



February 14, 2024

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Stock exchange listing: Tokyo Stock Exchange Prime Market
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Project Z Measures

We hereby announce the following measures to be implemented as part of Project Z launched on November 14, 2023 to promote fundamental structural reforms and other changes.

1. Project Z Measures

Overview

Under Project Z, we will formulate and implement measures for achieving fundamental structural reforms and a growth strategy. The fundamental structural reforms will be short-term and focus on three core themes: optimization of production, optimization of development, and intensification of domestic sales. In addition, the growth strategy will narrow down focus areas to concentrate resources on growth markets both in Japan and overseas, with the aim of expanding our business.

Specific Measures

(1) Fundamental Structural Reforms (Short-Term Focused Measures)

By 2025, manufacturing company management (in Matsuyama and Kumamoto) will be integrated, as will the management of domestic wide-area sales companies. Human resources, investment, and systems will be integrated and asset efficiency enhanced, which will improve profitability. With regard to development, we will pursue focused measures to improve product profit margins in the short-term, and reduce the number of models and types to enhance development efficiency, which will also enable us to streamline our organization.

(2) Growth Strategy Implementation

Overseas, we will accelerate profitability improvements and business expansion through region-specific strategies that capture demand in each area. In Japan, we will further develop our business by concentrating on areas symbolized by the keywords: large, cutting-edge, environment, and dry fields.

2. Future Plans

In 2024, we will be announcing additional measures.

For further details, please refer to the attached documents.

Project Z Measures

ISEKI & CO., LTD.

(Tokyo Stock Exchange Prime Market:6310)

February 14, 2024



- 1. Mid-term Management Plan Progress**
- 2. Strategy Outline**
- 3. Fundamental Structural Reform
Short-Term Focused Measures**
- 4. Growth Strategy**

[Mid-term Management Plan Progress]

- ✓ In 2024, the consolidated operating margin is set to reach 1.2% compared to the 5% target for 2025.
- ✓ Transformation to a robust structure capable of steadily generating revenue regardless of net sales has yet to be achieved.
- ✓ Overseas net sales have risen earlier than set out in the Mid-term Management Plan.

[Fundamental Structural Reform]

- Formulate and implement short-term focused measures
- Implement sweeping comprehensive business structural reforms

Short-Term Focused Measures (~2025) (Note) Announced here

- Integrate manufacturing company management (Matsuyama & Kumamoto) July 2024
- Improve product-specific profit margins ~2025
- Integrate the management of wide-area sales companies (domestic) January 2025

- ✓ More fundamental structural reform measures to be announced in 2024

Completion of reforms (~2027)

- Optimization of production: Investments to facilitate a domestic reorganization and expand overseas sites
- Optimization of development: Concentrate resources to accelerate the growth strategy
- Intensification of domestic sales: Respond to changes in the market structure

By 2027, consolidated operating margin of 5% or higher, ROE of 8% or higher, DOE of 2% or higher  PBR of 1 or higher

[Growth Strategy] 2024~

- Concentrate management resources to growth strategy segments
 - ➔ Overseas: Non-Agri products
 - ➔ Japan: Agri products (Large, cutting-edge, environment, dry fields)



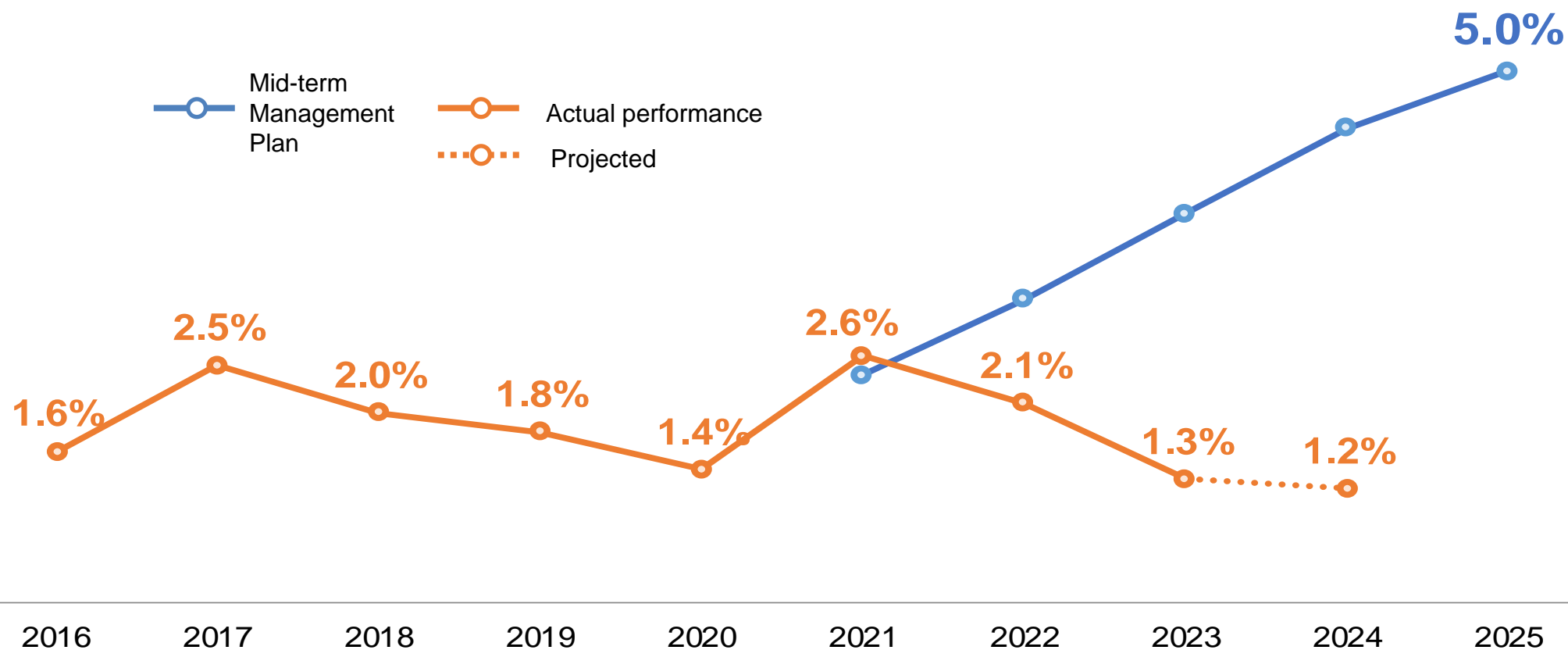
Mid-term Management Plan Progress

Mid-term Management Plan Progress

ISEKI

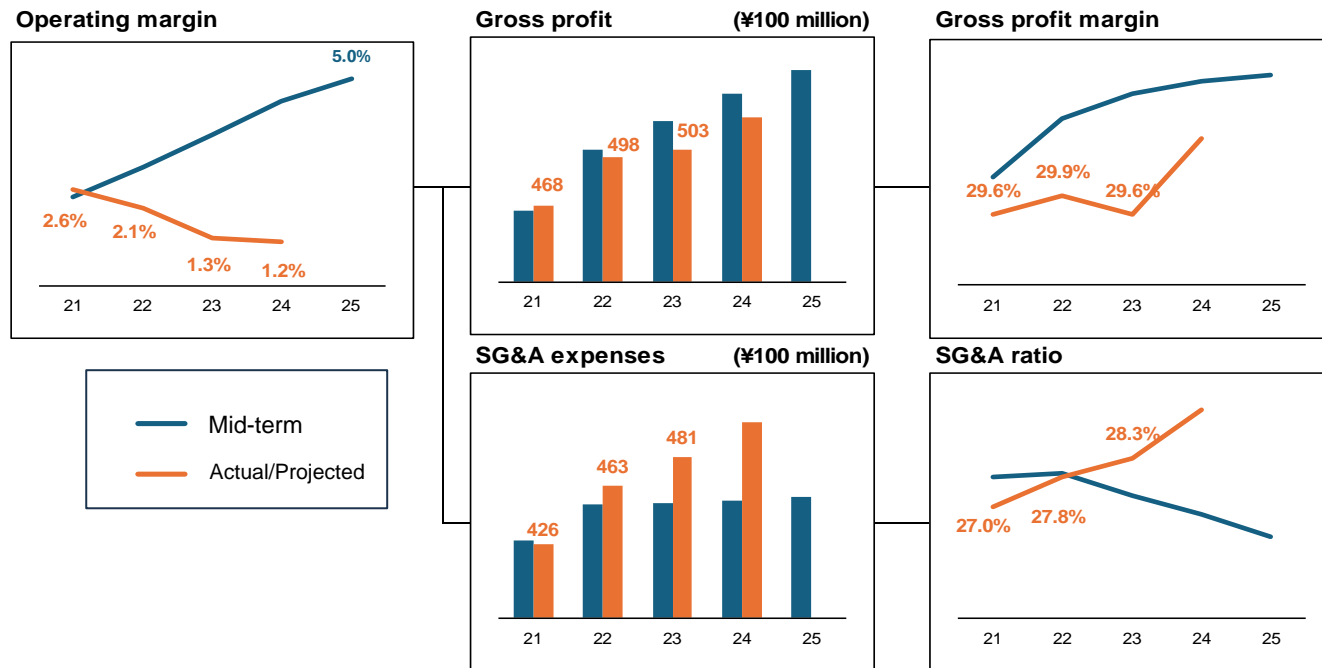
Change in Consolidated Operating Margin

- ✓ In 2024, the consolidated operating margin is set to reach 1.2% compared to the 5% target for 2025.
- ✓ Transformation to a robust structure capable of steadily generating revenue regardless of net sales has yet to be achieved.



Mid-term Management Plan Progress

Why hasn't a 5% consolidated operating margin been achieved under the current Mid-term Management Plan?



➤ Gross Profit

- Price revisions have not kept up with increasing costs
- While business structural reforms and other measures have been implemented and have brought about improvements, no progress has been made on product-specific profit margins or production optimization, resulting in a deviation from the Mid-term Management Plan

➤ SG&A expenses

- SG&A ratio has deteriorated each year
- Insufficient capacity to implement measures that reduce fixed costs

- ✓ Measures to counter drastic environmental changes have been insufficient, lacking both speed and depth
- ✓ We have been unable to implement and achieve overall management reform



Strategy Outline

Project Z Launch

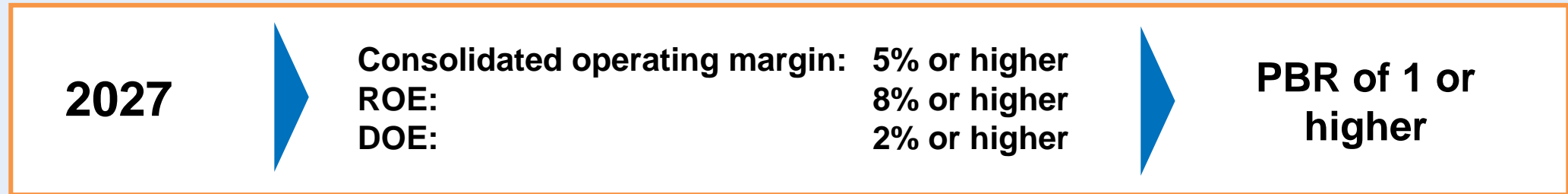
Objective

Sweeping comprehensive business structural reforms

- ✓ Formulate and implement short-term focused measures

(Date project established: November 14, 2023)

- Reassess the internal structure from square one to construct a strong business foundation

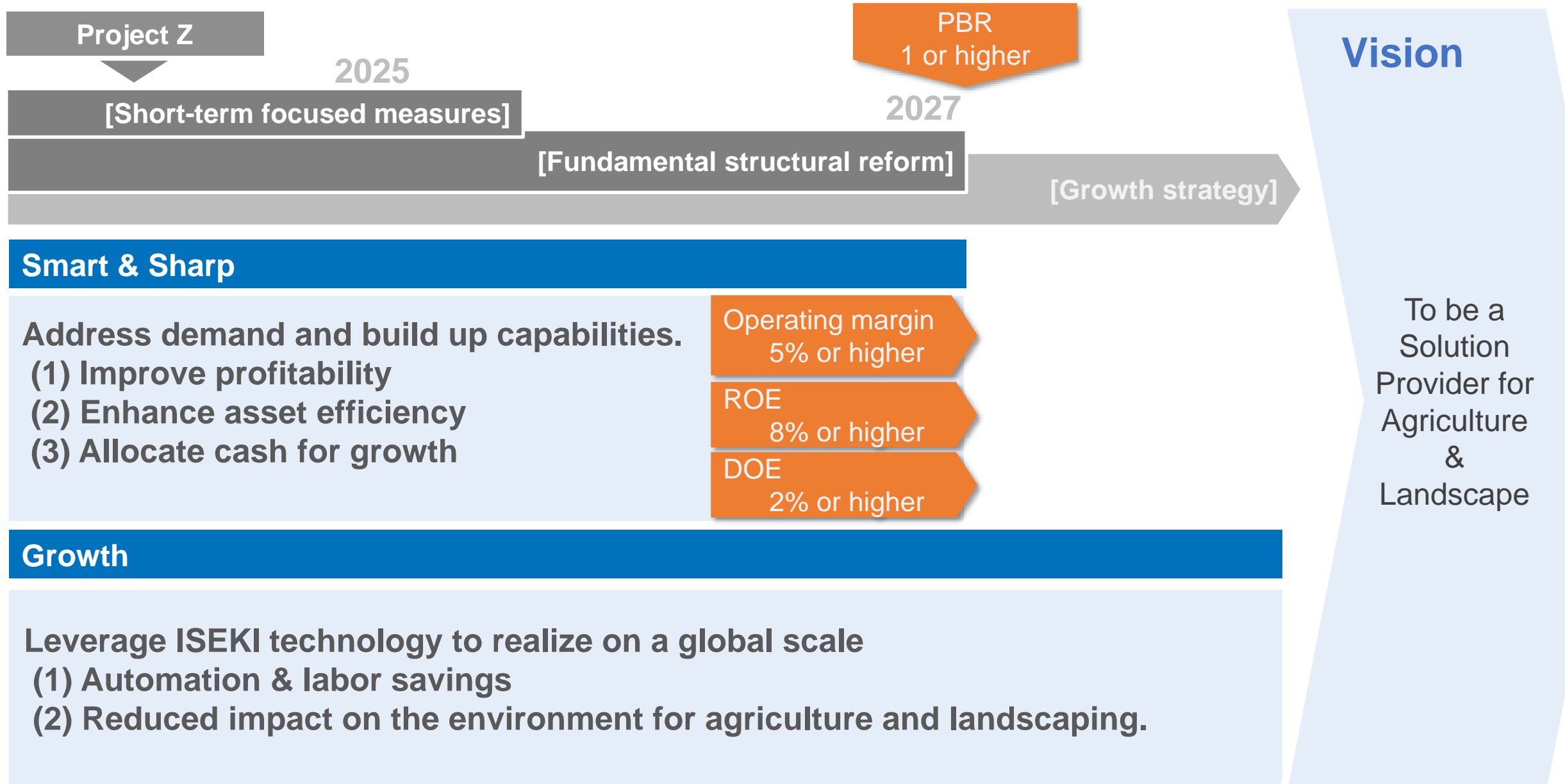


- ✓ Formulate and implement growth measures

Function

- ✓ Flexibly and speedily implement sweeping comprehensive business structural reforms
- ✓ Facilitate the construction of business units and coordinate group vectors

Growth Story

ISEKI


Overview of Project Z Measures

ISEKI

<Core Themes>

Fundamental structural reforms

Optimization of production

- Optimal allocation of manufacturing sites and models produced
- Forward-looking capital investment
- Responding to environment and enhancing efficiency

Optimization of development

- Concentration of development resources
- Common designs to enhance efficiency

Intensification of domestic sales

- Consolidation to drive integration of management resources
- Redistribution of resources to growth markets
- Logistics improvements and inventory reduction

Growth strategy

- Overseas ▶ Deployment of strategy specific to each region
- Domestic ▶ Large, cutting-edge, environment, dry fields

<Direction for improvement>

Improve profitability

Enhance asset efficiency

Allocate cash for growth



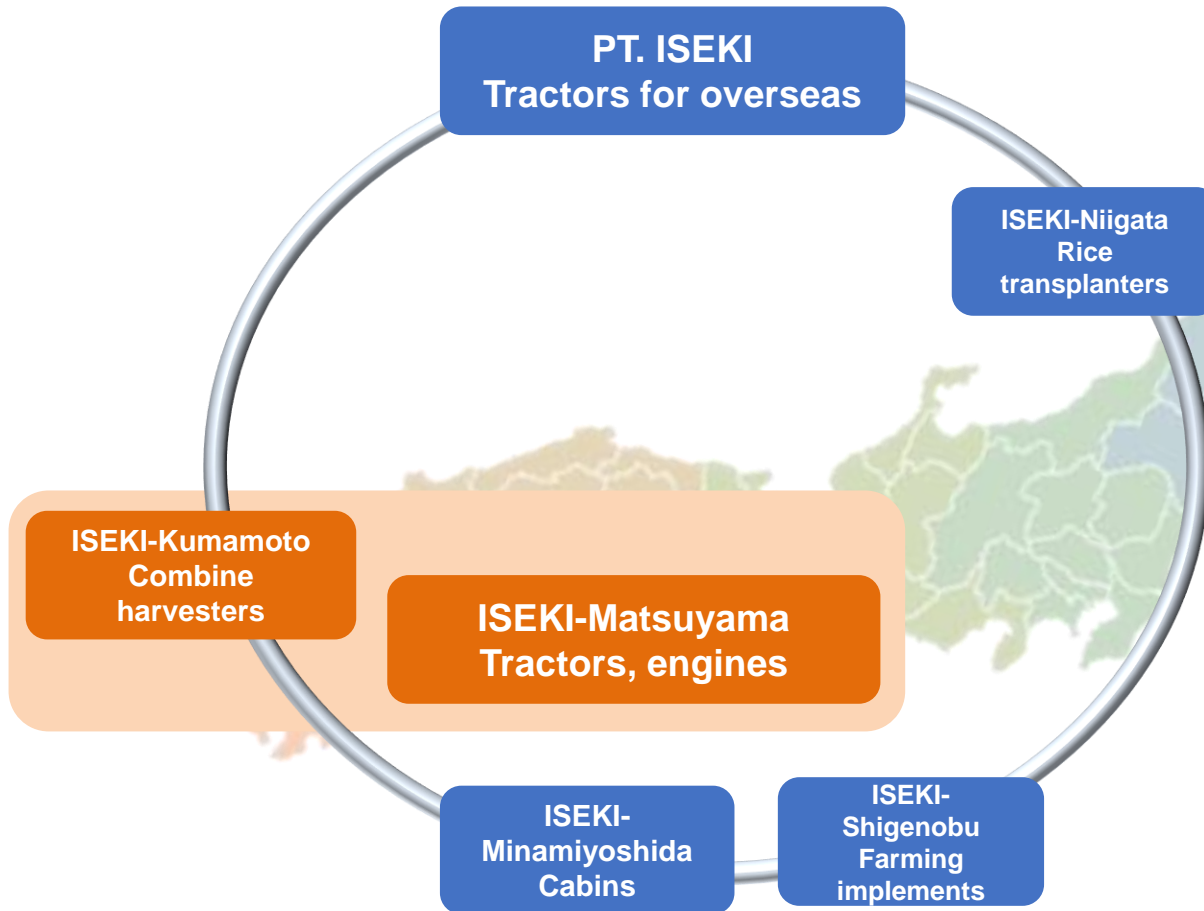
Smart & Sharp

Fundamental Structural Reform Short-Term Focused Measures (~2025)

Optimization of Production

ISEKI

July 2024 Integration of Manufacturing Company Management (Matsuyama & Kumamoto) Accelerate the construction of optimal production structure



<Basic Policy>

“Create robustly-structured manufacturing companies”

Integrate human resources, investment & systems to generate synergy through greater operational efficiency and cost reductions

- Enhance production efficiency
- Effectively utilize human resources
- Enhance asset efficiency
- Reduce inventories
- Reduce fixed costs

Construct a structure for expanding production at PT. ISEKI Indonesia

~2027

Optimization of production

Optimization of Development

Reduce the numbers of models and types by 30% or more
Focus on growth strategy

- ✓ Growth rate
- ✓ Market scale

Select & concentrate on models to be developed

More efficient development & streamlined organization

Optimization Full-scale launch

- ✓ Process integration
- ✓ Greater indirect efficiency

Integrate manufacturing company management
(Matsuyama & Kumamoto)

Development & production structure that creates valuable products

Large, cutting-edge, environment, dry fields

Reduce variable product costs by 10% or more to improve profit margins in the short-term

- ✓ Short-term focused measures
- ✓ Across all models
- ✓ Unification of standards

Improve product profit margins

Reform development methods

Global design

- ✓ Common design
- ✓ Enhance efficiency

(Note) Global design: Common design for the product base and exclusive design for those components that differ depending on the region.

Intensification of Domestic Sales

ISEKI

January 2025

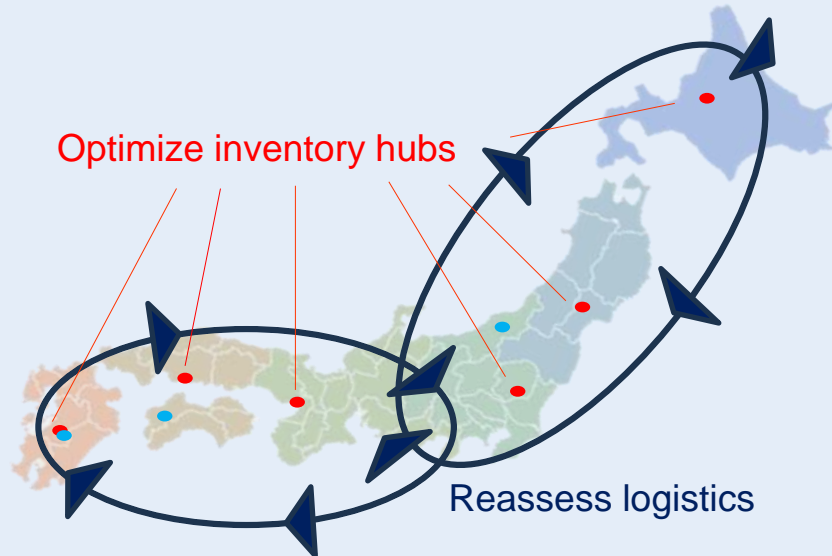
Management integration of wide-area sales companies

Concentrate resources to enhance management efficiency

Improve product and component distribution

Optimize inventory hubs and reassess logistics to reduce distribution costs

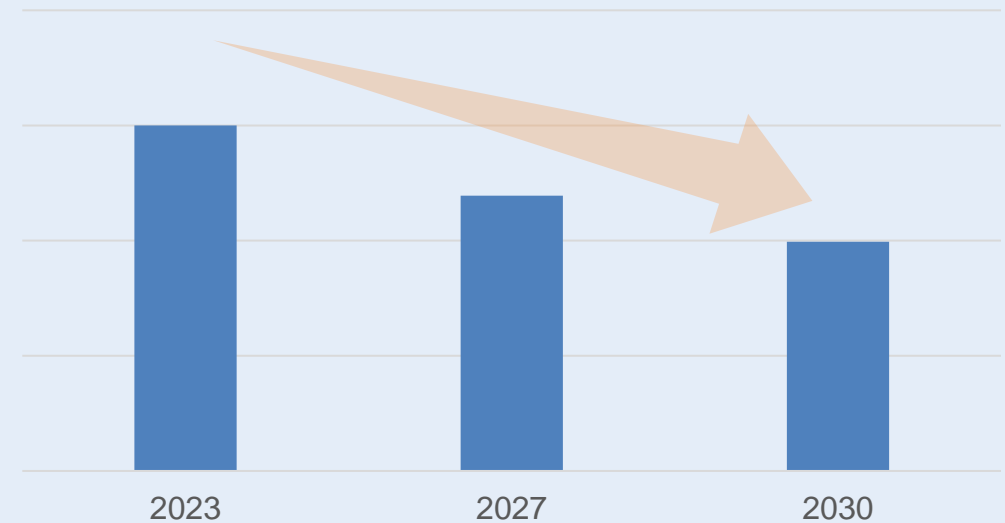
Improve product and component distribution



Enhance inventory management efficiency

Centralize nationwide inventory management for more efficient management and inventory reduction

Inventories



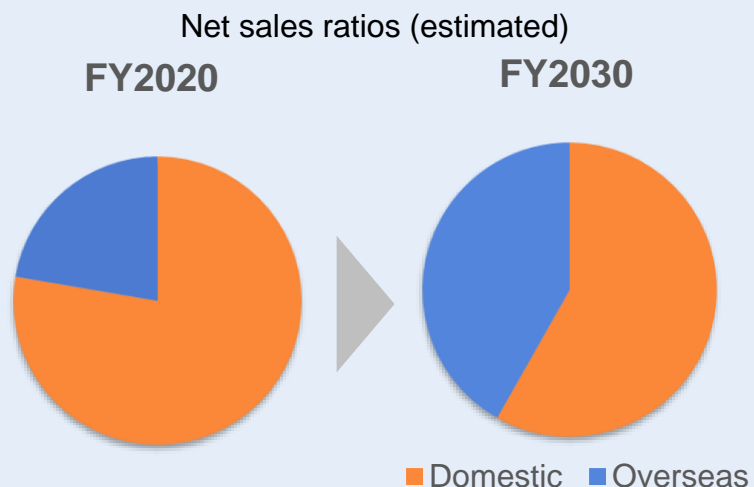
PROJECT  **Growth**
Growth Strategy

Growth Strategy



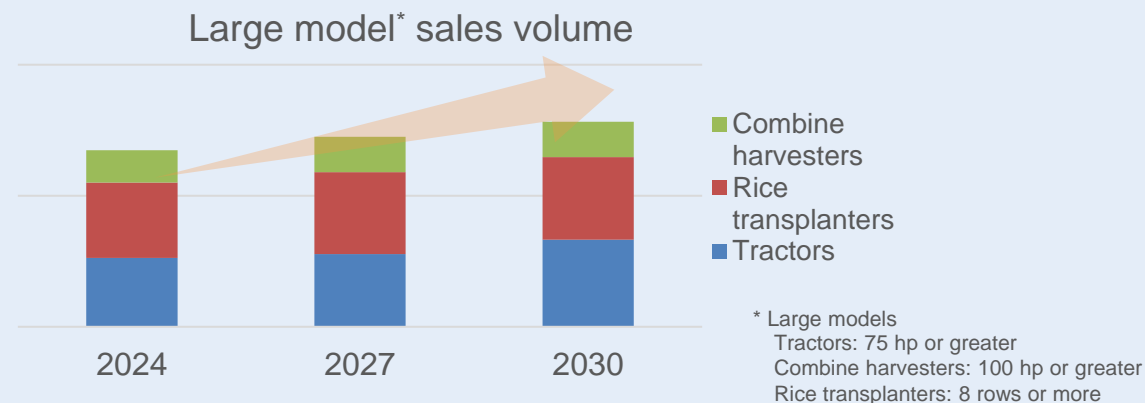
Overseas

- ✓ Roll out region-specific strategies to expand net sales



Domestic

- ✓ Focus on large, cutting-edge, environment, field crops



- Integrate sales companies to dynamically utilize personnel across a wide area so as to acquire customers in growth markets

~2025

2027

Intellectual property for development

- ✓ Focus investment on developing capabilities for growth markets

Cutting-edge technology

Expand Level 1 & 2 automation

Level 3 automation

Environment response

Expand response to variable fertilization

Electric products

Foundation

- ✓ Advanced revenue management
- ✓ Optimization of production
- ✓ Optimization of development
- ✓ Intensification of domestic sales

Growth Strategy



Overseas

Establish & Practice Concrete Measures for Next Stage

North America

Collaborate with AGCO to further increase share
Launch new products including environmentally friendly products

Europe

Expand environmentally friendly products including electric products
Expand consumer-focused products
Promote centralized inventory management, etc.

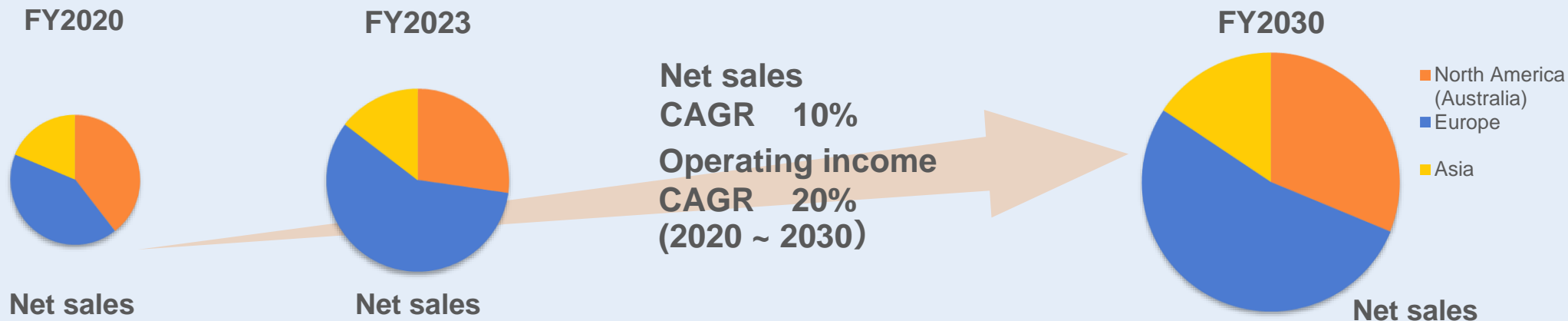
Asia

Bolster IST sales channels (corporate sales, etc.)
Introduce TAFE production machinery
Introduce high-performance machinery

(Note) AGCO: OEM vendor

(Note) IST: ISEKI's Thai distributor subsidiary
(Note) TAFE: Indian agricultural equipment manufacturer & ISEKI partner

Precisely capturing demand in each region and accelerating profitability improvements and business expansion

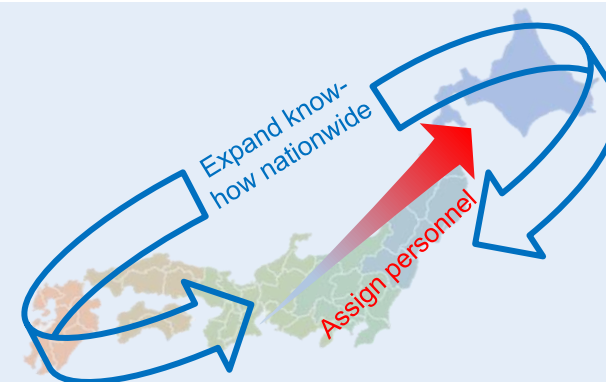


Growth Strategy



Domestic | Dynamically utilize personnel across a wide area

Expand know-how nationwide that has been gained from large agricultural machinery markets as well as dry field and dairy farming regions, and assign personnel to regions of market expansion



Demonstrate ability to offer solutions to challenges agriculture is facing

Strengthen profitable businesses

Expand profitable businesses by sharing strengths developed in each region

Agricultural challenges

Declining agricultural workforce

Large-scale

Food security

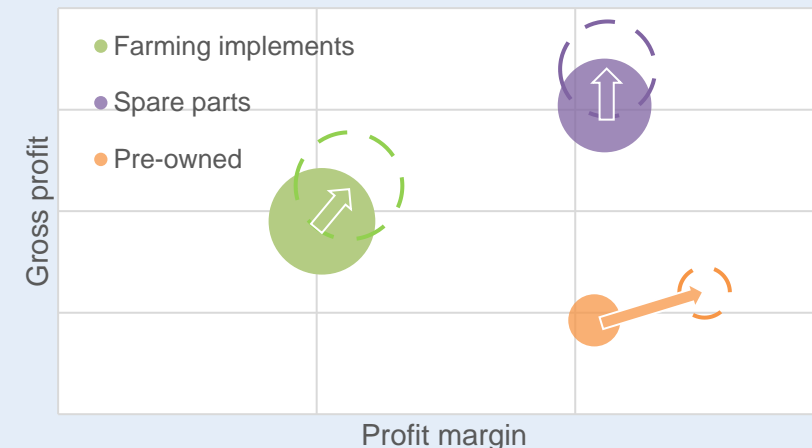
Dry fields

Environmental considerations

Environmental preservation

Cutting-edge technology

Profitable businesses

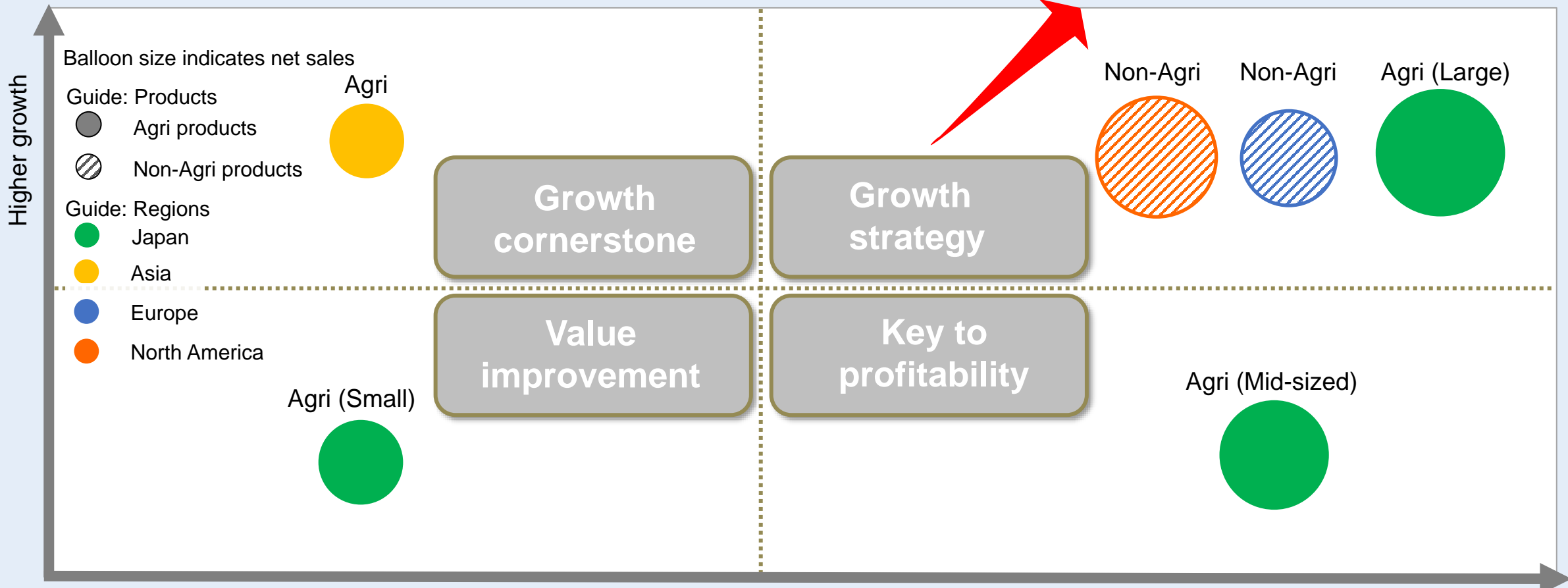


Growth Strategy Narrowing Down Focus Areas



Business Portfolio

Growth Strategy Segments > Non-Agri Products & Agri Products (Large)

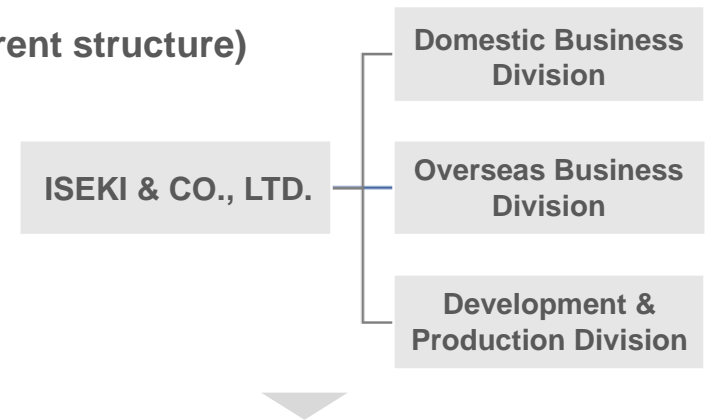


(Note) Prepared based on estimated 2030 net sales of ISEKI agricultural machinery products

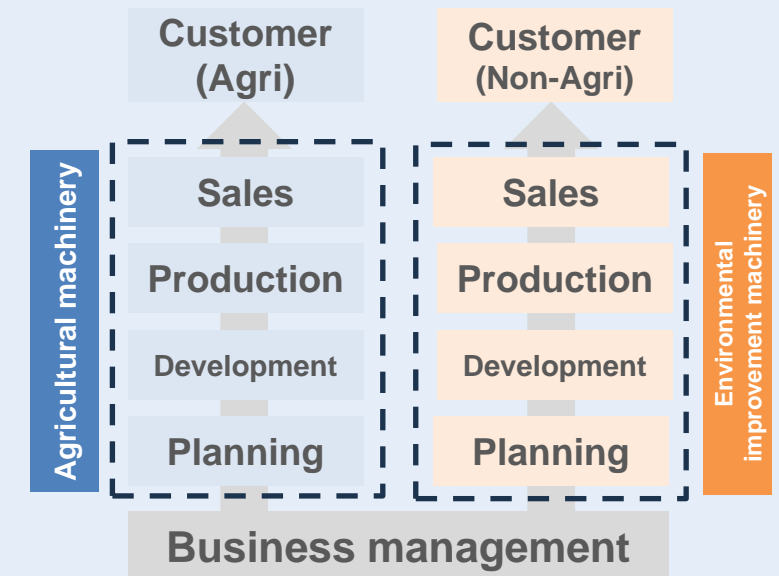
(Note) "Agri products" means agricultural machinery, and "Non-Agri products" means machinery not used for agriculture (environmental improvement machinery, etc.)

Previous: Function-specific company perspective

(Current structure)



(Business unit concept)



Orientation of measures

Target market/customer-specific business unit perspective

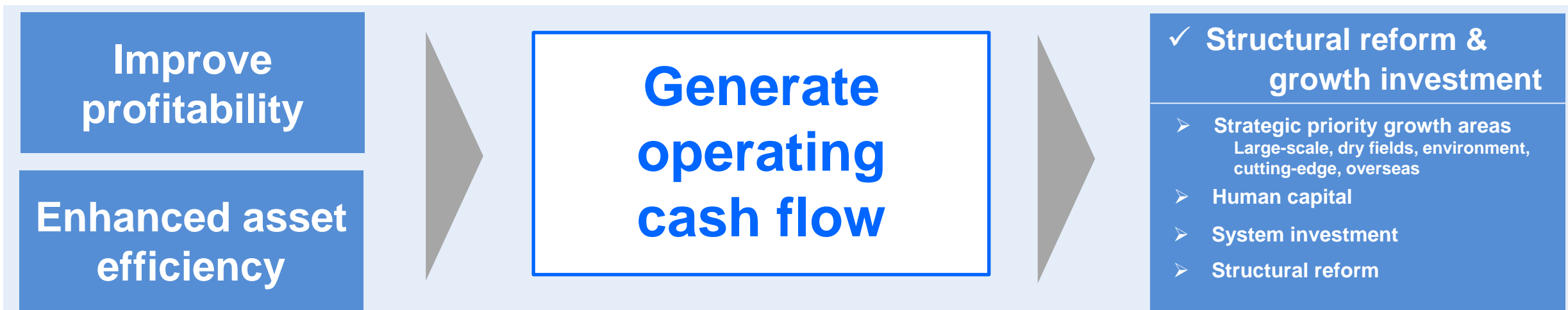
- ✓ STP (segment, target, positioning)-based business strategy
 - ➔ Put into practice a market-oriented strategy
- ✓ Optimally allocate resources to further global expansion
- ✓ Practice profitability management to strengthen business management
- ✓ Establish specialized units to create new business

Growth Strategy

Cash Allocation for Growth

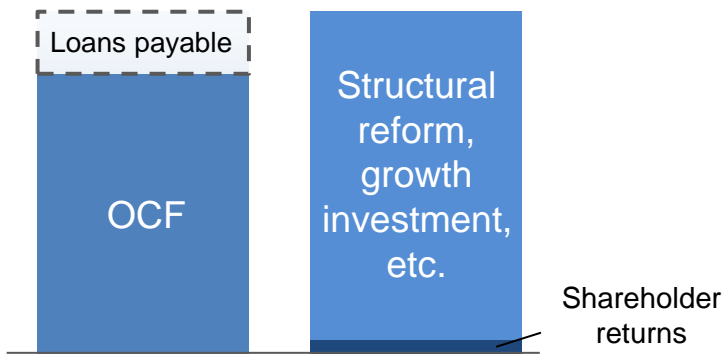


- Generate operating cash flow through improved profitability and enhanced asset efficiency and allocate that cash flow to structural reform, growth investment, and shareholder returns. Although interest-bearing liabilities will increase through 2027, the level will decrease moving forward to 2030.

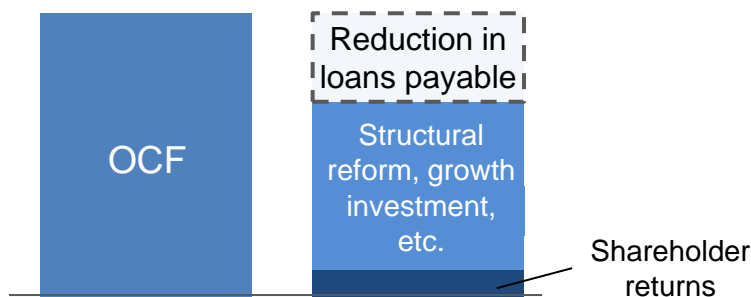


<Cash Allocation>

■ 2024 ~ 2027 (4-year cumulative total)



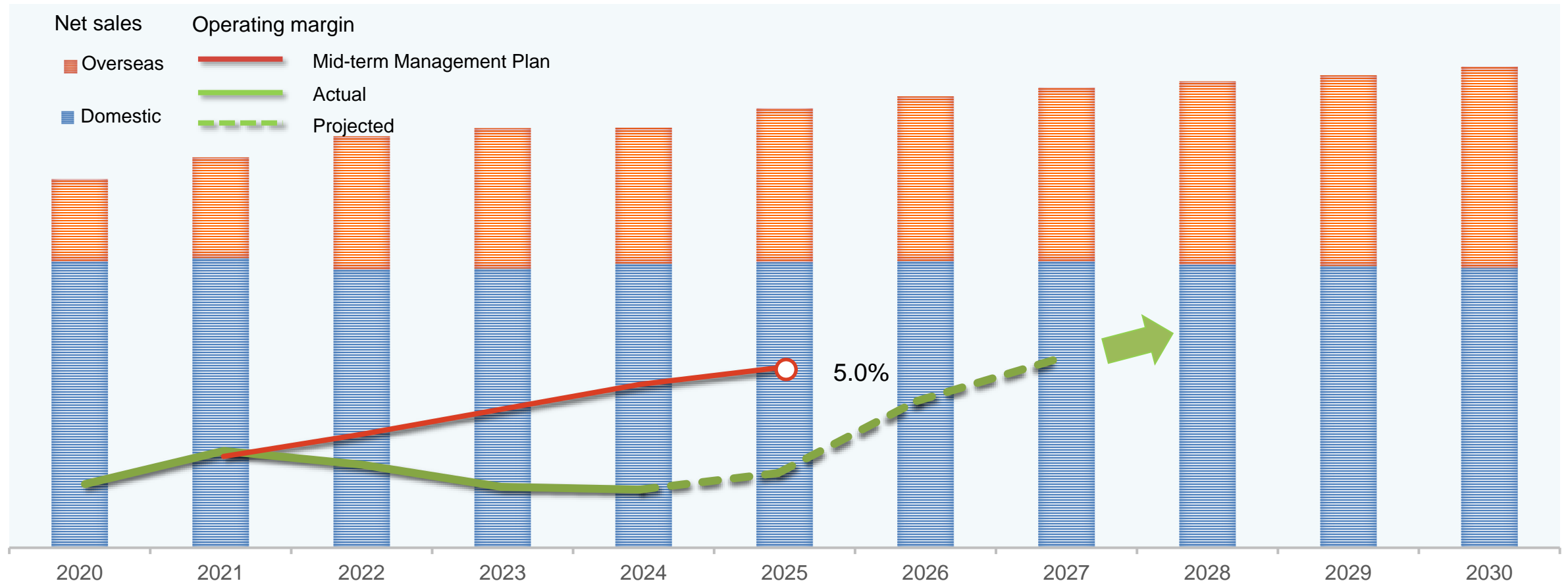
■ 2028 ~ 2030 (3-year cumulative total)



In 2024



Announce additional measures



Taking into account current severe business conditions and from the perspective of speeding up decision-making and promoting diversity, the structure of company directors and their compensation will be revised as follows.

1. Structure of company directors (scheduled to be presented to the General Meeting of Shareholders in March 2024)

(1) Internal directors Currently 6 → 5 after General Meeting of Shareholders

(2) Outside directors Appoint two female directors (no change in number)

	Current	After General Meeting of Shareholders
Internal directors	6	5
Outside directors	3	3
Total	9	8

2. Directors' compensation

We have introduced a system of performance-linked compensation for directors. The representative directors will not be paid any performance-linked evaluation compensation (money) on the 2023 performance, and the amounts of compensation paid to directors (internal) and corporate officers will be reduced.

- The objective of this presentation document is to provide information and never intends to induce any action.
- The document was created by ISEKI with currently available information and it involves potential risks and uncertainties. The forecast may not be consistent with actual results depending on fluctuation of the economic situation and market trends.
- In using this information, investors are expected to depend on their own judgment. ISEKI is not liable for any losses incurred by investment decision made utilizing the business forecast or targets given in this document.



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ために、
いま選ぼう。

井関グループは、
環境省による地球温暖化対策に資するあらゆる「賢い選択」を
促す国民運動である【COOL CHOICE】の取組みに賛同しています。
「賢い選択」の提案として「エコ商品」など
環境に配慮した商品の開発普及を推進しています。

食から日本を考える。

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