

Materiality

Materiality refers to the important issues that ISEKI Group will address as a priority for the achievement of ISEKI Group's aspirations and long-term vision. We have revised our materiality by aligning them with the risks and opportunities identified through SWOT analysis, etc., as well as our visions and management

strategies, after review with external sustainability expert organizations. We have set KPIs, and formulated and implemented a plan for specific initiatives for each materiality item. The ESG Committee manages the progress and reports to the Board of Directors.

Materiality	Vision (2030)	Related SDGs	Risks and opportunities		KPI	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. zero-emission (EV) product markets	New demand and needs Generation of business and creation of new value through innovation Increase in demand for electrification products Dissemination of electric products in the landscaping business and personal hobby market	Expansion of advanced technological intellectual properties Generation of business and creation of new value through innovation and development investment in priority strategic fields	Responses to changing demand and needs Generation of business and creation of new value through innovation	P43-46, P51-53
	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	Strengthening of initiatives for large-scale farmers Strengthening of DX and smart strategies Acceleration of revenue-expenditure structural reform	P35-38
		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 where rice is the main crop 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	Build foundations for ASEAN business based on IST Bring high-performance, large-scale agricultural machinery to market Enhancement of service systems Build a new business model through collaboration with TAFE	P39, 42
	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 electrification products, etc. Contribute to the SDGs goals such as "Sustainable cities and communities" by increasing sales of our products	Expansion of sales of tractors and lawn mowers for North America and Europe	Support for AGCO brand strategy development Bring machinery with reduced cost and economical specifications to market	P39, 40
		Europe	Contribute to the development of pleasant communities by safeguarding beautiful landscapes and environments			Expansion of sales of tractors and lawn mowers for North America and Europe	Reconstruct sales network with a view to consolidation Expand products such as electrification products Streamline procurement of consumer products and implements	P39, 41
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 CO2 emissions Reduction and reuse of production resources	Response to climate change Preservation of biodiversity Resource circulation in production	P54-57, P61-62	
Building 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	Enhancement of customer satisfaction and quality assurance Strengthening supply chain management Co-existence with local communities	P63-64 P65 P66
	Enhancement of employee engagement	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 & inclusion (D&I) and enhancement of education Improving engagement survey scores	Utilization and development of diverse human resources Promotion of health & productivity management	P47-50
	Enhancement of corporate value by reinforcing corporate governance	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	Zero material legal violations and scandals	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	P67-80
		Strive to disclose necessary information promptly and accurately, and create a transparent company			Promotion of awareness and understanding through information disclosure Establishment of trust through constructive dialogue	Engagement opportunities	Information disclosure and constructive dialogue Systematic checking of disclosure information through the Information Disclosure Working Group and ESG Committee	P60
Improvement of financial performance	Transformation to a lean and streamlined business structure 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	Building of an optimal production system capable of responding to changes Improvement of management efficiency and sophistication of business management Capital investment in line with growth strategies Diversification of procurement methods	Improvement of operating margin Improvement of asset efficiency	Structural reform Enhanced management efficiency Improvement of financial structure Creation of cash flows	P23-25	

Materiality identification process

In identifying materiality, materiality was examined from both aspects of the realization of corporate philosophy and long-term vision of ISEKI Group and social issues (social demands and expectations). Based on the suggestions from the dialogue with external sustainability expert organizations, senior management discussed and identified materiality to be addressed by the Group.

