other regions where rice is the main crop Dissemination of smart agriculture (data-using agriculture) in East Asia, etc.	A wider spread of our products in the Asian region	P.33~34
	Improvement of quality of life	North America	Support the enhancement of private lives including hobby gardening and farming through provision of small-sized tractors, etc. 11, 15, 9, 7, 9	North America Europe	Response to changes in policies of individual governments Competition with other companies, changes in economic conditions and the environment of agriculture Climate change, reduction of environmental burden, natural disasters, infectious diseases, etc. Business alliances, joint ventures and strategic investment with other companies	New demand for electric/robotic products, etc.	Development and dissemination of products with high environmental performance such as electric products	P.27~30 P.35~38
		Europe	Contribute to the development of pleasant communities by safeguarding beautiful landscapes and environments 12, 13	Common	Occurrence of environmental issues, etc., changes in environmental laws and regulations Response to climate change Natural disasters including typhoons and floods	Provision of environmentally-conscious products Proposal for environmentally sound agriculture Cost reduction through the introduction of facilities with high environmental efficiency	Reduction of CO ₂ emissions Ratio of eco-products	P.39~44
Realization of a decarbonized and recycling-oriented society	Contribute to the realization of a decarbonized and recycling-oriented society through business activities that take the environment into consideration 12, 13, 7, 15	Environmental preservation for a decarbonized and recycling-oriented society						
Building of a resilient management base	Enhancement of brand value (building of trust)	Make our presence felt by solving social issues, leading to development of the relationships of trust with stakeholders and mitigation and prevention of risks 1, 2, 3, 5, 7, 8, 9, 11, 12, 13		Serious defects in products and services Dependency on specific customers or suppliers Soaring raw material prices, difficulty in procurement, and supply chain disruptions Reputational risk	Capturing customers and fans with secure, safe, and cost-effective products and services Building trust with suppliers Stabilization of business through co-existence with local communities	Enhanced satisfaction with our products Promotion of CSR procurement Reinforcement of relationships through continued implementation	P.47~50	
	Enhancement of employee engagement	Support career development of employees through proper treatment of highly motivated employees with various abilities and offering them opportunities to play active roles Work to maintain and promote health of each and every employee to enhance engagement and realize sustained growth 5, 8		Shortage of labor power, outflow of human resources An impact of property and personal damage on our business Labor issues (harassment, overtime work, etc.)	Retention and development of talented human resources, improvement of ability to generate innovations Improvement of motivation and productivity Securing health and safety of employees	Implementation of engagement surveys and score increases	P.51~56	
	Enhancement of corporate value by reinforcing corporate governance	Respond to changes in the business environment swiftly and accurately, and maintain fair management Strive to disclose necessary information promptly and accurately, and work to create a transparent company 10, 16, 17		Risks in general Risk of legal violation Risks related to information security Risks derived from international business and other risks	Stabilization of business activities Promotion of awareness and understanding through information disclosure, among others	Increase in ratio of holdings of the Company's stock (by individuals and long-term investors)	P.46, P.57~66	
Improvement of financial performance	Transformation to a lean and streamlined business structure	Improve the financial structure and build strong financial foundations to support sustainable growth and the enhancement of corporate value		Fluctuations in production caused by changes in economic conditions and the environment Stock market trends, price decline in land and other fixed assets Exchange rate fluctuations A hike in interest rate, rise of an obligation to pay back loans early because financial covenants are triggered	Building of an optimal production system capable of responding to changes Improvement of management efficiency and sophistication of business management Capital investment in line with growth strategies Diversification of procurement methods	Improvement of operating margin Improvement of asset efficiency	P.17~18	

Materiality identification process

STEP 1 Identification of issues
In addition to identification of risks and opportunities through SWOT analysis, we identified issues to be addressed with reference to ISO26000, the GRI Guidelines, and the United Nations Sustainable Development Goals (SDGs), etc. to respond to the diverse needs and demands that are obtained through communication with our stakeholders. 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 by the Sustainability Committee in terms of their "impact on society" and "impact on ISEKI Group," while connecting them to our vision and management strategies, and sorted out once again after discussions with external experts.



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

Mid-term Management Plan (2021–2025)



"Toward the next 100 years..."

Business environment and issues

The business environment surrounding ISEKI Group is diverse, including the impact of COVID-19, global food issues, and climate change risks. It is also constantly changing. 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 movement toward electrification is also accelerating due to various growing needs and, in Europe, to heightened environmental awareness.

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

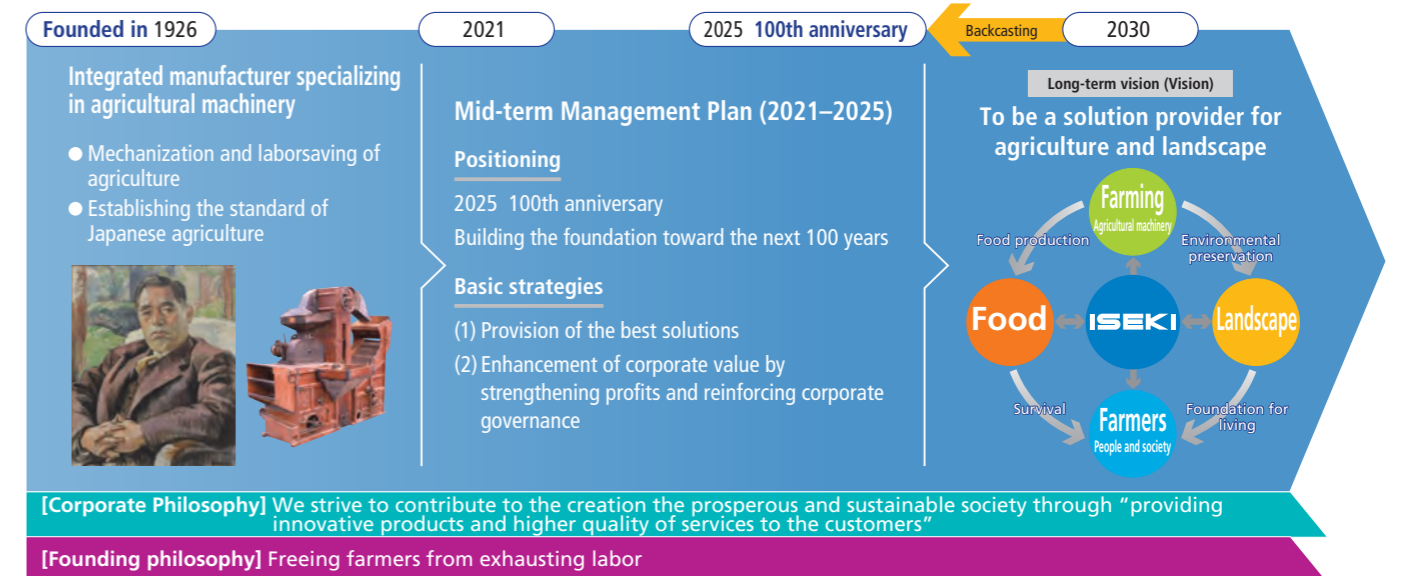
Outline of Mid-term Management Plan

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 Mid-term Management Plan.

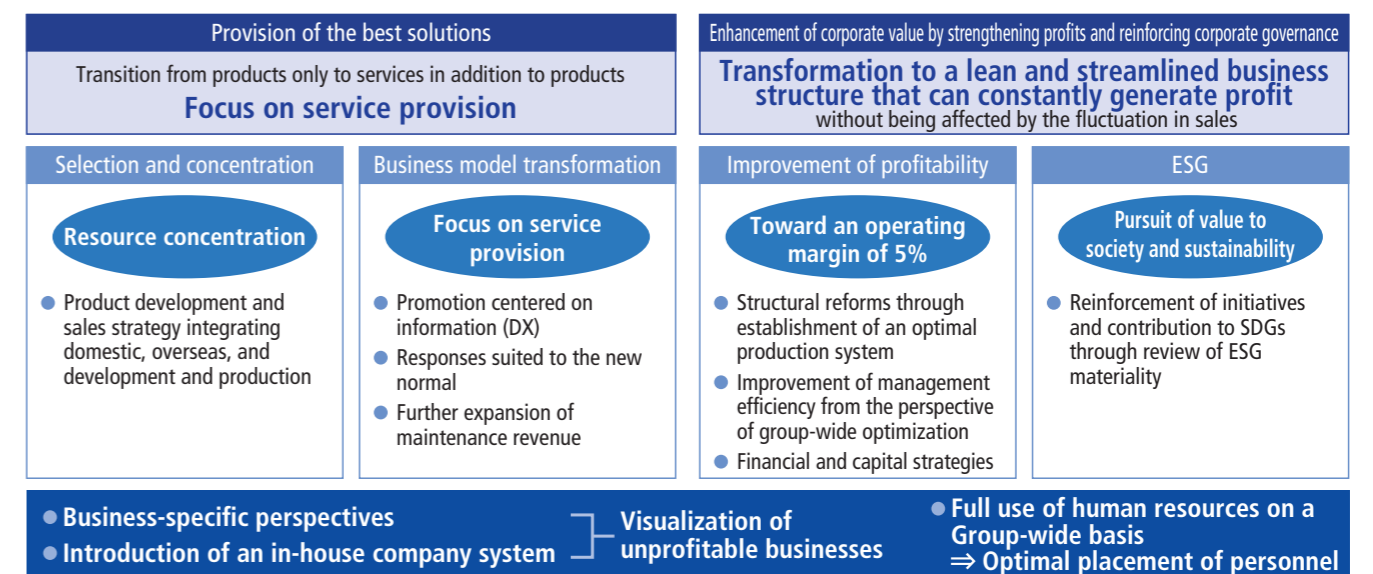
ISEKI Group's Corporate Philosophy is to strive to contribute to the creation the prosperous and sustainable society through "providing innovative products and higher quality of services to the customers." As well as

the provision of products, we will also place efforts into services (information, know-how, etc.) and continue our activities as the ISEKI that makes customers happy. ISEKI Group has set as its long-term vision to be a "solution provider for agriculture and landscape" and has established two basic strategies to achieve the vision: (1) provision of the best solutions, and (2) enhancement of corporate value by strengthening profits and reinforcing corporate governance. Pursuing solutions to issues related to agriculture and landscape by steadily implementing measures in line with our basic strategies, we will aim to be a solution provider that creates new value.

Fundamentals of Management



Basic strategies and directions of initiatives






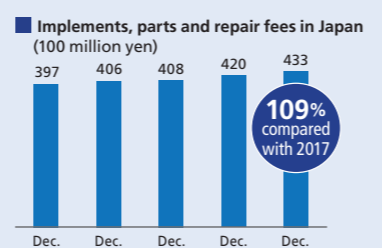
Progress status of Mid-term Management Plan

Progress of basic strategies

(1) Provision of the best solutions

Japan: "All Japan series" is growing under the priority initiatives of "expansion of large-scale customers." Under the "revenue-expenditure structural reform," implements, parts and repair fees are performing well.

Overseas: Increased demand that captures changes in lifestyles in North America and Europe drove the overseas sales overall, resulting in record sales. Trended exceeding the Plan

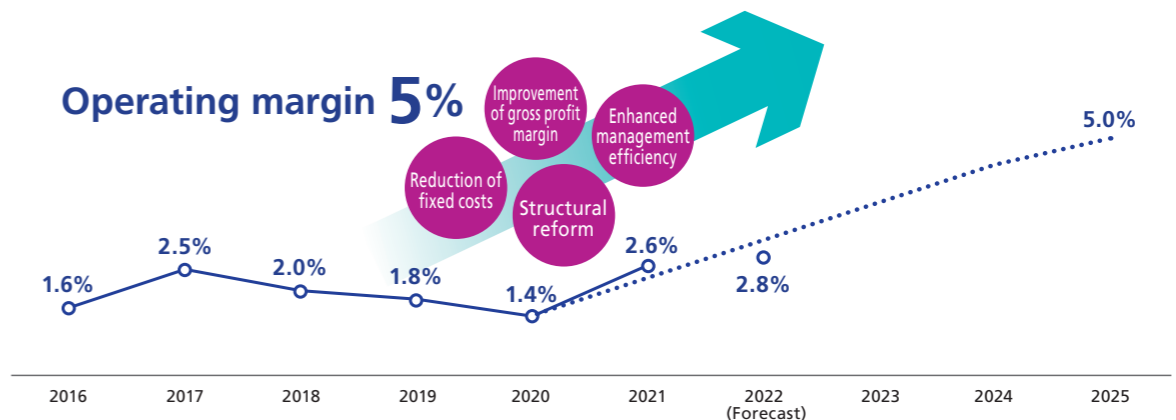
	Priority measures	Progress
Selection and concentration	<ul style="list-style-type: none"> Expansion of large-scale customers "All Japan series" sales increased 	<ul style="list-style-type: none"> 2021 Result (unit base): 112% compared to previous year Centering on rice transplanters, sales in tractors and combine harvesters also increased. 
	<ul style="list-style-type: none"> Smart strategies Smart agricultural machinery sales increased 	<ul style="list-style-type: none"> Enhanced line-up of smart agricultural machinery 2021: Rice transplanter equipped with straight-travel and turning assist functions started full-scale operation in the field. Sales of eight-row class models with these specifications increased to 60% of total smart agricultural machinery sales 2022: In addition to the compact model, 36HP, 50HP, and 60HP models of tractor equipped with straight-travel assist function were newly launched (March) Robot rice transplanter sales began (February) 
	<ul style="list-style-type: none"> Revenue-expenditure structural reform Improvement of operating margin of sales subsidiaries Promotion of establishment of large-scale service facility 	<ul style="list-style-type: none"> Implements, parts and repair fees performing well ISEKI Hokkaido's Sorachi Chuo Service Workshop, ISEKI Group's largest maintenance facility, was newly established
	<ul style="list-style-type: none"> North America Support for AGCO brand strategy development 	<ul style="list-style-type: none"> Strong sales of models equipped with ISEKI engines 
	<ul style="list-style-type: none"> Europe Expansion of electrification products 	<ul style="list-style-type: none"> 2022: Launched limited sales of a compact electric tractor (mower) (plans for mass production by 2024)
	<ul style="list-style-type: none"> Asia Build foundations based on the revamped IST Bring high-performance, large-scale agricultural machinery to market 	<ul style="list-style-type: none"> Exceeded Plan in first fiscal year (2021) after becoming a consolidated company. Strengthen the foundation even further Sales of large-scale combine harvesters for South Korea remain steadily. Tractors and rice transplanters also rolled out
Business model transformation	<ul style="list-style-type: none"> Responses to DX and the new normal Enhancement of service capabilities 	<ul style="list-style-type: none"> Establishment of Amoni, a web portal for farm business solutions Development of online marketing activities such as virtual demonstrations Introduction of i-Magazine, a support tool for centralized management of service information, at consolidated sales subsidiaries in Japan.
	<ul style="list-style-type: none"> Incidental services Japan: Expansion of parts, repair fees, and implements Overseas: Establishment of parts and service business 	<ul style="list-style-type: none"> Performing well (43.3 billion yen: 109% compared with 2017) Thailand: Enhanced IST's dealer sales and service support Increase in parts sales, 107% compared with previous year 

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

Improvement of profitability: Ongoing response to emergence of issues and risks that exceed initial forecasts, such as adverse impact on production of supply chain disruptions and soaring raw material prices
 → Effects expected to manifest from the second half of 2022

	Priority measures	Progress
Improvement of profitability	<ul style="list-style-type: none"> Structural reform and improvement of management efficiency Establishment of an optimal production system 	<ul style="list-style-type: none"> Integration into company headquarters of production engineering department and outsourced management work at manufacturing plants Planned revision of category of in-house/outsourced production categories (from 2022), rearrangement of production categories (from 2023) Expansion of overseas production base (Extension of plant in Indonesia starts in 2022) → Expansion of production capacity Shared services, centralized management of suppliers (centralized procurement), reduction in fixed costs
	<ul style="list-style-type: none"> Financial and capital strategies Creation of cash flows Capital investment (within range of depreciation) Reduction of interest-bearing liabilities Shareholder return 	<p>(Results for fiscal year ended December 31, 2021)</p> <ul style="list-style-type: none"> Cash flows from operating activities of 14.200 billion yen due to increased profit and reduction in inventories, etc. Capital investment (acquisition of non-current assets) 5.5 billion yen, depreciation 6.5 billion yen Contraction of interest-bearing debt of 7.1 billion yen due to favorable FCF and other reasons. D/E ratio 0.9 times Resumption of dividends (30 yen per share)
ESG	<ul style="list-style-type: none"> Environmental preservation Expansion of sales of environmentally-friendly design (eco-products) Promotion of environmental management (reduction of environmental footprint) 	<ul style="list-style-type: none"> Ratio of eco-product in domestic sales: 39.8% (2021: unit base) Reduction in CO2 emissions from production activities: Reduced by 18.7% (Compared with 2013) Revision and formulation of Mid -to Long-Term Environmental Targets Please refer to p. 40
	<ul style="list-style-type: none"> Enhancement of brand value Supply chain management Enhancement of engagement Enhancement of employee engagement 	<ul style="list-style-type: none"> Revision of CSR procurement guidelines, implementation of CSR procurement questionnaire Introduction of work-from-home system and region-restricted employee system Enhancement of employee engagement through promotion of health and productivity management Implementation of engagement surveys
Governance	<ul style="list-style-type: none"> Enhancement of corporate value Strengthening of ESG Structure 	<ul style="list-style-type: none"> Increase in the ratio of Outside Directors (1/3) Introduction of performance-based stock compensation system Establishment of new Sustainability Committee and Green Innovation Promotion Office

Progress of numerical targets



ISEKI Group's strengths

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 through the business activities that leverage these strengths cultivated over 97 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

Technological capabilities

To develop breakthrough agricultural and landscape machinery and create innovation as a leading company



Intellectual capital Human capital Manufacturing capital

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



Social and relationship capital

Innovation based on collaboration

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



Human resources development to enhance our strengths

Manufacturing capital Intellectual capital Human capital

Development of experts through professional training

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

During the pandemic, we have continued to engage in human resources development by blending online training with classroom training.

Development	Production	Sales and services
IETC ISEKI Basic Engineering Training Center Nurturing young designers  Number of trainees: 420 in 2021 Main training programs <ul style="list-style-type: none"> Nurturing and training young engineers Integrated rice cultivation system training, etc. 	ITTC ISEKI Technical Training Center Nurturing leaders of production sites in Japan and overseas  Number of trainees: 113 in 2021 Main training programs <ul style="list-style-type: none"> Manufacturing leader development course Skill tests, qualification certification training courses, etc. 	IGTC ISEKI Global Training Center Nurturing sales and service staff in Japan and overseas  Number of trainees: 455 in 2021 Main training programs <ul style="list-style-type: none"> Product utilization and maintenance technology training Qualification certification training

Technological capabilities

Human capital Intellectual capital

ISEKI Group's high technological capabilities

Number of patent application registrations per specialty field in Japan in 2020 (*) No. 2

*Other special machinery field

Patent allowance rate (in all industries) No. 1

Number of invention awards received

● National Awards for Inventions: 19

● Regional Awards for Inventions: 211

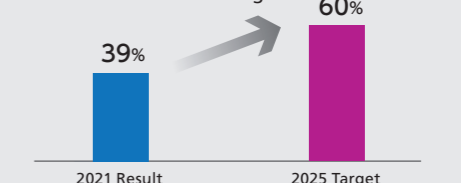
The Japan Institute of Invention and Innovation (As of March 2022)

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

> Please refer to p. 37 for intellectual property strategies

Activities to strengthen our IP related to advanced technologies

■ Percentage of invention proposals related to advanced technologies



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

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

ISEKI Group's strengths

Support capabilities to offer farm business proposals

Manufacturing capital Intellectual capital Human capital

Dream Agricultural Research Institute (DARI)

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



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

Diverse research, demonstration experiments, and dissemination activities

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

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

Online seminars conducted via the Amoni web portal for farm business solutions **11 times**
(August 2021 – April 2022)

Development of experts

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

Enhancement of customer satisfaction

We will conduct online customer satisfaction surveys in 2022 to collect a range of feedback from our customers. This feedback will be used to enhance and improve our farm business proposal and support capabilities.

Innovation based on collaboration

Social and relationship capital

Collaboration with national and local governments and private-sector companies

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

Partnership agreements in Japan **5 cases**
(January 2021 – April 2022)



Partnership agreement for sustainable agriculture with Niigata City (January 2022)

Collaboration with overseas strategic partners

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



In 2022, we will receive OEM supply of 27HP compact tractors from TAFE, a partner company in India, and will start selling them in Thailand.

Joint development with research institutions and universities

Joint development projects in FY2021

Research institutions **9 themes**

Universities **3 themes**

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

Initiatives to leverage our strengths

Intellectual capital Human capital

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

Initiatives to realize "Environmentally sound smart agriculture"

Agri Yamazaki Smart Agriculture Demonstration Consortium is working on demonstration experiment of a system for the production of high-quality rice for export using cutting-edge technologies. One of the technologies being demonstrated uses ISEKI's yield-monitoring combine harvester and manned monitoring control robotic tractor to conduct simultaneous harvesting and plowing.

Demonstration experiment results

The labor-saving effects of variable fertilizing with a "smart fertilizer top dressing system" and "simultaneous harvesting and plowing technology*" using a robotic tractor were quantified in the Smart Agriculture Acceleration Demonstration Project.

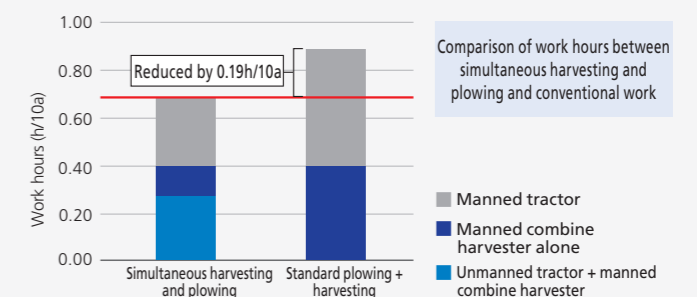
*In this demonstration, simultaneous harvesting and plowing technology was separately monitored by staff to ensure that the test was conducted safely.



Overview of demonstration experiment

In 2020 and 2021, demonstration experiments were conducted in Bando City, Ibaraki Prefecture, with the aim of achieving both a reduction in fertilizer use and an increase in revenue in rice farming.

- The smart fertilizer top dressing system enables fertilizer quantities to be controlled automatically according to crop growth, which makes appropriate fertilizing possible without waste.
- Simultaneous harvesting and plowing aim to improve work efficiency, save labor, and enhance soil quality by plowing rice straw into the soil with unmanned operation of a robotic tractor at the same time as the rice is harvested.



Summary of demonstration experiment results

Demonstrated technologies	2021 numerical targets	Target achievement status
1. Smart fertilizer top dressing	Reduce top-dressing fertilizer quantity by 10% Increase yield by 10%	Top-dressing fertilizer quantity reduced by 19% Yield increased by 4% (variety average)
2. Simultaneous harvesting and plowing	Reduce labor costs by 20% Reduce basal dressing by 10% from FY2020 Increase yield by 10% in combination with smart top dressing	Labor costs reduced by 22% Basal dressing reduced by 11.7% from FY2020 *Estimated around 10% reduction would be possible from soil survey Increase yield by 12% in combination with smart fertilizer top dressing (variety average)

*Research by Ibaraki Bando Region Agricultural Improvement and Extension Center, from the 253rd Meeting of the Crop Science Society of Japan (CSSJ)

Domestic Market Strategies (Domestic Business Company)

Message from the General Division Manager of the Business Division

We will take on the challenge of realizing environmentally sound smart agriculture, aiming to realize a sustainable future for the Japanese farming industry full of dreams.



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

In 2021, although we were forced to impose restrictions on our sales activities following the spread of COVID-19, such as voluntarily restraining visiting activities and placing certain conditions on exhibitions, etc., we delivered a wide variety of content through web-based demonstrations and "Amoni," a farm business portal, as part of our activities to provide information to customers.

Farming in Japan, which support "food," is currently facing issues such as a decline in and aging of farmers, and it cannot be sustained without accelerating efforts to improve efficiency and productivity.

Accordingly, aiming for sustainable farming in Japan, ISEKI Group has taken on the challenge of realizing environmentally sound agriculture, which is integrated with smart agriculture. In response to the Government's declaration to aim for carbon neutrality in Japan, the Ministry of Agriculture, Forestry and Fisheries formulated the Strategy for Sustainable Food Systems, MeaDRI, which strikes a balance between the improvement of production capabilities and sustainability through innovations to establish a sustainable food system.

In line with the strategy, ISEKI Group will first work to expand areas of organic agriculture together with startups that have interests in trying agricultural machinery, farm business technologies, and new solutions. In addition, with the aim of reducing greenhouse gases, we strive to improve efficiency through the compilation of various types of information regarding farm business, such as reduction of fuels and fertilizers as well as labor through highly sophisticated agriculture, which utilizes automatic steering functions of agricultural machinery and GPS guidance systems, and field management and work recording which utilize farm business support tool "agri-note."

While the environment surrounding farming in Japan will continue to change drastically, ISEKI Group will capture the changes in the environment appropriately and work to realize "agriculture full of dreams = profitable" together with producers who support Japan's sustainable agriculture and landscape.

Market characteristics and outlook

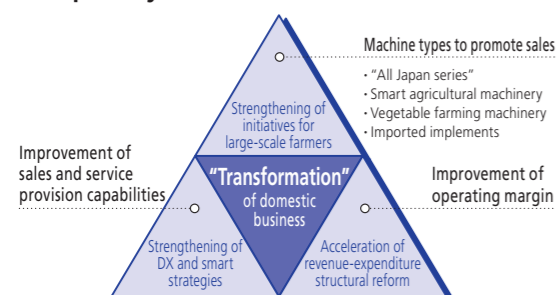
- Urgent need for promoting agricultural machinery which enables efficient work to maintain farming areas while the number of farmers decreases
 - Progress in an increase in size of farm business
 - Diversification to cultivate not only rice but also vegetables and crops (grains, soybeans, etc.)
- Advancement in transition to the smart and environment-friendly agriculture, fishery and forestry industries
 - Social implementation of smart agriculture, which utilizes the latest technologies
 - Promotion of the "Strategy for Sustainable Food Systems, MeaDRI" which aims to realize zero-emissions in the agriculture, fishery and forestry industries

ISEKI Group's position and strengths (advantages)

- Driving the domestic agricultural machinery market as the frontrunner in agricultural machinery. Ranked third among general agricultural machinery manufacturers in Japan
- Communicating with customers drawing on the nationwide sales network (11 sales subsidiaries)
- Providing solutions to continuously support farm business from not only a product (hard) aspect but also a cultivation technology and farm business management (soft) aspect

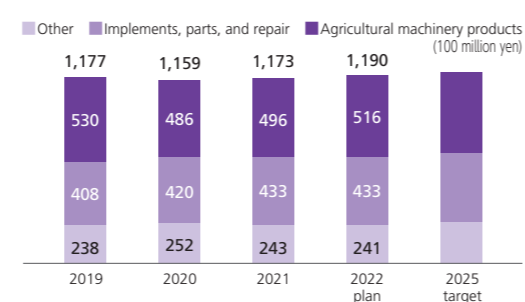
Key points and progress of the Mid-term Management Plan strategies

Three priority measures



Performance graph

Domestic sales



Priority measures ① Strengthening of initiatives for large-scale farmers

We have a variety of products to meet customers' needs, with a priority placed on "large-sized products," "smart agricultural machinery," "vegetable farming machinery" and "low-priced products." Our focus is on highly functional and durable "All Japan series" as large-sized products for large-scale farmers. "Sanae Japan" was launched as a rice transplanter in 2020, adding up to a full portfolio that encompasses everything from tractors, combine harvesters, and rice transplanters, and the series performed well in 2021, with 112% sales as compared with the previous year (on a unit basis). In 2022, we enhanced our product lineup of smart agricultural machinery to include "manned monitoring-based robot rice transplanters" and "mid-sized tractors with functions to assist straight traveling" to meet needs such as reduction of work and covering the shortage of experienced workers. We will conduct demonstrations and test rides across Japan to disseminate the products.



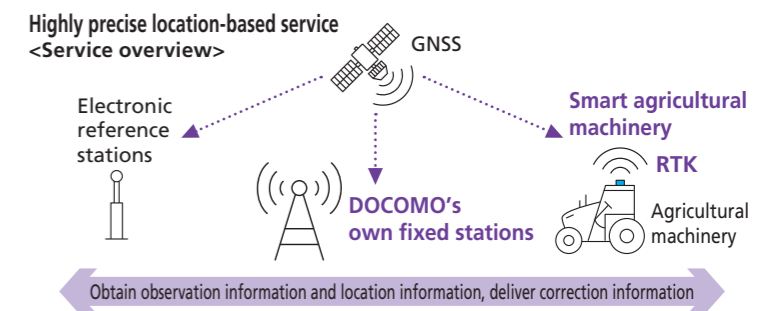
Manned monitoring-based robot rice transplanter

We are also working to promote tractor implements. For example, in Japan, only the company has entered into an alliance agreement with German implements manufacturer AMAZONE and is increasing sales of the imported implements which enable efficient work. In addition, we are also focusing on the development of human resources in the sales and service fields, who have expert knowledge of such large-sized smart agricultural machinery and imported implements. Sales subsidiaries across Japan are working to develop experts who have broad knowledge covering everything from operation to repair by holding "large-sized agricultural machinery training" and "imported implements training."

Priority measures ② Strengthening of DX and smart strategies

We are currently disseminating and expanding smart agriculture. In doing so, we have faced challenges regarding initial investments for location-based services for products such as robot rice transplanters and robot tractors which require highly precise location information. Therefore, ISEKI Group launched a location-based service for agricultural machinery which utilizes electronic reference points and data measured by satellite stations owned by NTT DOCOMO and is made available for use with a monthly fee of 3,300 yen. Customers can conclude a contract only for any month they need to use the service. With this, the environment has been set up for customers to easily introduce robot agricultural machinery and highly precise automatic steering systems.

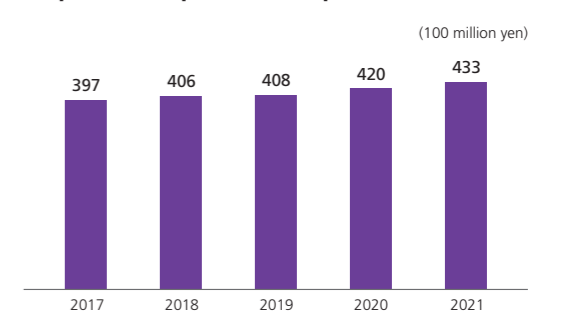
"Amoni," a farm business portal launched last year, provides various types of information such as growth prediction for rice farming, in addition to demonstration videos of various machine types. This portal is participated and operated by not only the company but also producers, implements manufacturers, etc. and the number of participating manufacturers increased from an initial 37 to 41. We will further enhance the contents to meet the wants and needs of producers. In addition, sales subsidiaries will work to conduct smart sales activities utilizing i-Magazine (a digital support tool). This tool enables them to search information such as product inventory, prepare quotations, view operation manuals and parts lists, and create sales journals on site, leading to not only provision of services with more focus on customers' point of view but also work style reforms.



Priority measures ③ Building of a reliable profit structure which is not too much dependent on sales of agricultural machinery

As part of our revenue-expenditure structural reform, we are accelerating structural reforms at sales subsidiaries through such efforts as strengthening profit foundations which are not too much dependent on the situation of demand for agricultural machinery and optimization of site allocation centered around large-scale servicing locations. Implements, parts and repair fees which we are working on to strengthen the stable profit foundation performed well, and thus our efforts are steadily bearing fruit. In addition, we reviewed our development plans for large-scale servicing locations based on the area (block), and are proceeding with the renovation and capital investment with a focus on priority areas. In December 2021, three sites were integrated to establish the Sorachi Chuo Service Workshop in the central area of Hokkaido where future growth is expected.

Implements, parts and repair fees



Overseas Market Strategies (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 social issues of various regions of the world.



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

Global food issues, growing environmental awareness, and changes in lifestyles triggered by the COVID-19 pandemic. Under the modern social conditions where solutions for a wide variety of needs and issues are demanded, we at ISEKI Group are committed to providing customers around the world with solutions for agriculture and landscape.

In the North American market, the Company offered small-sized tractors to suburb-focused customers who have increased in association with the COVID-19 pandemic and enjoy gardening and agriculture in their private time. The tractors support the enrichment of the life of such customers through landscaping, and achieved record high sales in FY2021.

In the European market, where environmental awareness has been heightened remarkably, the Company's products mainly in the landscaping business, which are equipped with environment-friendly engines, have been helping the beautiful city landscape be clean and pleasant even further. We aim to continue providing high-quality products with a low environmental burden including electric products.

In the Asian market, we are playing our part in realizing laborsaving in farming and an increase in food production through the provision of our high-quality agricultural machinery developed through rice farming in Japan. The Company will expand business not only in East Asia and the ASEAN region but also in India, the world's biggest tractor market, and, with regard to population growth in Asia and increasing food demand associated therewith, we will provide solutions for food issues by promoting the automation of agriculture.

As a solution provider for agriculture and landscape, ISEKI Group aims to further expand overseas business which encompasses everything from food production to gardening enjoyed in private time and city landscaping by providing product lineups to meet a wide variety of needs and solve issues of customers across the globe.

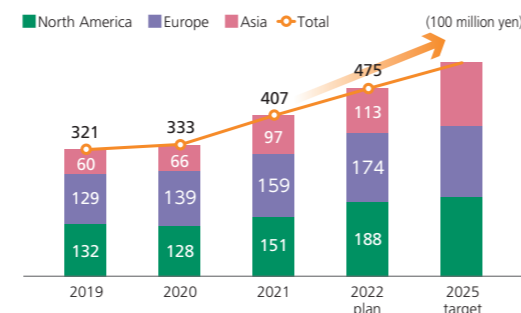
	North America	Europe	Asia
Market characteristics and outlook	<ul style="list-style-type: none"> Growth and solidification of the small-sized tractor market Stable sales of mid-sized tractors Shift to decarbonization 	<ul style="list-style-type: none"> Use of our products for landscaping businesses such as development of fields and snow clearing work Growing environmental awareness, including Stage V exhaust regulations, etc. The consumers market maintaining strong performance 	<ul style="list-style-type: none"> Agriculture being an important industry (Accounting for 80% of rice production in the world) Growing needs for agricultural machinery in the ASEAN region Continued demand for high-performance machinery in East Asia
ISEKI Group's position and strengths (advantages)	<ul style="list-style-type: none"> Core of AGCO Corporation's compact tractor business Product development toward decarbonization 	<ul style="list-style-type: none"> A sense of presence of the ISEKI brand with a history spanning over 50 years Development of electric products for professional use 	<ul style="list-style-type: none"> Rice farming technologies cultivated in Japan Expansion of the ASEAN business by IST in Thailand Promotion of collaboration with TAFE in India Deployment of the latest agricultural machinery in East Asia

Key points and progress of the Mid-term Management Plan strategies

- Expansion of business domains through collaboration with each of regional strategic partners and an increase in market share in existing regions
- Strengthening of the sales network in entire Europe through reconstruction



Overseas sales



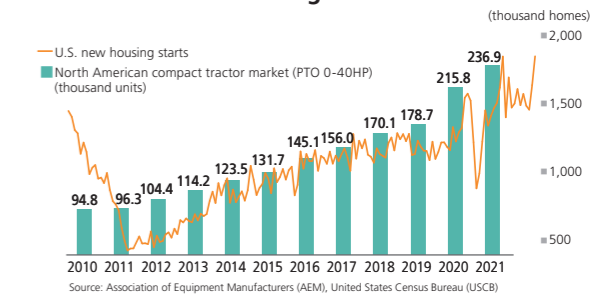
Priority measures ① North America strategy: “Increase share in the compact tractor market”

In North America, for more than 30 years since 1991, we have supplied products centered around compact tractors on an OEM basis through our business partnership with a global agricultural machinery manufacturer, AGCO Corporation. On the back of the rich landscape in North America, ISEKI-brand tractors are used for a wide variety of purposes which include everything from hobby farmers' gardening and development and maintenance of fruit farms to snow clearing work and hauling of feeds for livestock and dirt. We propose the desired vision of agricultural machinery which takes root in people's lives by supporting the enrichment of individuals' lives.

In recent years, demand for compact tractors has been expanding in North America in association with changes in lifestyles due to the establishment of working-from-home practices and a focus placed on suburbs. In 2021, the North American compact tractor market saw record-high sales of 240,000 units, and net sales of ISEKI Group in North America also hit a record high of 15.1 billion yen.

We will further strengthen the cooperative relationship with AGCO Corporation, and work to enhance our lineups of high-quality products to meet local needs and improve services for each and every customer who loves our products. We will contribute to the improvement of the quality of private lives through landscape by continuing to strive for further expansion of sales and share of our products in the market in which we are performing well.

Trends in North American compact tractor market and new housing starts



Priority measures ② Europe strategy: “Increase presence in landscaping market”

In Europe, with a business history spanning over 50 years, ISEKI Group has contributed to the development of clean and pleasant towns by providing, for example, tractors and riding mowers for landscaping businesses such as development of fields and snow clearing work. In Europe, where high environmental awareness and a high level of product quality are required as exemplified by the fifth stage exhaust regulations enforced in 2019 (EU Stage V), ISEKI's products have received high marks from customers in terms of not only environment-friendly engines but also functions that meet the needs of professional users.

EU has set out the “European Green Deal” as a sustainable growth strategy and announced to achieve substantially zero greenhouse gas emissions by 2050 as one of the major targets. Among the initiatives, the fact that they are considering prohibiting the sale of vehicles with internal-combustion engines within the EU in and after 2035 will lead to the expansion of the introduction of electric products and alternative fuels, and thus is expected to bring about significant structural changes to European industries and society. With an eye on these changes, the Company is planning to commence mass production of electric products by 2024.

ISEKI Group will strive to further contribute to the landscaping business in Europe by integrating the sales networks in the entire Europe to create a more robust system starting from 2022 and continuing to provide high-quality products that meet the customers' needs.



“TH5,” tractor equipped with an engine compliant with EU exhaust regulations (in Matterhorn, Switzerland)

Priority measures ③ Asia strategy: “Roll out rice farming-related machinery developed in Japan”

ISEKI Group manufactured and sold world's first auto-threshing combine harvesters and rotary-type rice transplanters, and possesses world-class technologies related to agricultural machinery for rice farming. On the back of population growth and increasing demand for food in Asia, the Company is placing more focus on increasing sales further in the Asian region in order to fulfill our responsibility as a frontrunner in agricultural machinery for rice farming, drawing on our technologies.

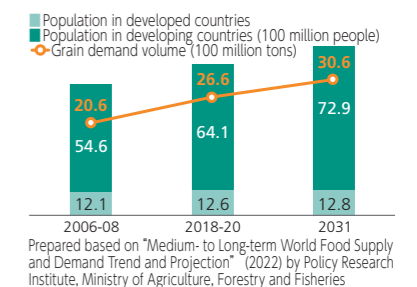
In the ASEAN region where the population is growing remarkably, there are increasing needs for agricultural machinery to enable more efficient work with the aim of improving the food self-sufficiency rate. IST in Thailand, which has become a consolidated subsidiary of ISEKI Group in December 2020 and whose business operation has been led by ISEKI since then, has been an additional driving force to accelerate the expansion of our ASEAN business, which includes the country and neighboring countries, and thereby contributing to solving food-supply-and-demand issues through agricultural machinery.

In addition, in India, which is the world's largest tractor market showing notable economic growth as is the case with ASEAN, we are promoting collaboration with TAFE, which ranks second in terms of domestic share, in broad areas including development, production, sales and parts procurement. We will aim to heighten the presence of both companies in the Indian market and the world and promote business in a cooperative manner. In this way, further automation of agriculture is expected to be achieved.

Meanwhile, in East Asia, the scale of farming is expanding through the concentration of farmland on the back of the shrinking and aging of the farming population just like in Japan, and therefore, we expect that demand for agricultural machinery stagnates over a medium to long term, while demand for high-performance and highly-efficient products continue to a certain degree. In South Korea and Taiwan, we are selling the latest agricultural machinery developed through rice farming in Japan, playing our part in promoting laborsaving in farming.

ISEKI Group strives to promote sales and expand its share in broad regions in Asia by meeting various needs from all directions.

Forecast for population and grain supply and demand



Prepared based on “Medium- to Long-term World Food Supply and Demand Trend and Projection” (2022) by Policy Research Institute, Ministry of Agriculture, Forestry and Fisheries

Product/Development Strategies (Development and Production Company)

Message from the General Division Manager, Development & Production Division

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



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

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. Problems in the agricultural industry in Japan include the shortage of farmers caused by the shrinking and aging of the farming population and the consequent expansion of the scale of farming. In response, we will further strengthen our line-up of smart agricultural machinery that contributes to ultra-laborsaving and high-profit agriculture, as well as low-priced products for small-scale 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.

We will promote quality stabilization and cost reduction through strict implementation of development processes. We will pursue structural reforms through the refinement of quality and costs starting from the planning phase by strengthening collaboration between development, design, production technology and purchasing departments, the optimal procurement based on central purchasing, the construction of optimal production systems that make effective use of the management resources of our Japanese and overseas production bases, and the review of in-house/external production categories, which will be enabled by concentrating operations of production technology and outsourcing management to the divisions. We will work 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.

Key points of the Mid-term Management Plan strategies

- Product strategies that focus on farming regions, products, and growth markets
- Response to large-scale farming
- Response to brand expansion
- Safety and environmental responses
- Frontrunner development

ISEKI Group's initiatives in research and development

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

Research and development policy

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

Spirits as the engineer

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

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

Social changes and issues

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

Domestic strategy <Response to large-scale farming>

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

Overseas strategy <Response to brand expansion>

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

Common strategy <Safety and environmental responses/Frontrunner development>

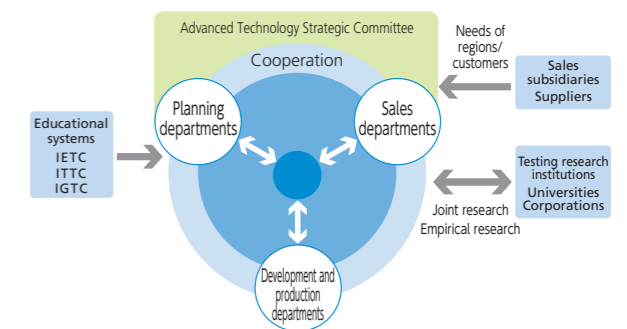
- Promotion of environmentally-friendly design
- Electrification/hydrogen use
- Expansion of emission regulations-compliant engines produced in-house
- Measures to prevent farming accidents
- Introduction of global strategic machines
- Automation, robotics, use of agricultural ICT data, etc.

Research and development system

ISEKI has built a research and development system that displays collective power through collaboration among the planning, development, production, and sales 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.

We will make up for any lacking technologies and human resources through human resources development and internal collaboration. IETC, a specialized educational institution for design technologies, holds seminars related to the latest technologies. In addition, the Green Innovation Promotion Section was established within the Development & Production Division to promote research and development of electric agricultural machinery or agricultural machinery which uses hydrogen as part of our efforts to respond to environmental issues including future decarbonization. The Section has started building expertise, collecting information, and educating engineers.

Research and development system



1 Electrification

Using technologies cultivated through collaboration with experts, 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. We will commence the limited sale of electric lawn mowers in Europe in 2022.

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. We carry out demonstration experiments in actual fields utilizing smart technology in collaboration with the government and municipalities to promote such machinery.

3 Hydrogen use

In response to environmental issues, we will pursue the development and consideration of agricultural machinery that uses hydrogen, with zero CO₂ emissions. We became a member of the Japan Hydrogen Association in 2021, and have been exchanging information with energy-related companies and other companies which face similar issues and providing information to design engineers.

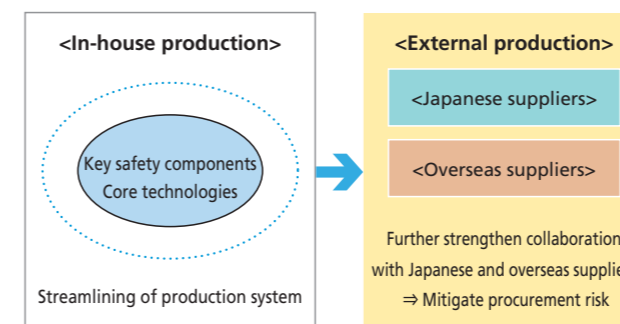
Initiatives for optimal production system

1 Domestic production system in Japan

At our Japanese manufacturing bases, in addition to making capital investments aimed at QCD* improvement, we will reorganize the system for development to manufacturing into component and unit production bases and product assembly and shipment bases so that the system achieves optimal efficiency. Moreover, in addition to reviewing the in-house/external production categories, we will further strengthen our collaborations with Japanese and overseas suppliers and build a stable supply chain in an effort to mitigate procurement risk.

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

*QCD: Quality, Cost, and Delivery

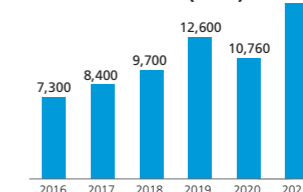


2 Global production system

PT. ISEKI INDONESIA is a production base for strategic machinery for North America, Europe, and the ASEAN region, and produces tractors that meet the high quality, low price needs by capitalizing on the expertise it has acquired locally over many years. Its production volumes are back on the increasing trend after a temporary slump due to the impact of the spread of COVID-19, and totaled 15,680 units in 2021. With an eye on further production increases, we will strive for the further expansion of business by making capital investments such as the addition of new factory buildings and establishing systems for lowering costs and increasing production through the optimization of suppliers.

Dongfeng Iseki 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.

Production volume at PT. ISEKI INDONESIA (units)



Main line at PT. ISEKI INDONESIA

Improvement activities in development and manufacturing

Each manufacturing 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 47,000 improvement proposals made in FY2021, resulting in cost reductions of approximately 320 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.

Intellectual property strategies

Intellectual property policy

The Group is engaged in the creation of core technologies for agricultural machinery and related products and the strategic acquisition of rights to and use of inventions and creations, which are intellectual outputs derived from the creation of core technologies, placing importance on intellectual property, and conducts business activities that lead to value creation.

Invention creation and patent strategies

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

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

Design and trademark strategies

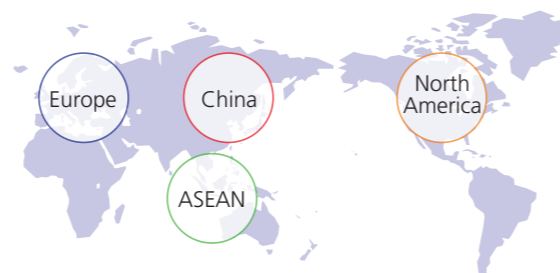
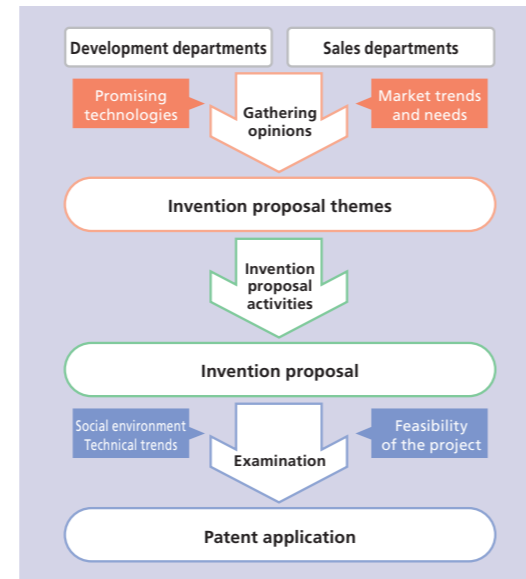
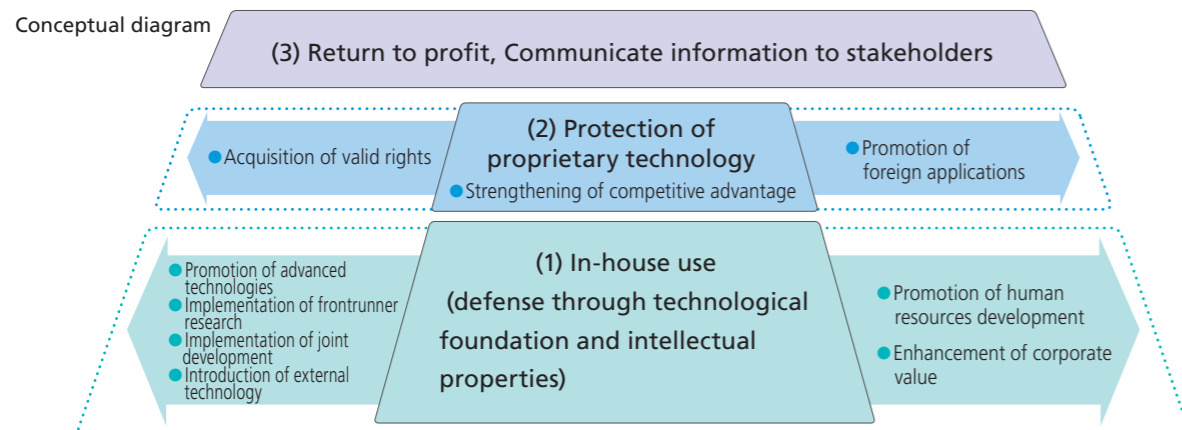
By building up a store of attractive designs and friendly pet names as design rights and trademark rights, we strive to improve brand value through differentiation from competitors' products and enhanced protection of product design.

Establishment of overseas IP network

The development departments, overseas departments work closely with patent firms in each country to engage in invention creation activities based on technological trends and needs in those countries. We strive to prevent imitations of our products in various regions, including emerging countries, and to prevent infringements of intellectual property rights of other companies by improving the accuracy of analysis of market trends and intellectual property status in each country and striving to acquire and accumulate valid rights.

Use of intellectual property

- (1) In addition to strengthening our defense with our technological foundation and intellectual property through in-house use of intellectual property, we will expand our foundation by making further investments in frontrunner development, joint development (introduction of other companies' technology), and human resources development.
- (2) Having firmed up this foundation, we will expand the establishment of IP rights for our proprietary technologies and our overseas intellectual property network to strengthen our competitive advantage.
- (3) Further, we will leverage our proprietary intellectual property and intangible assets (drawings, know-how, and brands) to generate profits and enhance corporate value by communicating information to stakeholders.



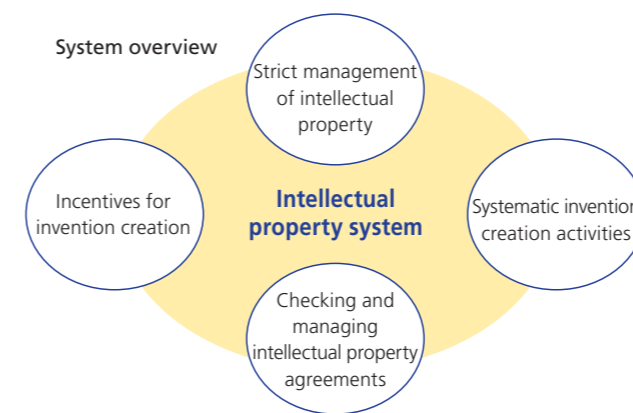
Intellectual property system

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

When concluding intellectual property agreements, the Intellectual Property Control Department works closely with the Legal Section of the General Affairs Department to consider the legal aspects, and checks and manage agreements.

Invention awards scheme

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



Intellectual property management

Acquisition and management of intellectual property are conducted in accordance with laws and regulations and company rules. Through this, we strive to protect trade secrets and respect for intellectual property rights of other companies.

Example: Valuation of intellectual property

Based on our value calculation standards and in light of conventional wisdom, we make a reasonable evaluation that enables us to determine the value of a technology and calculate the consideration for the transfer of rights and licensing fees. Intellectual property information in Japan and overseas is digitized through an intellectual property management system for the smooth and efficient management and implementation of intellectual property.

Human resources development [Intellectual property education, transmission of creative skills]

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

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

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

Number of patent application registrations per specialty field

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

Patent allowance rate

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

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

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

National Awards for Inventions: **19**

Regional Awards for Inventions: **211**

Total: **230**

(As of March 2022)

Environment – ISEKI Group’s environmental management

Message from the Deputy Division Manager, Development & Production Division

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



Shingo Watanabe
Corporate Officer, Deputy Division Manager, Development & Production Division, In charge of 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 Vision and 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 under the Sustainability Committee chaired by the President.

Decarbonization efforts are accelerating on a global scale, and companies are also being called on to step up their efforts. For its part, ISEKI Group has reviewed its CO₂ reduction targets, announcing that the entire Group would aim to achieve carbon neutrality by 2050, and raised its 2030 target to a 46% reduction at its global production sites. We will continue our efforts toward decarbonization with a sense of speed. In terms of product-based action, we are working to enhance the percentage of eco-product sales in Japan as an indicator of the expansion of products that contribute to compliance with exhaust gas regulations and the reduction of greenhouse gas emissions from agriculture and of the promotion of eco-friendly design. Reducing the environmental footprint of the agricultural sector is a priority issue to curb CO₂ emissions by society as a whole and to create a sustainable society. ISEKI Group will use its superior technological and service capabilities to contribute to the resolution of social issues.

Environmental vision

ISEKI Group will aim for the creation of a carbon-neutral, sustainable society by 2050 by “providing innovative products and higher quality of services to the customers.”

Basic Environmental Policy

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

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

System for promoting environmental management

The entire ISEKI Group is establishing an intragroup system for promoting environmental management. The Environmental Planning Group Meeting plays various roles, including revising reduction targets in line with ISEKI’s management plans and policies, sharing issues among the entire Group, and the horizontal implementation of measures. The Secretariat manages the progress of activity results in each office and reports regularly to the Sustainability Committee on matters such as issues that require management decisions.



Environment – Mid- to long-term environmental targets and results

Major activity results in promoting environmental management

	Mid-term environmental targets	FY2021 targets and result evaluation			FY2030 targets
		Target	Result	Evaluation	
Creation of a low-carbon society	Scope 1 & 2 Reduction of CO ₂ emissions (per net sales)	(16.0)%	(2.2)%	×	(26.0)%
	Reduction of CO ₂ emission during transportation (Compared with 2019)	(1.6)%	(14.0)%	○	(8.8)%
Manufacturing resources	Reduction of total material input (per net sales)	(16.4)%	(25.4)%	○	(18.0)%
Development of recycling-oriented society	Reduction of volume of water used (per net sales)	(36.1)%	(46.5)%	○	(51.0)%
	Reduction of final volume of waste (per net sales)	(58.6)%	(61.2)%	○	(65.0)%
Toxic chemical substances	Reduction of used volume of chemical substances subject to PRTR law (per net sales)	(28.5)%	(34.1)%	○	(37.0)%
Eco-product	Eco-product ratio in domestic sales	39.0%	39.8%	○	50.0%

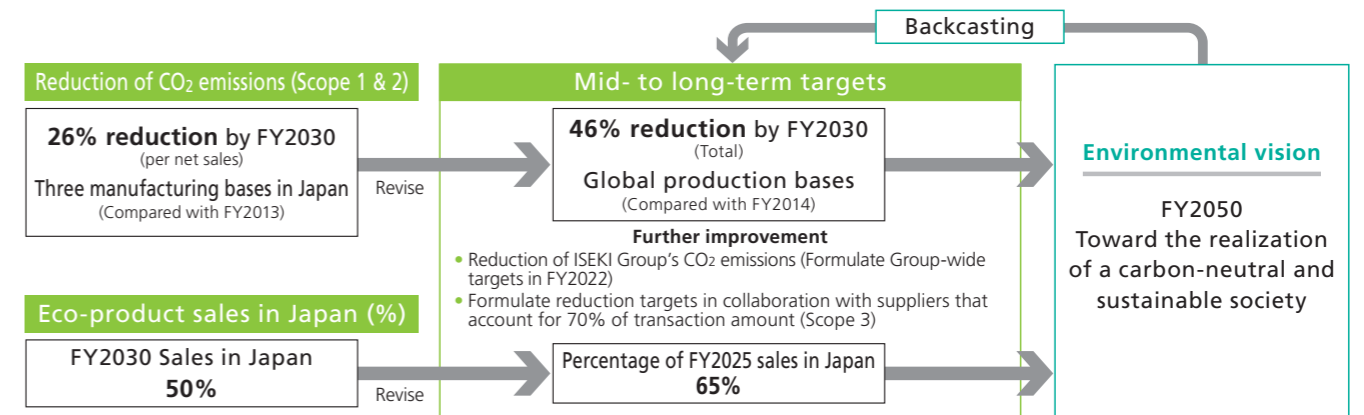
Analysis of failure to achieve target

Reduction of CO₂ emissions

CO₂ emissions from ISEKI-Matsuyama MFG. Co., Ltd., (Matsuyama, Ehime Prefecture), the main factory of ISEKI Group, increased greatly, but production efficiency has improved as energy consumption intensity per net sales has been reduced from the previous year. Our analysis of the causes behind the failure to achieve the target was that emissions increased due to an increase in the purchased electricity CO₂ emission factor increased by about 40% from the previous year. Going forward, we will strive to reduce CO₂ emissions by pursuing the systematic introduction of non-fossil-fuel electricity and renewable energy with zero CO₂ emissions.

*Three factories in Japan: ISEKI-Matsuyama MFG. Co., Ltd., ISEKI-Kumamoto MFG. Co., Ltd., ISEKI-Niigata MFG. Co., Ltd.
*CO₂ emission during transportation is energy-generated CO₂ emission volume.
*The CO₂ emission factor changes every year based on the power source composition of the individual power companies. Emission factors for each power company (Ministry of the Environment) were used as a reference.
*The historical results of environmental burden reduction by base are posted on the company’s website.

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



*Global production bases: ISEKI-Matsuyama MFG. Co., Ltd., ISEKI-Kumamoto MFG. Co., Ltd., ISEKI-Niigata MFG. Co., Ltd., ISEKI-Shigenobu MFG. Co., Ltd., PT. ISEKI INDONESIA
*In line with the revision of the covered production bases, targets were set based on FY2014 when the result of PT. ISEKI INDONESIA became available.

Initiatives for preservation of biodiversity

Case study: Alleviation of a burden on soil and water by reducing the use of fertilizers

“Eco Unemaze-kun” is a ridge-making tractor that enables fertilizing and ridge-making to be conducted simultaneously. It was developed based on the research outcomes of the National Agriculture and Food Research Organization (NARO). This product is certified as a super-eco product under ISEKI Group’s certification scheme.

According to the results of tests conducted by the National Agriculture and Food Research Organization (NARO), by stirring fertilizers only in the root zone of the crop, the use of fertilizers can be reduced by 30–50% compared with fertilizing the entire area. Even with this reduction in the quantity of fertilizers used, yield can be maintained at the same level as full fertilization. It is hoped that reducing the quantity of fertilizers used will alleviate the burden on soil and water, leading to the preservation of biodiversity.



*ISEKI Group’s Biodiversity Guidelines and its approach are posted on the company’s website.

Response to climate change

Governance

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

Climate change-related risks and opportunities are managed centrally by the Sustainability Committee, chaired by the Representative Director & President. The Committee consists of the Directors in charge of sustainability and climate change, and the heads of the

departments in charge of sustainability issues. The Committee meets four times a year in principle to examine and deliberate on various issues from the perspective of climate change-related risks and opportunities. The results of deliberations at the Committee meetings are reported to the Board of Directors, and important matters are deliberated and determined by the Board of Directors. This framework enables the management team to strengthen their involvement.

(Please refer to p. 45 for information about the Sustainability Committee)

Strategy

In 2021, ISEKI Group conducted a trial analysis on climate change scenarios to identify and recognize the impact of climate change on our business and to factor it into our management decisions.

Based on the 1.5°C/2°C scenarios, which see society-wide transformation towards decarbonization and success in curbing temperature rise, and the 4°C scenario, in which the prioritization of economic development causes the continued aggravation of global warming and its effects, we analyzed the entire value chain of the agricultural machinery business, the core business of ISEKI Group, both in Japan and overseas, and identified risks and opportunities as of 2050. Collection and analysis of data were conducted across the whole ISEKI Group (domestic sales, overseas sales, product planning, finance, procurement, quality, and environment-related

departments). The Strategic Planning Section of the Corporate Planning Department played a central role in this work, led by the Director in charge of Climate Change in the Sustainability Committee. Year 2030 is envisaged in qualitative and quantitative evaluations.

Based on the analysis of the 1.5°C/2°C scenarios, we concluded that our business may be affected by increases in operational costs due to tighter government regulations aimed at decarbonization, as well as increases in procurement costs in line with progress in decarbonization. Loss of business opportunities due to an inability to respond to demand caused by decarbonization is another possible risk. ISEKI Group will strive to mitigate the impacts of these risks by reducing energy consumption and making use of renewable energies. On the other hand, in order to respond to changes in agricultural

machinery and farming methods toward decarbonization, electrification of agricultural machinery, introduction of robotic agricultural machinery and smart agricultural machinery for efficient farm work and optimization of fertilizer, and increasing demand for farming solutions that will help to reduce methane emissions from rice paddies are also anticipated. Our analysis is that these developments may present business development opportunities for ISEKI Group.

Analysis of the 4°C scenarios revealed concerns about a decline in demand for rice farming machinery, which may have an impact on our business performance. Causes of this possible decline in demand include damage to production and sales bases, including supply chains, resulting from typhoon and flood damage and a decline in the area of land available for rice production and deterioration in rice quality due to increases in average

temperatures. ISEKI Group will strive to mitigate the impacts of these risks by regularly reviewing our BCP, product lineup, and sales channels, etc. On the other hand, in order to respond to changes in natural environment, demand is expected to grow for technology to replace agricultural work with robotic agricultural machinery and autonomous work performed by AI, from the collection and analysis of weather data and growth data to decision-making based on that data, and solutions that will contribute to the construction of a sustainable agricultural production foundation. Our analysis is that such demand may present business development opportunities for ISEKI Group.

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

Management of risks and opportunities

Risks and opportunities identified in the scenario analyses are categorized and assessed on two axes (four quadrants), one for the magnitude of the financial impact and the other for the degree of the potential of that financial impact. Climate change strategies must be deliberated from both risk and opportunity perspectives. For this reason, the Sustainability Committee has established a system for the categorization, assessment, and follow-up of risks and opportunities. It will continue to revise that system, including confirming new risks in line with environmental changes, on an annual basis. Management of risks that may affect business activities in the short term is integrated under the Risk Management Control Committee. In doing so, we strive to prevent risks from materializing and to minimize losses, to contribute to smooth business operations, and to preserve

assets within our operational processes in accordance with risk management regulations. (Please refer to p. 63 for information about the Risk Management Control Committee)

ISEKI Group is working to offer environmentally-conscious products and solutions, while also striving to reduce CO₂ 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, evaluate and deliberate opportunities for climate change-related products and solutions and incorporate their results with certain importance in the development planning with the approvals of the Directors' Operation Committee and the Board of Directors.

Scenario analysis, risks and opportunities, measures

Risk category	Details	1.5°C/2°C Scenario		4°C Scenario		Timing of risks and opportunities	Direction of measures	Existing initiatives	Future initiatives
		Financial impact	Potential	Financial impact	Potential				
Transition risk	Technology	Decline in competitiveness caused by delays in technological development				Short term	<ul style="list-style-type: none"> Research of carbon-free agriculture R&D of agricultural machinery that supports agriculture adapted to natural disasters and rising temperatures Provision of increasingly detailed TCFD information disclosures Comprehensive understanding of greenhouse gas emissions and stocktake of reduction plans Close monitoring of global material prices caused by climate change and improvement of material input efficiency Close monitoring of status of water resources with respect to climate change Understanding of detailed flood risks to production and sales bases and supply chain Formulation of BCP that encompasses supply chain Rebuilding of product sales channels in line with changes and reduction of farmable areas Promotion of procurement of renewable electricity and energy conservation Research of carbon-free agriculture R&D of agricultural machinery that supports agriculture adapted to natural disasters and rising temperatures Close monitoring of trends in subsidy schemes of national and local governments, deliberation of solutions that respond to farmers' needs 	<ul style="list-style-type: none"> Commercialization and sales of automatic steering system R&D of electric tractor (joint project with Ehime University) Identification of climate change risks and opportunities, scenario analysis Understanding and disclosure of greenhouse gas emissions (Scope 1, 2 & 3) Understanding of input of material and water resources Formulation of BCP (offices, production and sales sites in Japan) Mapping of domestic suppliers, formulation of diversification plan Recognition as risks Preparation of draft decarbonization plan at each production site Commercialization and sales of automatic steering system R&D of electric tractor (joint project with Ehime University) Collaborative projects with other companies and local governments for environmentally sound agriculture 	<ul style="list-style-type: none"> R&D of agricultural machinery adapted to natural disasters and rising temperatures Regular revision of climate change risks and opportunities and reflection in management plans Understanding of greenhouse gas emissions, including sales bases, and revision of scope of reduction targets Reducing weight of parts using iron, reducing processing waste Recycling of cooling water, use of reclaimed water (stormwater, etc.) Understanding of detailed flood risk of the entire supply chain, including overseas bases Formulation of BCP that encompasses global supply chain Establishment of energy conservation targets Setting targets for renewable energy ratio to energy consumption Establishment of renewable energy power generation facilities Detailed survey of long-term changes in farmable areas R&D of agricultural machinery adapted to natural disasters and rising temperatures Formulation of business plans for environmentally sound agriculture as for-profit business Demonstration of model cases, nationwide rollout of business
	Market	Decline in demand due to decline in sales caused by needs and social infrastructure status				Short term			
	Policy	Increase in operation cost due to introduction of carbon tax and emissions trading scheme				Mid term			
	Reputation	Deterioration of reputation among shareholders and other stakeholders, divestment, or plummeting share price				Mid term			
	Market	Production manufacturing costs increase, making it difficult to deliver products due to changes in supply chain caused by climate change				Long term			
Physical risk	Acute	Suspension of product and service provision systems due to damage suffered by the company/supply chain caused by severe typhoon and flood damage				Short term			
	Chronic	Risks of decline in value of existing products				Long term			
		Increase in energy price caused by rise in temperature				Long term			
Opportunities	Products and services	Rebuilding of product sales channels in line with changes and reduction of farmable areas due to progression of climate change				Long term			
		Increase in demand for agricultural machinery that contributes to energy conservation and greenhouse gas reduction				Short term			
		Increase in sales of products and services that accommodate changes in the agricultural environment caused by climate change				Short term			
		Increase in demand for solutions that contribute to reducing greenhouse gas emissions from farming soil				Mid term			

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

Response to climate change

Indicators and targets

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

As a milestone towards the reduction of CO₂ emissions from business activities, we set a target of a 46% reduction in CO₂ emissions by 2030 compared with 2014 at our global manufacturing bases. In November 2021, we conducted a questionnaire survey on the decarbonization efforts of all suppliers in Category 1 of Scope 3, which has the largest volume of emissions in the entire value chain. Based on the survey results, in April 2022, we asked suppliers to establish their own voluntary reduction targets. We formulate and promote reduction targets in collaboration with suppliers who account for 70% of the transaction value.

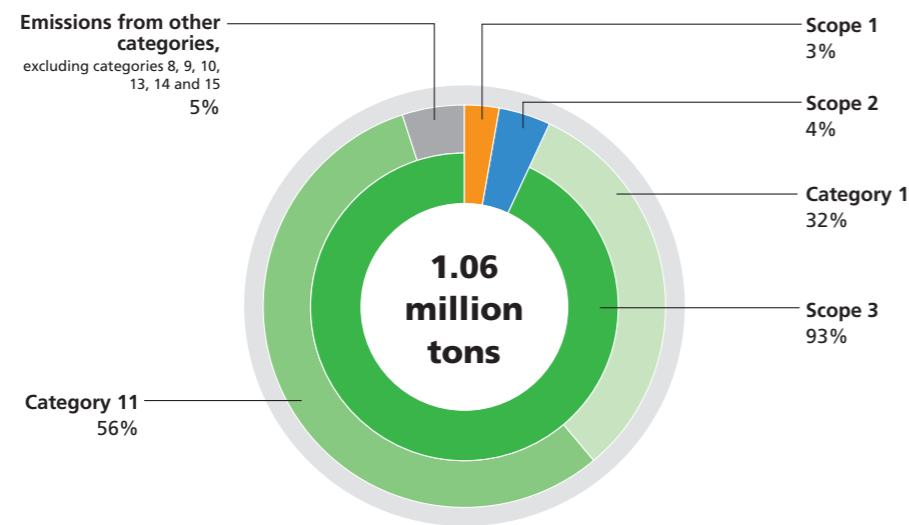
In Category 11, which accounts for around 60% of the emissions, we will pursue the research and development

of electrification of agricultural machinery, and agricultural machinery that uses hydrogen. As an indicator of efforts to solve climate change issues and to reduce the environmental burden of agriculture through the enhancement of environmentally-friendly products and services, we set a target of eco-product sales in Japan of 65% or more of total domestic net sales in 2025. We also participate in decarbonization demonstration projects in the agricultural industry in collaboration with local governments and other partners. Such projects include the promotion and expansion of environmentally sound agriculture. Through these projects, we will contribute to the creation of a sustainable society by reducing CO₂ emissions by society as a whole.

(Please refer to p. 40 for information about eco-product sales in Japan and the results of efforts to reduce our environmental burden in 2021. Past results are posted on the company's website.)

CO₂ emissions from value chain

In addition to CO₂ emissions from ISEKI Group, we are working to understand CO₂ emissions from the entire value chain. Going forward, we will strive to improve the accuracy of our calculations.



Total of Scope 1, 2 & 3	Emission volume from the entire value chain	1.06 million tons
Scope 1	Use of fossil fuels	30,000 tons
Scope 2	Use of purchased electricity and heat	40,000 tons
Scope 3	Other indirect emissions	990,000 tons
Category 1	Resource extraction of purchased products and services, and manufacturing	350,000 tons
Category 11	Use of sold products	590,000 tons
Other categories	Emissions from other categories, excluding categories 8, 9, 10, 13, 14 and 15	50,000 tons

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

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

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

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

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

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

Initiatives for the realization of a decarbonized society

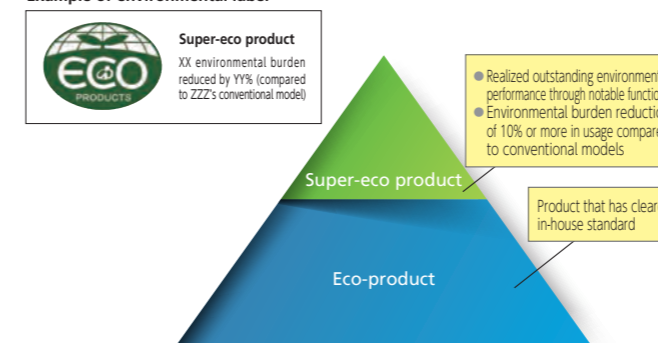
Initiatives for environmentally-friendly design

Eco-product certification system

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

*Trends in the number of certifications and details of the certification system are posted on the company's website.

Example of environmental label



Examples of certified products

Tractor: GEAS NTA5 with straight-travel assist function



ISEKI's GEAS NTA5 tractor with straight-travel assist function was granted "eco-product" certification. With an emissions regulations-compliant engine, GPS location system, and correction of vehicle body lean using gyro sensors, this tractor makes automatic

straight travel possible without steering control.

Maintaining straight travel in a large field requires expert experience and skills, making the work tiring over large surface areas. The straight-travel assist function eliminates the need for steering control when going straight, which improves comfort for the operator.

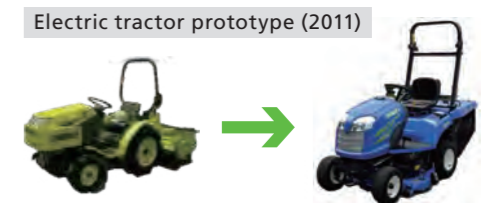
According to the Ministry of Agriculture, Forestry and Fisheries' Strategy for Sustainable Food Systems, MeaDRI, automated driving technologies, which include straight-travel assist functions, not only enable anyone to carry out operations with high accuracy using highly precise positional information, but also reduce inconsistencies and waste in work, thus contributing to energy conservation.

(Source: The Role of Smart Agriculture the Strategy for Sustainable Food Systems, MAFF)

Initiatives toward electrification of agricultural machinery

We believe that the electrification of agricultural machinery will grow into a major pillar for the realization of a decarbonized society. In anticipation of a decarbonized era, ISEKI Group started joint research with Ehime University in 2010 and announced a prototype electric tractor in 2012. After conducting further technical research toward commercialization, in the autumn of 2022, we will launch limited sales of the SXG216, an electric riding mower powered by lithium-ion batteries instead of fossil fuels, targeting the European landscaping market. We plan

to start full-scale sales of electric riding mowers, including products for professional customers, in 2024.



Initiatives for the promotion and expansion of environmentally sound agriculture

Environmentally sound agriculture, which aims to reduce the use of chemical fertilizers and agrochemicals, can contribute to the realization of sustainable agriculture, including environmental preservation and food safety. Smart agricultural machinery equipped with advanced technologies has the potential to be an integral part of the promotion and expansion of environmentally sound agriculture, such as reducing the use of chemical fertilizers with the use of sensors and data, without relying solely on experience, and reducing the use of chemical pesticides by saving labor for weeding work in rice paddies. The reduction in the use of chemical fertilizers and agrochemicals derived from fossil fuels is also expected to be effective in decarbonization. Through the promotion

and expansion of sales of products equipped with variable fertilizing systems, which control fertilizer quantity in real time based on results of measurement by soil sensors, ISEKI Group strives to contribute to the promotion and expansion of environmentally-sound agriculture.

In collaboration with national and local governments and private-sector companies, ISEKI Group provides smart agricultural machinery and related technologies such as farm business know-how, and engages in demonstration projects of labor-saving and productivity-enhancing technologies, to contribute to technological development and advancement for the promotion and expansion of environmentally sound agriculture.

(Please refer to p. 29 for information about innovation based on collaboration)

Sustainability in ISEKI Group

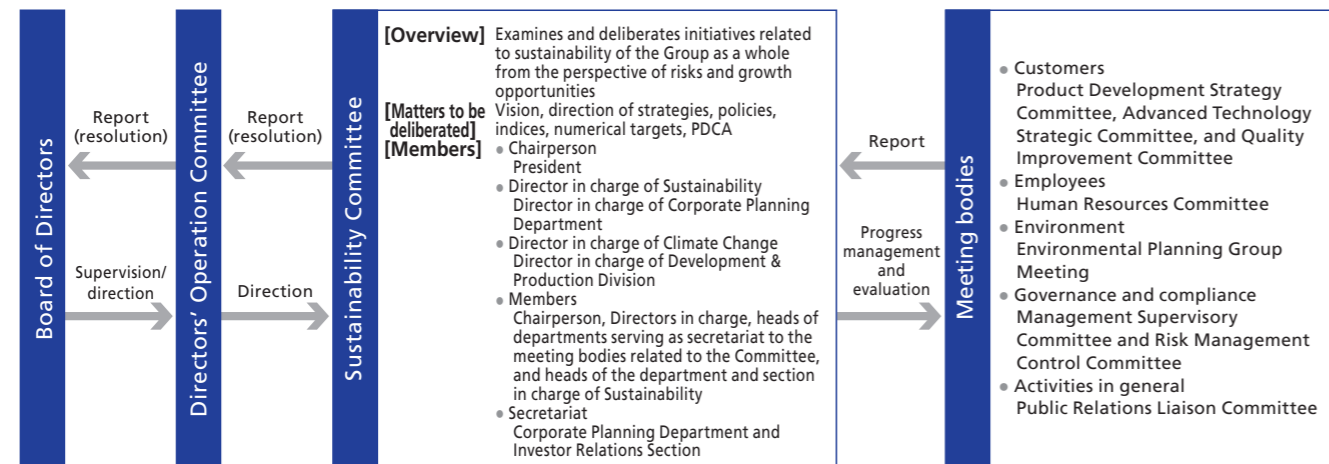
Sustainability basic policy

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

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

System for promotion of sustainability

With the aim of strengthening initiatives toward sustainability issues, the previous “Corporate Social Responsibility Committee” was dissolved to form a new organization, the “Sustainability Committee” established on July 1, 2021 and chaired by the Representative Director & President. The progress of initiatives related to each materiality is being managed by the Sustainability Committee. In principle, Committee meetings are held four times a year, examining and deliberating initiatives related to the sustainability of the Group as a whole, including responses to climate change, respect for human rights, from the perspective of risks and growth opportunities. In addition, the results of deliberations at Committee meetings are reported to the Board of Directors and basic policies, materiality, and other important matters are deliberated and determined by the Board of Directors. This framework enables the management team to strengthen its involvement.



To spread sustainability

To penetrate sustainability throughout ISEKI Group, the senior management sends messages to employees while awareness activities through internal newsletters and study sessions are conducted. We focus on sharing the Group’s vision and philosophy 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.



- Comments from the participants**
- We were able to acquire new ways of thinking, including the backcasting approach.
- The concept that imagining the ideal vision of a company leads to achieving SDGs, from the point of view that “things go around and come around,” was new to me.
- The group work with people from other departments with which I don’t have regular communication gave me a good opportunity to know of different points of view.

Stakeholder engagement

Basic Policy (Fundamental concept)

- ISEKI Group strives to build strong relationships of trust with stakeholders by engaging in constructive dialogue with them including direct interaction by the company’s executives.
- Our basic policy in information disclosure is to “disclose information properly to fulfill social accountability” and “endeavor to promptly disclose accurate information required from inside or outside of the Group in recognition of the importance of social accountability and thereby become a company with transparency.”
- To win fair evaluation from all our stakeholders, including shareholders, investors, customers, suppliers, local communities, and employees, and to ensure management transparency, ISEKI Group strives 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, etc. obtained through various dialogues are fed back to the Directors, management executives, and related departments by way of reporting to the Board of Directors and other meeting bodies for the purpose of information sharing and reflected in and used for improvement of business activities.

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

[M](#) 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, 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, persons in charge of IR collaborate with various departments to enhance disclosure information such as disclosure materials, as well as to promote cooperation and sharing of information with them at the Public Relations Liaison Committee meetings held every month. ISEKI Group has also set up pages dedicated to shareholders and investors on its website and provides disclosure information in an easy-to-understand manner.

Going forward, we will implement constructive dialogue to ensure sustainable growth and enhance corporate value, which are the concept of the Prime Market.

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 is 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, ISEKI Group visualizes its business reports, posts topics, and introduces its initiatives with the aim of deepening the understanding of ISEKI Group as much as possible. In addition, by putting shareholders safety first during the spread of COVID-19, the 98th Ordinary General Meeting of Shareholders was streamed via video.

Please refer to p. 70 for the status of shares held by type of shareholder.

Efforts to improve satisfaction with products – Establishing trust with customers –

Basic Policy (Fundamental concept)

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

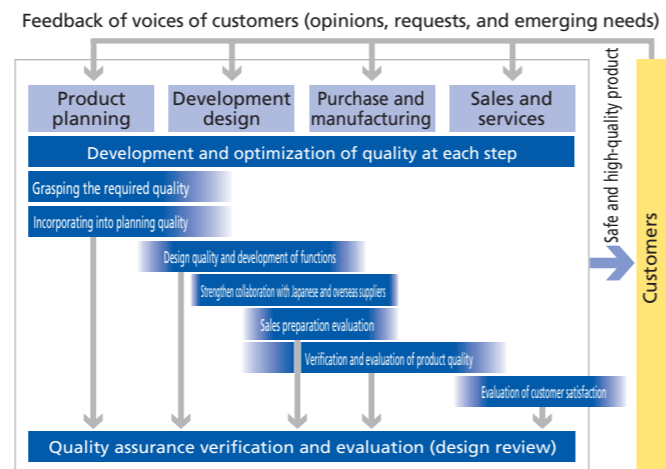
Product development reflecting the voices of customers

● **Product development and consistent quality assurance system that reflect the voice of customers**
ISEKI Group carries out consistent quality assurance activities by reviewing the design in every step from product planning and development design to purchase, manufacturing, sales, and services with the aim of providing products that are safe and respond to the trust placed by the customers.

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

● **Improvement of productivity and quality by introducing production support equipment**
ISEKI Group horizontally deployed conventional technologies such as the parts integration system and the assembly direction management system that improve productivity. In addition, the Group formulates capital investment plans for production support and verifies practical

Flow of how voices of customers are reflected in product development



applications thereof, including image recognition tools using DX and other new technologies, an exterior form quality examination system with a 3D scanner, digitalization of know-how of skilled workers, and systematization of work standards.

Early 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, quickly contact relevant customers, and respond to component replacement. We make efforts to draw attention of customers and provide them information, disclosing information on the website of ISEKI & CO., LTD.

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 business 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 make best use of it.

Number of recalls by fiscal year*2

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

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

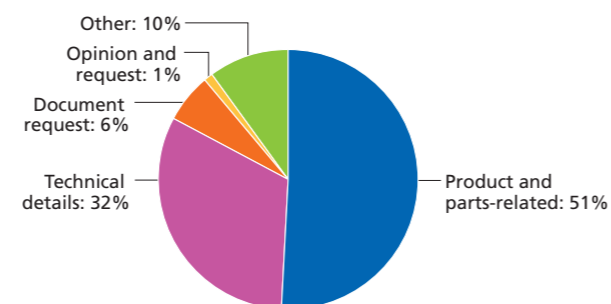
*2 Number of recalls filed with the Ministry of Land, Infrastructure, Transport and Tourism

▶ Please find the link below to access important notifications of recalls:

<https://www.iseki.co.jp/news/>

Contents of inquiries regarding products from customers (FY2021)

(Total number of inquiries that came through the website: 415)



Human resources development

● Early nurturing young designers

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



● ISEKI Group-wide Skills Contest

We hold the Group-wide skills contest for the purpose of improving technologies and nurturing young human resources in domestic and overseas manufacturing departments in order to strengthen abilities of manufacturing to improve product quality.



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

● Preventing farming accidents

In recent years, a lot of accidents at the time of using agricultural machinery have occurred, and, in 2021, the number of accidents of farm workers was 358*1 in Japan.

To ensure customers' safety in farm work, ISEKI Group 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 erroneous operations due to single-sided braking. To address this challenge, ISEKI released a "single-sided braking alarm device" for small-sized tractors*2 in June 2020. In order to prevent accidents and enable customers to purchase secure and safe products, 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.



The device sets off a sound alarm with a lamp lit to warn the driver in the event of operating without interlocking the right and left brake pedals.

*1: According to statistics by the Ministry of Agriculture, Forestry and Fisheries
*2: Models equipped with the alarm device: TQ13/15/17, TM150/170, 16/18, 165/185, TC11/13

● Service support for safer use

In the service support, ISEKI Group provides usage instructions before and after delivery through, for example, test-driving, to ensure secure and safe use of purchased products. As after-sales services, we provide maintenance at each base and a pre-use inspection, etc., aiming at the occurrence of no accidents for agricultural machinery. Also, with the aim of providing high-quality and quick technical services, we have expanded large-scale maintenance bases, including Hokkaido's Sorachi Chuo Service Workshop, which opened in December 2021.

In the COVID-19 pandemic, online training has been provided to improve the technical abilities of maintenance personnel, in addition to existing group training. We will boost the level of services through human resources development and education.



Supply chain management – together with suppliers –

Basic Policy (Fundamental concept)

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

CSR procurement policy

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

CSR procurement guidelines

ISEKI Group has compiled guidelines that 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. In 2021, ISEKI Group integrated CSR Procurement Guidelines and Green Supply

Guidelines, and reviewed their contents, adding descriptions about conflict minerals and child labor. Together with the revision of guidelines, questionnaire surveys were integrated and planned to be regularly implemented around April or May every year.

For the guidelines, please refer to our website.

Promotion of CSR procurement and green procurement

For CSR Procurement, ISEKI Group carries out questionnaire surveys for suppliers according to the guidelines, and reconfirms contents and make improvement proposals, etc. in relation to suppliers whom CSR risks are concerned for. For green procurement, initiatives for environmental consideration for delivered components and raw materials are surveyed through questionnaires. Suppliers superior in such initiatives are designated as Certified Green Suppliers. We continuously make improvement proposals to suppliers who have not been certified yet.

The distribution of the guidelines and the questionnaire surveys are implemented on a regular basis. For new suppliers, the Group implements them as risk assessment at the time of conclusion of a basic transaction agreement. We strive to make the initiatives deeper in the entire supply chain by, for example, distributing questionnaire results and sharing issues. They are also used for reviewing the questionnaires for the following fiscal year.

We create opportunities for mutual improvement with suppliers. Examples are: engagement through semiannual business report meetings and IR information meetings for vendors, as well as holding superior company tours and workshops.

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

Checks and supervision have been established in each group company, with checks, audits, and monitoring implemented on a regular basis through periodic reporting to the Management Supervisory Committee. The Group 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. In FY2021, ISEKI was subject to no legal action under the Subcontract Act or due to corrupt practices.

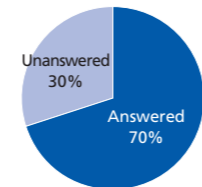
Education in FY2021 (Total number of participants)

Participants in outside education on the Subcontract Act	2 times	16
Inside education on the Subcontract Act	5 times	113
Compliance education	3 times	90

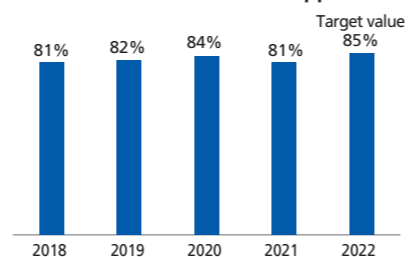
Procurement measures in the COVID-19 pandemic Business activities have been influenced by the spread of COVID-19, including supply chain disruption. Even among the suppliers of ISEKI Group, risks of delays in procurement of raw materials, production, and distribution have come to the surface. In the Purchasing Department, personnel in

charge of each overseas area grasps the situation of each country and confirms operations of suppliers and freight situations of transport operators twice a month. We have thereby made efforts to minimize the influences, intensively managing components that may have impacts on production to control delivery dates and progresses.

Response rate of CSR questionnaires (2021)



Ratio of Certified Green Suppliers



Educational agenda on the Subcontract Act and corruption prevention

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

Communities <Co-existence with local communities> – Ties with local communities –

Basic Policy (Fundamental concept)

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

Dream Project to support female farmers toward the growth and development of communities and active participation by female farmers

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

To provide further support to the female farmers' activities, ISEKI Group has participated in NOGYOJOSHI (female farmers) project by the Ministry of Agriculture, Forestry and Fishery (MAFF). We worked with female farmers to develop agricultural machinery and hold seminars.

Presently, we have held online roundtable discussions with over 100 participants as a new initiative for supporting "dream agriculture" by female farmers even in the COVID-19 pandemic. We will support dream agriculture by female farmers in various ways.



Total number of seminars on how to operate agricultural machinery *including online roundtable discussions	41
Total number of participants in the project	900

Comments from the participants /



- "As I was not confident in tractor inspection, it was very nice to learn it."
- "It is helpful to be able to participate in the online events while doing farm work."
- "I watched it in the greenhouse, and contents were excellent and informative."

Communication toward the nurturing of the next generation

ISEKI Group has proactively conducted activities toward the nurturing of the next generation of local communities. As an agricultural machinery manufacturer, we provide opportunities to experience and learn, for example, "food and agricultural education," "manufacturing education," and "experience and activity education."

Sanae National Children's Drawing Contest for elementary school children and kindergarteners has been held every year since 1996 for the purpose of making them interested in "food" and "agriculture." In 2021, when the 26th Contest was held, we received excellent works from approx. 1,300 children nationwide. The total number of entries from the 1st Contest is 31,000.



Activities for contribution to the local community and environment

As a member of the local community, we have been proactively working on activities for contributing to the community and society, as well as the environment.

Matsuyama City, where ISEKI-Matsuyama MFG. Co., Ltd. is located, has promoted the "Matsuyama My Road" project for the purpose of having people have an attachment to familiar local streets through cleanup activities. There is a name board on which names of groups committed to the road protection activity are indicated.

In 2021, as recommended by local citizens, the name "ISEKI" was included on the name board.



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

ISEKI Group will maximize its human resource capability through the enhancement of engagement and human resource transformation.

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



ISEKI Group believes what contributes to the solution of various issues is people, and considers employees essential for its sustainable growth and improvement of corporate value.

Amid the increasing importance of investment in “human capital”, under themes of “enhancement of employee engagement” and “HR transformation,” ISEKI Group has been working to realize them toward the achievement of the vision set out in the Mid-term Management Plan.

To enhance employee engagement, the Group has been striving to strengthen its bond with employees by working to create employee-friendly and attractive workplaces, and enhance human resources development programs. Announcing ISEKI Group Health & Productivity Management Declaration in October 2021, the Group was recognized as a 2022 Certified Health & Productivity Management Outstanding Organization in March 2022. We will continue to promote initiatives for the health & productivity management to support employees make full use of their abilities.

To transform human resources, the Group will direct its efforts toward the securement and development of human resources to execute its business strategies, such as cutting-edge technologies and global talent. We will also further work to promote diversity to press forward with the transformation of the corporate culture. In order to drive forward with these initiatives, the Group will continuously grasp the engagement of employees, and conduct sophisticated management of their competence and skills using the talent management system.

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.

Key points of the Mid-term Management Plan strategies

Enhancement of employee engagement

- Push ahead with the creation of employee-friendly and attractive workplaces.
- Promote the health & productivity management to maximize employees’ performance.

Transformation of human resources

- Secure and develop human resources necessary to execute business strategies.
- Aim to create workplaces where diverse human resources can exercise their individual characteristics and abilities.
- Make best use of human resources in the entire Group with flexible personnel changes.

Enhancement of employee engagement

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.

Promotion system

Human Resources Committee

To consider ISEKI Group’s strategies concerning the development and utilization of human resources, the Human Resources Committee has been in place, consisting of all Directors and General Division Managers, Officer in charge of Development and Production, Officer in charge of Personnel, General Manager of Sales Planning & Administrative Department, General Manager of Administrative Department of Development & Production Division, General Manager of Corporate Business Control Department of Overseas Business Division, General Manager of Corporate Planning Department, and General Manager of Personnel Department.

Introduction of the talent management system Objectives and targets of the introduction

To realize “optimal allocation of human resources,” a basic strategy of the Mid-term Management Plan, the talent management system was introduced in 2021, for the purpose of visualizing skills and abilities of employees, and formulating careful personnel strategies.

We analyze and utilize the talent management system

information which was previously managed with the HR core system, and collect information from employees through engagement surveys, questionnaires, and self-declarations, etc. on the system.

Engagement survey

As a result of the engagement survey conducted on the talent management system, items that received relatively high evaluations from employees were “motivation for work,” “human relations at the workplace,” and “overtime hours/easiness of taking paid leave.” On the other hand, “personnel evaluation system” and “salary/bonus system” were evaluated lower than other items.

Future development

For the “optimal allocation of human resources” in the entire Group, the operation of talent management will be expanded to manage human resources of the Group companies. Furthermore, a function to manage employees’ skills on the system will be introduced.

In addition, the Group will newly introduce a 360-degree evaluation to increase fairness and satisfaction in the personnel evaluation, and boost the level of executives.

Promotion of health & productivity management

ISEKI Group will strategically promote the health & productivity management from a managerial viewpoint, based on the concept that productivity and creativity improve by further deepening employees’ health maintenance and management, which will lead to sustainable corporate growth.

Health & Productivity Management Declaration
In October 2021, ISEKI Group announced the Health & Productivity Management Declaration for the purpose of improving employees’ mental and physical health, as well as further revitalizing the organization with the enhancement of engagement.

We will realize employees’ well-being mainly according to the health basic policy focusing on three kinds of health; “physical health,” “mental health,” and “living health.”

Promotion system for the health & productivity management

ISEKI Group will establish the promotion system for the health & productivity management in which an Officer in charge of Personnel is responsible for the health & productivity management, and plan and draw up health promotion activities in mutual collaboration with a “Secretariat of

the Health & Productivity Management (Personnel Department),” “ISEKI Labor Union,” and “ISEKI Health Insurance Association.”

With regard to issues that occurred at each office, we share information at the central Safety and Health Committee held periodically, and use it for new measures.

Acquisition of certification of health & productivity management outstanding organization
Recognized for various previous activities, ISEKI Group was certified as a “2022 health & productivity management outstanding organization (the large enterprise category)” in the “Certified Health & Productivity Management Outstanding Organization Recognition Program” implemented by Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi in March 2022. We will strive to boost the level so as to establish further enhanced systems.



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

Enhancement of work-life balance (work-life management)

ISEKI Group has reviewed systems in which precedents were followed as needed, so as to flexibly respond to employees’ diverse ways of working. The Group officially introduced in January 2022 the telework system, which was tentatively operated as measures against COVID-19, and, at the same time, abolished the core time in the flextime system. Like this, the Group has enhanced the systems to enable the employees to work flexibly depending on individual lifestyles.

Meanwhile, the Group is working on promoting the 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 promoting the utilization of annual paid leaves through a planned leave system and a system for promoting the utilization of paid leaves more than designated by laws. In order to encourage male employees to take childcare leaves, ISEKI individually informs the employees of the system by attaching a document encouraging them to take a childcare leave when it gives congratulatory money upon childbirth.

- Example of in-house systems
 - Flextime system
 - No overtime day
 - Childcare leave system, Short-hour working system for childcare (Encouraging male employees to take childcare leaves)
 - Caregiver leave system
 - Telework system

● Utilization of paid leaves/childcare leaves
With the measures above, the number of days taken for paid leaves/childcare leaves are increasing.

Number of annual paid leave days per employee (union members) on a non-consolidated basis				
2017	2018	2019	2020	2021
9.6 days	10.7 days	12.2 days	12.2 days	12.6 days

The number of male employees who took childcare leaves on a non-consolidated basis		
2019	2020	2021
5	6	14

Occupational safety and health management “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 ISEKI Safety Promotion Center as a place for experiencing near-accidents and offers employees to have a simulated experience of actual occupational accidents to improve safety awareness.

Policies Concerning Safety

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

Implementation of risk assessment based on risk-prediction activities

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

Provision of safety education

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

Statistics of industrial accidents: severity rate (%)				
2017	2018	2019	2020	2021
1.760	0.001	0.371	0.000	0.004

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

Respect for human rights, Prohibition of discriminatory treatment

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

Promotion of diversity/Human resources development

- 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.

● Utilization of human resources across ISEKI Group
ISEKI Group utilizes human resources across the Group, using the strength of ISEKI Group having diverse human resources including development, design, production, sales, and services. We facilitate the exchange of human resources beyond the boundaries of the group companies, develop human resources with diverse abilities, and strive to optimize the allocation of human resources across the Group.

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. The Group supports the career development of employees through proper treatment of capable and highly motivated employees and offering them opportunities to play active roles, regardless of gender, nationality, and employment category, etc. in order to make the best use of the abilities of diverse human resources as a higher level of expertise is required due to the business globalization and technological innovation.

Goals based on the Corporate Governance Code

- 1 **Female employees:** Accounting for 7% or more of all managers by the end of 2025
- 2 **Foreign nationals:** The number of foreign national managers will increase more than the present level by the end of 2025
- 3 **Mid-career employees:** Accounting for 7% or more of all managers by the end of 2025

Initiatives for promotion of active participation by women

ISEKI Group works on the promotion of active participation by women as part of the utilization of diverse human resources. In the action plan for the development of a workplace environment that facilitates greater participation by women, ISEKI aims to achieve the ratio of women among the hires to 20% or more. As the ratio of female employees in the superintendent class, who are manager candidates, has been increasing, the Group will next work to increase the ratio of female managers.

Action plan (target for 2026)

- Achieve 20% or more in the ratio of newly hired female employees and actively recruit women with engineering background.
- Achieve 7% or more in the ratio of female managers.
- Achieve 12 days or more in the average number of paid leave days.

Employment of foreign nationals
Regardless of nationalities, employees are working in a wide range of fields suitable for their own aptitude and intention, including development, production, and sales.

Mid-career employment
In order to secure the human resources necessary for carrying out the business strategies, we will proactively

employ mid-career workers, improve their abilities, and promote their appointment to managerial posts.

Target: Achieve 7% or more in the ratio of mid-career managers.

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. In FY 2021, the actual rate of employees with disabilities was 2.29%, almost the same as the statutory employment rate. We will work towards the creation of job opportunities for them.

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 considering an employment system to secure employment opportunities for employees after age 65.

VOICE

Successful female employee



After joining ISEKI, I had engaged in legal affairs related to the development and applications for trademark rights and design rights at an office in Ehime Prefecture. I was transferred to Tokyo last year, and presently have been in charge of the prior examination of contracts to be concluded by each department, responses to consultations on legal affairs, and general meetings of shareholders, etc. I got married this year, and am struggling hard to balance work and private life. Using various systems offered by the company to improve employees’ work-life balance, I will further improve my skills.

Marina Umezaki,
General Affairs Department, ISEKI & CO., LTD.

Voice of a male employee who took childcare leave ...



At the Technical Support Department, I am in charge of responses to markets and inquiries related to rice transplanters and vegetable farming machinery, as well as operations related to technical seminars. Last year, in the wake of the birth of my second child, I took childcare leave. When taking leave, I was worried about the impacts on the work I was in charge of, and the work environment after I returned to work. However, with encouragement from my boss and co-workers’ understanding, I was able to take the leave for about two months and a half. During the childcare leave, I was busier than with usual work, but able to enjoy the meaningful time, feeling my children’s growth closely.

Going forward, I intend to make efforts to enhance a work-life balance in cooperation with my wife.

Hiroataka Kusumoto,
Technical Support Department, ISEKI & CO., LTD.

Fostering corporate culture – My own *henkaku* (Change) –

To realize ISEKI Group's goals and vision, it is essential for each and every employee to demonstrate his or her strengths to maximize the Group's capabilities. To this end, we engage in initiatives that lead to awareness reform and action by employees, through the penetration and sharing of those goals and vision.

To penetrate the Mid-term Management Plan, we currently hold roundtable discussions with a small number of people at each workplace, mainly young and mid-ranking employees. In addition to exchanging opinions about the Mid-term Management Plan, each and every employee is asked to understand the message implied in the keyword "*Henkaku* (Change) - Toward the next 100 years..." and to link their own work with the seven promises, which ISEKI Group values.

Promise 1 Spirit — Inheriting our company's founding philosophy, we always carefully consider food, agriculture and landscape and move forward with farmers.



I support the introduction of imported implements

I am in charge of a series of operations from order placement and purchase to shipment of imported implements in general, as well as providing sales support for the products of overseas manufacturers. Taking the company's founding philosophy of "freeing farmers from exhausting labor" to heart, I will work hard to deliver products to customers quickly and reliably. Although there are some drawbacks, such as disruption in logistics, I will engage carefully in my sales support work, such as confirming and coordinating delivery deadlines.

Yosuke Matsushima, Agri-Implements Department. Joined the company in 2019.

Promise 2 Front runner — As a front-runner, we produce innovative products and higher quality services.



I want to extend our history of business in Europe further

In its history of over 50 years, our business in Europe has established a solid position as a leader in the landscaping market in the area by building up communications with European distributors. Although the ways in which we communicate are changing in this "new normal" era, I will continue to maintain close communication with our distributors, link potential needs to areas of development, and provide innovative products and services.

Manon Okabayashi, Europe Sales & Marketing Department, Overseas Business Division. Joined the company in 2018

Promise 3 Quality — We will always make premium quality products with passion.



I listen to customers' direct feedback

I work in the development of electric riding lawn mowers for the European market. Going forward, I will conduct product testing in local markets and market evaluation of the products. As a designer, I believe that conducting product tests myself and listening to customers' feedback is crucial. With "We will always make premium quality products with passion" as my motto, I will pursue the development of agricultural machinery while listening to customers' direct feedback in local markets.

Ryutaro Masuda, Tractor Engineering Department. Joined the company in 2017

Promise 4 Solution — We constantly take action for solutions to customer issues.



I help deliver to customers products that have been produced safely

I am in charge of the management of occupational health and safety at the factory. In the spirit of "Solution," I am engaged in improvements and solutions in responses to issues related to labor safety and workplace environment raised by workers on the factory floor. Believing that it is our duty to give top priority to the safety of our employees and to deliver safe and reliable products to our customers, while always being aware of the points of change, I will promote the development of a culture of safety.

Tetsuro Mori, Occupational Safety and Health Department. Joined the company in 2007

Promise 5 Innovation — We create innovations with cutting-edge technologies and provide new value.



I will create unprecedented value

My work involves development related to the electrical components of combine harvesters. Keeping "To create innovation" in my heart all the time, in the short and medium term, I will engage in my work with a focus on performance, operability, maintenance of products, and, in the long term, on unmanned harvesting with combine harvesters and enhanced multifunctionality, with the aim of creating unprecedented new value.

Makoto Itayama, Combine Harvester Engineering Department. Joined the company in 2018

Promise 6 Global — With a global perspective, we work toward solutions to the world's social issues.



I want to contribute to the realization of a sustainable society.

I am engaged in development planning and sales promotion of products for the European market. In Europe, amid the accelerating shift to carbon neutrality, demand for environmental considerations in the landscaping market is also growing year by year, as are calls for electric products that will curb greenhouse gas emissions. To help build a sustainable society, which is a global social issue, I will press forward myself in my daily work to provide electric products that accommodate customers' needs and requests.

Hiroaki Suzuki, Europe Sales & Marketing Department, Overseas Business Division. Joined the company in 2007

Promise 7 Future — Paving the way for tomorrow, open up the future of food, agriculture and landscape.



Recruitment and education that will connect to employees' future

I am in charge of recruitment and education in the Personnel Department. My work primarily involves recruitment interviews of university students and in-house education, such as induction training for new hires. I aim to conduct recruitment and education that will make people happy that they joined the company and that the work here will help them advance their careers. Amid the further progression of our overseas expansion, diversity is taking on increasing importance. To this end, we will recruit personnel who can demonstrate their abilities in various fields and provide education that will support employees' growth.

Rie Yamaguchi, Personnel Department. Joined the company in 2020

Corporate governance

Messages from Independent Outside Directors



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

Q1 How do you evaluate the corporate governance of ISEKI?

Last fiscal year, we amended the Directors' remuneration system, which had been a long outstanding issue of the company, and this fiscal year, I hope to pursue the enhancement of corporate governance with "non-financial information" as our keyword. While there are a host of issues to address, such as environment, society, human resources, and intellectual property, we will work on every issue from the perspective of how we may demonstrate ISEKI Group's originality, while keeping pace with trends in society.

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

As the Chairperson of the Board of Directors, I believe that agenda setting is important. With the aim of indicating major directions for corporate strategy and the like, which is the role of the Board of Directors, I want to move the reform of the Board of Directors forward to promote the enhancement of the company's sustainable growth and mid- to long-term corporate value and the improvement of profitability and capital efficiency. I plan to achieve this by making efforts to secure ample time for deliberation.

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

Given the remarkable changes in the external environment of recent times, it is important to respond to challenges with a sense of speed. Instead of merely continuing down the same conventional paths, we need to accumulate many new ideas. For this reason, I believe that the most important challenge for ISEKI's sustainable growth is to nurture company people who are able to maintain a constant awareness of stakeholders' gaze and keep their own gaze turned outward.

Q1 How do you evaluate the corporate governance of ISEKI?

We have been actively working on initiatives to implement the individual principles contained in the Corporate Governance Code. From this fiscal year, the Board of Directors is chaired by an Outside Director, with Outside Directors accounting for at least one-third of all Directors. In doing so, I believe that we have established a system that enables us to further demonstrate a monitoring function (monitoring and supervising functions) at the Board of Directors.

For the sustainable growth of the company and the enhancement of mid- to long-term corporate value, this fiscal year, we will continue to work on deepening discussions to ensure the diversity of the Board of Directors, while working to ensure its effectiveness.

Shoji Tanaka
Independent Outside Director
Member of Nomination and
Compensation Committee



The company has transitioned to a system in which the Board of Directors is chaired by an Outside Director, with Outside Directors accounting for at least one-third of all Directors. With this transition, I believe that we can expect the Board of Directors to become more sophisticated and corporate governance to be strengthened. Currently, improvements to the systems for providing information to Outside Directors and access to information by Outside Directors are also underway, so I believe that we will be able to make progress in the realization of governance systems that are able to respond quickly to changing social situations.

Kazuo Nakayama
Independent Outside Director
Member of Nomination and
Compensation Committee



The company has been striving to revitalize the Board of Directors to comply with the Corporate Governance Code and enhance its corporate value through dialogue with shareholders and appropriate cooperation with stakeholders. In response to the results of the evaluation of the Board of Directors, the Board has established a system in which Directors set their own deadlines and actively manage the progress of their assignments, revised the composition of the Board, and formulated management plans for the achievement of mid- to long-term corporate strategies. I highly commend these outcomes. As a listed company on the Prime Market, we are making further efforts toward sustainability management.

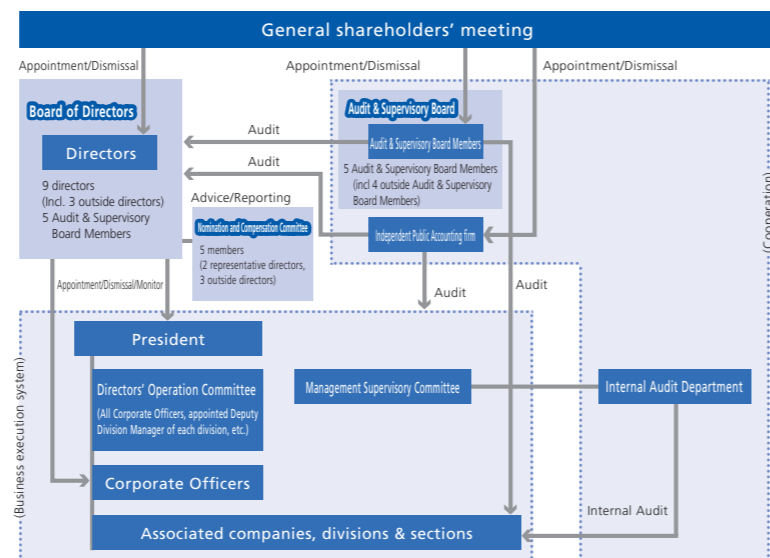
Mami Taira
Outside Audit & Supervisory
Board Member
(Independent Officer)



Corporate governance

Fundamental concept in corporate governance

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



Toward the improvement of the effectiveness of the Board of Directors

To further facilitate the roles of the Board of Directors, ISEKI has implemented an appraisal and analysis program for individual senior officers since 2017. The appraisal was done through a third-party organization, using methods

for canvassing personalized opinions with individual questionnaires and individual interviews for all Directors and Corporate Auditors.

Overview of evaluation

- Target audience**
All Directors Audit & Supervisory Board Members
- Methodology of Questionnaire**
Anonymous survey
- Methodology of Interview**
Individual interview to target audience by a third-party organization
- Main items for appraisal**
 - Members and operation of Board of Directors meetings
 - Support system for Directors and Audit & Supervisory Board Members
 - Training
 - Dialogue with shareholders
 - Own efforts
- Efforts for analysis of results and solution of issues**
 - Analysis of the results of questionnaires and interviews at a third-party organization
 - Debriefing sessions organized by a third-party organization
 - Development and implementation of the action plan for identified issues toward a solution

Initiatives toward improvement of effectiveness

- FY2019**
 - Issues**
Devising ways to have more strategic discussions at the Board of Directors meetings
Improvement of objectivity and transparency of the Directors' compensation system and decision process of compensation
 - Initiatives toward a solution**
Holding free discussion on selected themes after the Board of Directors meetings
Main themes selected for discussion
 - Overall framework of the new Mid-term Management Plan
 - Aggregate result of the opinions of young employees, and report of the analysis of training sessions for officers and executives
- FY2020**
 - Issues**
Following through the progress of the Management Plan Formulation and operation of succession planning of the Chief Executive Officer (CEO), etc.
 - Initiatives toward a solution**
The Board of Directors traces priority measures in the Mid-term Management Plan.
Formulation of succession planning for President
- FY2021**
 - Issues**
Following through the progress of the Management Plan Supervision of investment plans for human capital and intellectual properties to be consistent with the management strategies
 - Initiatives toward a solution**
To be implemented in FY2022

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.

● 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 and three Independent Outside Directors
Chairperson	Independent Outside Director
Roles	<ol style="list-style-type: none"> (1) Appointment and dismissal of Directors (general shareholders' meeting proposal) (2) Appointment and dismissal of Corporate Officers (3) Selection and removal of Representative Directors (4) Representative Director successor plan (5) Amount of compensation for Directors and Corporate Officers (6) Composition and decision process of compensation for Directors and Corporate Officers (7) Establishment and change of basic policy and criteria for deliberation of each of the above items. (8) Other matters recognized by the Board of Directors as necessary in association with each of the above items.

The Committee was held eight times in the Fiscal Year Ended December 31, 2021. It has mainly discussed the items shown below 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
- Succession planning of the Chief Executive Officer (CEO), etc.
- Revision of the Directors' compensation system
- Skill matrix of Directors

Revision of the Directors' compensation system

The compensation for Directors of the Company consisted of fixed compensation, bonus, and stock-based compensation type stock options. In FY2022, we reviewed the fixed compensation and the bonus to change them to basic compensation (money) and performance-linked evaluation compensation (money). We also decided to abolish

the compensation plan involving stock-based compensation type stock options and introduce a new performance-linked stock-based compensation using trust.

The overview of the Directors' compensation system after the revision is as follows.

Basic Policy

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

Overview of compensation

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

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

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

● Audit & Supervisory Board Members' compensation system (Reference)

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

List of officers

As of March 31, 2022

Directors



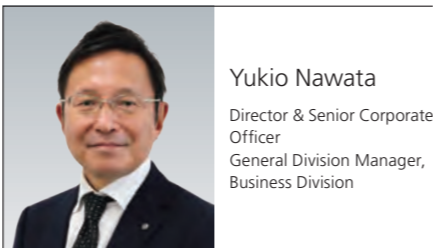
Shiro Tomiyasu
Representative Director,
President & Executive
Officer

Brief career history, positions and responsibilities at the Company
Apr. 2011 Managing Executive Officer, Mizuho Bank, Ltd.
Jun. 2015 Advisor, Chuo Fudosan Co., Ltd.
Jan. 2016 Advisor of the Company
Mar. 2016 Director & Senior Corporate Executive Officer of the Company Assistant to President of the Company
Responsible for Corporate Planning Department of the Company
Responsible for Public & Investor Relations Section of the Company
Responsible for Personnel Department of the Company
In charge of Financial Department of the Company
Jan. 2017 Director & Vice President Executive Officer of the Company
In charge of Corporate Planning Department and Public & Investor Relations Section of the Company
Mar. 2019 Representative Director, President & Executive Officer of the Company (to present)



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

Brief career history, positions and responsibilities at the Company
Apr. 1987 Joined ISEKI & CO., LTD.
Nov. 2008 General Manager, Vegetable Machinery Engineering Department of the Company
Dec. 2010 Senior General Manager, Agri-Implements Department of the Company
Jun. 2014 President, Iseki-Changzhou Mfg. Co., Ltd. Sales Branch Office
Jan. 2016 Corporate Officer and Deputy Division Manager, Business Division of the Company
Mar. 2016 Representative Director & President, ISEKI Hokkaido Co., Ltd.
Jul. 2018 Chairman & President, Dongfeng Iseki Agricultural Machinery Co., Ltd.
Jan. 2019 Senior Corporate Officer of the Company
Jan. 2020 General Division Manager, Development & Production Division of the Company (to present)
Mar. 2020 Director & Senior Corporate Officer of the Company
Mar. 2022 Representative Director & Senior Corporate Executive Officer of the Company (to present)



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

Brief career history, positions and responsibilities at the Company
Sep. 1984 Joined ISEKI & CO., LTD.
Dec. 2007 General Manager, Regional Sales Department of the Company
Jul. 2008 Director and General Manager, Sales Promotion Department, Iseki-Tohoku Co., Ltd.
Jul. 2010 General Manager, Sales Planning Department of the Company
Jan. 2015 Representative Director & President, ISEKI-Kanto Co., Ltd.
Jul. 2015 Corporate Officer of the Company
Jan. 2018 Senior Corporate Officer of the Company
General Division Manager, Business Division of the Company (to present)
Mar. 2018 Director & Senior Corporate Officer of the Company (to present)



Masayuki Fukami
Director & Senior
Corporate Officer
In charge of Personnel,
Corporate Planning, and
Investor Relations of the
Company

Brief career history, positions and responsibilities at the Company
Apr. 1985 Joined ISEKI & CO., LTD.
Dec. 2004 General Manager, Kanto Sales Department of the Company
Dec. 2011 Representative Director & President, ISEKI Kyushu Co., Ltd.
Jul. 2015 Corporate Officer of the Company
Jan. 2019 Senior Corporate Officer of the Company
Mar. 2019 Director & Senior Corporate Officer of the Company (to present)
Apr. 2019 In charge of Personnel Department of the Company
Jan. 2022 In charge of Personnel, Corporate Planning, and Investor Relations of the Company (to present)



Shuichi Jinno
Director & Corporate
Officer
In charge of Finance,
IT Planning, Operation
Efficiency Improvement

Brief career history, positions and responsibilities at the Company
Apr. 1985 Joined ISEKI & CO., LTD.
Apr. 2008 General Manager, Office Automation Department of the Company
Dec. 2011 General Manager, Public & Investor Relations Section of the Company
Oct. 2013 General Manager, Personnel Department of the Company
Jun. 2015 Director & Corporate Officer of the Company (to present)
In charge of Personnel Department of the Company
In charge of Compliance of the Company
Mar. 2016 In charge of Office Automation Department of the Company
Dec. 2018 In charge of IT Planning Department of the Company
Jan. 2022 In charge of Finance, IT Planning, Operation Efficiency Improvement of the Company (to present)



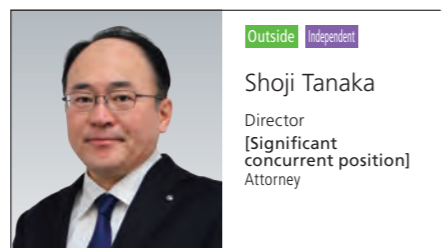
Kazuya Tani
Director & Corporate
Officer
General Division Manager,
Overseas Business Division

Brief career history, positions and responsibilities at the Company
Apr. 1992 Joined ISEKI & CO., LTD.
Apr. 2009 Representative Director & President, N.V. ISEKI EUROPE S.A.
Jan. 2015 Representative Director & President, ISEKI France S.A.S.
Oct. 2017 General Manager, Overseas Business Control Department and General Manager, Europe Sales & Marketing Department of the Company
Jan. 2020 Corporate Officer of the Company
General Division Manager, Overseas Business Division of the Company (to present)
Mar. 2020 Director & Corporate Officer of the Company (to present)



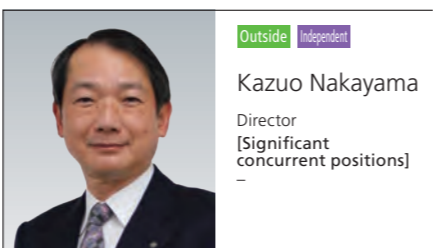
Atsushi Iwasaki
Director
**[Significant
concurrent positions]**
Certified public accountant,
Outside Director, NH Foods
Ltd. and Outside Director,
OLYMPUS CORPORATION

Brief career history, positions and responsibilities at the Company
Nov. 1990 Joined Century Audit Corporation (currently Ernst & Young ShinNihon LLC)
Mar. 1991 Registered as a certified public accountant
Mar. 1997 Registered as a real estate appraiser
Aug. 2005 Retired from Shin Nihon & Co. (currently Ernst & Young ShinNihon LLC)
Sep. 2005 President, Iwasaki Certified Public Accountant Office (to present)
Jun. 2013 Director of the Company (to present)
Jun. 2015 Outside Audit & Supervisory Board Member, NH Foods Ltd.
Jun. 2016 Outside Audit & Supervisory Board Member, OLYMPUS CORPORATION
Jun. 2019 Outside Director, NH Foods Ltd. (to present)
Outside Director, OLYMPUS CORPORATION (to present)



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

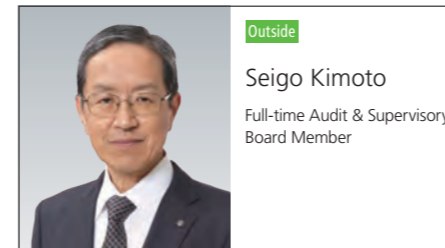
Brief career history, positions and responsibilities at the Company
Mar. 2000 Graduated from the Legal Training and Research Institute, Supreme Court of Japan
Apr. 2000 Registered as an attorney (Joined Tokyo Bar Association)
Joined Ginzadori Law Office
Jun. 2010 Audit & Supervisory Board Member of the Company
Mar. 2016 Director of the Company (to present)
Mar. 2018 Representative, Chuo-dori Law Office (to present)



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

Brief career history, positions and responsibilities at the Company
Apr. 1980 Joined MITSUI & CO., LTD.
Apr. 2006 General Manager of Planning & Administrative Division, Infrastructure Projects Business Unit, MITSUI & CO., LTD.
Jun. 2008 Chief Administrative Officer of Asia Pacific Business Unit, MITSUI & CO., LTD. and SVP, Mitsui & Co. (Asia Pacific) Pte. Ltd. (in Singapore)
Apr. 2012 Managing Officer, Chief Operating Officer of Food Resources Business Unit, MITSUI & CO., LTD.
Apr. 2014 Executive Managing Officer; Chief Operating Officer of Food Resources Business Unit, MITSUI & CO., LTD.
Jun. 2015 Representative Director, and Executive Vice President, JA MITSUI LEASING, LTD.
Jun. 2020 Advisor, JA MITSUI LEASING, LTD.
Jan. 2021 Resigned from JA MITSUI LEASING, LTD.
Mar. 2021 Director of the Company (to present)

Audit & Supervisory Board Members



Seigo Kimoto
Full-time Audit & Supervisory
Board Member

Brief career history, positions and responsibilities at the Company
Oct. 2007 Executive Officer, General Manager, Asset Management Business Planning Department, Chuo Mitsui Asset Trust and Banking Company, Limited
Apr. 2012 Corporate Advisor, Sumitomo Mitsui Trust Asset Management Co., Ltd.
Jun. 2013 Full-time Audit & Supervisory Board Member of the Company (to present)



Masato Machida
Full-time Audit & Supervisory
Board Member

Brief career history, positions and responsibilities at the Company
Apr. 1977 Joined ISEKI & CO., LTD.
Dec. 2011 General Manager, Office Automation Department of the Company
Apr. 2014 General Manager, Corporate Planning Department of the Company
Oct. 2014 General Manager, Cost Structure Reform Department of the Company
Apr. 2015 General Manager, Advanced Technologies Promotion Department of the Company
Mar. 2016 General Manager, Development Planning & Solution Department of the Company
Nov. 2016 General Manager, Indonesia Project Promotion Department of the Company
Mar. 2017 Full-time Audit & Supervisory Board Member of the Company (to present)



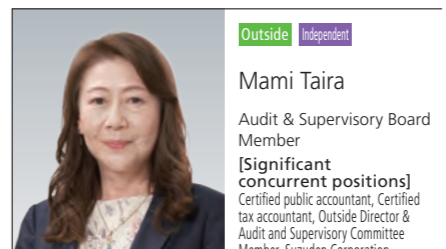
Yasuhide Motokawa
Full-time Audit & Supervisory
Board Member

Brief career history, positions and responsibilities at the Company
Aug. 2006 Manager, Shinjuku branch, The Iyo Bank, Ltd.
Oct. 2014 President & CEO, Iyogin Business Service, Ltd.
Mar. 2019 Full-time Audit & Supervisory Board Member of the Company (to present)



Yukito Shiraishi
Full-time Audit & Supervisory
Board Member

Brief career history, positions and responsibilities at the Company
Apr. 1984 Joined The Norinchukin Bank
Jun. 2007 Deputy General Manager, Secretariat, The Norinchukin Bank
Jul. 2010 General Manager, Office of the Corporate Auditors, The Norinchukin Bank
Jul. 2013 Seconded from The Norinchukin Bank (to Central Union of Agricultural Co-operatives)
Apr. 2015 Resigned from The Norinchukin Bank
Apr. 2015 Managing Director, Nochu Business Support, Co., Ltd.
Jun. 2020 Representative Director and Managing Director, Nochu Business Support, Co., Ltd.
Mar. 2021 Full-time Audit & Supervisory Board Member of the Company (to present)



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

Brief career history, positions and responsibilities at the Company
Oct. 1987 Joined Tohatsu Awoki & Sanwa
Oct. 1990 Joined Hayakawa Yoshio Tax Accountant Office
Sep. 1991 Registered as a certified public accountant
Apr. 1992 Registered as a certified tax accountant
Oct. 2002 Appointed partner of Hayakawa & Taira Tax Corporation (to present)
May 2011 Outside Corporate Auditor, AEON MALL Co., Ltd.
May 2014 Outside Director, AEON MALL Co., Ltd.
Jun. 2014 Outside Corporate Auditor, Suzuden Corporation
Mar. 2016 Audit & Supervisory Board Member of the Company (to present)
Jun. 2016 Outside Director & Audit and Supervisory Committee Member, Suzuden Corporation (to present)
Dec. 2020 External Director and Audit & Supervisory Committee Member, FOOD & LIFE COMPANIES LTD. (to present)

Skill matrix of Directors

	Name	Title	Corporate management/Management strategy	Finance	Sales/Marketing	Overseas businesses	Development and manufacturing	Compliance/Legal affairs/Audit	ESG/Sustainability	Personnel	IT/Data
Directors	Shiro Tomiyasu	Representative Director, President & Executive Officer	●	●					●		
	Hajime Odagiri	Representative Director & Senior Corporate Executive Officer	●		●	●	●		●		●
	Yukio Nawata	Director & Senior Corporate Officer			●	●					●
	Masayuki Fukami	Director & Senior Corporate Officer			●			●	●	●	
	Shuichi Jinno	Director & Corporate Officer		●				●		●	
	Kazuya Tani	Director & Corporate Officer			●	●					
	Atsushi Iwasaki	Director	●	●				●			
	Shoji Tanaka	Director						●			
	Kazuo Nakayama	Director	●		●	●					

*The table above does not represent all types of knowledge held by each officer.

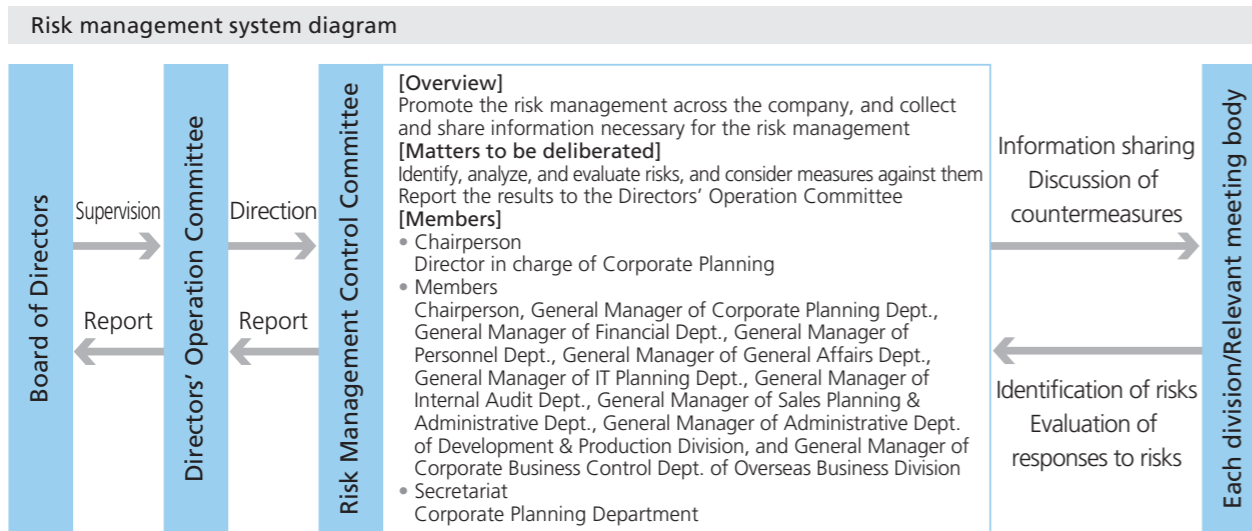
Risk management

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.

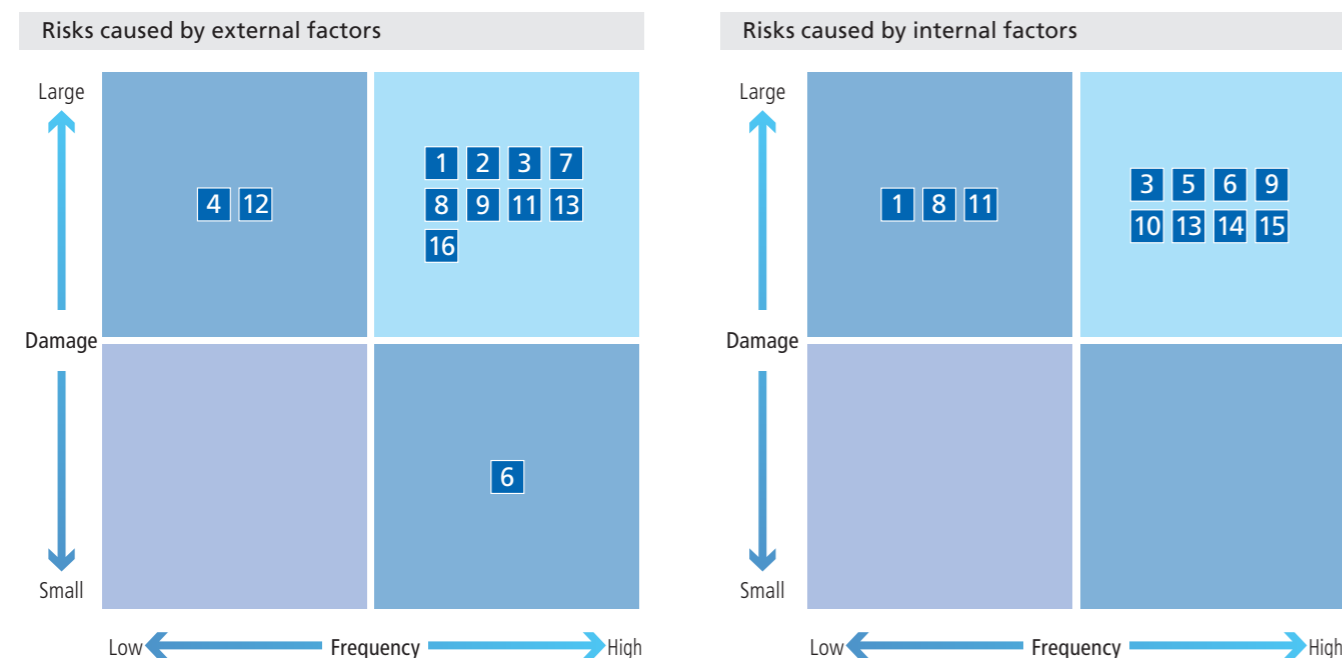
Risk management system

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	Countermeasures for major risks
1 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
2 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
3 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. ● In shipment and transportation of products, the shipment may be delayed due to a shortage of shipping containers and trucks, and other factors.	● Use multiple suppliers in both procurement and shipment, and ensure multiple transportation means, etc. ● Consider price revision
4 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
5 Competition with other companies	● Competition with other companies associated with "social implementation of smart agriculture" and non-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
6 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
7 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
8 Government regulations on environmental issues, etc., and occurrence of related difficulties	● 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.	● Reduce environmental burden in production activities and entire business activities
9 Risks derived from international business	● In global business activities, supply chains and production/sales activities may be restrained due to changes in international relationships between, for example, U.S. and China, and conflicts in Eastern Europe, in addition to unexpected changes in each country's tax/legal systems and trade policies. Accordingly, troubles in product supply to customers which are caused by such restrictions may have impacts on the Group's business performance, etc. ● 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.	● Collect and analyze information on each country's tax systems, export regulations, and employment situation, etc., and share such information with concerned parties ● Review operation forms and supply chains
10 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
11 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
12 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
13 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
14 Ensuring of human resources, shortage of human resources	● If employees leave their jobs, or human resources necessary for business cannot be ensured or developed as scheduled, the Group's competitiveness may decrease in the long term, which may have negative effects on its business performance.	● Strengthen initiatives for enhancement of employee engagement ● Employ and develop human resources with excellent knowledge, abilities, and experience, regardless of nationality and gender. ● Establish in-house training centers (IETC, IITC, IGTC) to strengthen "human resources development" in the fields of development, production, sales, and service, etc. by improving training.
15 Information security	● Information leakage or system halt/breakage, etc. caused by illegal access or computer virus infection through cyberattack may deteriorate the Group's credibility and have negative impacts on its business performance and financial position.	● In information management, have handling regulations in place, implement countermeasures for computer viruses, and enhance security measures by using a data center and cloud service
16 Climate change	● In agriculture, which is the Group's business foundation, changes in supply and demand arising from changes in system of crops and a reduction in agricultural land may have significant impacts on the Group's entire business activities including product lineup and sales volume, and without appropriate countermeasures, may deteriorate its business performance and financial position.	● Mitigate the impacts by utilizing renewable energy, and reducing energy consumption ● Mitigate the impacts by continuously reviewing BCP, product lineup, and sales channels, etc.

Compliance

Basic Policy (Fundamental concept)

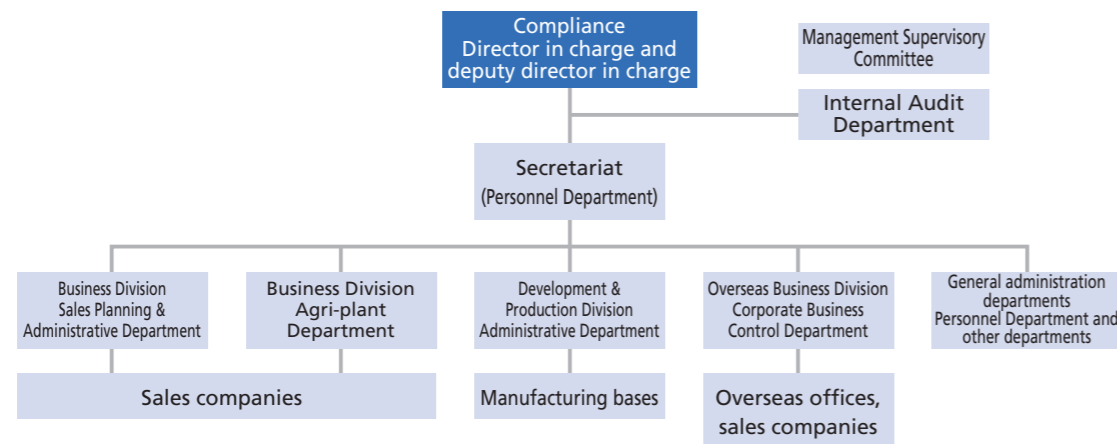
- ISEKI Group will ensure thorough compliance of each employee to promote healthy and transparent management.

Compliance system

To prevent misconduct and scandals from occurring by ensuring thorough compliance and raising awareness among each of the ISEKI 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 the overall management of compliance activities across the whole ISEKI Group, and the supervising unit of individual departments

handles the overall management of compliance education and awareness activities at the departments.

Compliance activities are reported to all Directors and Audit & Supervisory Board Members at the Management Supervisory Committee meetings held every month. In addition, Internal Audit Department audits the state of compliance activities and reports the results to the Management Supervisory Committee.



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. 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 provide harassment training to all officers and managers across ISEKI Group. 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.

● Renewal 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, enable pre-emptive detection of problems within the company, and prevent scandals from occurring. In October 2021, the system was modified to make it more user-friendly and effective. Especially for hotlines, a new third-party help desk independent from management executives was set up, in light of purposes required by the Corporate Governance Code. Furthermore, the third-party help desk is available for whistle-blower reports in Thai and Indonesian, in addition to English and Chinese. In FY2021, the system handled 23 cases in total before and after the system modification. All cases were appropriately responded, and their summaries have been shared among the Management Supervisory Committee.

● Initiatives for fair trade and prevention of corruption

With the "Code of Ethical Behavior" formulated, ISEKI Group has thoroughly ensured that all employees of the Group appropriately execute operations. In recent years, with the expansion and diversification of its overseas business, ISEKI Group has been working to establish compliance systems and enhance internal control at overseas group companies. In 2021, the Group developed rules for preventing bribery involving foreign public officers, etc., and strove to ensure thorough compliance with them, mainly at each overseas base.

In relation to adequate provision of information such as labeling methods regarding products and service, and fair transactions at sales subsidiaries in Japan, ISEKI Group has established and operated "Sales Administrative Rules."

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.

● Initiatives for protecting personal information

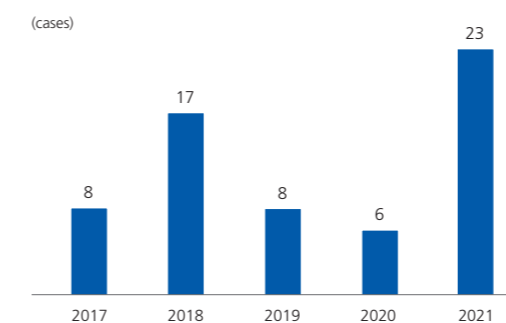
Recognizing the importance of protecting personal information in an advanced information-communication society, ISEKI Group has established and published the "Personal Information Protection Policy." In accordance with the Personal Information Handling Regulations, the Group has had in place internal systems concerning the protection of personal information, making efforts for appropriate management of personal information by taking measures for the safe management and conducting educational activities for employees. Going forward, aware of the importance of the protection of personal information, we will work to strengthen the 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 IT Planning. 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.

To mitigate information security risks, the Group enhanced the management system of information security, including revision of internal regulations and enhancement of monitoring of communication situation and log information, etc.

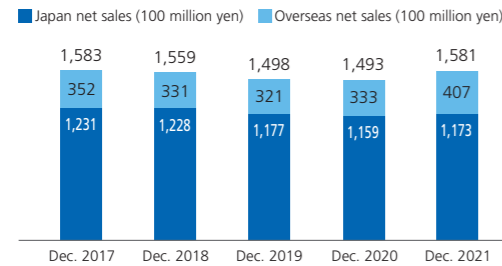
Number of whistle-blowing cases



Financial highlights (FY2021)

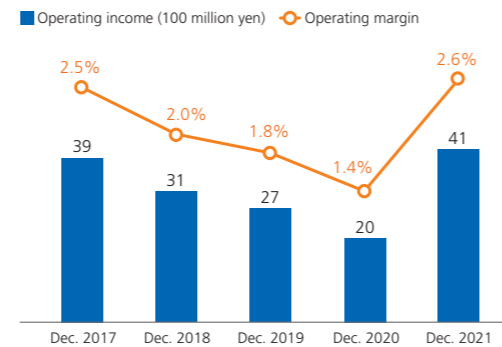
Net sales

Net sales came to 158.1 billion yen, up 8.8 billion yen year on year. [Japan] Sales increased due to a recovery from the reactionary fallout from the consumption tax hike and demands spurred by business continuity subsidies and other factors. [Overseas] Sales increased in every region, with North America posting higher sales on the back of the strong compact tractor market, Europe growing mainly in products for consumers, and Asia increasing due to the consolidation of a Thai distributor as a consolidated subsidiary at the end of 2020.



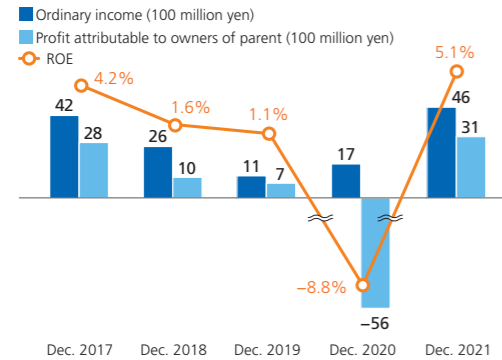
Operating income / Operating margin

Operating income increased by 2.0 billion yen year on year to 4.1 billion yen, due to an increase in gross profit from higher sales and the absence of a loss on valuation of parts inventory recorded in the previous fiscal year. Operating margin improved by 1.2% year on year to 2.6%.



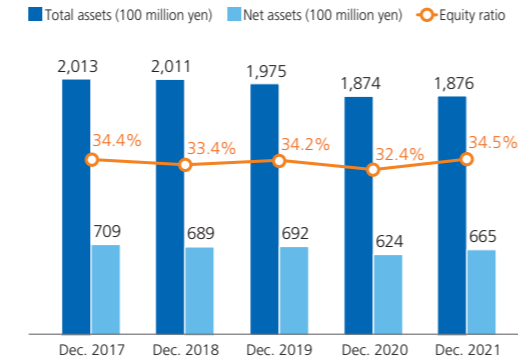
Ordinary income / Profit attributable to owners of parent / ROE

Ordinary income came to 4.6 billion yen, up 2.9 billion yen year on year due to a favorable turnaround in foreign exchange losses (gains), a decrease in loss of entities using equity method, and recording of a settlement income. Profit (loss) attributable to owners of parent increased by 8.8 billion yen year on year to 3.1 billion yen due to a decrease in impairment loss on non-current assets recorded in the previous fiscal year, etc.



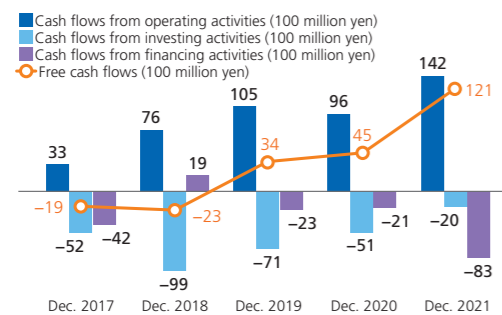
Total assets / Net assets / Equity ratio

Total assets increased by 0.2 billion yen year on year to 187.6 billion yen, due to an increase in cash and deposits resulting from increased sales and a decrease in inventories, etc. Net assets came to 66.5 billion yen, up 4.1 billion yen year on year due to an increase in retained earnings.



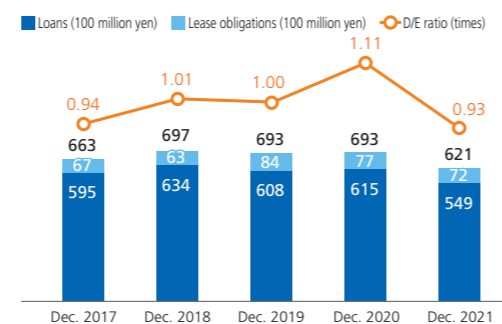
Cash Flows

In the cash flows from operating activities, proceeds increased by 4.5 billion yen year on year due to the increase in net sales and the inventory reduction. In the cash flows from investing activities, purchase decreased by 3.1 billion yen year on year due to the reduction in capital investment. As a result, in the free cash flows, proceeds increased by 7.6 billion yen year on year. In the cash flows from financing activities, cash outflow increased by 6.1 billion yen year on year due to the repayments of borrowings, etc.



Interest-bearing debt / D/E ratio

Interest-bearing debt decreased by 7.1 billion yen year on year to 62.1 billion yen due to a progress in reducing short-term loans payable. D/E ratio, which shows the soundness of finance, was at 0.93 times due to the reduction of interest-bearing debt and the increase in net assets.



Consolidated financial summary

(Millions of yen)

	Dec. 2017	Dec. 2018	Dec. 2019	Dec. 2020	Dec. 2021
Results of Operations					
Domestic sales	123,136	122,812	117,717	115,907	117,396
Overseas sales	35,245	33,143	32,181	33,397	40,795
Net sales	158,382	155,955	149,899	149,304	158,192
Gross profit	46,206	45,945	44,507	43,476	46,841
Operating income	3,953	3,179	2,745	2,084	4,147
Ordinary income	4,250	2,629	1,108	1,702	4,687
Profit (loss) attributable to owners of parent	2,807	1,090	723	(5,641)	3,196

Financial Position (at the end of the fiscal year)

Cash and deposits	7,981	7,475	8,404	10,787	14,850
Notes and accounts receivable – trade	25,113	23,327	19,675	21,780	21,537
Inventories	53,406	53,719	54,179	51,847	49,871
Other	5,249	7,269	4,900	5,564	4,843
Total current assets	91,751	91,791	87,159	89,979	91,103
Property, plant and equipment	95,592	96,842	98,346	86,287	84,962
Intangible assets	1,025	1,082	1,288	1,967	2,290
Investments and other assets	12,978	11,440	10,717	9,193	9,328
Total non-current assets	109,596	109,365	110,352	97,449	96,581
Total assets	201,348	201,156	197,511	187,428	187,684
Notes and accounts payable – trade	40,673	39,736	37,752	36,872	39,279
Short-term loans payable (including current portion of long-term loans payable)	35,220	42,877	39,351	37,460	30,210
Other	13,750	12,979	12,630	11,814	11,852
Total current liabilities	89,644	95,593	89,735	86,147	81,342
Long-term loans payable	24,354	20,571	21,525	24,114	24,728
Net defined benefit liability	3,312	4,063	3,059	3,144	2,912
Deferred tax liabilities for land revaluation	5,780	5,780	5,759	4,097	4,097
Other	7,339	6,188	8,180	7,504	8,042
Total non-current liabilities	40,787	36,603	38,524	38,861	39,780
Total liabilities	130,432	132,197	128,259	125,009	121,123
Shareholders' equity	52,330	52,746	52,840	50,346	53,567
Accumulated other comprehensive income	16,833	14,454	14,641	10,310	11,201
Subscription rights to shares and non-controlling interests	1,752	1,759	1,770	1,762	1,792
Total net assets	70,916	68,959	69,252	62,419	66,561
Total liabilities and net assets	201,348	201,156	197,511	187,428	187,684

Cash Flows

Cash flows from operating activities	3,308	7,616	10,509	9,694	14,233
Cash flows from investing activities	(5,273)	(9,944)	(7,104)	(5,167)	(2,039)
Free cash flows	(1,965)	(2,327)	3,404	4,526	12,194
Cash flows from financing activities	(4,294)	1,970	(2,396)	(2,179)	(8,338)
Net increase (decrease) in cash and cash equivalents	(6,113)	(408)	981	2,383	4,048

Information Per Share (Yen)

Net assets	3,061.8	2,974.7	2,987.1	2,683.1	2,864.4
Profit (loss)	124.2	48.2	32.0	(249.5)	141.4
Cash dividends	30.0	30.0	30.0	–	30.0

Management Indicators

Equity ratio (%)	34.4	33.4	34.2	32.4	34.5
ROE (%)	4.2	1.6	1.1	(8.8)	5.1
ROA (%)	1.4	0.5	0.4	(3.0)	1.7
CCC (days)	99.3	101.0	104.8	104.9	84.4
D/E ratio (times)	0.94	1.01	1.00	1.11	0.93

Note

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

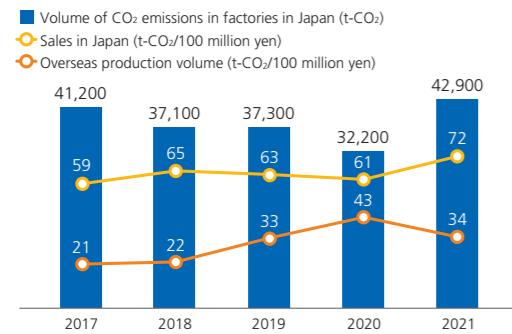
3 CCC (Cash conversion cycle) = Days sales outstanding + Days of inventory outstanding – Days payable outstanding

4 D/E ratio = Interest-bearing liabilities/Net assets

Non-financial highlights (FY2021)

Volume of energy-generated CO₂ emissions in factories *1 **Environment**

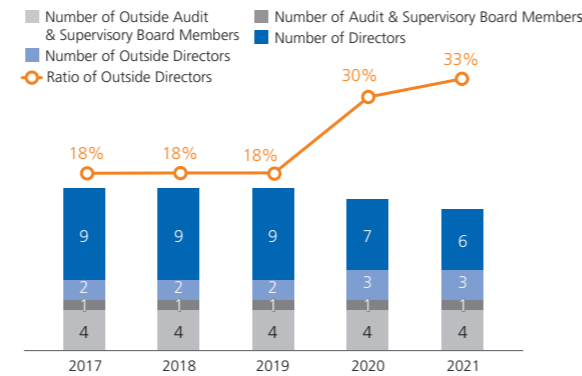
We are working to reduce CO₂ emission volumes in our production activities as part of corporate activities to enable a sustainable society. In 2021, due to an increase in the CO₂ emission factor for domestic electricity, the emission volume increased.



* Japan: Three factories (ISEKI-Matsuyama MFG. Co., Ltd., ISEKI-Kumamoto MFG. Co., Ltd., ISEKI-Niigata MFG. Co., Ltd.)
 Overseas: PT. ISEKI INDONESIA, Dongfeng Iseki Agricultural Machinery Co., Ltd. (Changzhou Factory and Xiangyang Factory)
 *The CO₂ emission factor for domestic electricity is revised every year based on values published by the Ministry of the Environment.
 *The results for 2017 to 2020 have been corrected due to an error in calculation.

Number of Directors and Audit & Supervisory Board Members/Ratio of Outside Directors **Governance**

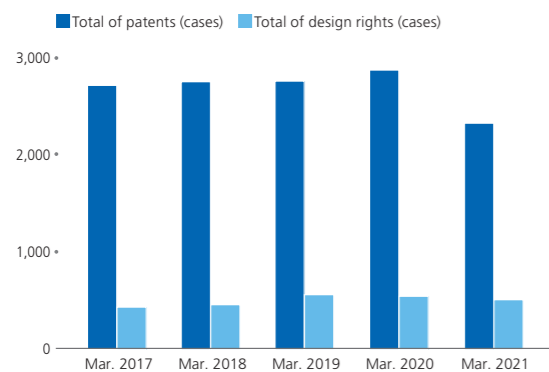
In March 2022, we appointed at least one-third of Outside Directors within all Directors to enhance corporate governance. We are working on further enhancement of transparency and objectivity of management.



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

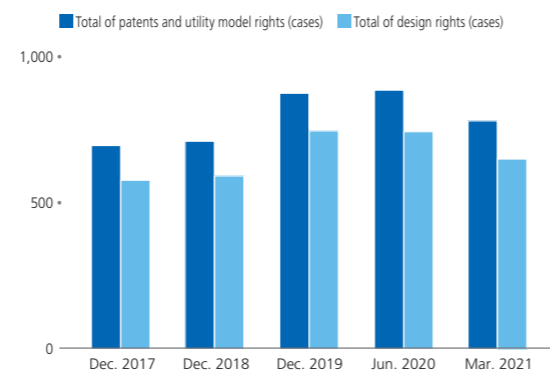
The company has over approximately 2,300 patents, thanks to its acquisition and accumulation of validated claims, and it also holds more than approximately 500 design rights.

● **Japan**



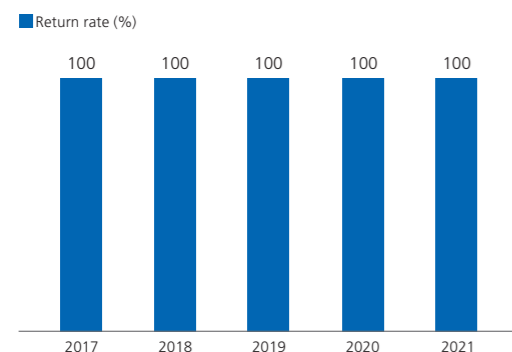
We actively submit applications using the intellectual property regimes of various countries to lead to differentiation of products in the overseas market.

● **Overseas** *2



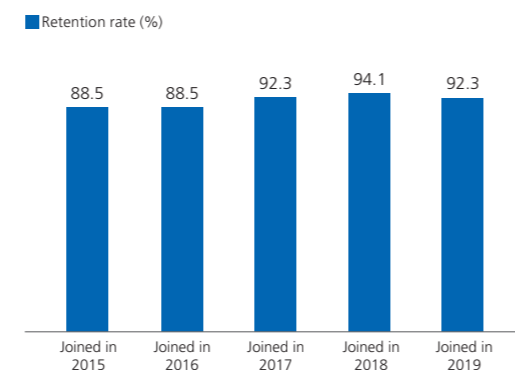
Rates of return to work following childcare leave **non-consolidated** **Human resources**

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 **non-consolidated** **Human resources**

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



*1 The value is different from the past report, because of the review of electricity emission factor.
 *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, 2021

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: 5,371 (Development and Production Section: 1,669; Sales Section: 3,356; and Other Sections: 346)
 Non-Consolidated: 738

Status of shares

As of December 31, 2021

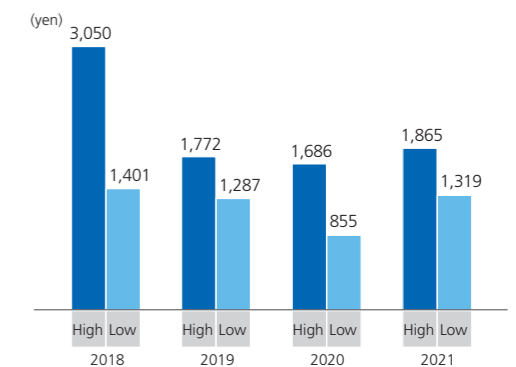
Company code: 6310
 Total number of authorized shares: 69,000,000 shares
 Shares issued and outstanding: 22,610,948 shares (excluding treasury stock of 374,045 shares)
 Number of shares per trading unit: 100 shares
 Number of shareholders: 18,972

Major shareholders (top 10)

Name of major shareholder	Number of shares held (shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,344,900	10.37
Mizuho Bank, Ltd	1,070,800	4.73
The Norinchukin Bank	868,785	3.84
Iseki kabushiki hoyukai (Company's Stockholding Co-op.)	851,309	3.76
Sumitomo Mitsui Trust Bank, Limited	800,000	3.53
Custody Bank of Japan, Ltd. (Trust Account)	732,800	3.24
Iseki eigyo-hansya group syain modikabukai (Business-selling Group Holdings)	598,500	2.64
The Iyo Bank, Ltd.	580,042	2.56
Sompo Japan Insurance Inc.	434,500	1.92
The Kyoei Fire and Marine Insurance Company, Limited	352,700	1.55

(Note) The Company holds 374,045 shares of treasury stock but is excluded from the above major shareholders. Shareholding ratios are calculated after the deduction of treasury stock.

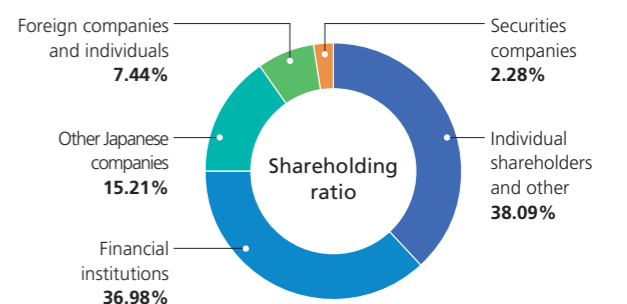
Share price trends



Status of distribution of shares held by type of shareholder

Shares issued and outstanding: 22,610,948 shares (excluding treasury stock of 374,045 shares)

Breakdown	Number of shares held (shares)	Shareholding ratio (%)
Individual shareholders and other	8,613,610	38.09
Financial institutions	8,361,612	36.98
Other Japanese companies	3,438,009	15.21
Foreign companies and individuals	1,682,044	7.44
Securities companies	515,673	2.28



Evaluation by third parties

DBJ Environmental Rating – highest rating 16 times in a row

In April 2022, ISEKI received the highest rating as one of the “Companies doing environment-friendly business activities progressively,” 16 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 establishing company's entire environmental management.
- 2 ISEKI is putting contribution to the environment through in-house solutions into practice.
- 3 ISEKI is promoting efforts to realize sustainable agriculture.

