

# Materiality

The Company has determined the materiality to hit balance between solving social issues and sustainable growth of ISEKI Group.

Materiality	Vision (2030)	Related SDGs	Risks and opportunities		KPI	Target	Focused themes (strategies)	Status of activities
			Risks	Opportunities				
Value creation through business	Common	Develop products and generate business that contribute to the creation of the prosperous and sustainable society	Response to changes in policies of individual governments Competition with other companies, changes in economic conditions and the environment of agriculture Climate change, reduction of environmental burden, natural disasters, infectious diseases, etc. Lagging behind Chinese and other competitors in the European and U.S. electric product markets	New demand and needs Generation of business and creation of new value through innovation Increased demand for electric products Dissemination of electric products in the landscaping business and personal hobby market	Expansion of advanced technological intellectual properties Increase in the proportion of research and development investment in priority strategic fields	Percentage of invention proposals related to advanced technologies: 60% (in 2025)	Responses to changing demand and needs Generation of business and creation of new value through innovation	P45–48, P55–56
	Improved agricultural productivity	Japan Contribute to the realization of sustainable agriculture through the dissemination and promotion of agriculture that uses smart agricultural machinery and data	Decline in the number of farms in Japan, advancing age of farmers, and slowdown of demand due to an increase in contracting of farm work	Larger scale of Japanese agriculture, diversification of crops Develop measures to ensure the stability of food supplies Dissemination of smart agriculture (data-driven and environmentally sound agriculture) Partnerships with entities in other industries through DX	Dissemination of large-sized agricultural machinery and smart agricultural machinery	Larger proportion of large-sized agricultural machinery and smart agricultural machinery to sales	Strengthening of initiatives for large-scale farmers Strengthening of DX and smart strategies Acceleration of revenue-expenditure structural reform	P37–40
		Asia Contribute to the improvement of productivity through the mechanization of agriculture by providing agricultural machinery to suit individual countries and regions, leveraging the rice-growing technologies developed in Japan	Lowering of prices, rise of Indian, South Korean, and Chinese competitors Chinese and other manufacturers leading the competition of EV products	Progress in mechanization of agriculture in ASEAN, India, and other regions Dissemination of smart agriculture (data-driven and environmentally sound agriculture) in East Asia, etc. Expansion of price competitive products manufactured by TAFE into the ASEAN market	A wider spread of our products in the Asian region	Sales expansion in Asia	Build foundations for ASEAN business based on IST Farm Machinery Co., Ltd. Bring high-performance, large-scale agricultural machinery to market Enhancement of service systems Build a new business model through collaboration with TAFE	P41, 44
	Improvement of quality of life	North America Support the enhancement of private lives including hobby gardening and farming through provision of small-sized tractors, etc.		New demand for electric products, etc. Contribute to the SDGs such as "Sustainable cities and communities" by increasing sales of our products	Expansion of sales of tractors and riding lawn mowers for North America and Europe	Larger proportion of electric products to sales	Support for AGCO brand strategy development Bring machinery with reduced cost and economical specifications to market Reconstruct sales network with a view to consolidation Expand products such as electrification products Enhance consumer products and streamlined procurement of implements	P41–42 P41, 43
		Europe Contribute to the development of pleasant communities by safeguarding beautiful landscapes and environments						
	Realization of a decarbonized and recycling-oriented society	Contribute to the realization of a decarbonized and recycling-oriented society through business activities that take the environment into consideration	Tightening of environment-related regulations and standards Decline in demand due to changing market needs Decline in competitiveness due to delays in responding to GHG emission reduction solutions Suspension of product and service provision systems due to natural disasters such as typhoons and floods Increase in costs due to introduction of carbon tax and rising energy prices	Increase in demand for products and services that accommodate changes in the agricultural environment • Conservation of energy and labor • Reduction of greenhouse gas emissions • Reduction of fertilizer and agrochemicals • Expansion of organic farming, etc. Cost reduction through the introduction of facilities with high environmental efficiency Minimization of resource consumption Production activities with low environmental burden by curbing waste generation	Eco-product sales ratio Land area organically farmed (rice) Reduction of CO <sub>2</sub> emissions Reduction and reuse of production resources	Eco-product sales in Japan (%): 65% (in 2025) Domestic land area organically farmed (rice): 5,000 hectares (in 2030) Reduction rate of group-wide CO <sub>2</sub> emissions (compared with 2014): 46% (in 2030) Reduction rate of final volume of waste (compared with 2013): 71% (in 2030)	Response to climate change Preservation of biodiversity Resource circulation in production	P49–51, P61–62
Building of a resilient management base	Enhancement of brand value (building of trust)	Make our presence felt by solving social issues, leading to development of the relationships of trust with stakeholders and mitigation and prevention of risks	Serious defects in products and services Dependence on specific suppliers, soaring raw material prices, difficulty in procurement, and supply chain disruptions Reputational risk	Capturing customers and fans with secure, safe, and cost-effective products and services Building trust with suppliers Stabilization of business through a sense of presence in the region, enhancement of brand value, and co-existence	Enhancement of customer satisfaction Promotion of CSR procurement Strengthening relationships with local communities through ongoing communication activities	Satisfaction rate in each survey item: NPS of at least 20; at least 100% compared with the previous year Suppliers' CSR questionnaire response rate: at least 80% (in 2030) Suppliers' green procurement rate: at least 85% (in 2025) Implementing NOGYOJOSHI (female farmers) project activities (agricultural machinery seminars: three times/year; online seminars: three times/year)	Enhancement of customer satisfaction and quality assurance Strengthening supply chain management Co-existence with local communities	P63–64 P66 P66
		Secure core human resources to execute business strategies Maximize each individual's abilities and develop human resources with a spirit of challenge to bring about change Provide employees with secure and safe workplaces, and create rewarding workplaces	Shortage of labor power, outflow of human resources Rigid organization and culture due to homogeneity and bias of human resources An impact of property and personal damage on our business Reputational risk and damages due to industrial accidents Human rights violations due to labor issues (harassment, overtime work, etc.)	Improvement of ability to generate innovations through retention and development of women, experts, and foreign nationals Improvement of motivation and productivity Securing health and safety of employees	Promotion of diversity, equity & inclusion (DE&I) and enhancement of education Improving engagement survey scores	Ratio of female employees in managerial positions: at least 7% (in 2025) Foreign nationals in managerial positions: to be increased from the current level Ratio of mid-career hires in managerial positions: at least 7% (in 2025) Overall satisfaction rate in engagement surveys: at least 70% (in 2025)	Utilization and development of diverse human resources Promotion of health & productivity management	P57–60
		Respond to changes in the business environment swiftly and accurately, and maintain fair management	Risks in general • Risk of legal violation • Risks related to information security • Risks derived from international business and other risks	Stabilization of business activities Transformation through prompt management decision and appropriate risk taking Promotion of awareness and understanding through information disclosure Establishment of trust through constructive dialogue	Zero material legal violations and scandals Engagement opportunities	Number of material legal violations and scandals occurred: continued zero occurrence Material information security incident: zero occurrence Number of dialogues held between senior management, shareholders and investors: at least 50 times/year (in 2025)	Strengthening governance systems Strengthening internal control and ensuring compliance Prevention of risks from becoming obvious and minimization of losses through risk management, prompt management decision, and appropriate risk taking Information disclosure and constructive dialogue Systematic checking of disclosure information through the Information Disclosure Working Group and ESG Committee	P69–73 P54, P77–78
	Enhancement of corporate value by reinforcing corporate governance	Strive to disclose necessary information promptly and accurately, and create a transparent company						
	Improvement of financial performance	Build a management structure and foundation that can respond to changes in the environment and strive to achieve sustainable growth and enhance corporate value	Fluctuations in production caused by changes in economic conditions and the environment Stock market trends, price decline in land and other fixed assets Exchange rate fluctuations A hike in interest rate, rise of an obligation to pay back loans early because financial covenants are triggered	Establishment of an optimal production system capable of responding to changes Improvement of management efficiency and sophistication of business management Capital investment in line with growth strategies Diversification of procurement methods	Improvement of operating margin Improvement of asset efficiency	Operating margin: 5% (in 2027) Generation of operating cash flows: 50.0 billion yen (cumulative total of 2024–2027)	Structural reform Enhanced management efficiency Improved inventory turnover period Improved non-current asset turnover period	P25–32

## Materiality identification process

In identifying materiality, materiality has been examined from both aspects of the realization of corporate philosophy and long-term vision of ISEKI Group and social issues. In 2022, while striving to align with the vision and management strategies and based on the suggestions from the dialogue with external sustainability expert organizations, senior management discussed and partially revised materiality to be addressed.

