

Strengthening effectiveness of the Board of Directors and corporate governance



We will support Project Z through to completion from an independent standpoint to improve corporate value.

At ISEKI & Co., Ltd., precise monitoring and advice from outside directors support the implementation of highly transparent organizational management, thorough compliance, and fundamental structural reforms and growth strategies through Project Z. At the meeting, three outside directors were invited to discuss the effectiveness of the Board of Directors and the strengthening of corporate governance.

Changes and effectiveness of the Board of Directors

Iwasaki: Currently, I serve as Chairman of the Board of Directors and the Nomination and Compensation Committee. The operation of the Board of Directors has changed year by year, and in FY2025, I had the impression that the Board of Directors became more stable and effective than ever, including agenda-setting. Discussions are also conducted freely and openly, and I judge that the Board of Directors is generally functioning effectively. As the Chairman of the

Board of Directors, the Corporate Planning Department serves as the Secretariat of the Board of Directors for proceedings, and the Company recognizes that a system has been established to facilitate communication with the Secretariat.

Kisogawa: I felt that the Board of Directors of the Company has been providing an extremely free and open-minded forum for discussion since my first year in office. Internal directors and executive officers also respond sincerely, creating an environment in

which Outside Directors can offer advice and raise points while deepening their understanding of the business. Improvements have been made year by year in regard to the advice and points raised, and we recognize that the PDCA cycle on the execution side is functioning steadily.

With the addition of Mr. Abe in FY2026, the current officer composition includes four outside directors, and half of the members are outside members. Diversity is also ensured, and discussions are invigorated as each director expresses his or her opinion from a perspective that utilizes his or her own experience and knowledge.

In addition, prior explanations from the Secretariat were solid, and this has been a great support for appropriate exchanges of views. Although the meeting materials have been improved in an easy-to-understand manner, there is still room for further improvement, and we will continue to make proposals on this point.

Kishimoto: As for the Board of Directors of the Company, as Mr. Iwasaki and Ms. Kisogawa commented, there was a very receptive atmosphere to the remarks, and I was able to ask questions freely from the beginning of my appointment. In terms of operations, I feel that Chairman Iwasaki has organized the agenda and materials in an appropriate manner, and that the proceedings are proceeding efficiently.

Speaking of a new change, the number of internal directors was reduced by one from FY2025. In line with this, the roles of the executive side have been clarified, and discussions have become more effective, with more proactive comments than ever before. In addition, although we, the three outside directors, have no work experience in manufacturers, Mr. Abe, who has a wealth of experience in manufacturers, was appointed as an outside director in FY2026. We therefore expect that meaningful discussions will be held from a broader perspective.

Iwasaki: One of the themes on which the Company's Board of Directors has deepened its discussions in recent years is initiatives to improve corporate governance. A system has been put in place whereby discussions can be held on various occasions, and the content has become more specific and sophisticated.

Discussions on Project Z have also deepened. At meetings of the Board of Directors, progress reports are received on a monthly basis, and confirmation and indication are made toward achieving the targets.

On the other hand, what I think will be an issue for the Board of Directors in the future is to discuss how to follow up on various management strategies that are being formulated. In addition, discussions on the ideal business portfolio and human resources strategy have yet to be fully developed, and these discussions need to be further enriched in the future.

Kisogawa: I focus on the extent to which awareness of governance and compliance has permeated the Company, and whether or not the Company is a self-improving company. The fact that discussions have increased is evidence of a growing awareness of the importance of governance and compliance, and I think it is worthy of praise. However, this is still a topic at meetings of directors and



executive officers. From now on, we need to thoroughly assess the extent to which this has permeated each and every employee.

Kishimoto: FY2025 was also a year in which the importance of strengthening the Company's governance and compliance became apparent once again, as seen in the recommendation received due to violation of the Subcontract Act (currently the Act on Optimization of Consigned Transactions with Small and Medium Sized Enterprises). It can be said that this led to the clarification of issues related to compliance awareness and governance. On the other hand, I also believe that it is necessary to deepen discussions on longer-term themes, such as the ideal shape of the Company for the future, in addition to the issues at hand.

Project Z from an outside perspective

Kisogawa: It was immediately after the launch of Project Z that I became an outside director. After my appointment, I received various progress reports, but in some respects the basis/supporting rationale for the target figures was not always sufficiently visible. Accordingly, we requested that the execution side clarify the accuracy of plans in each strategy and tactics field, and the current accuracy was made visible. It was easier to discuss some of the delays and shortfalls in the plans because the points were clarified. In the future, however, we will break down such progress into detailed measures and enter a stage where we will discuss the status of accumulated measures. I believe that the business execution side should continue to thoroughly identify issues and raise them as topics for discussion.

With regard to the fundamental structural reforms and growth strategy of Project Z, outside directors play a central role in confirming how the Company will recover in the event that changes in the assumptions for the plan or delays in progress are reported to the Board of Directors. At the same time, we are also discussing whether resources are being appropriately allocated to the growth strategies that should be addressed proactively.

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Managing risks and issues is crucial in a large-scale project like Project Z. “Are progress reports made with certainty each time?” and “Are plans being advanced while fully recognizing risks, including minor concerns, and formulating preventative measures?” These are the points I am most closely monitoring.

Kishimoto: With regard to recovery measures in response to delays in the plan, there were cases in which we analyzed the factors in more detail and deepened discussions to the point where and how to change them. When asked about the details of the projects that were behind schedule, there were cases where human resources were not sufficiently allocated, and cases where it was judged that appropriate human resources were not allocated even though the work required cooperation among many departments. In such cases, I candidly express my views as an outside director and encourage top-down leadership by the executive officer in charge, among other measures, and I believe these efforts have enabled me to contribute to the more effective management and advancement of projects.

Iwasaki: I agree. To give one specific example, we, as outside directors, visit the Matsuyama district in Ehime Prefecture, where our head office is located, and have the opportunity to hear various stories from local officers. When I visit the site and talk to them, I sometimes see where the problem lies. We convey these findings to the business execution side at the Board of Directors as our opinion, and make proposals for improvement.

In implementing Project Z, there are situations where the importance of the points at issue becomes unclear during discussions. We judge whether it is really an important point or whether the delay in progress is within an acceptable range. In recent years, changes in social conditions and market conditions have been significant, and I am constantly asking whether we are catching up. **Kishimoto:** Looking at the remaining two years leading up to 2027, we believe that the impact of the external environment, such as the recovery in rice prices, also contributed to a certain extent to the business results for FY2025. Based on this point, it is necessary to

conduct strict monitoring in a way that properly determines and sorts out whether the current results are due to such external factors or the effects and results of measures and responses.

In addition, production at the Kumamoto Factory was terminated in 2025, and work is underway to transfer production of combine harvesters to the Matsuyama Factory. The completion of the production transfer is not the goal here either, and it is necessary to improve profitability by efficiently operating the consolidated production facilities in Matsuyama. We recognize that it is important not only to establish a production system, but also to achieve results through its operation.

Iwasaki: We recognize that the improvements in profitability and asset efficiency targeted by Project Z are progressing smoothly. However, as the uncertainty of the external environment increases, it may become difficult to achieve the targets unless we quickly respond to changes. Whether or not risks are detected at an early stage and a prompt response is made will be an important point for future monitoring.

From a stricter perspective, we will not be able to survive in the competitive market unless we move ahead with our targets ahead of schedule, rather than making progress as planned. In response to the report from the business execution side, I will point out and make proposals in a concrete form that I think we can still do this, rather than simply accepting it as good.

Kisogawa: In order to achieve the “operating margin of at least 5%” and “ROE of at least 8%” set out as targets in Project Z, it is important to clarify the process by which these targets will be achieved, and the evidence behind these targets. In addition to the final numerical targets, we will carefully monitor how KPIs that are detailed in terms of process measures are set, how progress is being made in achieving these targets, and whether there are any areas where the pillars have fallen or collapsed.

Response to the revision of the corporate governance code

Iwasaki: Revision of the corporate governance code is currently in progress, and a draft revision was announced in April 2026. The revised plan calls for a shift to proactive governance toward improving corporate value, and includes several themes. In this context, I see the allocation and effective utilization of management resources as a theme that requires particular emphasis.

It will be necessary to clarify priorities for resource allocation and, in all activities including development and sales, maintain a perspective on where emphasis should be placed. To this end, I believe it is extremely important for the Board of Directors to accurately understand and organize the status of each division and determine policies.

Kishimoto: I agree with you. I think that the allocation and effective utilization of management resources is the most important theme in executing Project Z and improving the corporate value of ISEKI & Co., Ltd.

Among the other themes mentioned above, I am interested in strengthening the Secretariat of the Board of Directors, but at ISEKI & Co., Ltd., we have already recognized this as an important issue, and we are aware that we have achieved a certain level of strengthening by making improvements since FY2025.

Kisogawa: With regard to the allocating and effectively utilizing management resources, in particular, in order to make growth investments and allocate human capital efficiently and effectively, it is necessary to review operations on a zero base basis. The employees of ISEKI & Co., Ltd. are diligent and have a strong sense of responsibility, so they may not be very good at zero-based reviews that identify what should be discarded. I believe one point we outside directors should monitor is how the Company addresses this weak area and leads it to results.

Another key point in allocating and effectively utilizing management resources at ISEKI & Co., Ltd. is whether the resources obtained through fundamental structural reforms can be properly allocated to growth strategies. If resources are diverted to temporary cash needs in response to some event, the growth strategies that should be pursued in the first place will be neglected.

Iwasaki: These are important points that we, the outside directors, should check. Fundamental structural reforms should produce results in the short term in Project Z, but growth strategies should be considered over a longer period of time, so the question is whether they are well balanced. Of course, immediate-term numbers are important for a company, and it is natural that the focus should be on those numbers. However, we must also focus on how these numbers will ultimately relate to long-term growth in the future, and whether sufficient resources have been invested and the story for growth has been properly told.

Kisogawa: It can be said that the role of outside directors in proactive governance is currently in a transition period. When considering the direction the Company should take, I think that the perspective of an investor on how to improve corporate value is the most significant advantage that monitoring by Outside Directors brings. Therefore, I believe that the important roles of Outside Directors from now on will be to contribute to discussions on the establishment of strategies.

ISEKI & Co., Ltd.’s future potential

Kishimoto: The employees are sincere and sound, and at the same time they have a challenging spirit backed by high technical capabilities and development capabilities. The Company has built strong relationships of trust with many stakeholders, including farmers and business partners. This is the strength of ISEKI & Co., Ltd. and the source from which it continues to create value.

Due to the recent movement of rice prices, the importance of rice to the Japanese people has been reconsidered. Against this backdrop, ISEKI & Co., Ltd. is a company that will continue to fulfill its mission since its founding to support farmers. On the other hand, we are proactively promoting sustainable growth while increasing



new business pillars, including non-agri fields such as landscape improvement and overseas expansion. Going forward, I hope stakeholders will expect us to further accelerate the pace of transformation and significantly broaden the scope of value creation while proactively transforming ourselves. As an outside director, I will closely monitor and support these initiatives.

Kisogawa: ISEKI & Co., Ltd. is unique as a comprehensive agricultural machinery manufacturer, with its traditions and technological capabilities developed over its 100-year history. We expect its value to expand globally, not only in Japan. As Japanese food is gaining popularity around the world and is becoming widespread, the roles played by farmers will continue to increase. We expect that ISEKI & Co., Ltd., which will support these farmers as they take off toward the future and become a powerful partner in resolving issues, will be supported as an essential company in the world and will continue to develop sustainably.

As an outside director, I will help carry out proactive corporate governance that contributes to the expansion of corporate value, promote management monitoring from an external perspective, and participate in and contribute to discussions on formulating strategies for further growth.

Iwasaki: ISEKI & Co., Ltd. is a comprehensive agricultural machinery manufacturer with unique strengths in areas such as technical capabilities and agricultural business proposals and support capabilities. Based on our long-term vision of becoming a “Solution Provider Agriculture & Landscape,” I am confident that the social value and corporate value expansion that ISEKI & Co., Ltd. will achieve will be shared by all people.

I would like to ask our shareholders and investors for their long-term support. In addition, I will contribute to the development of ISEKI & Co., Ltd. from my position as the Chairman of the Board of Directors and the Nomination and Compensation Committee.

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