



February 14, 2024

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Code number: 6310
Stock exchange listing: Tokyo Stock Exchange Prime Market
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Action to Implement Management that is Conscious of Cost of Capital and Stock Price

We hereby announce our action to implement management that is conscious of the cost of capital and stock price as described below.

1. Current State Analysis

ISEKI's price book-value ratio (PBR) has continuously remained below 1, standing at 0.34 as of December 31, 2023. We have broken down PBR into its components return on equity (ROE) and price earnings ratio (PER), and arranged factors contributing to each of these through analyses using "comparisons over time with other companies in the same industry," "opinions gathered from investors the Company is engaged with," and other methods.

(1) ROE

Changes in ROE over time show it has not reached the Mid-term Management Plan target of 8%. Factors contributing to this underperformance have been identified as the low net profit margin and total asset turnover. We believe that product-specific profit margins and SG&A ratio are among factors affecting the net profit margin, and inventories, capacity utilization rates, and other metrics are among factors affecting total asset turnover. Additionally, we have found that institutional investors, with whom we are in regular contact, perceive our cost of equity to be approximately 8%.

(2) PER

PER has not risen above a multiple of 10 since 2020. We attribute this to insufficient disclosure about our growth prospects, strengths, profitability, and other information as well as discrepancies between projections and actual performance.

(Change in ISEKI metrics)

	2017/12	2018/12	2019/12	2020/12	2021/12	2022/12	2023/12
PBR (multiple)	0.93	0.53	0.56	0.52	0.48	0.39	0.34
ROE (%)	4.2	1.6	1.1	(8.8)	5.1	6.2	0.0
PER (multiple)	22.9	32.6	52.2	(5.5)	9.8	6.4	841.5
Net profit margin (%)	1.8	0.7	0.5	(3.8)	2.0	2.5	0.0
Total asset turnover (times)	0.8	0.8	0.8	0.8	0.8	0.8	0.8

2. Striving to Improve PBR

Given the challenges identified in the current state analysis, we will steadily proceed to advance measures set forth in Project Z, which is also under way, in our aim to achieve a PBR of 1 or higher by 2027.

Our vision (2027)	Consolidated operating margin	5% or higher	▶ PBR of 1 or higher
	ROE	8% or higher	
	DOE	2% or higher	

Direction for improvement

- (1) Improve profitability
- (2) Enhance asset efficiency
- (3) Allocate cash for growth
- (4) Enhance IR activities & ESG initiatives

Measures for improvement

▶ Project Z measures

Core themes

- Fundamental structural reform: Optimization of production and development, and intensification of domestic sales
 - Growth strategy
- #### ▶ IR activities and ESG initiatives
- Expand and advance dialogue and information disclosure
 - Strengthen governance structure

3. Dialogue with Shareholders and Investors

To achieve sustainable growth and enhance corporate value over the medium- and long-term, we believe that the understanding of our shareholders and investors is essential. We will thoroughly explain our management policies, engage in a constructive dialogue, and strive to build trusting relationships that endure over the long-term.

Officers in charge of business administration departments (Investor Relations Section, Corporate Planning Department, Financial Department, and General Affairs Department) oversee these dialogues and strive to actively engage with shareholders, investors, and other stakeholders during financial results briefing sessions and other opportunities.

For further details, please refer to the attached documents.

Action to Implement Management that is Conscious of Cost of Capital and Stock Price

ISEKI & CO., LTD.

(Tokyo Stock Exchange Prime Market:6310)

February 14, 2024



- 1. Current State Analysis**
- 2. Striving to Improve PBR**
- 3. Dialogue with Shareholders & Investors**

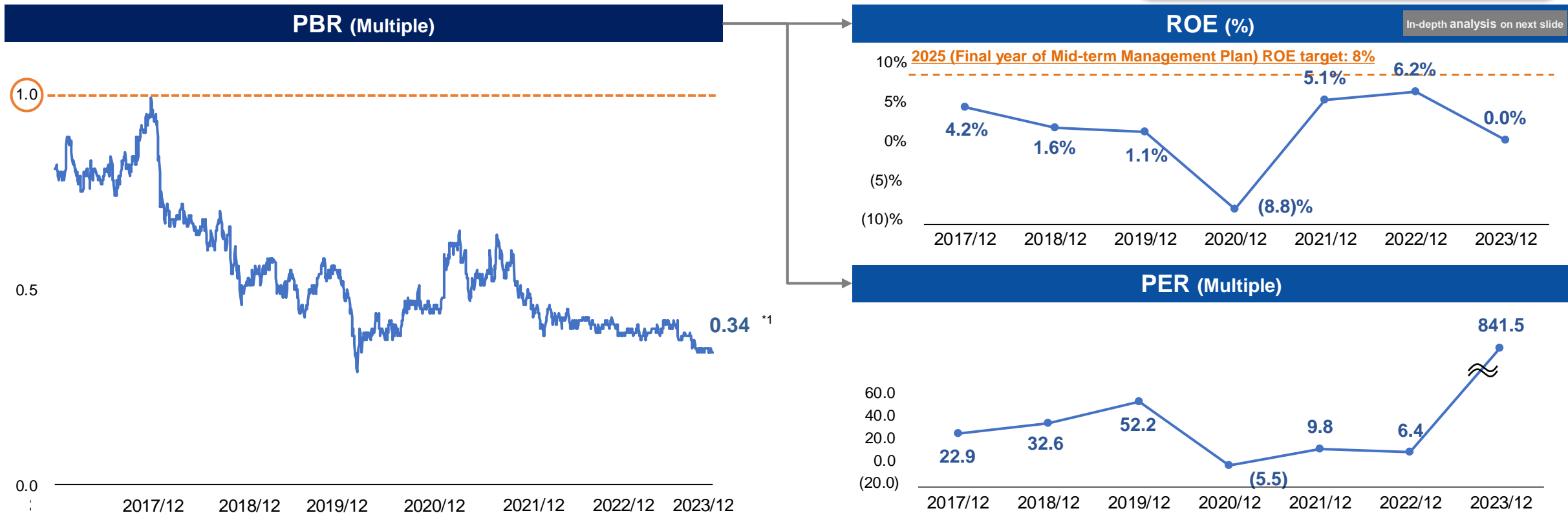
1. Current State Analysis

Current State Analysis: Change in PBR, ROE & PER Over Time

ISEKI

- PBR has continued to remain significantly below 1, standing low at 0.34 as of December 31, 2023.
- The following trends have been identified based on changes in PBR components ROE and PER over time.
 - ROE has trended below 8%, the Mid-term Management Plan target.
 - Based on interviews conducted for the current state analysis and evaluation, it was found institutional investors, with whom we are in regular contact, perceive our cost of equity to be approximately 8%.
 - PER has not reached a multiple of 10 since 2020.

$$\text{PBR} = \text{ROE} \times \text{PER}$$



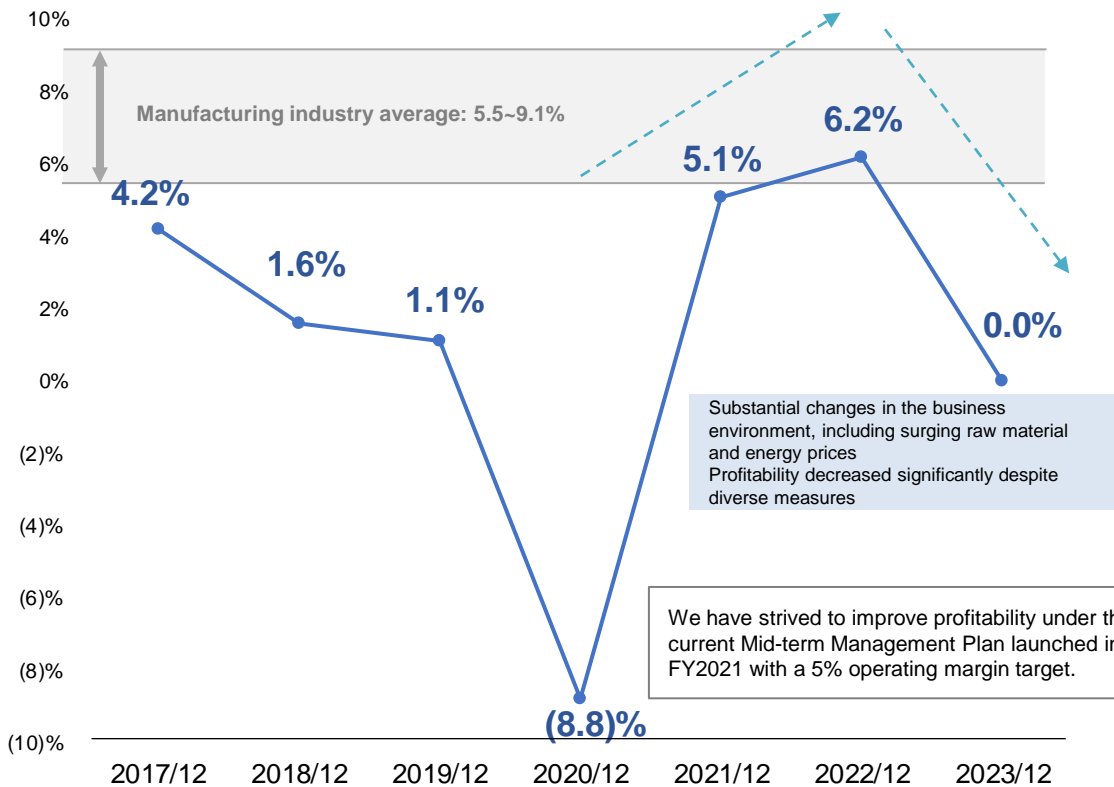
*1: As of December 31, 2023

Current State Analysis: ROE Analysis



- Factors identified as holding ROE down are the low net profit margin and total asset turnover.
 - Product-specific profit margins and SG&A ratio are factors affecting the net profit margin.
 - Inventories, capacity utilization rates, and other factors are affecting total asset turnover.

ROE (%)



$$\frac{\text{Profit}}{\text{Net sales}}$$

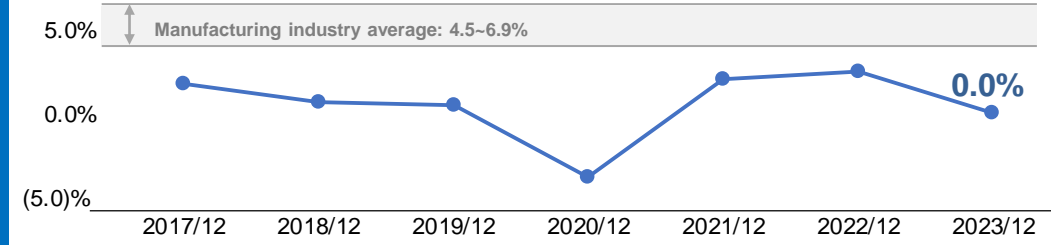
×

$$\frac{\text{Net sales}}{\text{Total assets}}$$

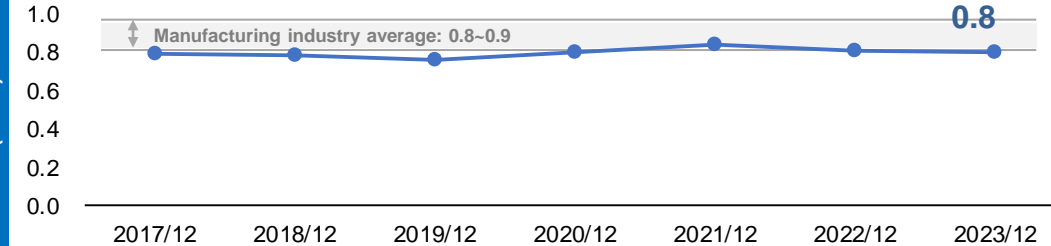
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$$\frac{\text{Total assets}}{\text{Equity}}$$

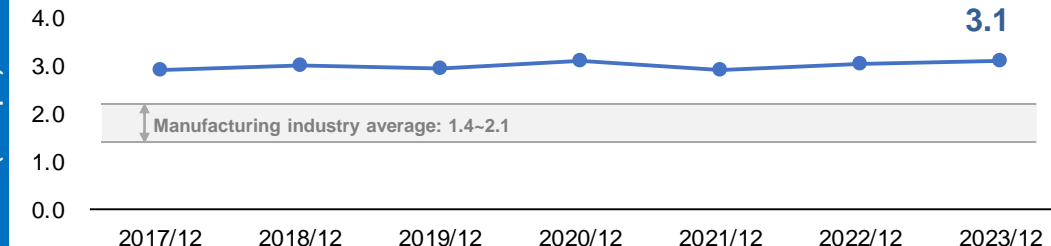
Net profit margin (%)



Total asset turnover (times)



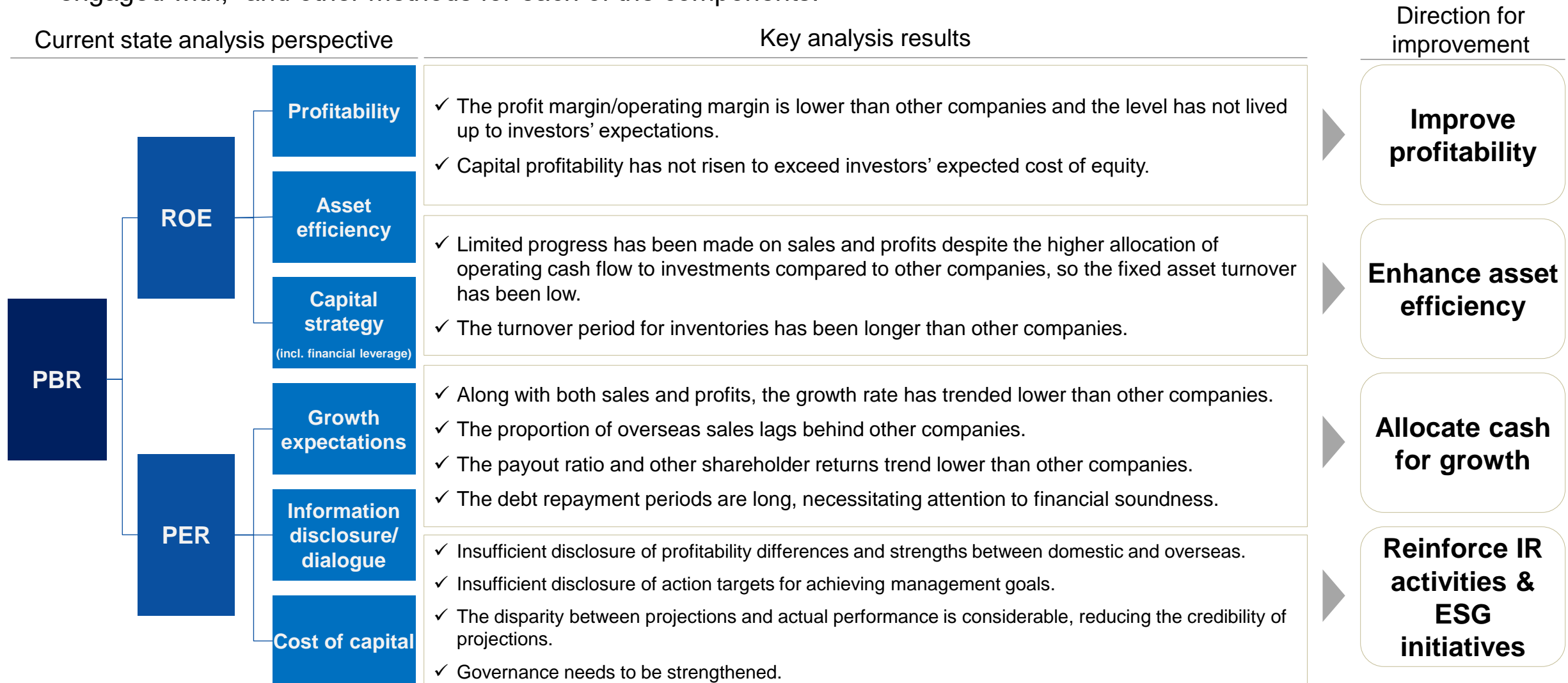
Financial leverage (multiple)



(Note) Manufacturing industry average represents a range of values from FY2017 to FY2022.

Current State Analysis: Summary

- PBR components were broken down, and factors contributing to the low level were arranged through analysis using “comparisons over time with other companies in same industry,” “opinions gathered from investors the company is engaged with,” and other methods for each of the components.



2. Striving to Improve PBR

Striving to Improve PBR : Summary

ISEKI
2027

Consolidated operating margin: **5% or higher**
 ROE: **8% or higher**
 DOE: **2% or higher**

PBR of 1 or higher

<Core Themes>

<Direction for improvement>

Measures set forth
in Project Z



Sweeping
comprehensive
business structural
reforms

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

**IR activities and
ESG initiatives**

Expand and advance dialogue and information disclosure
Strengthen governance structure

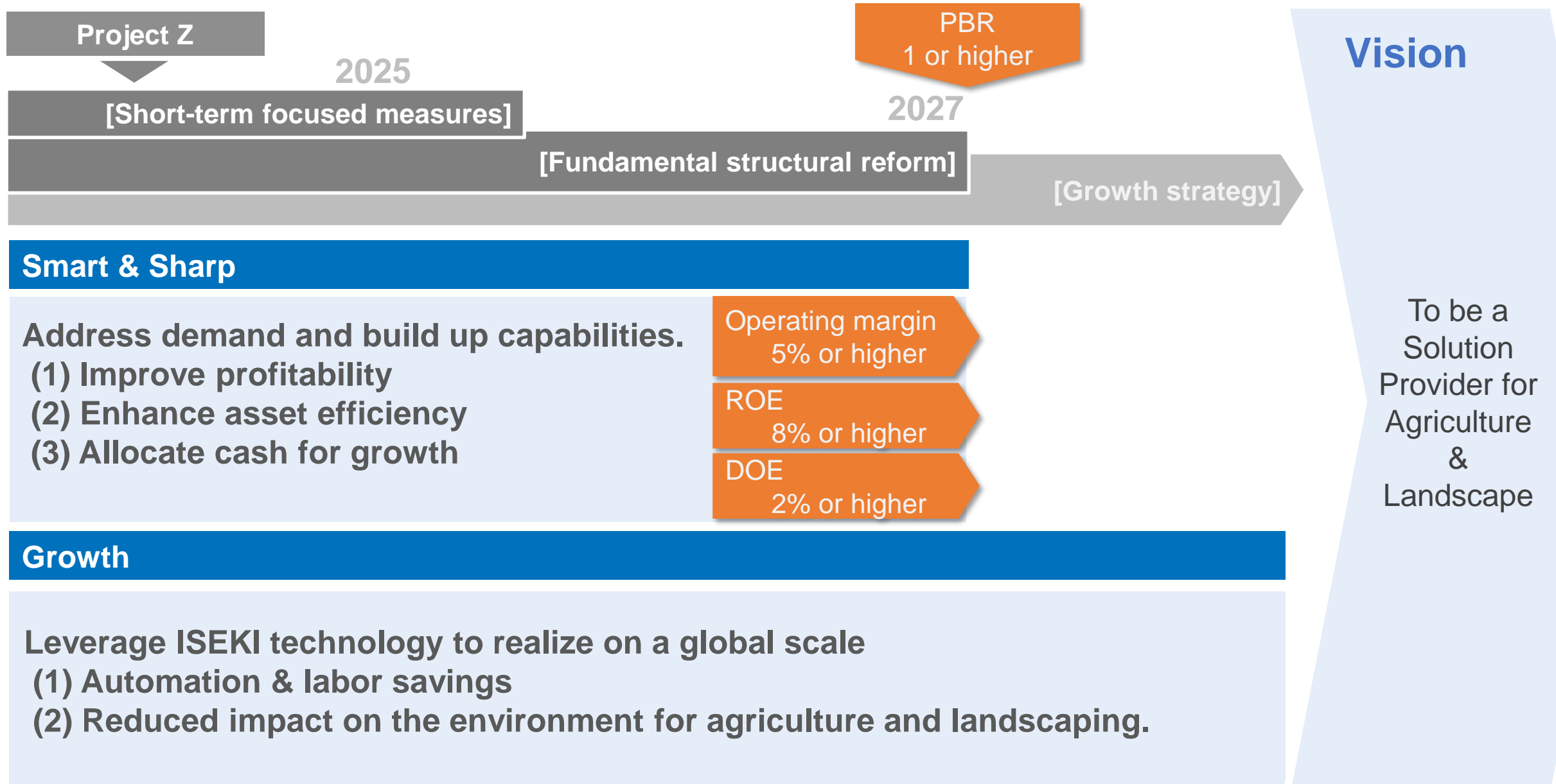
Improve profitability

Enhance asset efficiency

Allocate cash for growth

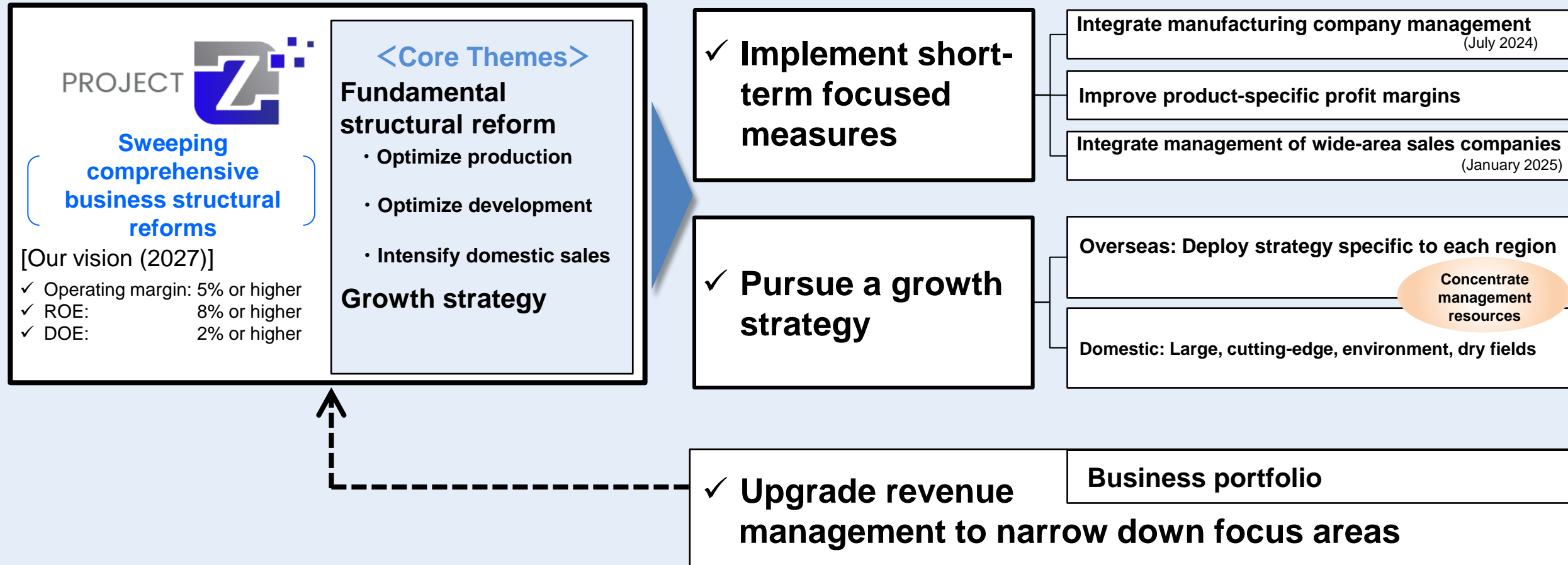
**Enhance IR activities
& ESG initiatives**

Growth Story

ISEKI


Profitability Improvement

- We will accelerate advances in revenue management, implement short-term focused measures, and pursue a growth strategy to enhance profitability.



Asset Efficiency Enhancement

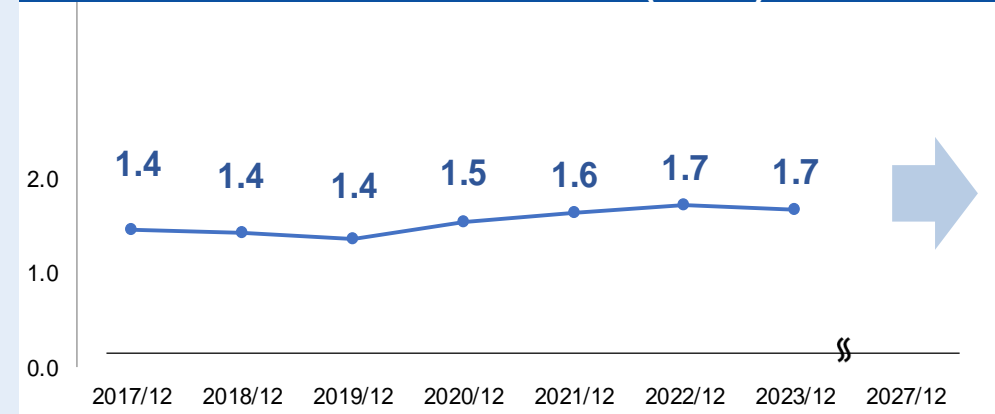
- We will enhance asset efficiency through inventory reduction and investment decisions based on hurdle rates.

✓ Improve fixed asset turnover

- Make investment decisions based on hurdle rates
 - Hurdle rate = Cost of capital + margin
 - Asset management to be revised annually
- Reorganize business units and reassess production lines

* Estimated to remain flat in 2027 due to growth investment

Fixed asset turnover (times)



PROJECT



Sweeping comprehensive business structural reforms

[Our vision (2027)]

- ✓ Operating margin: 5% or higher
- ✓ ROE: 8% or higher
- ✓ DOE: 2% or higher

✓ Improve inventory turnover

- Reassess distribution and procurement strategies
- Reorganize business units, consolidate models, and reassess production lines to reduce inventories

* Improve to 2.4 ASAP (two-month reduction)

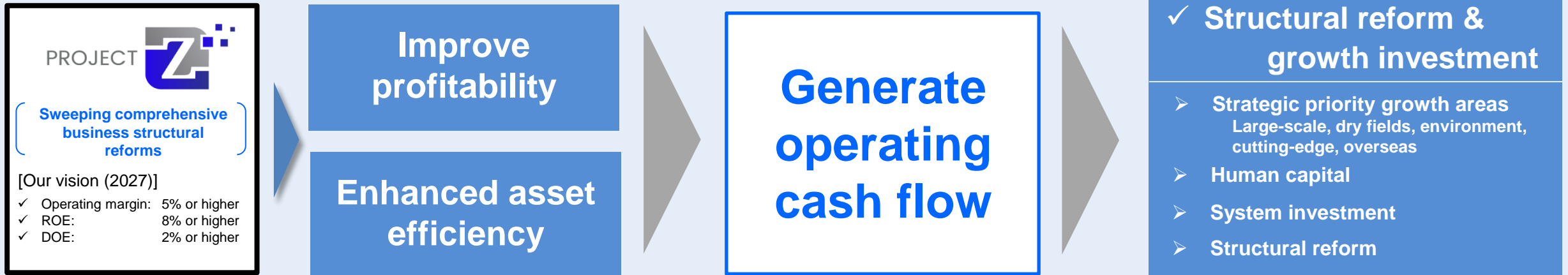
Inventory turnover (times)



Growth Strategy Cash Allocation for Growth

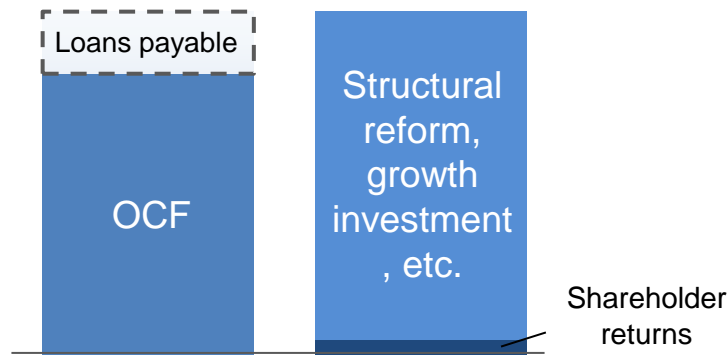
ISEKI

- 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.

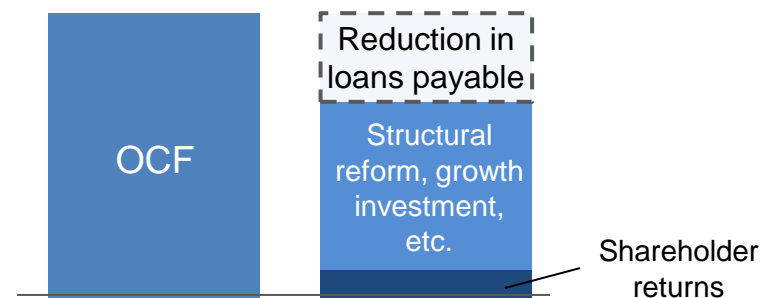


<Cash Allocation>

■ 2024 ~ 2027 (4-year cumulative total)



■ 2028 ~ 2030 (3-year cumulative total)



Enhancement of IR Activities & ESG Initiatives

- We will enhance and strengthen activities to promote better understanding of our growth strategy and reduce the cost of capital.

IR Activities

✓ Expand and advance dialogue and information disclosure

- Enhance disclosure of qualitative & quantitative information and enable progress to be visualized
- Proactively initiate dialogue (individual meetings, facility tours, etc.)

ESG Initiatives

✓ Strengthen governance structure

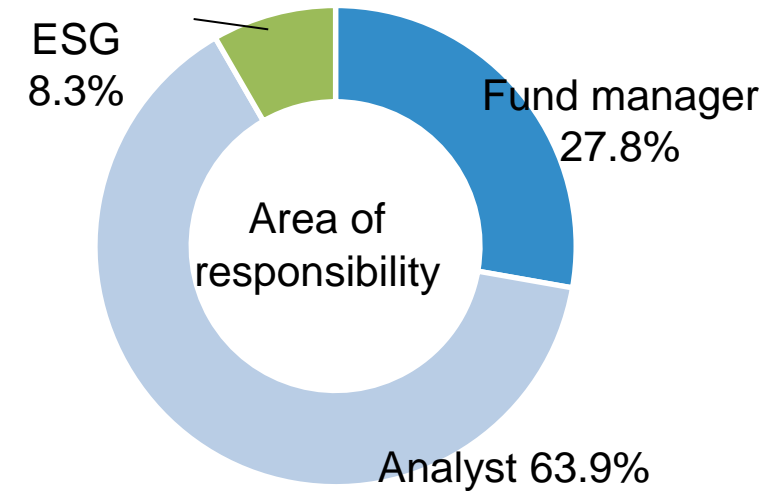
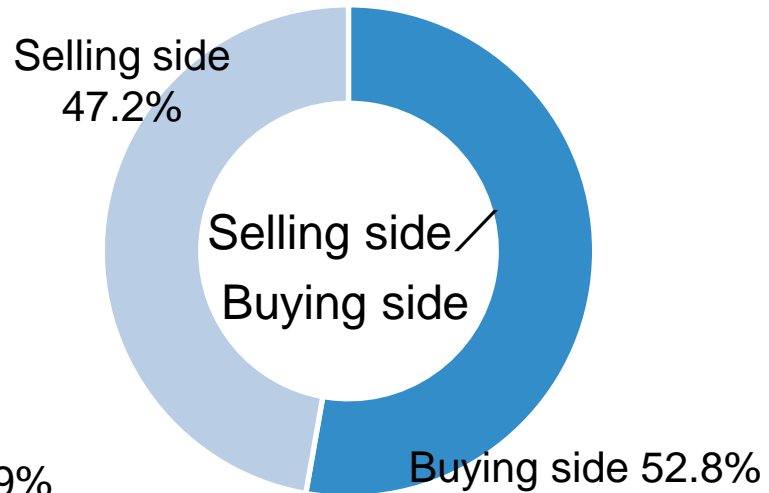
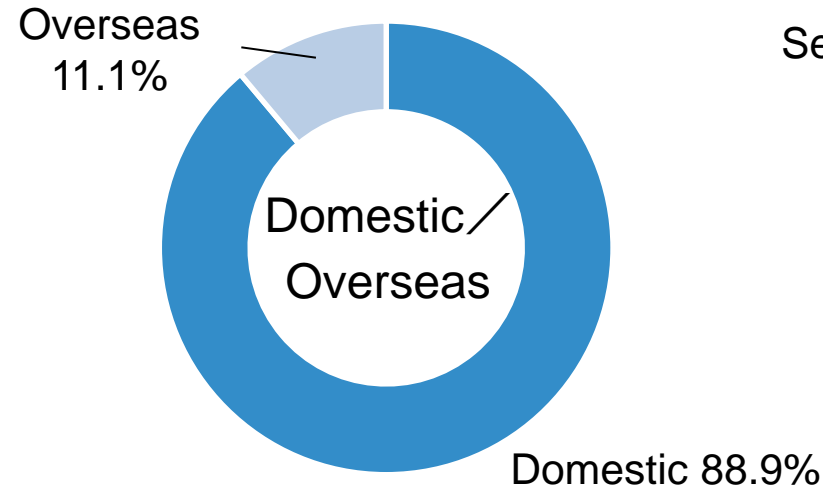
- Revise directors' compensation system (FY2022~)
- Strengthen oversight functions (diversify the Board of Directors)

3 . Dialogue with Shareholders & Investors

Dialogue with Shareholders & Investors (FY2023 Results)

ISEKI

■ Attributes of Dialogue Partners



■ Principal Topics & Concerns

Performance

Management strategy

- ISEKI Group's strengths
- Business demand trends
- Medium-term measures and progress
- Management conscious of cost and efficiency of capital
- Business portfolio-related management systems

ESG

Share price & shareholder return

- Status of climate change response
- Status of human capital-related initiatives
- Composition of directors
- Stock price & PBR challenges and responses
- Direction of shareholder returns

Dialogue with Shareholders & Investors (FY2023 Results)



■ Dialogue Opportunities & ISEKI participants

Description	ISEKI participants	2023 Results	Method, etc.
Ordinary General Meetings of Shareholders	All directors and corporate auditors	1 meeting	Held in-person
Financial results briefing sessions	All executive directors	4 sessions	<ul style="list-style-type: none"> • Held online or hybrid • Briefing materials and Q&A summary made available on website
Individual meetings	Director in charge of investor relations, Director in charge of finance, General Manager of Public & Investor Relations Section, General Manager of Financial Dept.	21 meetings	Online or in-person dialogue
Business briefings	President and Representative Director, Director in charge of investor relations, etc.	(Held in 2022)	Held online
Facility tours & new product launches	President and Representative Director, Director in charge of investor relations, etc.	2 events	Held in-person
Facility tours for individual shareholders	President and Representative Director, Director in charge of general affairs, etc.	1 tour	Held in-person
Inquiry responses	IR Section, General Affairs Dept.	As needed	Dialogue through website, telephone, email, etc.
(Reference information) Interviews with institutional investors and securities analysts	Handled by outside contractor	5 sessions	Online dialogue

Dialogue with Shareholders & Investors (FY2023 Results)



■ Feedback Provided to Management

✓ Public & Investor Relations Section provides reports and feedback

- Opinions, interests, concerns, and other comments provided by shareholders and investors during dialogues are reported to management in a timely manner according to the context.
- Feedback about our businesses is provided to the relevant business units as appropriate, which is then reflected in business activities to make improvements.

Description	Reporting method	Frequency	Target
Individual meetings with investors and analysts Opinions, requests, etc. from shareholders and investors Share performance metrics & stock price information IR activity reports	Written reports detailing meeting summaries	Each occasion	All directors
	Reports detailing meeting summaries, stock performance, etc. discussed at public relations liaison meetings	Monthly	Members of Directors' Operation Committee
	Reports detailing meeting summaries, stock performance, etc. discussed at Board of Directors meetings	Quarterly	Members of Board of Directors
	Reports detailing topics of high concern to shareholders and investors as well as opinions voiced at high-level meetings	Monthly	President and Representative Director, Director in charge of investor relations
Other reports (related to shareholders and investors)	As necessary, reports detailing shareholder structure, stockholdings and other trends pertaining to institutional investors and others	Each occasion	Members of Directors' Operation Committee and others

■ Example of Comments Incorporated from Dialogue

Opinions, request, etc.	Our response
Reassess and improve items relating to human rights and conflict minerals in CSR Procurement Guidelines	CSR Procurement Guidelines revised in November 2021 to specify responsible mineral procurement be conducted as well as forced and child labor eliminated. (Reference) Iseki Group CSR Procurement Guidelines

Notes on the Future Forecast

- 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.



未来の
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。

**NIPPON
FOOD
SHIFT**