COMPANY RESEARCH AND ANALYSIS REPORT

ISEKI & CO., LTD.

6310

Tokyo Stock Exchange Prime Market

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Contents

Summary

Steady progress made on Project Z and a return to profit growth forecast in FY12/25

1. A manufacturer specializing in agricultural machinery that provides an extensive lineup of products

ISEKI & CO., LTD. <6310> (hereafter, also "the Company") is an integrated manufacturer specializing in agricultural machinery such as tractors and combine harvesters used in rice and field farming. It has an extensive lineup with products for users spanning from hobby farmers to professionals, and it has built mechanized integrated systems* for rice and field farming. It is also investing in agricultural machinery that incorporates cutting-edge technology, such as robotics and ICT, to combat social issues including the shrinking number of farmers, and declining birthrates and an aging population. It has achieved overseas sales equivalent to roughly half of sales in Japan, and it is providing own-brand products and after-sales services targeting regular farmers and large-scale farmers, such as farming corporations, in Asia, the same targets as in Japan, and targeting landscape developers, hobby farmers and general consumers in Europe and North America. It also engages in the sale of procured products and OEM products. Its Sanae brand of rice transplanters is famous in Japan and its landscaping machinery, such as riding lawnmowers, have a good reputation in Europe.

* Mechanized integrated systems: The systematic mechanization of all farming processes from breeding and raising seedlings and cultivating and furrowing fields through to transplantation, field management, weeding, harvesting, sorting, and transportation. These systems lead to greater productivity with benefits including stable production, greater crop yields, enhanced quality, labor savings, and shorter timeframes.

2. Strengths include technological capabilities, support capabilities to offer farm business proposals, and innovation based on collaboration

The Company is thought to have the third biggest share of the market in Japan. Although its sales in overseas markets are not large relative to the market size, the Company considers them as areas of future growth. The Company boasts three strengths in the agricultural machinery market —technological capabilities that have enabled it to develop groundbreaking agricultural machinery, support capabilities to offer farm business proposals that solve customers' issues from both tangible (agricultural machinery) and intangible (farming operational information) aspects, and innovation based on collaboration in which it works with a variety of partners in Japan and overseas to create added value. By leveraging these strengths together, it is able to create even greater synergies. Therefore, the advanced technology field, which includes robotics and ICT for which there is a rising need, particularly among large-scale farmers, is seen as an area in which the Company can demonstrate its strengths.

3. Project Z progressing roughly in line with plans

In November 2023, the Company launched Project Z to drive sweeping comprehensive business structural reforms in order to create a foundation of "change" for the next 100 years. The plan involves transforming the Company to make it more resilient in nature through fundamental structural reforms with a short-term focus on three themes—optimization of production, optimization of development, and intensification of domestic sales—and by reducing costs. At the same time, it will accelerate growth by concentrating management resources on the overseas business, especially Europe, and the growth segments of "large-scale," "cutting-edge," "environment," and "field farming" in Japan. By FY12/27, it is aiming to increase operating profit by ¥7.5bn or higher compared to FY12/23, alongside targets such as an operating margin of 5% or higher, ROE of 8% or higher, and DOE of 2% or higher. Measures such as reorganizing production bases, merging sales companies, and reducing costs are progressing roughly in line with plans and the Company intends to raise PBR, which has been at low levels, by strengthening management that is conscious of cost of capital and share price through Project Z.

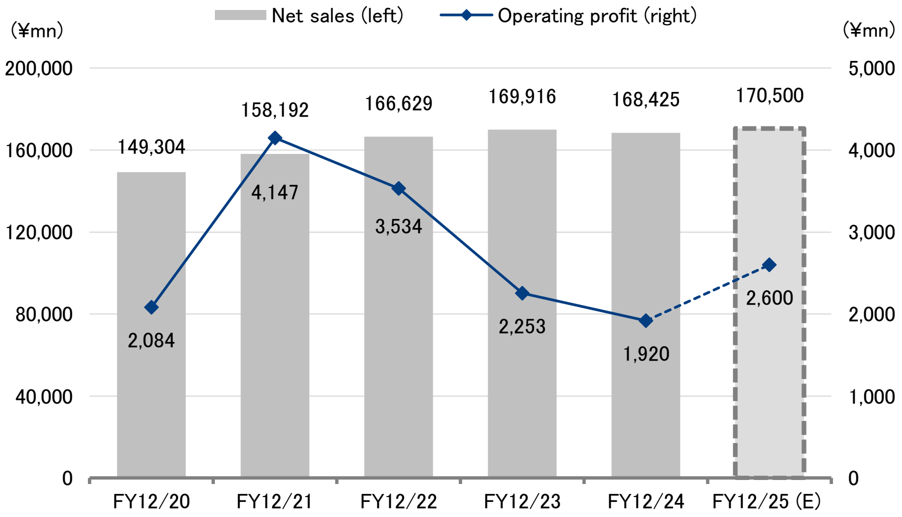
4. Return to profit growth forecast in FY12/25

In the Company's FY12/24 results, net sales decreased 0.9% year on year (YoY) to ¥168,425mn and operating profit decreased 14.8% to ¥1,920mn. Performance in Europe, where price revisions are underway, was strong but a downturn during the demand season in Japan and slumps in North America and Asia led to a slight decrease in net sales and a decline in profit. It also recorded extraordinary losses associated with the smooth progress made on reorganizing production bases and merging sales companies in accordance with Project Z, resulting in a loss attributable to owners of parent. In the FY12/25 results, the Company is forecasting a return to profit growth with net sales increasing 1.2% to ¥170,500mn and operating profit increasing 35.4% to ¥2,600mn. Factors behind this rise in profit include a recovery in appetite for purchasing among farmers as rice prices remain at high levels, efforts to focus management resources and strengthen sales in growth areas, and recoveries in the North American and Asian markets. Project Z is expected to start contributing to profit in 2H FY12/25 and demonstrate full-scale effects in FY12/26.

Key Points

- An integrated manufacturer specializing in agricultural machinery. Characterized by its extensive lineup of products
- Strengths include technological capabilities, support capabilities to offer farm business proposals, and innovation based on collaboration
- Smooth progress made on Project Z in FY12/24, including the reorganization of production bases and consolidation of sales companies
- Double-digit increase in profit forecast for FY12/25 as rice prices remain high and the Asian market recovers

Results trend



Source: Prepared by FISCO from the Company's financial results

Company profile

An integrated manufacturer specializing in agricultural machinery such as tractors

1. Company profile

The Company is an integrated manufacturer specializing in agricultural machinery such as tractors and combine harvesters used in rice and field farming. As a long-established business, it will celebrate the 100th anniversary of its foundation in 2025. It is engaged in businesses including the manufacture and sale of own-brand products and provision of after-sales services targeting regular farmers and large-scale farmers in Japan and the rest of Asia, and landscape developers, hobby farmers and general consumers in Europe and North America. Within this, its Sanae brand of rice transplanters is famous in Japan and its landscaping machinery, such as riding lawnmowers, have a good reputation in Europe. In recent years, there has been movement toward utilizing advanced technologies such as robotics and ICT in agriculture, so the Company is strengthening its development of agricultural machinery that incorporates these technologies. In order to realize its long-term vision of "To be a Solution Provider for Agriculture & Landscape," the Company is advancing Project Z, which comprises short-term focused structural reforms and growth strategies, and promoting management that is conscious of cost of capital and share price.

Developing a large number of industry-leading products

2. History

Established as Iseki Farm Implement Trading Co. by founder Kunisaburo Iseki in 1926, the Company started by manufacturing an automated rice hulling and grading machine. In 1936, it incorporated and commenced production of ISEKI rice hullers and automatic rice graders. It established new plants in Matsuyama City, Ehime Prefecture in 1946 and Kumamoto City, Kumamoto Prefecture in 1949. In May 1959, the Company's shares became publicly available as an over-the-counter security on the Osaka Securities Exchange (it listed on the Tokyo Stock Exchange (TSE) in 1961 and then transferred to the TSE Prime Market in 2022), and this spurred the establishment of sales companies across Japan and the strengthening of agricultural machinery development. In 1966, it developed the world's first auto-threshing combine harvester and in 1967, it started production of rice transplanters, combine harvesters and binders, and established a mechanized integrated system for rice cultivation that uses these machines and tractors. Since then, it has developed a large number of industry-leading products, including the Company's first riding lawnmower in 1988 and the industry's fastest auto-threshing combine harvesters (six-row reaping) in 2009. In regard to overseas development, after establishing a subsidiary in Belgium in 1971, since 2003 it has subsequently established subsidiaries in China, Indonesia, Thailand, France, and Germany. As recent initiatives under Project Z, in 2024 it consolidated ISEKI-Matsuyama MFG. Co., Ltd. and ISEKI-Kumamoto MFG. Co., Ltd. under the new name of ISEKI M&D Co., Ltd., and in 2025, it consolidated six domestic sales companies, including ISEKI Hokkaido Co., Ltd., and others under the new name of ISEKI Japan Co., Ltd., and made its UK distributor PREMIUM TURF-CARE LIMITED (PTC) into a consolidated subsidiary.

History

Date	Major events
August 1926	Founded as Iseki Farm Implement Trading Co. in Aratama-cho, Matsuyama City, Ehime Prefecture
April 1936	Incorporated as ISEKI & CO., LTD. Commenced production of ISEKI rice hullers and automatic rice graders
May 1946	Established new plant in Yashiro-machi, Matsuyama City, Ehime Prefecture
October 1949	Newly constructed Kumamoto Plant in Kengun-machi, Kumamoto City, Kumamoto Prefecture
June 1961	Listed shares on the TSE
March 1967	Started production of rice transplanters, combine harvesters and binders Accomplished mechanized integrated system for rice cultivation using those and tractors
February 1971	Established N.V. ISEKI Europe S.A. in Brussels (now ISEKI Europe GmbH in France)
September 1972	Expanded Matsuyama Plant (Wake) and relocated Head Office to the same place
April 2001	Separated Matsuyama and Kumamoto plants and established ISEKI-Kumamoto MFG. Co., Ltd. and ISEKI-Matsuyama MFG. Co., Ltd.
June 2003	Established ISEKI-Changzhou Mfg. Co., Ltd. in Jiangsu, China
July 2011	Established Dongfeng Iseki Agricultural Machinery (Hubei) Co., Ltd. in Hubei, China
October 2012	Established PT. ISEKI Indonesia in Indonesia
October 2013	Established ISEKI SALES (THAILAND) Co., Ltd. in Thailand (now IST Farm Machinery Co., Ltd.) Established ISEKI Technical Training Center (ITTC) inside ISEKI-Matsuyama MFG. Co., Ltd.
May 2014	Integrated ISEKI-Changzhou Mfg. Co., Ltd. with Dongfeng Iseki Agricultural Machinery (Hubei) Co., Ltd. and established Dongfeng Iseki Agricultural Machinery (Hubei) Co., Ltd.
July 2014	Acquired ownership of French sales agencies Yvan Beal S.A.S and YB Holding S.A.S (now ISEKI France S.A.S.)
October 2015	Established Dream Agricultural Research Institute in Tsukubamirai City, Ibaraki Prefecture
April 2016	Established Iseki Basic Engineering Training Center (IETC) in the Tobe Office
January 2017	Established ISEKI Global Training Center (IGTC) in Tsukubamirai City, Ibaraki Prefecture
December 2020	Made a consolidated subsidiary of IST Farm Machinery Co., Ltd.
April 2022	Transferred to the TSE Prime Market following the reorganization of the exchange's markets
July 2022	Made a consolidated subsidiary of Iseki-Maschinen GmbH, its German sales agent
July 2024	Consolidated ISEKI-Matsuyama MFG. Co., Ltd. and ISEKI-Kumamoto MFG. Co., Ltd. under the new name of ISEKI M&D Co., Ltd.
January 2025	Consolidated six domestic sales companies, including ISEKI Hokkaido Co., Ltd., and others under the new name of ISEKI Japan Co., Ltd. Made UK distributor PREMIUM TURF-CARE LIMITED into a consolidated subsidiary

Source: Prepared by FISCO from the Company's Securities Report, news releases and website

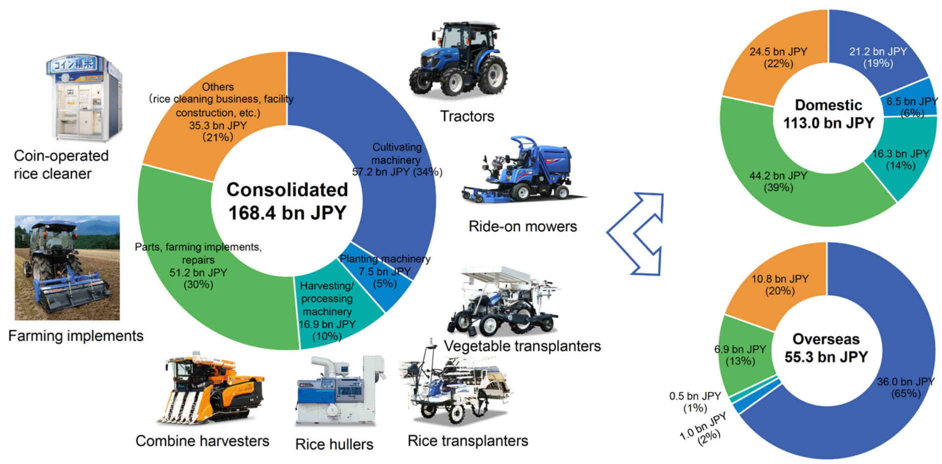
Business description

A lineup that forms a mechanized integrated system

1. Business overview

As an integrated manufacturer specializing in agricultural machinery, the Company boasts an extensive lineup with products for users spanning from hobby farmers to professionals, and together, these products form a mechanized integrated system. Products include highly efficient, highly durable, and high-performance agricultural machinery, including cultivating and mowing machinery such as tractors, planting machinery such as Sanae brand of rice transplanters, and harvesting and processing machinery such as combine harvesters. In addition to this, it also manufactures and sells implements such as tractor attachments, and spare parts, and carries out repairs, maintenance, and facility construction, among other businesses. In recent years, social issues including the shrinking number of farmers, and declining birthrates and an aging population, have been driving movement toward providing agricultural solutions that enable farming that is free from labor-intensive processes by adopting smart farming methods that incorporate advanced technologies such as robotics and ICT, so the Company is also strengthening its utilization of advanced technologies. At the same time, it is developing business overseas, with a focus on providing own-brand products and after-sales services targeting regular farmers and large-scale farmers, such as farming corporations, in Asia, the same targets as in Japan, and targeting landscape developers, hobby farmers and general consumers in Europe and North America. It also engages in the sale of purchased products and OEM products. It has achieved overseas sales equivalent to roughly half of sales in Japan, but considering the size of the overseas market for agricultural machinery, this has been positioned as a growth area for the Company.

Net sales by product (FY12/24)



Source: The Company's results briefing materials

Manufacturing and selling agricultural machinery such as tractors and rice transplanters

2. Business description by product

(1) Cultivating and mowing machinery

Cultivating and mowing machinery includes tractors and tillers used for soil cultivation before planting for agriculture, as well as high-clearance multipurpose vehicles used for pest control and other purposes. In Europe and the US, it also sells machinery such as compact tractors and riding lawnmowers for uses including civil engineering and landscaping. Within this, its tractors are highly versatile in that they can perform a wide range of tasks all year round when equipped with attachments, and its lineup of tractors offers comfort, ease of operation, and safety through features such as a straight-travel assist function and compatibility with map data, as well as continuously variable transmission (CVT), comfortable suspension seats, and a seat belt reminder. ICT has also been incorporated into some products, enabling the collection of agricultural machinery information, as well as the equipping of theft deterrent functions and operational information management tools. The Company's tractors offer horsepower levels ranging from 14 to 300, and it also sells Japan's first manned monitoring-based robotic tractors for the 120-horsepower class and crawler-type tractors.

(2) Planting machinery

Planting machinery includes products such as rice transplanters and vegetable transplanters. Rice transplanters are specialized machines for transplanting seedlings into rice paddies and they considerably reduce the manpower required for rice planting. Rice transplanters are one of the Company's areas of expertise and its Sanae series has become a powerful brand, boasting an extensive lineup ranging from two-row walking models to 10-row riding models. In addition to being highly efficient, highly durable and high performance, there are also models equipped with a steering operation assisting system using GPS technology, variable fertilizing models that adjust the amount of fertilizer applied in accordance with soil fertility levels, and a manned monitoring-based robotic model. It also offers vegetable transplanters for different types of vegetables, including leafy vegetables, potatoes, and onions, and its lineup for each of these includes walking and riding models, and semi-automated and fully-automated models.

(3) Harvesting and processing machinery

Harvesting and processing machinery includes combine harvesters, dryers, and rice hullers. Its combine harvesters include combine harvesters for grain harvesting, auto-threshing combine harvesters for rice farming that carry out processes from harvesting and threshing rice to cutting and processing the leftover stalks, and general purpose (universal) combine harvesters that can be used for crops such as soybeans and buckwheat. It offers models that incorporate ICT to enable efficient work management and machinery management, models equipped with a straight-travel assist system that reduces operator fatigue, and in response to rising material costs, the Company also offers models that are both simple and affordable by carefully selecting only essential functions. It also sells harvesting-only binders and threshing-only harvesters for use in areas that are not suitable for combine harvesters, such as mountainous areas. In addition to these, it also offers dryers for drying harvested rice and rice hullers for removing husks to produce brown rice.

(4) Implements, spare parts, repair fees, and facility construction

Implements mainly refers to attachments for tractors, including harrows for levelling rice paddy surfaces, rotary tillers for evenly tilling earth, and ridgers for piling earth to form ridges. In addition to implements, the Company also sells spare parts, including oil and chemicals, and operates facilities across Japan that can carry out maintenance and repairs on machinery sold by the Company. It rigorously conducts maintenance and repairs to prevent breakdowns and earn trust from customers, ensuring stable earnings unaffected by the external environment, such as unseasonable weather, as well as high levels of profitability, and for that reason the Company intends to continue strengthening spare parts, repair, and maintenance operations. It also carries out the construction of facilities for agricultural processes such as drying, raising seedlings, packing and shipping, and nutriculture, as well as engaging in the sale of agricultural supplies like fertilizer, and operation of a coin rice milling business and a rice cooking business.

(5) Agricultural solutions

The Company is actively utilizing advanced technologies such as robotics and ICT to make agriculture less labor intensive and more efficient. In addition to launching a straight-travel assist system and automatic steering system for agricultural machinery such as tractors, and a smart fertilization system, it also provides solutions such as the ISEKI AGRI-SUPPORT farm management system and ISEKI REMOTE service for remote monitoring. Its growth management-related services include IROHA, which sends farm images taken by drone to be saved on the cloud, and Up-a-ray, which makes agricultural work more efficient by utilizing analyses of images taken by drone and satellite. The Amoni farm business solutions portal website, which proactively disseminates articles related to the latest technical trends among other services, has been positively received by users, particularly large-scale farmers. There is strong demand for the development of smart agricultural machinery and farm operational support services that use this kind of ICT, and it is thought that this field offers plenty of potential for medium- to long-term growth.

Strengths include technological capabilities, support capabilities to offer farm business proposals, and innovation based on collaboration

3. The Company's strengths

The Company is thought to have the third biggest share of the Japanese agricultural machinery market after Kubota Corporation <6326> and YANMAR HOLDINGS Co., Ltd. Kubota possesses an extremely big share and it also has a big presence overseas as the third largest company after Deere and Company <DE>, and CNH Industrial <CNHI>. Sales routes in Japan include direct sales, as well as distribution through the National Federation of Agricultural Co-operative Associations (ZEN-NOH) and distributors with strong connections in their local areas (a small number of products, mostly small machinery, are also sold through home and gardening centers). The Company is notable for having a large proportion of direct sales through ISEKI Japan (a company formed through consolidation as part of Project Z). Overseas sales routes vary between each company. In the Company's case, this includes the production of OEM products for AGCO Corporation <AGCO> in North America, direct sales in Europe primarily through subsidiaries, and sales in Asia through subsidiary IST Farm Machinery Co., Ltd. (originally a joint venture with Mitsubishi Corporation <8058>) and partnerships with distributors. In Europe in particular, the Company's landscaping products have a good reputation. In regard to manufacturing, in Japan, companies such as ISEKI M&D, ISEKI-Niigata MFG. Co., Ltd., and ISEKI-Shigenobu MFG. Co., Ltd. manufacture products for domestic and overseas markets while overseas, products for overseas markets are manufactured by subsidiary PT. ISEKI INDONESIA and associated company Dongfeng Iseki Agricultural Machinery (Hubei) Co., Ltd.

There is an impression that the Company was fairly late in expanding overseas, but in response to this, it is viewing the enormous overseas market as a growth area and strengthening its efforts. Also, amid global movement toward agricultural solutions, the advanced technology field, which includes robotics and ICT for which there is a rising need, particularly among large-scale farmers, is considered to be an area in which the Company can demonstrate its strengths. The Company has three strengths it can leverage in this market—technological capabilities that have enabled it to develop groundbreaking agricultural machinery, support capabilities to offer farm business proposals that solve customers' issues from both tangible (agricultural machinery) and intangible (farming business information) aspects, and innovation based on collaboration in which it works with a variety of partners in Japan and overseas to create added value. By leveraging these strengths together, it is able to create even greater synergies.

(1) Technological capabilities

In regard to technological capabilities, since its founding, the Company has built a track record of launching many industry-first and world-first products onto the market, including auto-threshing combine harvesters and rice transplanters. The Company's strength is also reflected in the fact that it is aggressively pursuing patents as part of its intellectual property strategy, and consistently ranks among the top companies in terms of the number of patents published and registered in each field. These technological capabilities are backed by systems to encourage invention creation activities, such as incentive programs, and a framework for passing on skills to young engineers and for sharing the outcomes of research and development. Also, while the Company does divide up tasks in its development system as other companies do, it differs in that its designers are involved in every stage, from planning to blueprint drawing, field testing and feedback processing, realizing a framework which makes it easier to reflect customer feedback and experience from a variety of real-life worksites into product development. This is also one of the reasons for its strong technological capabilities.

(2) Support capabilities to offer farm business proposals

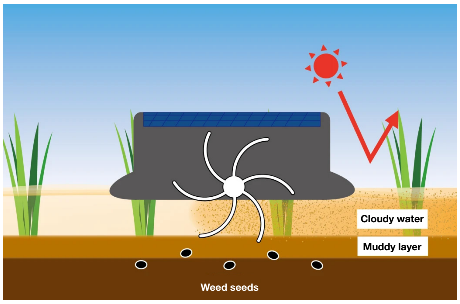
In addition to the products themselves and superior spare parts and maintenance services, the Company's strength in support capabilities to offer farm business proposals includes intangible aspects such as information dissemination through the Amoni farm business portal site and customer support that leverages its nationwide sales network with close connections to each region. Another strength is its direct sales to large-scale farmers, which are increasing as more and more regular farmers turn away from agriculture, and going forward, the consolidation of sales companies as ISEKI Japan is likely to enhance this strength. Therefore, the Company is expecting an increase in opportunities to sell imported large machinery, which it has track record of selling in Hokkaido, to these large-scale farmers, especially in the main island of Japan and the south.

(3) Innovation based on collaboration

Rather than just relying on its own technological capabilities, the Company is proactively conducting research and development activities in collaboration with governments, research institutes, universities and a variety of companies, including venture companies. New technologies and perspectives that the Company did not have seems to accelerate the speed of R&D activities and lead to the generation of groundbreaking innovation. Within this, giving rise to environmentally sound smart agriculture has become a particular target, and it has developed variable fertilizer agricultural machinery equipped with technology that precisely applies fertilizer to reduce chemical fertilizer volumes, and invested in NEWGREEN, Inc. (formerly Yukimai Design Co., Ltd.), a startup company with which it has formed a business alliance involving the development and sale of Aigamo-Robo, an automatic weed control robot for use in rice paddies. Notably, the Aigamo-Robo launched in 2023 is a solar-powered model that is able to autonomously travel around a rice paddy and reduce weed growth by turning up soil and depositing it on top of weed seeds and sprouts. It has proven popular, selling around 500 units in two years, and it received the Minister of Agriculture, Forestry and Fisheries Award at the 11th Robot Awards. This model has since been fully transformed and released as Aigamo-Robo 2 in March 2025. Priced at ¥275,000 per unit, it is roughly half the cost of the original model and its functionality, including running performance and operational stability, have been considerably enhanced. The robot learns the shape of the field, ensuring complete and thorough coverage of its entirety, and revisions to materials and internal structure have made it lighter and more compact, and it is also able to help prevent apple snails and reduce methane emissions. For these reasons, the Company expects to sell 1,000 units within 2025.

Aigamo-Robo 2

Aigamo-Robo 2 specifications



Source: The Company's website

Mid-term Management Plan

Aiming for an operating margin of 5% or higher

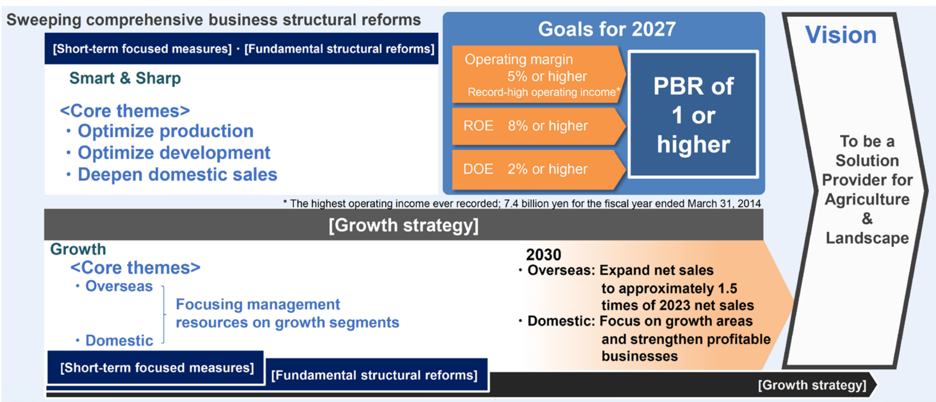
1. Project Z background

In February 2021, the Company formulated its Mid-term Management Plan, which ends in FY12/25, but the business structural reform initiatives aimed at enhancing asset efficiency and profitability in this plan were insufficient. Therefore, in November 2023 when the project was underway, it launched Project Z to drive sweeping comprehensive business structural reforms, and the main points of this project were released in February 2024*. Specifically, the project will enhance asset efficiency and profitability by optimizing production and sales structures and employee composition through fundamental structural reforms with a short-term focus on three themes—optimization of production, optimization of development, and intensification of domestic sales—and by reducing costs. This will transform the Company to make it more resilient in nature, while also accelerating growth by concentrating management resources on the overseas business, especially Europe, and the growth segments of "large-scale," "cutting-edge," "environment," and "field farming" in Japan.

* As discussed later in this report, in July 2024 the Company announced revisions to record an extraordinary loss associated with the advancement of Project Z but since then, reforms have been making smooth progress.

Through these fundamental structural reforms and its growth strategies, by FY12/27, the Company is aiming to achieve an increase in operating profit by ¥7.5bn or higher compared to FY12/23, as well as an operating margin of 5% or higher, ROE of 8% or higher, DOE of 2% or higher, and PBR of 1.0 times or higher. Furthermore, based on its long-term vision for 2030 of "To be a Solution Provider for Agriculture & Landscape," it plans to generate cumulative operating cash flows of ¥50.0bn for the four years from FY12/24 to FY12/27 and ¥52.0bn for the three years from FY12/28 to FY12/30. In FY12/27, its shareholder return target is DOE of 2% or higher, as it will be engaged in fundamental structural reforms and investment in growth, but from FY12/28 onward, it will allocate more of the cash generated to enhancing shareholder return and it will also work to shrink interest-bearing debt. As the result of these efforts, it will aim to realize overseas net sales that are about 1.5 times greater than those recorded in 2023, as well as highly profitable business structure in Japan that is focused on growth areas.

Outline of Project Z



Source: Notice of the Progress on "Project Z"

Aiming for high profitability through fundamental structural reforms and growth strategies

2. Project Z details

Details regarding fundamental structural reforms under the three themes of optimization of production, optimization of development, and intensification of domestic sales, and growth strategies including concentrating on the overseas business, especially Europe, and the growth segments of "large-scale," "cutting-edge," "environment," and "field farming" in Japan, are as follows.

(1) Fundamental structural reforms

1) Optimization of production

The Company is raising productivity by standardizing and streamlining production while also shrinking inventory and fixed assets by integrating product assembly locations. Specifically, in July 2024, it consolidated the management of ISEKI-Matsuyama and ISEKI-Kumamoto and going forward, it plans to transfer the production of combined harvesters that has been carried out at ISEKI-Kumamoto and the production of rice transplanters that has been carried out at ISEKI-Niigata to ISEKI-Matsuyama. The new company formed through the management consolidation has been named ISEKI M&D and the Company plans to conclude production at ISEKI-Kumamoto at the end of FY12/25. In addition to this, the production of hydraulic equipment at ISEKI-Matsuyama will be transferred to ISEKI-Niigata and the production of medium and small tractors, among other products for overseas markets, at ISEKI-Matsuyama will be transferred to PT. ISEKI INDONESIA. The Company plans to complete this integration of manufacturing facilities and enhancement of overseas manufacturing by 2030 and in the period up to 2030, it plans to invest an initial total of ¥46.0bn on establishing and upgrading facilities in accordance with optimization efforts (progress will be discussed later in this report).

2) Optimization of development

The Company plans to make development more efficient and to improve product profit margins by reducing product models and types by 30% or more through development along two axes of growth rate and market scale, and by introducing common global design. In regard to consolidating product models and types, it completed the selection of some targets in FY12/24, and going forward, it plans to further accelerate selection and move into the consolidation phase. It has also concluded an alliance with YANMAR AGRIBUSINESS Co., Ltd. to mutually provide OEM services for small agricultural machinery products for mountainous areas and small-scale plots, in order to ensure stable market supply of products for small-scale farmers, a segment where demand is in decline. The Company forecasts that the effect on the operating margin of its efforts to optimize production and development will be about ¥3.5bn by FY12/27 (compared to FY12/23).

3) Intensification of domestic sales

The Company consolidated the management of its regional sales companies in Japan* with objectives including enhancing management efficiency through the optimization of inventory hubs and reassessment of logistics, and expanding its customer base and strengthening proposal capabilities through increased sharing of know-how. It expects to generate an increase in operating profit of around ¥1.5bn by FY12/27 (compared to FY12/23) through cost reductions and other effects of this management consolidation. One point to take notice of regarding this consolidation is the establishment of the Large-scale Planning Section as an organization dedicated to responding to the growing size of farms with the aim of facilitating growth strategies by enhancing efficiency and creating synergies.

* In January 2025, six domestic sales companies (ISEKI Hokkaido Co., Ltd., ISEKI Tohoku Co., Ltd., ISEKI Kanto Koshinetsu Co., Ltd., ISEKI Kansai Chubu Co., Ltd., ISEKI ChuShikoku Co., Ltd., and ISEKI Kyushu Co., Ltd.), Mie ISEKI Sales Co., Ltd., and Iseki's Business Division were consolidated under the new name of ISEKI Japan.

4) Optimizing employee composition and reducing costs

Alongside fundamental structural reforms, the Company is optimizing employee composition, including by streamlining non-operating departments and soliciting voluntary retirements, and investing in human capital by raising employee engagement and allocating human resources to growth areas. As part of its investment in human capital, it is reallocating employees to growth areas and strengthening education and training to raise its competitiveness in the markets. In addition to this, it plans to thoroughly reduce business costs by merging organizations and operations to increase efficiency. By FY12/27, it plans to increase operating profit by about ¥1.0bn through the optimization of employee composition and investment in human capital, and about ¥1.0bn through cost reductions (both compared to FY12/23, included in the amount for three fundamental structural reforms).

(2) Growth strategies

1) Overseas markets

Overseas, the Company is advancing region-specific strategies and product strategies and it is putting a specific focus on growing results in Europe, which shows high profit and growth potential. It is aiming to achieve net sales of ¥80.0bn, an average annual sales growth rate of 10%, and an average annual operating profit growth rate of 20%. It is focusing management resources in Europe, where it has established a position as the No.1 brand for landscaping equipment, and is working to expand its lineup of products, including growing its range of Non-Agri products and launching environmentally friendly products, making inventory management more efficient by consolidating management across Europe, and further promoting the exchange of diverse human resources, with the aim of achieving net sales in Europe of ¥40.0bn or higher by FY12/30. It will also use Europe as a focus for actively cultivating markets where it has a relatively low share, including Northern Europe, Southern Europe, some areas of Eastern Europe, and some areas of North Africa, and for expanding into new markets including Turkey, South Africa, and some areas of Eastern Europe. In North America, it plans to raise the market share of its global strategy partner AGCO by providing products that are tailored to regional characteristics. In Asia, the Company will expand from Thailand into surrounding countries, while also supplying products that meet the strong need for advanced technologies and large-scale agricultural machinery in East Asia. Also, as part of efforts to strengthen its sales network in Europe, in January 2025 it made PTC, its UK distributor, into a consolidated subsidiary. It is now aiming to enter the next stage of growth in Europe through a three-subsidiary structure comprising ISEKI France S.A.S. (ISEKI France), Iseki-Maschinen GmbH (ISEKI Germany), and PTC. It will also actively consider M&As as a way to enter into new markets, including the acquisition of local distributors. Through these strategies, it will aim to generate operating profit of about ¥1.0bn in FY12/27 (compared to FY12/23).

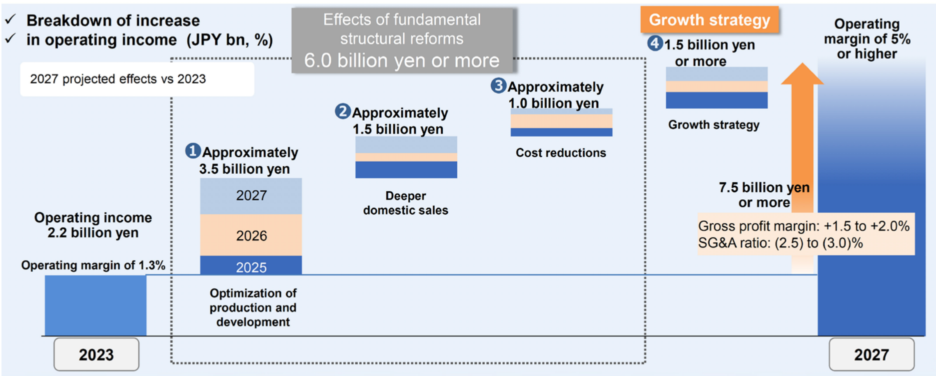
2) Domestic market

In addition to increasing sales by concentrating management resources in the high-demand growth areas of “large-scale,” “cutting-edge,” “environment,” and “field farming,” the Company will also work to secure stable medium- to long-term profits by growing its more profitable businesses, such as by sharing expertise in the maintenance business. To achieve this, it will leverage its management resources, namely people, physical resources, and know-how, to provide high added value agricultural solutions. Specifically, it will expand its lineup of products and solutions that cater to the fields of “large-scale,” “cutting-edge,” “environment,” and “field farming,” such as robotic tractors, Aigamo-Robo, and variable fertilizing rice transplanters, while also establishing and strengthening a framework for swiftly responding to large-scale farming needs, including by establishing the Large-scale Planning Section and enhancing the cultivation of personnel who have strengths in large-scale agricultural machinery and dry-field farming. The Company forecasts these measures will have an impact on operating profit of about ¥0.5bn in FY12/27 (compared to FY12/23). Furthermore, it plans to raise the proportion of large-sized machinery sales out of overall sales to 50% or higher, and to achieve an annual average net sales growth rate of 7.9% for products equipped with advanced technologies.

3) ESG initiatives

The Company plans to continue its ESG initiatives. Specifically, it plans to achieve a 46% reduction in CO_2 emissions by 2030 compared with FY12/14 at all of its consolidated Group companies while also increasing its ratio of eco-products in domestic sales to 65% or more by 2025. It will also establish reduction targets in cooperation with suppliers who account for 70% of transaction amounts, and move forward on developing environmentally friendly products. Through these initiatives, it hopes to contribute to the realization of the SDGs through its business on three fronts: “supporting the enhancement of resilience in agriculture,” “landscaping for comfortable villages and towns,” and “environmental preservation for a recycling-oriented society.” For in-house activities, the Company intends to increase employee engagement by improving work-life balances and ensuring diversity, among other efforts.

Effects of Project Z on increase in operating profit



Source: Notice on the Progress of “Project Z”

Steady progress on Project Z in FY12/24, the first fiscal year

3. Project Z progress and achievements

In FY12/24, the February 2024 announcement regarding Project Z did not provide any details on matters such as the concentration of production bases in Japan and consolidation of regional sales companies. However, an additional release in July 2024 provided details, and these show that steady progress is being made.

In regard to fundamental structural reforms with a short-term focus, efforts under the themes of optimization of production, optimization of development, and intensification of domestic sales are proceeding roughly in line with plans. For optimization of production, the Company is gradually concentrating product assembly functions at ISEKI-Matsuyama to create a more resilient manufacturing base. It has started the construction of a new building, and the transfer of combine harvester assembly operations from ISEKI-Kumamoto is proceeding as planned. Furthermore, it seems that the Company is revising some of the details of its plan to shrink the capital investment required from the initial ¥46.0bn to ¥38.0bn. For optimization of development, the Company's short-term focus is to improve product profit margins and although some of its efforts are behind schedule as specific initiatives took more time than expected, the Company will recover this time by allocating more human resources. On the other hand, in efforts to make development more efficient, the reduction of models and consolidation of types of machinery are progressing as anticipated, and the Company is smoothly transitioning to the next phase. For intensification of domestic sales, in January 2025 it consolidated sales organizations as ISEKI Japan, and it looks like this will provide a platform for pursuing growth strategies by establishing a structure for promoting more powerful sales measures through the concentration of management resources and swift decision making. Looking at efforts to optimize employee composition, the number of applications for voluntary retirement collected by the Company in 2024 was lower than anticipated, but revisions to the Group's personnel plans ensured personnel expenses levels were as planned. In regard to cost reductions, the Company worked to reduce costs in line with both organizational and operational integration, but progress is behind schedule. Therefore, it plans to make up this lost time by reviewing operations and implementing specific measures.

For its growth strategies, the Company has made steady progress on expanding net sales and raising profitability overseas with a focus on Europe, and maintaining sales levels while enhancing profitability in Japan by strengthening sales in growth segments. Looking at region-specific strategies overseas, it made its UK distributor PTC into a consolidated subsidiary to create a three-subsidiary structure with bases in France, Germany, and the UK, thereby establishing a foundation for its growth strategies in Europe. Under its product strategy, plans to grow its range of Non-Agri products and launch environmentally friendly products are progressing. These efforts can also be seen as the start of preparations for initiatives such as expanding its sales area to include Central and Eastern Europe, Turkey, the Middle East, and North Africa, enhancing the products it handles, and improving efficiency by consolidating inventory management for the European region. In regard to strengthening sales in growth segments, the Company has made progress toward expanding its customer base and strengthening proposal capabilities by establishing ISEKI Japan and the Large-scale Planning Section, promoting imported machinery for large-scale farming that has achieved brand recognition in Hokkaido in Honshu and other Japanese islands, and providing labor-saving and environmentally friendly agricultural solutions using robotic machinery and Aigamo-Robo.

To raise the efficiency of its assets, the Company is integrating manufacturing bases and sales bases respectively with a view to shrinking inventory assets and consolidating product models and types. However, at the end of 2024, it established the Supply Chain Management (SCM) Promotion Section to facilitate restructuring in a way that involves all departments from procurement to sales. In addition to this, it has shown an intent to strengthen shareholder return while building net assets by shrinking fixed assets through a shift to assets that offer greater return on investment and the sale of surplus assets. In regard to the allocation of cash for growth, at present it will continue working to improve operating cash flow and bring it back to a growth trajectory, with a view to increasing cash flows from 2028 onward.

Raising PBR through structural reforms and growth strategies

4. Management that is conscious of cost of capital and share price

The Company's share price is low. Having a PBR of less than 1 times not only increases the risk of a takeover, but also shows insufficient consideration of shareholders, and the Company has received an improvement order from the TSE. Therefore, it is focusing on realizing management that is conscious of cost of capital and share price and plans to raise PBR through measures such as restructuring and growth strategies. To realize a PBR of 1 times or higher, it has also set targets of an operating margin of 5% or higher, ROE of 8% or higher, and DOE of 2% or higher. It plans to achieve these targets by improving profitability, enhancing asset efficiency, allocating cash to growth, and strengthening IR activities and ESG initiatives. Within this, improving profitability falls within the remit of the restructuring being pursued under Project Z, which includes the targets of raising the gross profit margin by 1.5 to 2.0 percentage points (pp) and reducing the SG&A ratio by 2.5 to 3.0pp. To enhance asset efficiency, the Company is working to improve fixed asset turnover by selling idle assets and making investment standards stricter, and it is raising inventory turnover rates by strengthening initiatives to shrink inventory, such as establishing the SCM Promotion Section. The Company will improve its situation in terms of allocation of cash for growth by bringing operating cash flow to a growth trajectory and then expanding this growth through measures such as shrinking inventory. To strengthen IR activities and ESG initiatives, the Company will work to be a company that catches the attention of the stock market by not only improving business results, but also through efforts such as expanding engagement with investors, broadening information disclosure, streamlining management, realizing swifter decision making, and strengthening its governance framework.

Results trends

Although forecasts were revised during the period results are roughly on target

1. FY12/24 results trends

In the Company's FY12/24 consolidated results, net sales decreased 0.9% YoY to ¥168,425mn, operating profit decreased 14.8% to ¥1,920mn, ordinary profit decreased 24.6% to ¥1,577mn and it recorded a loss attributable to owners of parent of ¥3,022mn (vs. a profit of ¥29mn in FY12/23). As the Company advanced Project Z, in July 2024 it consolidated the management of ISEKI-Matsuyama and ISEKI-Kumamoto under the new name of ISEKI M&D and in January 2025, it consolidated six domestic sales companies, including ISEKI Hokkaido, and others under the new name of ISEKI Japan. In the same month, it made its UK distributor PTC into a consolidated subsidiary. In July 2024, the Company made an additional disclosure that included details such as the end of production at ISEKI-Kumamoto, in which it revised its forecast in anticipation of an extraordinary loss associated with Project Z. Although the loss attributable to owners of parent of ¥3,422mn falls short of the initial forecast, it is roughly in line with the revised forecast.

FY12/24 results

(¥mn)

	FY12/23		FY12/24		
	Results	vs. net sales	Results	vs. net sales	YoY
Net sales	169,916	100.0%	168,425	100.0%	-0.9%
Gross profit	50,359	29.6%	50,648	30.1%	0.6%
SG&A	48,105	28.3%	48,728	28.9%	1.3%
Operating profit	2,253	1.3%	1,920	1.1%	-14.8%
Ordinary profit	2,092	1.2%	1,577	0.9%	-24.6%
Profit attributable to owners of parent	29	0.0%	-3,022	-1.8%	-

Source: Prepared by FISCO from the Company's financial results

Although the Japanese economy is gradually recovering due to the effects of various government measures, the outlook remains uncertain due to factors including rising prices, the situation in the Middle East, and fluctuations in the financial and capital markets. Within this environment, in Japan, the Company strengthened its response to the changing agricultural structure, while overseas, it strove to grow its business and enhance profits by deftly capturing demand in its main markets of North America, Europe, and Asia. As a result, net sales in Japan were level, but overseas sales fell due to struggles in North America and Asia. Despite decreases in sales and production, on the profit front, the impact of the rising cost of raw materials and other supplies was kept small, while the impact of the price revisions implemented both domestically and internationally became clearly evident. Due to the effects of exchange rates and efforts to shrink inventory, gross profit margin rose significantly, exceeding the levels recorded before the launch of Project Z. In regard to SG&A expenses, previously the Company kept a balance in terms of imports and exports and currency of settlements in order to minimize foreign exchange effects, but the considerable depreciation of the yen, especially against the Euro, has led to expenses increasing, despite reductions in areas such as personnel expenses. Under non-operating profit, foreign exchange gains shrank, while share of loss of entities accounted for using equity method grew, and in regard to extraordinary profit/loss, the Company incurred impairment losses and business structure reform expenses associated with initiatives such as the end of production at ISEKI-Kumamoto. Net assets decreased due to the recording of extraordinary losses, but the Company's financial position improved due to decreases in inventories and interest-bearing liabilities, and operating cash flow made a considerable improvement to return to a positive value.

FY12/24 net sales by segment

(¥mn)

	FY12/23		FY12/24		
	Results	vs. net sales	Results	vs. net sales	YoY
Japan	113,060	66.5%	113,031	67.1%	-0.0%
Agricultural machinery	45,060	26.5%	44,185	26.2%	-1.9%
Cultivating and mowing machinery	22,083	13.0%	21,264	12.6%	-3.7%
Planting machinery	7,235	4.3%	6,574	3.9%	-9.1%
Harvesting and processing machinery	15,741	9.3%	16,346	9.7%	3.8%
Implements, spare parts and repair fees	42,506	25.0%	44,275	26.3%	4.2%
Other agriculture-related	25,493	15.0%	24,570	14.6%	-3.6%
Overseas	56,855	33.5%	55,394	32.9%	-2.6%
North America	14,298	8.4%	11,256	6.7%	-21.3%
Europe	33,262	19.6%	38,549	22.9%	15.9%
Asia	8,139	4.8%	4,992	3.0%	-38.7%
Others	1,156	0.7%	596	0.4%	-48.4%

Source: Prepared by FISCO from the Company's Securities Report

Looking at net sales by area, the Company recorded ¥113,031mn in Japan (roughly level YoY) and ¥55,394mn overseas (down 2.6%).

In Japan, the Company carried out price revisions a month earlier than the previous fiscal year in 1Q, resulting in a slump as the demand period started in March, but this was partially covered by a recovery in demand from the middle of the year and onwards due to rising rice prices, resulting in net sales for the full year remaining roughly level with FY12/23. Looking at net sales by product in Japan, in agricultural machinery, net sales of cultivating and mowing machinery such as tractors and tillers decreased 3.7% YoY to ¥21,264mn, net sales of planting machinery such as rice and vegetable transplanters decreased 9.1% to ¥6,574mn, and net sales of harvesting and processing machinery such as combine harvesters increased 3.8% to ¥16,346mn. Additionally, net sales from implements, spare parts and repair fees increased 4.2% to ¥44,275mn, and net sales from other agriculture-related business including facility construction decreased 3.6% to ¥24,570mn. In particular, for implements, spare parts and repair fees—which have long been central to the Company's revenue-expenditure structural reform—performed well, with spare parts and repair fees growing 5.9% and 3.7% respectively due to increased maintenance.

Overseas, the Company struggled in North America and Asia, with net sales in North America declining 21.3% YoY to ¥11,256mn as the market for compact tractors weakened, and net sales in Asia decreasing 38.7% to ¥4,992mn due to inventory adjustments in South Korea and the softening of demand in ASEAN countries. However, its performance in Europe was strong as net sales increased 15.9% to ¥38,549mn, due to strong sales of landscaping equipment and purchased electric products, boosted by the effects of yen depreciation. Looking at net sales by product overseas, net sales of cultivating and mowing machinery such as tractors and mowers decreased 8.6% to ¥36,030mn, net sales of planting machinery such as rice transplanters decreased 44.2% to ¥1,019mn, and net sales of harvesting and processing machinery such as combine harvesters decreased 56.7% to ¥587mn.

Double-digit increase in profit forecast for FY12/25 due to the effects of Project Z

2. FY12/25 forecasts

The outlook for the FY12/25 consolidated results is for net sales to increase 1.2% YoY to ¥170,500mn, operating profit to increase 35.4% to ¥2,600mn, ordinary profit to increase 14.1% to ¥1,800mn and for a profit attributable to owners of parent of ¥1,300mn (vs. a loss of ¥3,022mn in FY12/24). The Company is forecasting a double-digit increase in profit as the effects of Project Z manifest, particularly in the second half of the fiscal year.

Outlook for FY12/25

(¥mn)

	FY12/24		FY12/25		
	Results	vs. net sales	Forecast	vs. net sales	YoY
Net sales	168,425	100.0%	170,500	100.0%	1.2%
Gross profit	50,648	30.1%	-	-	-
SG&A	48,728	28.9%	-	-	-
Operating profit	1,920	1.1%	2,600	1.5%	35.4%
Ordinary profit	1,577	0.9%	1,800	1.1%	14.1%
Profit attributable to owners of parent	-3,022	-1.8%	1,300	0.8%	-

Source: Prepared by FISCO from the Company's financial results

In Japan, as demand continues to decline due to structural reasons, the Company will continue to concentrate management resources and strengthen sales in the growth areas of "large-scale," "cutting-edge," "environment," and "field farming," under Project Z. Within this, it plans to strengthen products and services targeting large-scale farmers and continue enhancing the content shared though its Amoni farm business information site, and it also holds expectations for the launch of the new model Aigamo-Robo 2. In regard to rice prices, which have risen due to supply shortages caused by factors including damage from high temperatures in 2023, it is predicted that prices may settle down due to the release of national stockpiles and an anticipated increase in cultivated area. However, such an increase in cultivated area would also provide a tailwind to the agricultural machinery industry. Overseas, despite North America bottoming out and Asia beginning to recover, the Company forecasts a decrease in sales. However, it expects demand in Europe to remain high. Regarding the contributions of Project Z to earnings, while there will still be some temporary expenses, it expects to see some effects from efforts to improve product profit margins and shrink fixed expenses, and from the consolidation of PTC, particularly in the second half of the fiscal year.

FY12/25 outlook for net sales by segment

(¥mn)

	FY12/24		FY12/25		
	Results	vs. net sales	Forecast	vs. net sales	YoY
Japan	113,031	67.1%	113,500	66.6%	0.4%
Agricultural machinery	44,185	26.2%	44,500	26.1%	0.7%
Cultivating and mowing machinery	21,264	12.6%	-	-	-
Planting machinery	6,574	3.9%	-	-	-
Harvesting and processing machinery	16,346	9.7%	-	-	-
Implements, spare parts and repair fees	44,275	26.3%	43,000	25.2%	-2.9%
Other agriculture-related	24,570	14.6%	26,000	15.2%	5.8%
Overseas	55,394	32.9%	57,000	33.4%	2.9%
North America	11,256	6.7%	12,500	7.3%	11.1%
Europe	38,549	22.9%	37,000	21.7%	-4.0%
Asia	4,992	3.0%	7,100	4.2%	42.2%
Others	596	0.4%	400	0.2%	-19.4%

Source: Prepared by FISCO from the Company's Securities Report and results briefing materials

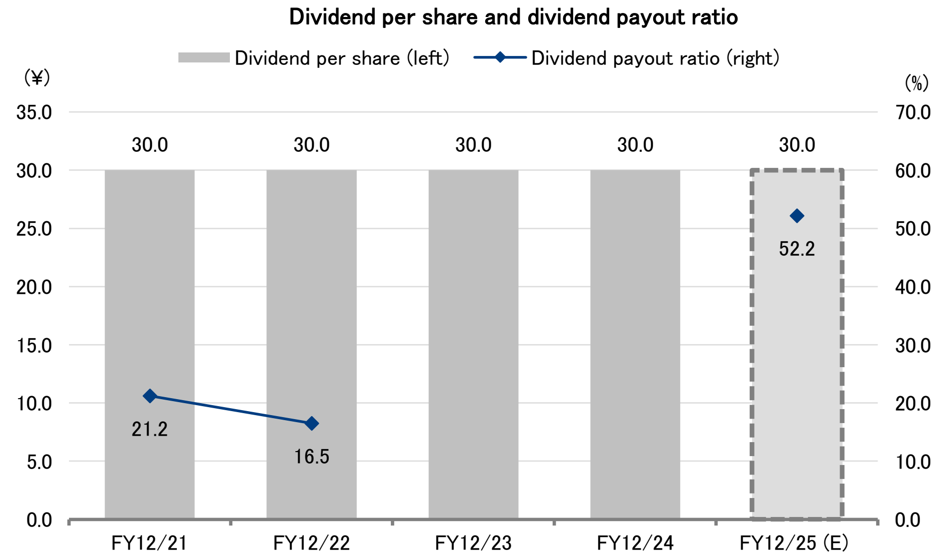
Looking at conditions by product, demand for agricultural machinery in Japan will continue to decline due to long-term structural reasons, but the Company expects that a recovery in appetite for purchasing among farmers as rice prices remain at high levels and its efforts to focus management resources and strengthen sales in growth areas will lead to an increase in sales. Sales of implements are forecast to return from the high level recorded in FY12/24 back to regular levels, while facility construction is expected to benefit from the effects of high rice prices and a favorable market environment. Looking overseas, in North America, the compact tractor market is expected to bottom out from the severe conditions experienced since the COVID-19 pandemic, while in Asia, the Company will expand into the ASEAN market in countries surrounding Thailand, and in South Korea, it will promote shipments as inventory adjustments come to an end. Furthermore, in Europe, although there will be a rebound from the considerable rise in sales of purchased electric products recorded in FY12/24, demand for landscaping products is expected to remain at a high level. Most of the increase in sales from the consolidation of PTC will be cancelled out by the fact it was already a supplier.

In terms of operating profit, while the growth rate will increase significantly, the increase in actual profit is expected to remain small. This forecast assumes that the impact of price revisions carried out in FY12/24 and the ongoing high cost of sales will stay at around the same amount, and expects Project Z to contribute to profit growth, despite expenses associated with consolidating the management of sales companies in Japan and temporary expenses associated with transferring production from ISEKI-Kumamoto to ISEKI-Matsuyama. However, with the sales and profit situation anticipated to improve in both Japan and overseas, the Company's forecasts for net sales and operating profit margin in Europe give the distinct impression of being a little conservative. With this in mind, we at FISCO think it will not be particularly difficult for the Company to achieve its full-year targets as it looks like sales conditions in FY12/25 are good, with the Company ramping up its efforts in March, a month in which they struggled during FY12/24. Additionally, efforts to keep the price of Aigamo-Robo 2 down seem to be making it popular.

Shareholder return policy

Maintaining a stable dividend of ¥30.0

The Company positions the allocation of stable dividend payments to shareholders as a key policy. As a prerequisite for sustainable business operations, its basic policy is to pay a stable dividend based on comprehensive consideration of factors including maintaining and enhancing a sound financial position, the Company's earnings base and future business development, and changes in the business environment. Additionally, the dividend of surplus is paid once a year as a year-end dividend, and dividend matters are to be decided at the ordinary general meeting of shareholders. Based on the above, the Company intends to maintain annual dividend of ¥30.0 per share each year, and the dividend for FY12/24 was ¥30.0. Its forecast dividend per share for FY12/25 is also ¥30.0.



Note: The dividend payout ratio for FY12/23 and FY12/24 were abnormal values and have not been included.
Source: Prepared by FISCO from the Company's financial results

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