

Domestic market strategies (Domestic business company)



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

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Message from the General Division Manager of the Business Division

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

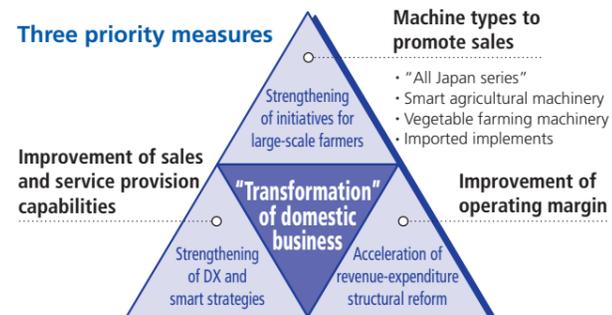
In order to respond to this situation, the domestic business company is striving to improve the value of Japanese agriculture by focusing on the priority measures of "strengthening of initiatives for large-scale farmers," "strengthening of DX and smart strategies," and "acceleration of revenue-expenditure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

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

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

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

Key points of the Mid-term Management Plan strategies



Strategy for Sustainable Food Systems, MIDORI

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

Strategic goals (2050)

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

Assuming the expansion of environmentally sound agriculture including organic farming

Market environment

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

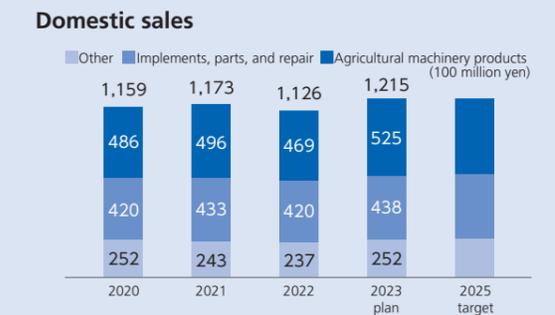
Future outlook

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

Progress of Mid-term Management Plan

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

Performance graph



Featured topics Initiatives for environmentally sound agriculture and organic farming

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

ISEKI's organic rice farming technologies

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

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

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

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

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

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



Aigamo-Robo, an automatic weeding robot

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



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

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

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Priority measures • 1

Strengthening of initiatives for large-scale farmers

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

Expand machine types equipped with a function to assist straight traveling

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

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



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

Strengthen initiatives for variable fertilizing

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

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

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

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



8-rows variable fertilizer rice transplanter PRJ-FV type

Holding ISEKI Agri JAPAN Festa

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

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



Tractor Festival held at Kasaoka Fureai Airport

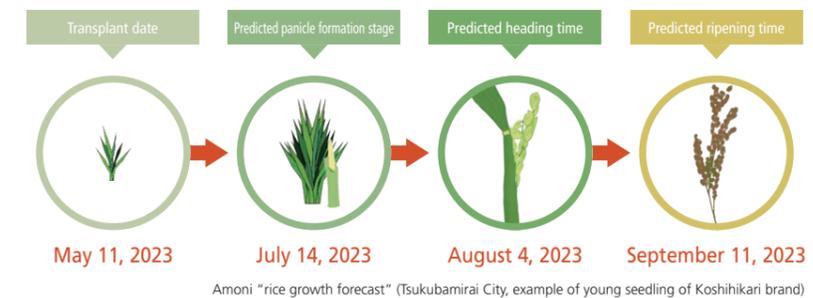
Priority measures • 2

Strengthening of DX and smart strategies

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

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

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



Priority measures • 3

Acceleration of revenue-expenditure structural reform

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

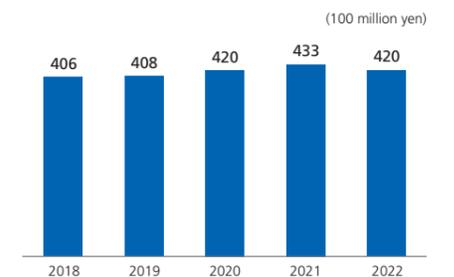
Another pillar of the revenue-expenditure structural reform is "establishment of large-scale service facility." We will continue to promote capital investment by reviewing and verifying the effect of investment on a block by block basis, including our market share and the environment in the neighborhood.

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

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

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

Implements, parts and repair fees



ISEKI Hokkaido's Nakashibetsu Service Workshop