

Mid-term Management Plan (2021–2025)

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

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



2030

Long-term vision

Solution Provider

for Agriculture & Landscape

Operating margin for 2025

5%

2021–2022

Changes in the Business Environment

Ukraine situation
Soaring raw
material prices

Increased
demand for
food production

COVID-19

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

Provision of the best solutions

- Selection and concentration
- Business model transformation

Enhancement of corporate value by strengthening
profits and reinforcing corporate governance

- Improvement of profitability
- ESG

Mid-term Management Plan (2021–2025)

Progress of basic strategies (achievements and challenges)

1 Provision of the best solutions

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

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

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

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

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

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

Responses to the challenges identified

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

Selection and concentration

Shared design and fewer models

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

Reorganization of sales channels

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

Improvement of profitability

Optimization of production

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



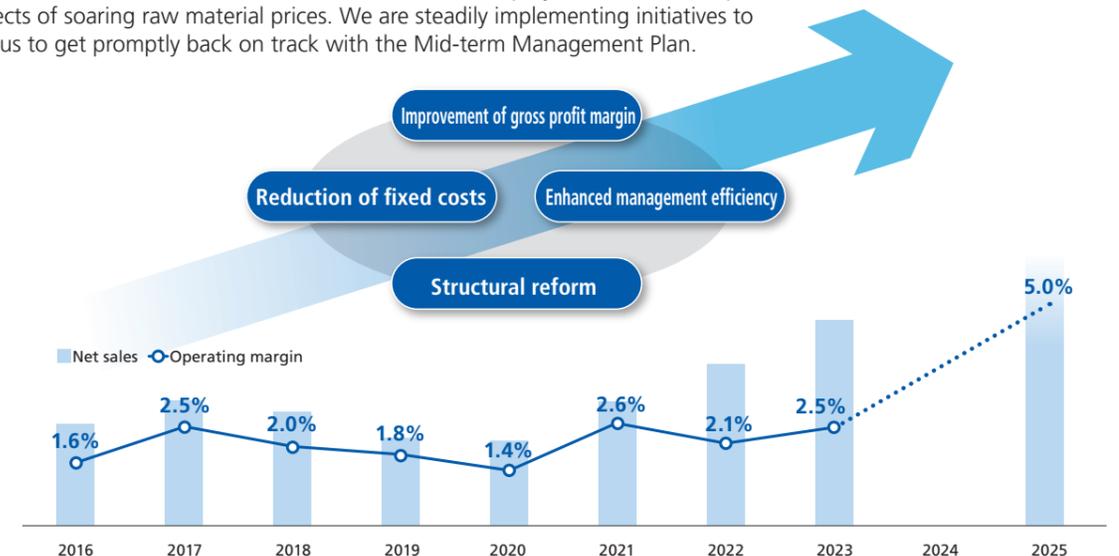
New factory building at PT. ISEKI INDONESIA (right)

Improvement of operational efficiency

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

Progress of numerical targets

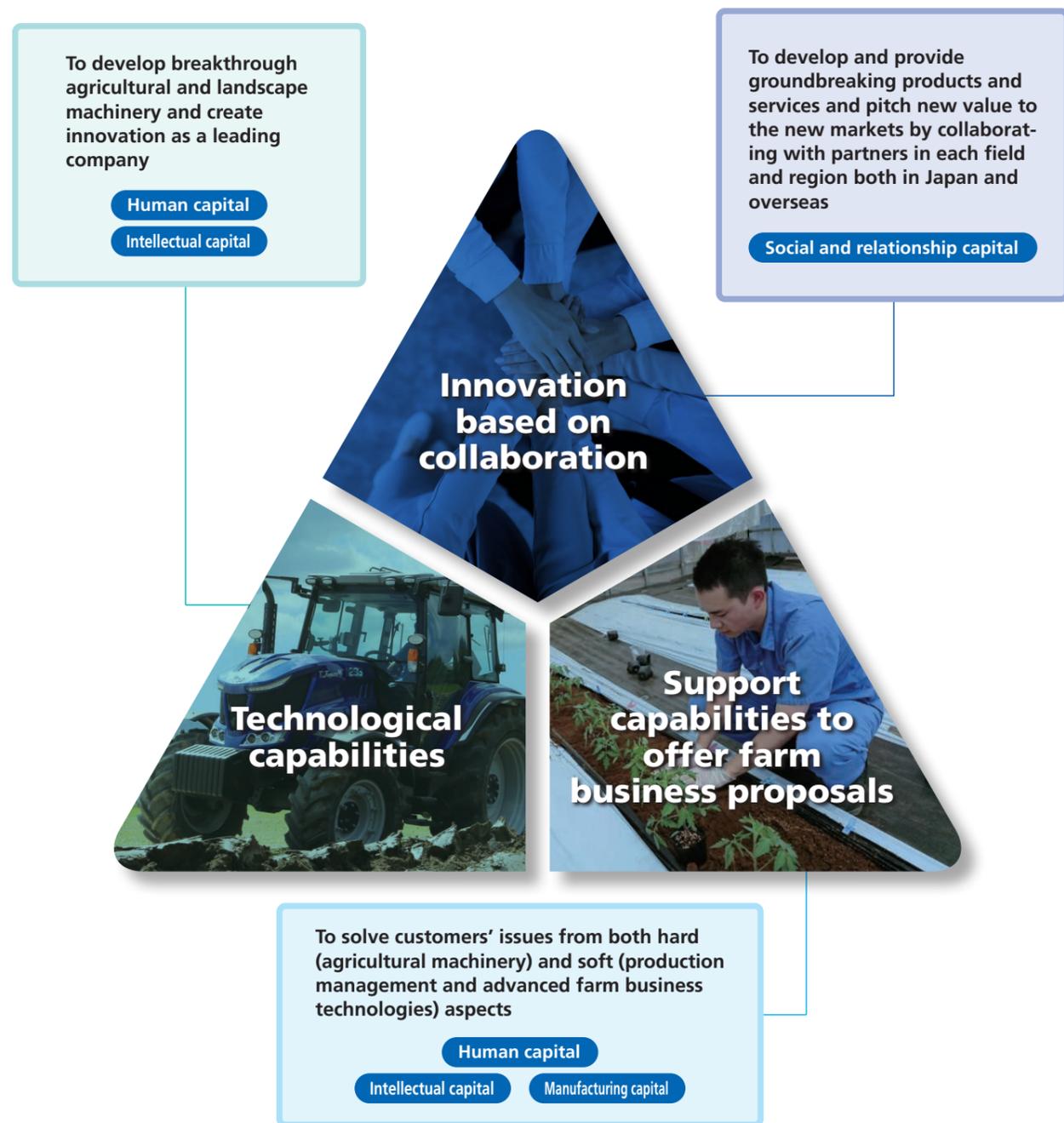
Our financial results in 2021, the first fiscal year of the Mid-term Management Plan, were in line with projections. Our net sales results for 2022 and forecasts for 2023 also exceeded projections; however, profits continue to face headwinds due to the effects of soaring raw material prices. We are steadily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



ISEKI Group's strengths

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

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



Human resources development to enhance our strengths

Human capital **Intellectual capital**
Manufacturing capital

Development of experts through professional training

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

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

Technological capabilities

Human capital **Intellectual capital**

ISEKI Group's high technological capabilities

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

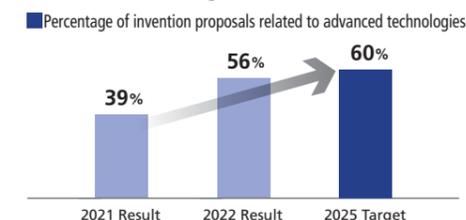
ISEKI Group's proactive efforts to develop, launch, and commercialize new technologies are exemplified by the high number of patent application registrations in Japan per specialty field, high patent allowance rates, and awards received in recognition of the inventions. Taking advantage of the technological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

> Please refer to p. 51 for intellectual property strategies

Activities to strengthen our IP related to advanced technologies

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

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



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

ISEKI Group's strengths

Support capabilities to offer farm business proposals

Human capital Intellectual capital
Manufacturing capital

Dream Agricultural Research Institute (DARI)

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



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

Diverse research, demonstration experiments, and dissemination activities

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

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

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

Development of experts

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

Innovation based on collaboration

Social and relationship capital

Collaboration with national and local governments and private-sector companies

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

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



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

Collaboration with overseas strategic partners

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



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

Joint development with research institutions and universities

Joint development projects in FY2022

Research institutions **10 themes**

Universities **3 themes**

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

Initiatives to leverage our strengths

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

Initiatives to realize environmentally sound smart agriculture

“Technological capabilities” × “Innovation based on collaboration”

Development of products that reduce environmental burden

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

Straight-travel assist function with automatic steering (includes robots)

Reducing fuel usage through work optimization

- Rice transplanters From 2017 Straight-travel assist function introduced in 60% of eight-row class models
- Tractors From 2021 Lineup enhanced in 2022 with addition of mid-sized models
- Combine harvesters From 2023 Rolled out primarily through demonstrations during 2022

Sensors

Controlling the quantity of fertilizer used via sensors

- Variable fertilizer rice transplanters Fertilizer use reduced by approx. 30% (estimate for combination of variable fertilizing and crop-side dressing)
- High-clearance multipurpose vehicles (smart fertilizer top dressing system) Fertilizer quantities controlled automatically according to crop growth

Partial fertilizing

Reducing fertilizer use by fertilizing only where necessary

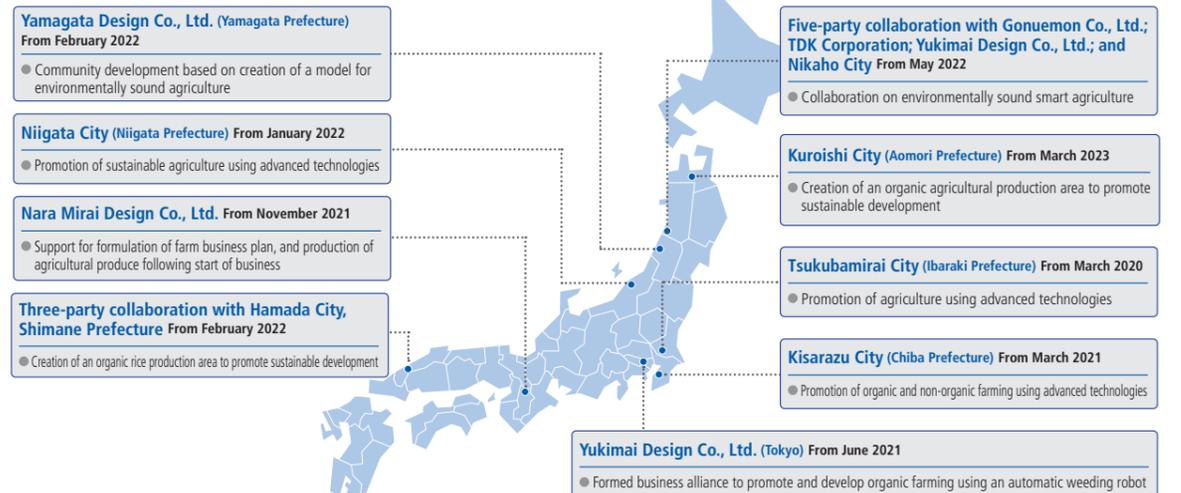
- Ridge-making tractor (tractor implement) ... Fertilizer use reduced by approx. 30%–50%

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

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

To promote smart and environmentally sound agriculture, we are collaborating with local governments and private-sector companies.

We are reinforcing our initiatives to turn rural locations into agricultural production areas through farm business proposals and support provided primarily by DARI.



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

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



Domestic market strategies (Domestic business company)



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

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

Message from the General Division Manager of the Business Division

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

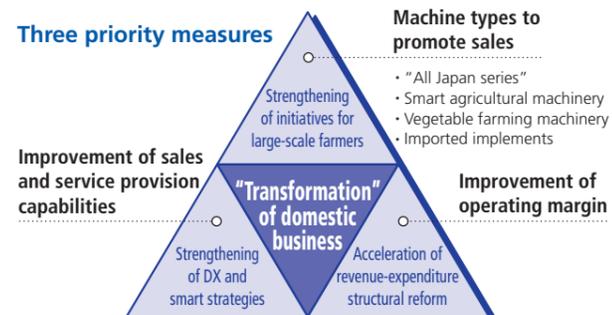
In order to respond to this situation, the domestic business company is striving to improve the value of Japanese agriculture by focusing on the priority measures of "strengthening of initiatives for large-scale farmers," "strengthening of DX and smart strategies," and "acceleration of revenue-expenditure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

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

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

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

Key points of the Mid-term Management Plan strategies



Strategy for Sustainable Food Systems, MIDORI

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

Strategic goals (2050)

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

Assuming the expansion of environmentally sound agriculture including organic farming

Market environment

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

Future outlook

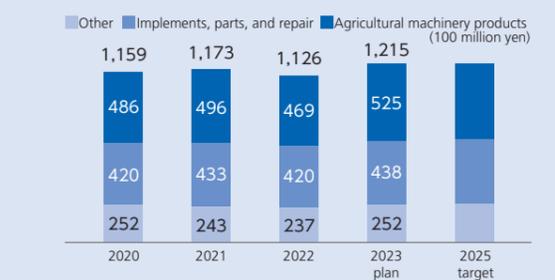
- In accordance with the Act of the Promotion of Business Activities to Reduce Environmental Burden for the Establishment of a Food System in Harmony with the Environment, smart agriculture and environmentally sound organic agriculture that contribute to reducing environmental burden are expected to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

Progress of Mid-term Management Plan

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

Performance graph

Domestic sales



Featured topics Initiatives for environmentally sound agriculture and organic farming

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

ISEKI's organic rice farming technologies

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

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

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

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

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

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



Aigamo-Robo, an automatic weeding robot

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



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

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

Domestic market strategies (Domestic business company)

Priority measures • 1

Strengthening of initiatives for large-scale farmers

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

Expand machine types equipped with a function to assist straight traveling

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

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



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

Strengthen initiatives for variable fertilizing

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

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

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

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



8-rows variable fertilizer rice transplanter PRJ-FV type

Holding ISEKI Agri JAPAN Festa

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

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



Tractor Festival held at Kasaoka Fureai Airport

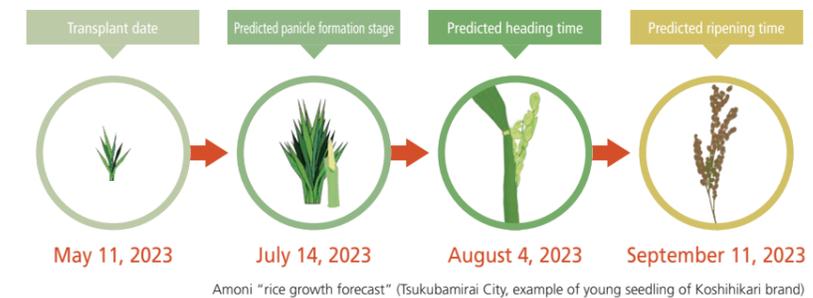
Priority measures • 2

Strengthening of DX and smart strategies

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

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

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



Priority measures • 3

Acceleration of revenue-expenditure structural reform

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

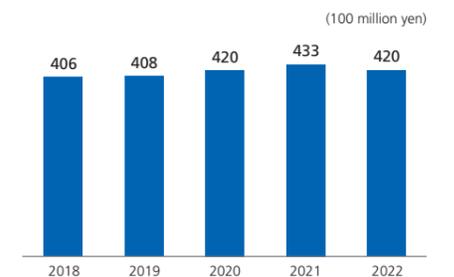
Another pillar of the revenue-expenditure structural reform is "establishment of large-scale service facility." We will continue to promote capital investment by reviewing and verifying the effect of investment on a block by block basis, including our market share and the environment in the neighborhood.

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

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

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

Implements, parts and repair fees



ISEKI Hokkaido's Nakashibetsu Service Workshop

Overseas market strategies (Overseas business company)



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

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

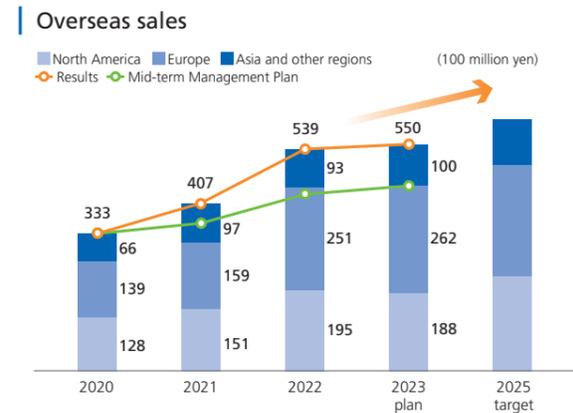
Message from the General Division Manager, Overseas Business Division

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

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

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

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



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

Priority measures • 1

North America strategy

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

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

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

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

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

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

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



Our tractors that match the lifestyle of North America

Trends in North American compact tractor market and new housing starts



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

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



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

Overseas market strategies (Overseas business company)

Priority measures 2

Europe strategy

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

▶ Providing high quality products and services that support essential businesses

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

▶ Strengthening cooperation with European distributors

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

▶ Developing products that support sustainable economic growth

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



Tractor doing snow clearing works



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

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



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

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

Priority measures 3

Asia strategy

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

▶ Southeast Asia: solidly strengthen foundations based on IST

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



Tractor tilling in Thailand

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

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

▶ Strengthen cooperation with TAFE in India

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

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



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

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

Product/development strategies (Development and production company)



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

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

Message from the General Division Manager, Development & Production Division

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

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

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

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

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

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

Key points of the Mid-term Management Plan strategies

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

ISEKI Group's initiatives in research and development

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

Research and development policy

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

Spirits as the engineer

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

Research and development

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

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

Social changes and issues

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

Domestic strategy <Response to large-scale farming>

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

Overseas strategy <Response to brand expansion>

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

Common strategy <Safety and environmental responses/Frontrunner development>

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

Research and development system

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

Research and development system



Expand research and development investment in priority strategic fields

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

Product/development strategies (Development and production company)

Structural reforms through establishment of an optimal production system

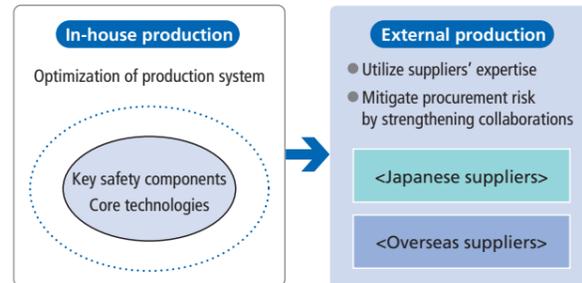
> Domestic production system in Japan

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

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

*QCD (quality, cost and delivery)

Optimization by reviewing the in-house/external production categories



> Global production system

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



Main assembly line at PT. ISEKI INDONESIA

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



Strengthening supply chain management

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

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

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



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



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

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



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

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

Message from the Director in charge of personnel

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

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

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

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

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

Policy for human resources development

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

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

Policy for workplace environment creation

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

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

Enhancement of employee engagement

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

Our initiatives

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

FOCUS

Implementation status of engagement surveys

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

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

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

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

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

Transformation of human resources

Development of global talent

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

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

Introduction of new recruitment methods

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

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



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

Indicators related to human capital (2022 result)

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

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

> FOCUS

● Ratio of female managers

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

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

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

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



Training program for female employees

● Ratio of male employees who took childcare leave

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

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

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

Promotion of health & productivity management

> Health & Productivity Management Declaration

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

> Mental health seminars

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

> Acquisition of certification of health & productivity management outstanding organization

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



Respect for human rights, Prohibition of discriminatory treatment

☑ Basic Policy (Fundamental concept)

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

Occupational safety and health management

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

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

Policies Concerning Safety

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

Implementation of risk assessment based on risk-prediction activities
 > Identifying risks and hazards in operations, taking risk reduction measures, and thereby preventing accidents from occurring.

Provision of safety education

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

Statistics of industrial accidents: severity rate (%)

2018	2019	2020	2021	2022
0.001	0.371	0.000	0.004	0.260

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

VOICE — Employees' voice

Employee playing an active role while taking advantage of childcare leave

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

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



Successful female employee

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

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

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



Successful employee who joined us mid-career

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

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



Intellectual property strategies

Intellectual property policy

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

› Invention creation and patent strategies

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

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

› Design and trademark strategies

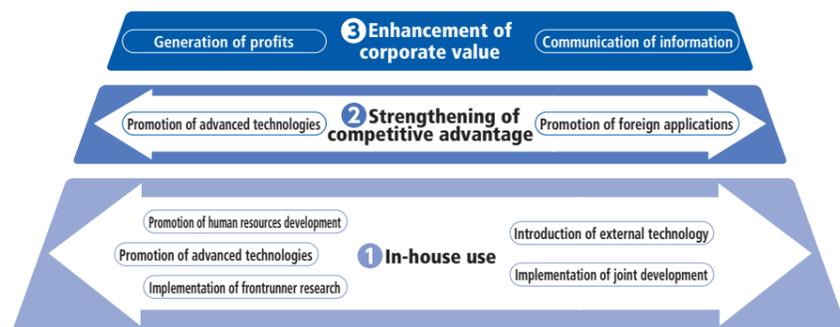
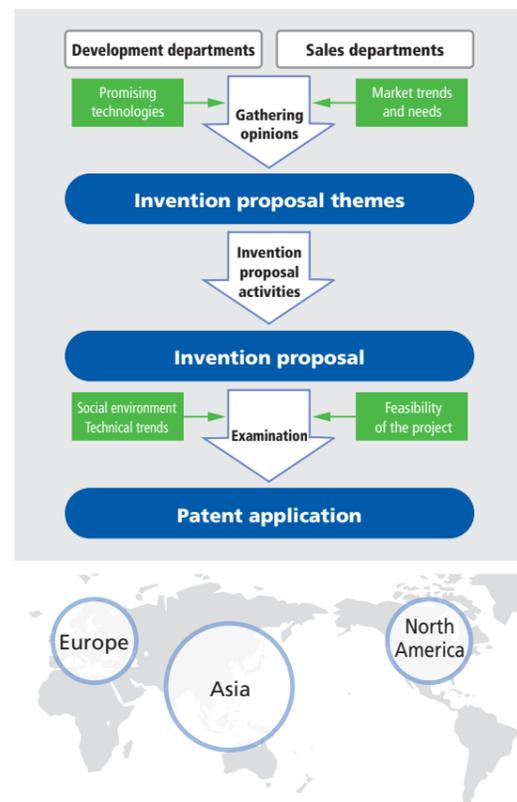
By building up a store of attractive designs and friendly pet names as design rights and trademark rights, we strive to improve ISEKI brand value through differentiation from competitors' products and enhanced protection of product design.

› Establishment of overseas IP network

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

› Use of intellectual property

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



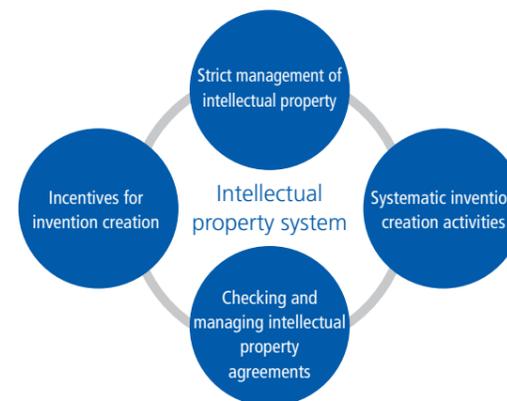
› Intellectual property system

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

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

› Invention awards scheme

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



› Intellectual property management

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

Example: Valuation of intellectual property

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

› Human resources development

[Intellectual property education, transmission of creative abilities]

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

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

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

Number of patent application registrations per specialty field

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

Patent allowance rate

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

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

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

National awards for inventions: **19**

Regional awards for inventions: **213**

Total: **232**

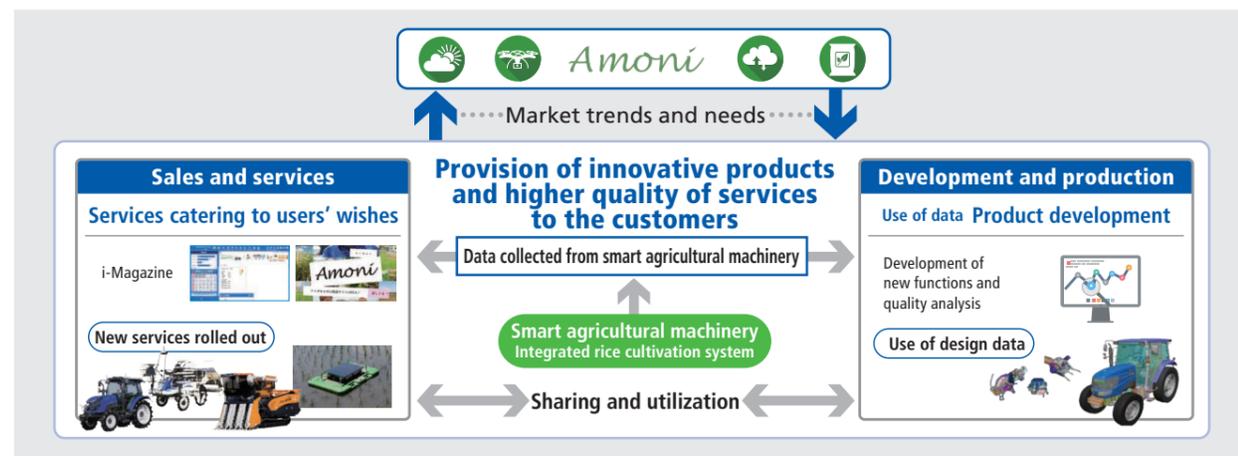
(As of February 2023)

DX promotion

Business model transformation through DX

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

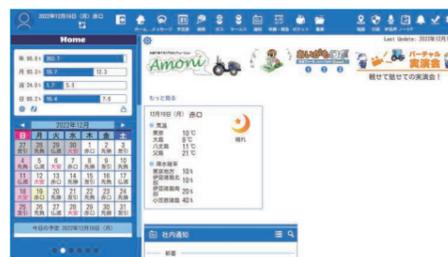
According to the Ministry of Agriculture, Forestry and Fisheries, the number of agricultural entities engaged in data-based farming grew steadily between 2020 and 2022, increasing by around 6% to 23%. For some time already ISEKI Group has strived to solve agriculture-related issues by supplying smart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



Examples of initiatives undertaken in sales and services

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

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

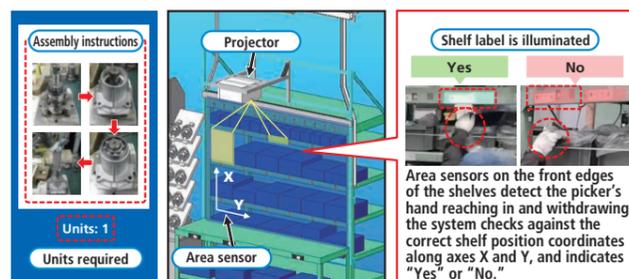


Examples of initiatives undertaken in production

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

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

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



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

Response to climate change

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



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

Governance

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

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

Strategy

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

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

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

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

Management of risks and opportunities

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

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

Response to climate change

Risks and opportunities based on scenario analysis

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

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

Financial impact (as of 2030)

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

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

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

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

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

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

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

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

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

Indicators and targets

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

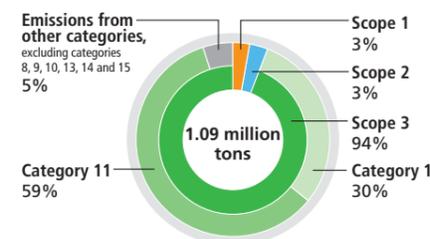
Indicators	Targets (mid- to long-term environmental targets)
CO ₂ emissions for entire ISEKI Group (Scope 1 & 2)	2030 46% reduction compared with 2014 (Total)
Eco-product ratio in domestic sales	2025 65% ratio in domestic sales

Initiatives throughout the entire value chain

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

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

CO₂ emissions from value chain



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

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

*These figures are calculated with reference to the Basic Guidelines on Accounting for Greenhouse Gas Emissions Throughout the Supply Chain of the Ministry of the Environment and Ministry of Economy, Trade and Industry.
 *Category 11 includes future emissions based on the assumption that the products sold in the respective years will be used for their useful lives.
 *Category 12 includes future emissions during the disposal of products sold in the respective years.
 *Scope 3 emissions of overseas sites are calculated based on the emission intensity database for Japan.
 *For details of emissions in each category, please refer to the Company's website.

Initiatives for the realization of a decarbonized society

Initiatives for environmentally friendly design

➤ Eco-product certification system

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

Example of environmental label



➤ Examples of certified products

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

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

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



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

Initiatives toward electrification of agricultural machinery

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

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

- Electric tractor prototype (2012)



- SXGE2 electric riding lawn mower (2022)



Initiatives for the promotion and expansion of environmentally sound agriculture

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

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

