

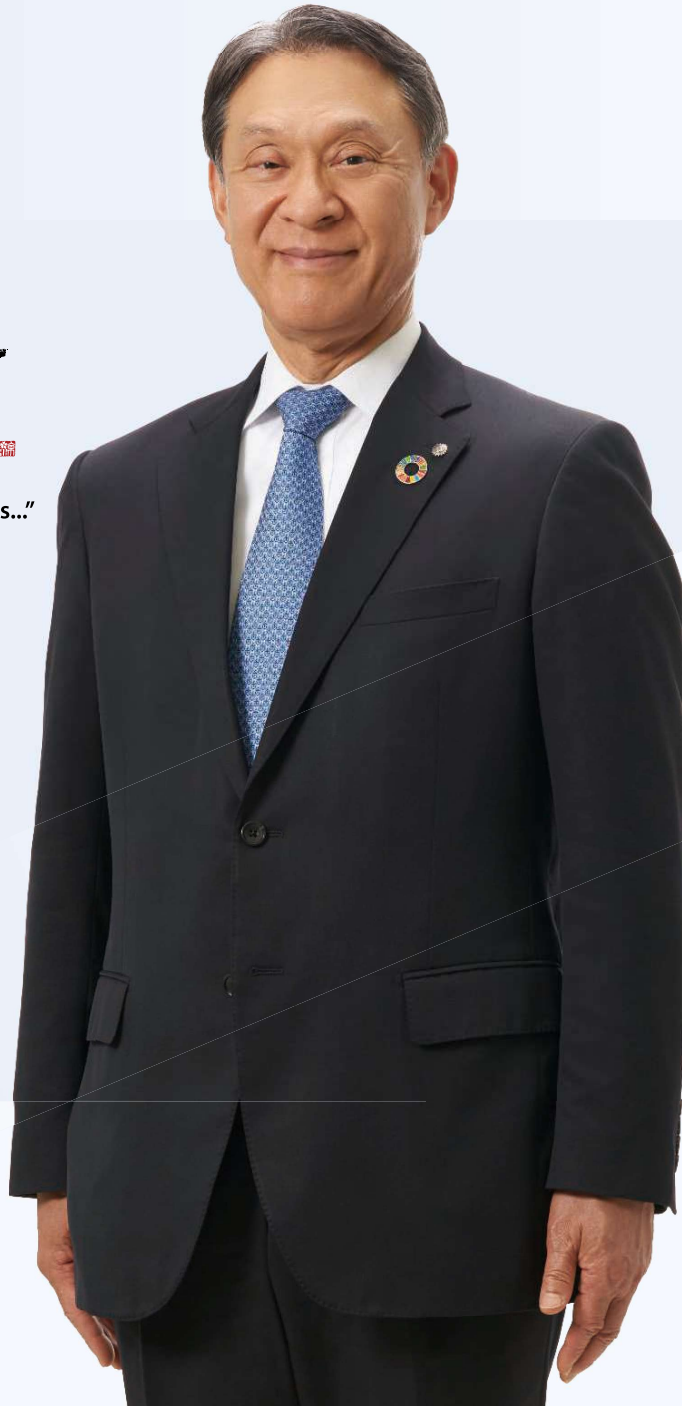
Interview with our President



Transformation

“Toward the next 100 years...”

Shiro Tomiyasu

Representative Director,
President & Executive Officer

Through steady progress on Project Z,
we will strive to manage the company in a manner that
inspires confidence in the future of the ISEKI Group
by co-creating value with our stakeholders.

Session 1

Toward a business model and the creation of desired value

Q Please tell us about ISEKI's business model and core competence. In particular, how do the three strengths that support the business—technical capability, sales proposal and support capability, and innovation through collaboration—function as a unique business model?

Our group's basic philosophy is “to contribute to the creation of the prosperous and sustainable society through ‘providing innovative products and higher quality of services to customers.’” We are deploying a business model that creates both hard and soft value in essential fields such as agriculture and landscape maintenance. We handle development, production, and sales and service, providing optimal products and solutions tailored to the needs of the workplace.

Looking at technical capability, we have established a development system that incorporates feedback into design with the aim of resolving challenges encountered on site, and we have devised innovative products such as walking combine harvesters and variable fertilizer rice transplanters. These technologies are also being applied to landscaping, and we have developed an educational structure to deepen designers' understanding of the field through agricultural training.

With regard to sales proposal and support capabilities, we go beyond mere sales to address challenges by proposing cutting-edge agricultural technologies and technical support. Since it was founded in 2015, the Dream Agricultural Research Institute has been promoting research, demonstration, and dissemination of smart agriculture through industry-government-academia collaboration, and has also developed environmentally friendly smart agriculture proposals utilizing Aigamo-Robo and J-Credit.

Another great strength of the Group is its ability to achieve innovation through collaboration. Based on feedback from customers, we have collaborated with research institutes and companies in developing robotic rice transplanters, variable fertilizer rice transplanters, and map data linkage with Japan's National Federation of Agricultural Cooperative Associations (JA Zen-Noh). In

Europe, we are also developing locally tailored products, including riding lawn mowers designed for local grass types. These are the core competencies we have cultivated over many years. They represent the culmination of our technology and on-site response capability.

Q What is your vision for the company a decade from now? How do you see this evolution resulting in the creation of social and economic value?

We strongly feel that we must continue evolving our business model while responding flexibly to changes in the market. Until now, we have gradually changed our business structure from rice to vegetable cultivation and improving product performance, providing total solutions that combine hard and soft elements, including data utilization. Amidst these changes, we have evolved our basic philosophy of “providing innovative products” to “providing innovative products and higher quality services” to customers.

We are expanding business areas beyond agriculture to include landscaping machinery such as lawn mowers and environmentally friendly products. In Europe, we achieved both social issue resolution and business growth by expanding electric products. Over the next decade in domestic agriculture, we expect to see further consolidation and large-scale expansion, and from the perspective of food security, increased demand in areas such as “large, cutting-edge, environment, and field crops.” I believe the restructuring of our domestic business is essential in response to these changes, while also promoting a growth strategy focused on overseas markets. Looking around the world, population growth is driving demand for increased food production. With limited arable land available, however, we expect further growth in the importance of agricultural machinery as a means of heightening productivity. We are confident that we can provide both social and economic value by realizing profitable and sustainable agriculture.

There is also an urgent need to address environmental issues. With regard to electrification, we will start with the riding lawn mowers now available in Europe and expand the range of target models going forward. The preservation of beautiful landscapes and comfortable living environments is fundamental to society. I believe that the ISEKI Group can contribute to realizing a sustainable society through these efforts.

Interview with our President



Session 2

Project Z:
First-year results and issues, outlook

Q How do you evaluate the first year of Project Z, which ended in the fiscal year ended December 2024?

Project Z officially began in 2024, and I view it as the first step to a new transformation for myself as well. Although revenue and profit were down year on year, these results were not surprising given that it was the first year of structural reform. The important point here is that we have steadily laid the groundwork for the transformation into a lean, efficient corporate structure.

While the key measures of Project Z are progressing essentially according to plan, however, we believe that it will take some time before we see a significant contribution to earnings. We anticipate the results of these efforts being reflected in our business performance from 2026 onward.

Domestically, underpinned by rising rice prices, we can see signs of recovery in the market. Looking at overseas operations, Europe maintained high sales in spite of a sluggish economy, demand fell in the ASEAN region, and inventory adjustments continued in South Korea, but efforts to strengthen our local sales infrastructure progressed. Meanwhile, demand in North America remains stagnant, and the challenge we face is preparing for tariff risks. In terms of finances, we reduced total assets by shrinking inventory assets, raising asset efficiency. Cash flow from operating activities, which had been in the red for two consecutive terms, turned to a surplus of 8.8 billion yen in 2024. This is a symbolic achievement that is clear evidence of the progress of structural reforms. We believe this is also meaningful in terms of preparation for future growth investments.

Throughout 2024, I have reaffirmed my belief that, to bring about transformation, we must continue steadily laying the groundwork for the future without being influenced by short-term figures, and

that it is the responsibility of top management to take the initiative in seeing this through.

Q Please share with us the progress of “optimize production,” “optimize development,” and “deepen domestic sales” in Project Z, as well as management’s commitment.

Through Project Z, I am determined to go back to the drawing board in reviewing and rebuilding all areas—development, production, sales, and service. The reason for this is that, if we continue along the same path, we are extremely concerned that we will not achieve sustainable growth. We are undertaking this structural reform with a strong will to fundamentally rebuild the ISEKI Group for the coming century.

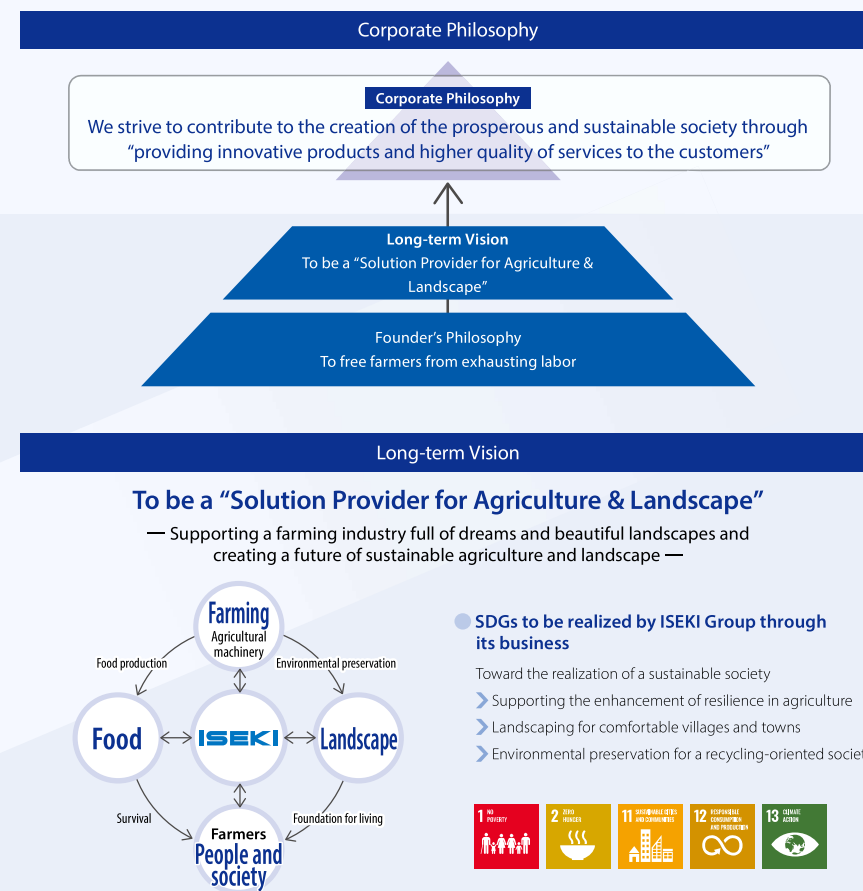
We are consolidating production optimization at our Matsuyama Factory, our product assembly base, and have begun constructing new buildings at both the Niigata and Matsuyama bases. The transfer of combine harvester production from the Kumamoto Factory is also proceeding without major disruptions. We are transitioning our production system to a more efficient, flexible structure. In addition, to improve investment efficiency, we are reviewing the details of our investment plan, looking to reduce capital expenditures from the initial estimate of 46 billion yen to 38 billion yen. We consider this a significant step forward from the perspective of capital efficiency. With regard to “optimize development,” we are promoting a host of measures toward boosting product profitability. We have, however, seen delays on particular initiatives. We are allocating human resources and taking other measures to address the issue. We are proceeding as planned with model consolidation, and we will now move into the full implementation phase.

Toward deepening domestic sales, we established ISEKI Japan Co., Ltd. on January 1, 2025. In addition to integrating seven sales subsidiaries, we have integrated the Business Division function and implemented other major reforms. Additionally, we have established the Large-scale Planning Section, and will construct a system that links sales strategies and execution capabilities to augment our brand power. I feel that these efforts have enabled us to establish a system through which we can quickly concentrate on growth areas and respond flexibly to market needs.

Regarding these initiatives, it is my firm belief that change is not about starting something new, but about showing results. We will continue to move forward under strong leadership, combining our philosophy with practical action, so that our stakeholders can truly appreciate that ISEKI has changed.

Q As the Company enters the implementation phase of its growth strategy, please share with us the situation and results overseas and in Japan. Please also include key points concerning regional initiatives and prospects going forward.

We believe we must clarify the pillars of growth in both Japan and abroad, as well as the phases in which we will put them into practice, to boost corporate value. Overseas, we view the European market,



where the ISEKI brand is strong and profitability is high, as an engine for growth. In January 2025, we made UK sales agent Premium Turf-Care (PTC) a consolidated subsidiary. We hope that this will help the expansion of product sales gain momentum. In Europe, we have established a three-company structure with France, Germany, and the UK. Going forward, we will expand sales to Central and Eastern Europe, Turkey, the Middle East, and North Africa, and implement centralized inventory management to improve logistics efficiency. Furthermore, through exchange among diverse human resources, we will also aim to create innovation rooted in the community.

Domestically, we have positioned “large, cutting-edge, environment, and field crops” as growth areas, and have established a new structure within ISEKI Japan, which represents the integration of our sales subsidiaries, to promote our growth strategy. Specifically, we have established the Field Crops and Dairy Farming Promotion Group and

the Solution Promotion Group, which work in conjunction with the Large-scale Planning Section, to enable the flexible implementation of strategies. Efforts to promote environmentally friendly smart agriculture through collaboration with Aigamo-Robo, J-Credit, and NTT e-Drone Technology are also progressing, and we are beginning to see results.

Going forward, we will expand sales of imported agricultural machinery that has been performed well with customers in Hokkaido, to Honshu and other regions across the country, with the goal of disseminating our field crop and dairy farming expertise nationwide. Moreover, we will focus on the areas of “large, cutting-edge, environment, and field crops” by promoting the spread of variable fertilization and organic farming technologies—our strengths—centered on ICT equipment and environmentally friendly products. Under this system, we will continue comprehensively addressing regional issues and delivering the unique value of ISEKI to customers.

Interview with our President

Session 3

Sustainability initiatives and
management foundation fortification

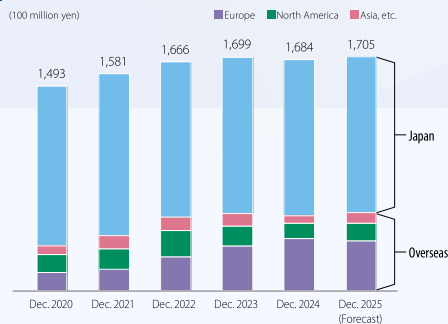
Q Given the Company's long-term vision for 2030, please tell us about ISEKI's strategy for achieving its materiality. Please tell us about initiatives you consider key in boosting corporate value in the following three areas: "value creation through business," "building of a resilient management base," and "improvement of financial performance."

To realize our long-term vision for 2030, becoming "a solution provider for agriculture and landscape," we believe that it is essential to put initiatives into practice in the three areas of society, economy, and environment to achieve sustainable growth and maximize the ISEKI Group's corporate value. Our focus is on initiatives related to the following three materiality items.

Let's first look at "value creation through business." We have been tackling issues head-on in business areas such as agriculture and landscape maintenance that underpin social infrastructure. Domestically, we are responding to the decline in the farming and agricultural workforce by focusing on growth areas such as "large, cutting-edge, environment, and field crops." We are expanding in Europe and elsewhere abroad, and are focused on providing electric and other environmentally friendly products. We are confident that we will achieve both social value and profitability through these initiatives.

Next, with regard to the "building of a resilient management base," we have augmented our ESG promotion to cope with changes in the business environment. We have appointed two new female outside directors, which has reinforced governance. We are also streamlining our executive structure for enhanced flexibility, and augmenting our auditing and compliance systems. Moreover, to boost brand value, we established a new Global Quality Management Department on April 1, 2025 to heighten quality and customer satisfaction, and will practice centralized management groupwide. As key issues going forward, we also intend to focus on bolstering human capital and improving engagement.

Domestic and overseas regional net sales, overseas sales ratio



Finally, concerning "improvement of financial performance," we are promoting structural reforms based on Project Z and, in addition to boosting profitability, are also implementing measures such as inventory reduction and review of investment efficiency to improve asset efficiency. We will strive to steadily raise our corporate value through these efforts.

Going forward, we will continue to walk side by side with society as a company that co-creates with its stakeholders to achieve sustainable growth toward 2030.

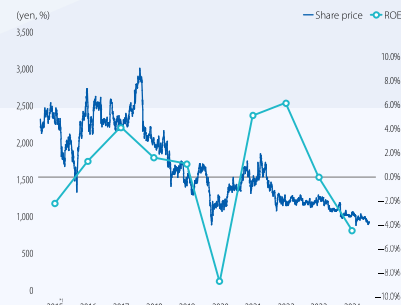
Q How is the ISEKI Group working to augment its management base amidst rapid environmental changes and heightened geopolitical risk? Additionally, in this uncertain era, what style of leadership do you intend to demonstrate as a top executive?

It is our view that building a management base that is resilient to change is essential in achieving sustainable growth. In today's world, where unpredictable events including advances in digital technology, climate change, pandemics, increasingly stringent environmental regulations, a policy shift in the United States, and exchange rate instability are occurring simultaneously, the survival of an organization depends on flexibility and resilience. Given this, I believe it is necessary to promote the trinity of brand value enhancement, governance reinforcement, and human capital investment. We consider investment in human capital in particular to be of the utmost importance. Since becoming president, I have declared that we will intensify our focus on human resource development, and we have worked to create opportunities for self-fulfillment, including the introduction of an open recruitment system.

We will continue to conduct engagement surveys, and reflect the results in the review of our personnel system, which will lead to specific system improvements. In parallel with the establishment of systems, we place importance on communicating with each employee toward fostering a corporate culture in which employees adopt management decisions as their own.

What is most important to me about being a leader is showing employees that I am willing to take the lead and see things through. We are not simply raising the banner of change; we are determined

Ten-year share price and ROE



*1 Due to a change in the fiscal year of the Company, the fiscal year ended December 2015 was a nine-month period.

to take the initiative and continue working on the front lines. Through Project Z, we will implement a company-wide review from scratch and, while sharing a spirit of change, lead ISEKI into the next era as a company well suited for the future.

Session 4

Toward co-creating value with stakeholders
and boosting shareholder value

Q Building relationships of trust with stakeholders is essential in long-term corporate value enhancement. How will you go about co-creating value with stakeholders and linking it to corporate value enhancement?

Boosting corporate value in the medium to long term requires us to strike a balance between social and economic value. To achieve this, we have to fulfill our social mission, while also establishing a sustainable earnings structure and creating value based on the trust of our stakeholders. My style of management entails earnest efforts to take the initiative in dialogue, listen attentively, and respond accordingly. To respond flexibly to the demands of society, we strive to build relationships of trust through constant constructive communication.

In addition to providing our customers with products, we also offer farming support, including suggestions for cultivation techniques and guidance on the safe use of agricultural machinery, and we reflect the true needs shared by our customers in the development of future products. Through proactive information disclosure and dialogue, we share our management policies with shareholders and investors. We also conduct briefings and facility tours. These activities help to expand our shareholder base, reduce capital costs, and stabilize stock prices. Fair trading practices serve as the foundation of cooperation with our business partners, and our aim is to build a sustainable supply chain and contribute to mutual growth. We will also continue engaging in community-based initiatives, including environmental conservation and regional revitalization. It is our firm belief that, without coexisting and co-prospering with the local community, we as a company cannot achieve sustainable growth. We aim to boost employee engagement and create a workplace where people accept challenges by providing a safe, comfortable working environment and career support, and promote the sharing of management information with our employees.

Q We have set the following targets for 2027: consolidated operating margin of at least 5%, ROE of at least 8%, DOE of at least 2%, and PBR of at least 1.0x. Finally, after reviewing stock price trends over the past few years, please tell us what stock price level you are aiming for and share the equity story that will lead you there.

My view is that stock prices are not merely short-term reactions of the stock market, but rather a reflection of the medium- to



long-term value of a company. In that sense, we believe that the stock price remaining low even after the final performance announcement for fiscal 2024 was a reflection of the market's lack of confidence in the significance of Project Z and in prospects for achieving KPIs. Meanwhile, we believe that the rise in the stock price that started in 2025 resulted from our 2024 performance having landed as expected, and from the market having favorably evaluated the progress of Project Z and the 2025 profit growth outlook. Although rising rice prices served as a tailwind, we feel that the market acknowledged the value of our efforts. The important thing here is to steadily build a track record of good performance. I am confident that this will be the foundation for trust and stock valuation. Additionally, we will strive to achieve the clear targets of a PBR of at least 1.0x and a share price of at least 3,500 yen by the fiscal year ending December 2027.

The core of the equity story for our stock price target is boosting profitability and asset efficiency, which is, in essence, the steady execution of Project Z. We will also emphasize IR activities and bolster governance, building relationships of trust with the market under top management's leadership while improving transparency and dialogue quality. Moreover, through growth strategies being promoted in parallel with structural reforms, we will raise the value of the Company. Overseas, in particular, we will aim to grow our top line by cultivating new markets and further developing existing regions in Europe, where our brand is strong.

Furthermore, on May 9, 2025, we received a recommendation from the Japan Fair Trade Commission based on the Act Against Delay in Payment of Subcontract Fees, etc. to Subcontractors ("Subcontract Act"). We take this recommendation very seriously, and the Group as a whole will reorganize internal systems to ensure compliance with the Subcontract Act and prevent recurrence.

Thanks to your support, ISEKI celebrates its 100th anniversary in 2025. I view this milestone as a springboard for further change, and I am bound and determined to lead the ISEKI Group to a new stage of growth over the coming century. We will continue striving to deliver tangible results from these reforms, and ensure that all stakeholders are able to experience the evolution of the ISEKI Group.

Project Z



Targets to achieve by 2027:

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

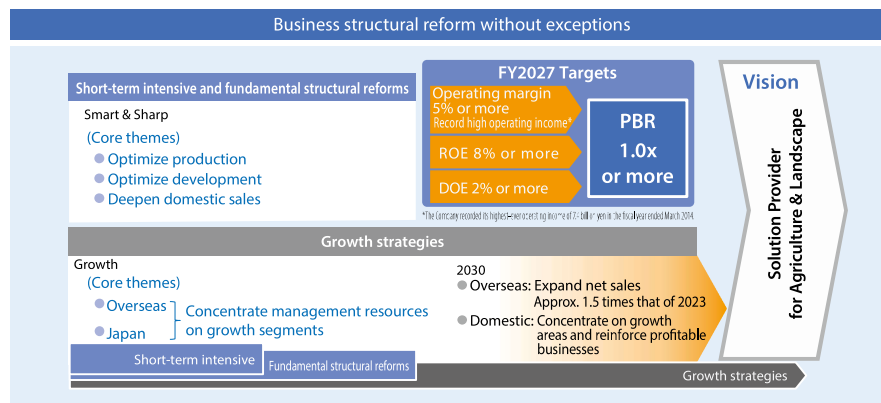
Hajime Odagiri

Representative Director & Senior Corporate Executive Officer

Overview of Project Z Measures

Effective November 14, 2023, the Iseki Group established Project Z with the goal of implementing radical business restructuring and constructing a robust management foundation.

Under Project Z, we are developing and implementing fundamental structural reforms and growth strategies. We will promote structural reform with a focus on the three fundamental themes of "optimize production," "optimize development," and "deepen domestic sales" in a short-term, intensive fashion. In addition, with regard to our growth strategy, we will focus our management resources on domestic and overseas growth markets to expand our business. With the implementation of these measures, our goals are to achieve a consolidated operating margin of 5% or more, ROE of 8% or more, dividend on equity (DOE) of 2% or more, and price book-value ratio (PBR) of at least 1.0x by 2027.

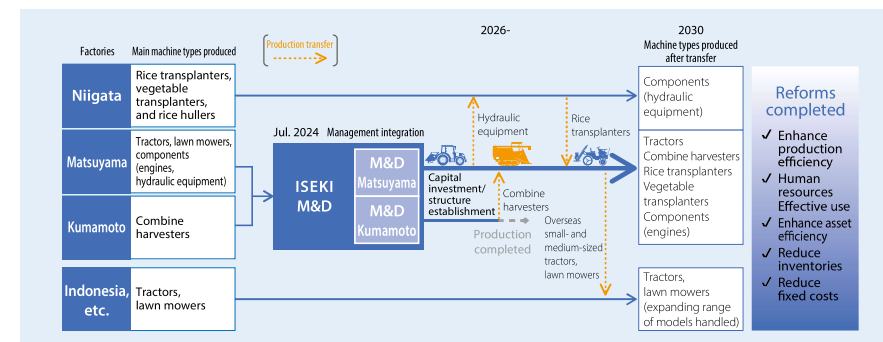


Fundamental structural reforms

Optimize production

We will reorganize our production bases and models and conduct capital investments with the future in mind. Starting with the establishment of ISEKI M&D Co., Ltd. in 2024, we are transferring the product assembly bases for combine harvesters and rice transplanters to ISEKI M&D (Matsuyama) and consolidating seasonal product manufacturing to improve production efficiency and distribution. This will result in the streamlining of indirect operations, reduction of inventory, and higher operational efficiency. Implementing production optimization measures will allow us to construct a robust production system to serve as the foundation for the coming century.

ISEKI M&D (Matsuyama) has begun construction of a new building to consolidate product assembly, and is proceeding as planned with the process of transferring combine harvester production from ISEKI M&D (Kumamoto). Moreover, we expect that the transfer of hydraulic equipment parts from ISEKI M&D (Matsuyama) to ISEKI-Niigata MFG Co., Ltd. will be completed by the end of 2025 as planned.

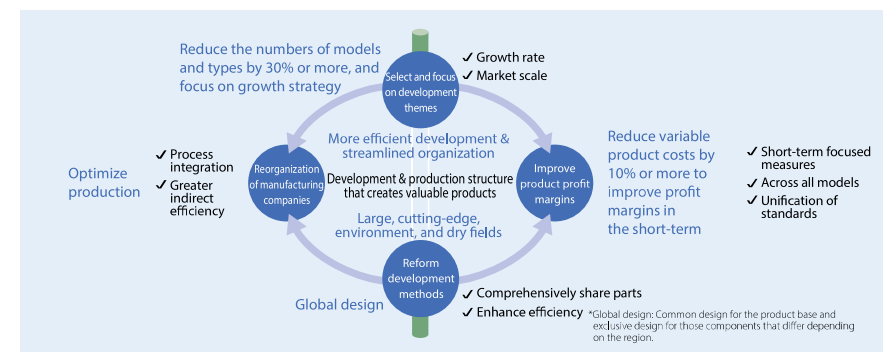


Optimize development

We will approach the selection and concentration of development themes by analyzing product growth potential and profitability, consolidating types and models by 30% or more and concentrating development resources on areas of growth. Moreover, to improve efficiency, we will promote global design with a common base for all regions in terms of development methods. We implemented changes to our organization in April 2025 to streamline development and focus resources on growth areas. We will accelerate the optimization of development by adjusting our organizational structure and implementing short-term, intensive measures to boost product margin.

Once the decision is made to discontinue certain models and types, we select and concentrate development themes. We are moving forward as planned.

We are also implementing short-term improvements in product margins with the objective of reducing product variable expenses by 10% or more. While there have been delays in certain aspects of the plan, we will introduce additional resources to get us back on track. We will begin to see the effects of these improvements from the second half of 2025, and aim to achieve the improvement targets during 2027.



Project Z

Deepen domestic sales

We integrated the management of seven domestic sales subsidiaries and, in January 2025, we established ISEKI Japan Co., Ltd., while also restructuring our sales organization. Amidst the restructuring initiatives, the newly established Large-scale Planning Office consolidates the know-how of sales subsidiaries specific to products as well as local environments and crops with the expertise of ISEKI's Dream Agricultural Research Institute, which has a track record in the practical application of cutting-edge and environmental technologies.

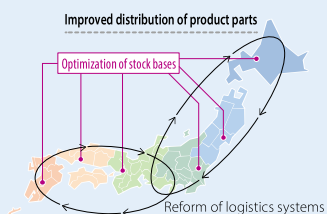
By providing custom solutions to large-scale farmers in line with the characteristics of each region, we aim to expand our B2B business to acquire new large-scale customers and projected future market entrant companies. We will actively promote interregional personnel exchanges and strive to horizontally deploy the strengths and know-how of each former sales subsidiary to further augment our capabilities.

Furthermore, using this management integration as an opportunity, we will optimize inventory bases and improve inventory management efficiency, review the logistics structure, and consolidate overlapping indirect operations to boost management efficiency and construct a foundation for our growth strategy.

Improved management efficiency achieved by consolidation of resources

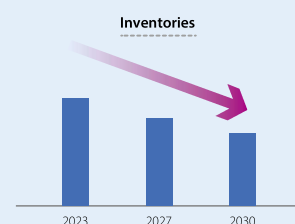
Improved distribution of product parts

Reduction of logistics costs through the optimization of stock bases and reform of logistics systems



Efficient stock management

Efficient stock management and stock reduction through nationwide central stock management

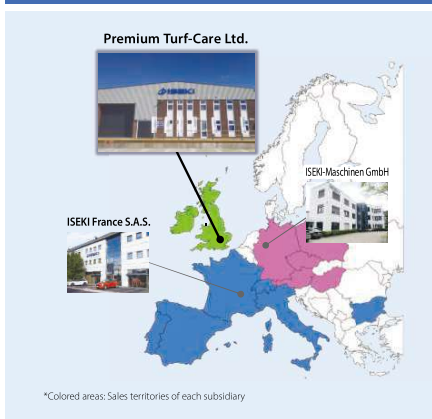


Growth strategy

Deployment of overseas strategy by region and product strategy

We will grow our overseas business by deploying product strategies such as expanding our product lineup, including strategies by region and introducing environmentally friendly products. In terms of strategies by region, we will accelerate business expansion in Europe, where our presence is strong and profitability high. Moreover, we acquired additional shares in UK sales agent Premium Turf-Care, making it a consolidated subsidiary in January 2025. This establishes a three-company structure in France, Germany, and the UK. Going forward, we will extend our sales territories to include Central and Eastern Europe, Turkey, the Middle East, and North Africa, expand our product lineup, and implement centralized inventory management within Europe to boost efficiency, while leveraging diverse personnel exchanges to foster innovation.

Three-company structure of European consolidated subsidiaries



Concentration of management resources on domestic growth areas

Domestically, we will concentrate on "large, cutting-edge, environment, and field crops" as growth areas in response to agricultural issues including the declining agricultural workforce, food security, and mitigating the environmental burden. We will secure stable profits by concentrating our efforts and bolstering sales in these areas. Furthermore, the Large-scale Planning Office will take the initiative in sharing know-how nationwide to expand profitable businesses. We will magnify the strengths of the ISEKI Group to provide valuable agricultural solutions through "people," "products," and "know-how."

In addition, by expanding sales of robotic agricultural machinery and other ICT-related products such as Aigamo-Robo and environmentally friendly electric products, and grass cutting products, we will pursue new growth opportunities by challenging ourselves in organic agriculture businesses and non-agricultural markets.

Concentration on domestic growth areas



Every employee plays a key role in Project Z

The "Z" in Project Z indicates an unknown value, and it is also the first letter in the word "zero." It is an expression of our determination to rethink everything from scratch as we move forward. The measures taken in Project Z involved difficult decisions and considerable pain, but this is exactly why we are more determined than ever to carry out and complete them and produce results, to ensure the effort and pain was not in vain. To successfully complete Project Z, it is essentially that each employee, as the driving force behind the project, assumes a leading role and that the Group works in concert. We intend to employ a host of methods, such as more robust communication and discussion with employees than ever before, to share and disseminate our direction going forward.

The ISEKI Group is commemorating its 100th anniversary. Looking toward the coming century, we will continue to be an irreplaceable presence as "Your essential partner" for all stakeholders. As the leader of Project Z, I will take the initiative and ensure that our actions lead to results.

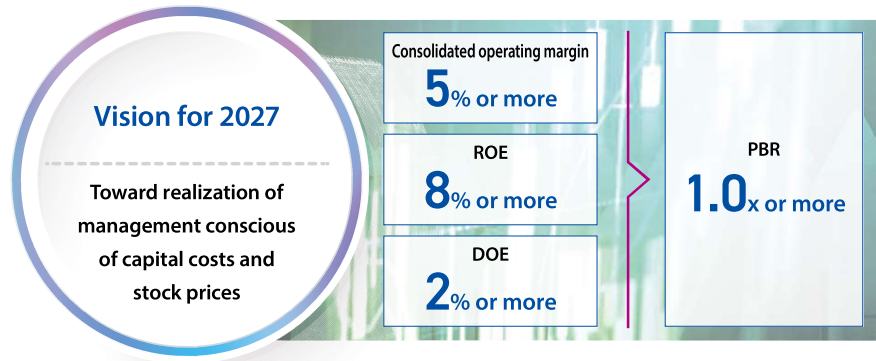


Going forward, we will announce additional measures and information on Project Z. Please refer to our website for the latest information.

<https://www.iseki.co.jp/global/english/ir/management/zplan/>

Responses toward realization of management conscious of capital costs and stock prices

Based on the issues we identified in our analysis of the current situation, we aim to achieve a PBR of 1.0x or more by 2027 through the steady implementation of a host of measures under Project Z and by bolstering IR activities and ESG initiatives.



Changes in PBR, ROE, and PER over time (current analysis)

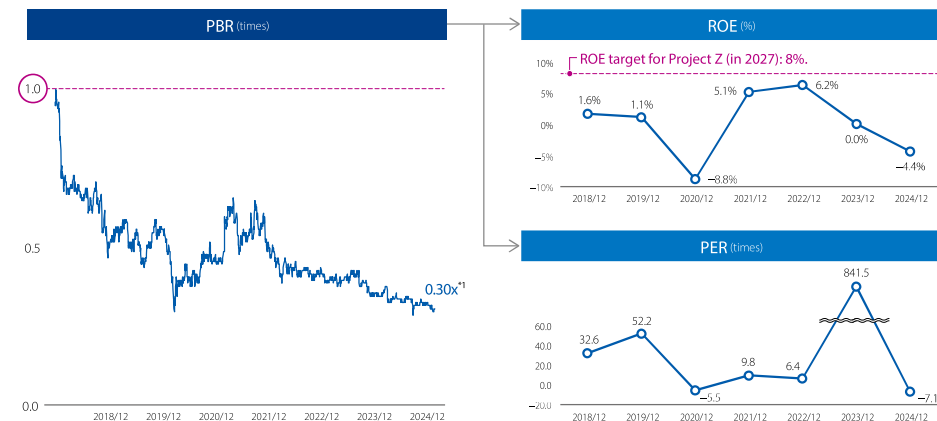
Our PBR has remained below 1.0x, standing at 0.30x as of December 31, 2024. We broke down PBR into its component parts, ROE and PER, and organized the factors for each of these indicators through comparison with other companies in the same industry over time and the gathering of opinions from investors connected with the company.

① ROE

Based on changes in ROE over time, the Company failed to reach the target figure of 8% set forth in Project Z. We have determined that this was due to the low net income margin and low total asset turnover ratio. Our view is that the net income margin is affected by the profit margin and selling, general and administrative expenses ratio for each product, while the total asset turnover ratio is impacted by factors such as inventory volume and facility utilization rate. The understanding of our institutional investors with whom we have daily contact is that our cost of equity is generally around 8%.

② PER

Our PER has remained less than 10x since 2020. We view this as being attributable to a dearth of information disclosure regarding factors such as growth, strengths, and profitability, as well as a discrepancy between plans and actual results.



*1 As of December 31, 2024

Key analysis results and direction of improvement

Perspectives of current analysis	Key analysis results	Direction of improvement
ROE	Profitability - Net income margin and operating margin are low compared with other companies and have not satisfied investors' expectations - Gross profit margin is higher than the average of other companies in the same industry; however, selling, general and administrative expenses to sales ratio is higher than those of other companies - Failed to generate return on capital surpassing investors' anticipated cost of equity	Improvement of profitability
	Asset efficiency - While the share of operating cash flows allocated to investment is high compared with other companies, progress in sales and profits has been limited, keeping the non-current asset turnover ratio low. - Inventory turnover period is lengthening compared with other companies	Asset efficiency
	Capital strategies (including financial leverage) - Sales and profit growth rates are low compared with other companies - The ratio of overseas net sales to total sales is inferior to that of other companies - Shareholder returns such as dividend payout ratio are low compared with other companies - Debt redemption period is long, requires attention from the perspective of financial soundness	Cash allocation for growth
PER	Growth potential - Inadequate disclosure of profitability and strength differences between domestic and overseas operations - Inadequate disclosure of action targets to achieve management objectives - Significant differences between plans and actual results negatively impact plan credibility - Governance (oversight function) needs reinforcement	Bolstering of IR activities and ESG initiatives
	Information disclosure/dialogue	
Capital cost		

Toward improving PBR

1 Improvement of profitability	Improve gross profit margin and selling, general and administrative expenses to sales ratio, respectively by fundamental structural reforms and growth strategies through Project Z to enhance profitability.	P21-24
2 Asset efficiency	We will endeavor to increase asset efficiency by improving the facility utilization rate through reorganization of production sites and strict implementation of hurdle rates, as well as by reducing inventories through optimization of supply chain management.	P27-30
3 Cash allocation for growth	We will improve profitability and asset efficiency to generate operating cash flows. We will invest this cash in structural reforms and growth, return profits to shareholders, and reduce interest-bearing debt.	
4 Bolstering of IR activities and ESG initiatives	We will bolster ESG initiatives by strengthening IR activities through enhancing dialogue and information disclosure, as well as by strengthening governance systems	P71-84

Financial and capital strategies



We will apply our business experience to assessing growth potential and asset efficiency, with the objective of maximizing the results of Project Z, and construct a sound financial foundation.

Kazuya Tani
Director & Senior Corporate Officer

My enthusiasm as the officer in charge

In March 2025, I became the officer in charge of corporate planning, public and investor relations, and finance. Previously, my work has primarily been overseas, during which time I was engaged in building the ISEKI brand and growing sales channels.

On balance, Project Z is progressing according to plan, and we anticipate beginning to see the fruits of our labor from 2025. Regarding the measures where delays have occurred, we will resolve these issues by allocating additional resources and working as a group.

Going forward, to complete Project Z, we must ensure that “fundamental structural reforms” and “growth strategies” are implemented. For this purpose, as the officer in charge of finance, I will adapt to business environment changes in Japan and abroad, utilizing not only the Company's resources but also non-organic methods on occasion. At the same time, I will draw on the perspective I gained as officer in charge of business administration departments in contributing to boosting profitability and asset efficiency by presenting capital cost-conscious management indicators to sales and manufacturing, which are on the front lines. As part of Project Z, we are planning considerable capital investment, and it is imperative that we concentrate management resources on key areas. I am aware that my most important duty is to lead the Group as a whole in identifying each business' profitability and growth potential and concentrating on projects that contribute to earnings. As we enter the coming century, we will construct a sound financial foundation that will be highly evaluated by our shareholders, investors, and other stakeholders.

Current status of Project Z

In 2024, Project Z's inaugural year, net sales amounted to 168.4 billion yen and operating income totaled 1.9 billion yen. Because we recorded extraordinary losses associated with business restructuring, however, we posted a net loss for the period of 3 billion yen.

The operating margin was 1.1%. To realize the operating margin target of 5.0% set for Project Z, we must achieve further improvement. Meanwhile, on the balance sheet, a reduction in seasonal inventories led to inventories decreasing by ¥5.9 billion year on year to ¥66.9 billion. The reduction in inventories also contributed to operating cash flow totaling ¥8.8 billion.

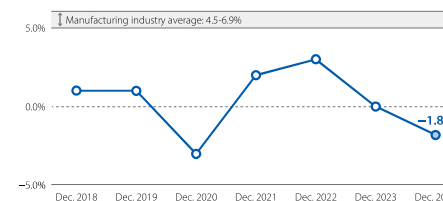
Summarizing the first year of Project Z, progress on major fundamental structural reform measures, such as production base reorganization and sales subsidiary integration, has been advancing essentially according to plan. ISEKI's growth strategy involves restructuring the domestic sales organization and expanding European operations to establish the foundation for further growth. We will continue striving to achieve our goals as a group, while maintaining a flexible approach to Project Z to facilitate our response to factors such as changes in the business environment.

Management conscious of capital cost

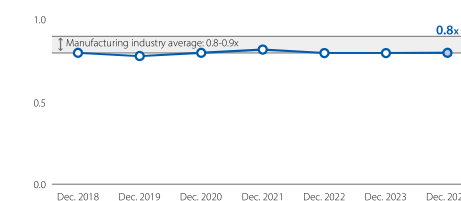
Given the shareholder cost of capital is understood to be about 8% by institutional investors with whom we are in regular contact, ROE is rather low. Improving the net income margin and total asset turnover ratio are urgent issues. The primary factors behind the low net income margin are the increases in selling, general and administrative expenses due to delays in the transition to high-margin products and the dramatic rise in logistics costs since 2022. Moreover, the main reasons for the low total asset turnover ratio are the stagnant domestic agricultural machinery market resulting in higher inventory levels and production adjustments causing low facility utilization rates. To achieve improvements as soon as possible, we will promote all measures outlined in Project Z. Furthermore, through optimal capital allocation, we will establish a foundation for growth areas while promoting business portfolio restructuring from a financial perspective by entering untapped businesses and regions, and employing non-organic methods.

By instilling a groupwide awareness of the cost of capital, we will heighten profitability and asset efficiency, and quickly achieve a ROE of 8% or more.

Net income margin (%)



Total asset turnover ratio (times)



Improvement of profitability

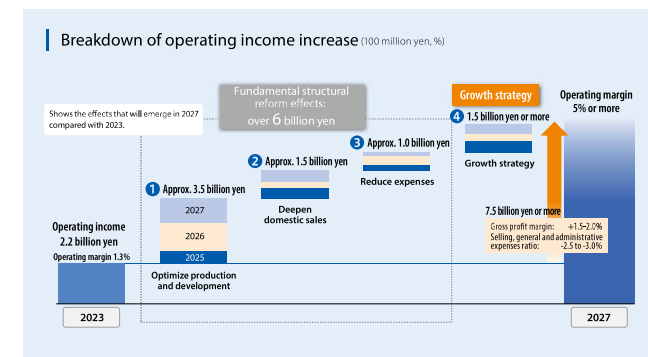
► Fundamental structural reforms

With regard to “optimize production,” in line with market trends, we will consolidate product assembly at ISEKI M&D (Matsuyama) and construct a system that facilitates a rapid response to environmental changes, thereby appropriately distributing production and enhancing efficiency.

Regarding “optimize development,” we are focusing on the selection of and concentration on development themes. Our objective is to reduce product variable expenses by 10% or more, reduce the number of models and types, and concentrate development resources on growth areas to ultimately improve product profitability and streamline development.

Looking at “deepen domestic sales,” we will integrate domestic sales subsidiaries to facilitate fast decision-making and establish a robust management structure.

By 2027, compared with 2023, we expect to see effects of over 6 billion yen from fundamental structural reforms.



► Growth strategy

Domestically, we will concentrate management resources on the growth fields of “large, cutting-edge, environmental, and field crops,” and reinforce our development, manufacturing, and sales activities. We have developed cutting-edge technologies to automate large-scale tractors and for variable fertilizing with real-time measurement. Going forward, in the interest of further technological development, we will aggressively promote investment in cutting-edge technologies through venture companies. We aim for overseas sales of 80 billion yen by 2030. In January 2025, we will make UK sales agent Premium Turf-Care a consolidated subsidiary, and forecast a 400 million yen increase in income in 2027. We have formulated a three-company structure comprising European subsidiaries in France, Germany, and the UK, and are working to broaden our sales territory and product lineup to achieve the next stage of growth in our European business. We will deploy regional and product strategies to boost profitability in each region.

Financial and capital strategies

Vision for balance sheet

► Inventories

The seasonal nature of agriculture requires the maintenance of inventory at a certain level, but the slump in the domestic agricultural machinery market from 2022 to 2023 resulted in increased inventory. Although we made progress in paring seasonal inventory in 2024, we believe that further reduction is needed while adapting to the supply-demand balance.

From the perspective of production, we will establish a system capable of a timely response to seasonal products by restructuring procurement and logistics systems through production base reorganization. This will lead to appropriate production distribution. Turning to management, we have established the Supply Chain Management (SCM) Promotion Section with the goal of constructing a supply chain resilient to environmental changes, and we are working urgently to augment and streamline our logistics structure. As far as sales are concerned, we will integrate our domestic nationwide sales subsidiaries and reduce inventory by centralizing the conventional company-based inventory management system. We aim to achieve an inventory turnover ratio of 2.4 by 2027, and will work to reduce inventory groupwide.

Improved inventory turnover period

● Review of logistics and procurement strategies

- Establishment of SCM Promotion Section

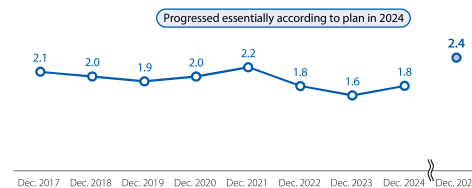
→ Acceleration of initiatives

● Consolidation of product assembly, reorganization of domestic sales subsidiaries, consolidation of models and types, and sharing of parts

→ Reduce inventories

*Improve inventory turnover ratio to 2.4
(2-month reduction)

Inventory turnover ratio (turnover)



► Property, plant and equipment

We anticipate an increase in property, plant and equipment because of capital investment accompanying fundamental structural reforms and growth strategies, but we will maintain asset efficiency. To achieve this, we will transition to assets with high utilization rates and sell surplus assets.

When making capital investment decisions, we apply a hurdle rate, which represents margin plus the cost of capital, to improve capital efficiency and profitability. On Project Z, we comprehensively evaluate investment decisions based on hurdle rates, with the goal of achieving both investment control and heightened efficiency. With regard to investment related to production base reorganization, while maintaining a consistent approach of boosting profitability by raising productivity, we have reduced the total investment plan from 46 billion yen to 38 billion yen through a review of the effective utilization of existing facilities and building investments.

Furthermore, while considering factors such as market conditions, we will continue streamlining assets with the goal of raising asset efficiency. We currently have sales bases throughout Japan, but some are more profitable than others. We are aware of the need to boost efficiency by consolidating or closing bases that fall short of certain revenue targets. We are also considering the sale of the site of ISEKI M&D (Kumamoto), which will cease production in December 2025. Additionally, we are proceeding with asset restructuring of real estate properties in the vicinity of our factories. In the first quarter of 2025, we sold real estate properties in Ozu Town, Kumamoto Prefecture, recording 800 million yen of extraordinary income. We will dispose of surplus assets resulting from structural reforms by selling them, and reinvest the funds in growth areas.

Improved non-current asset turnover period

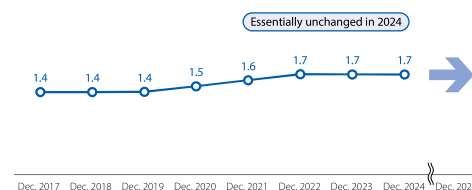
● Investment decisions based on hurdle rates

- Hurdle rate = Capital cost + margin
- Implementation of annual review

● Organizational restructuring/ production line review

*Expected to remain flat in 2027 because of growth investment.

Non-current asset turnover ratio (turnover)



► Interest-bearing debt

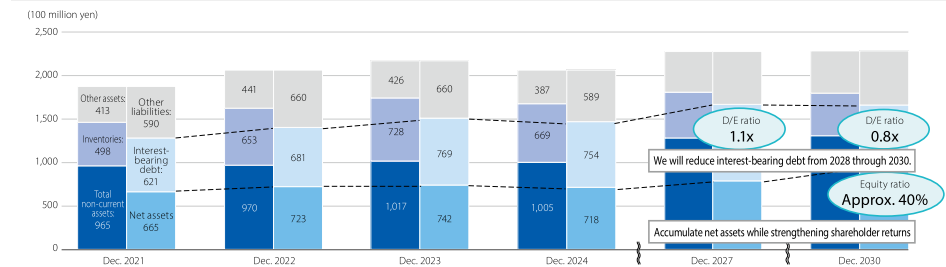
We are planning large-scale capital investment related to production base reorganization, but we will manage the increase in interest-bearing debt by generating cash through measures such as inventory reduction, and maintain the D/E ratio in 2027 at 2024 levels.

From 2028 onward, we will make further improvements in profitability based on our growth strategy to expand operating cash flow, reduce interest-bearing debt, and raise the D/E ratio to 0.8x by 2030.

► Net assets

Although, by reducing inventory to streamline total assets, we improved the equity ratio to 32.8% in 2024 from the preceding period, we believe that we must further strengthen financial stability. We will improve our equity ratio to around 40% by 2030 while maintaining the balance against shareholder returns.

Vision for balance sheet



Cash allocation

From 2024 to 2027, we are working to boost profitability and reduce inventory assets, with the goal of generating approximately 50 billion yen in operating cash flow over the four-year period. We will allocate the generated cash to Project Z fundamental structural reforms, focusing on production optimization and growth-oriented initiatives including human capital and development investment, thereby ensuring Project Z's steady implementation.

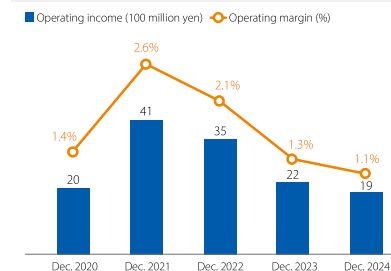
From 2028 to 2030, we expect to generate approximately 50 billion yen in operating cash flow over the three-year period. Through our growth strategy, we will expand operating cash flow and promote the reduction of interest-bearing debt while investing in further growth and shareholder returns.

We regard stable dividends to our shareholders as one of our most important policies. We will proceed with short-term, intensive fundamental structural reforms as outlined in Project Z, achieve a DOE of 2% or more by 2027, and from 2028 onward further augment shareholder returns.

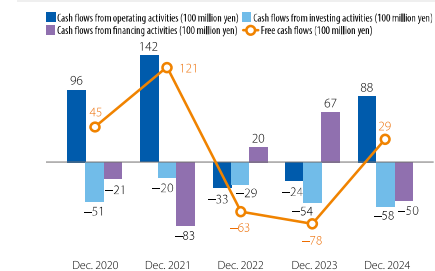
Financial data

► Financial highlights (FY2024)

Operating income / Operating margin



Cash flows



Materiality

The Company has determined the materiality to hit balance between solving social issues and sustainable growth of ISEKI Group. Following the establishment of "Project Z" in November 2023, KPIs were partially changed to those in line with the "Project Z" measures, starting from 2025.

2027 KGI targets

Consolidated operating margin 5% or more
ROE 8% or more
DOE 2% or more

PBR 1.0x or more

Three-level KPI

Project Z management KPI Most important KPIs for completing Project Z
Business KPI Important KPIs in line with business strategy
Action KPI KPIs that have broken down to action levels (not shown in the table below)

Materiality		Vision (2030)		Related SDGs	Risks	Opportunities	Project Z management KPI (from 2025)	Business KPI		Status of activities	
								Results through 2024	Management points and targets for 2025 and beyond		
Value creation through business	Common	Develop products and generate business that contribute to the creation of a prosperous and sustainable society			Response to changes in policies of individual governments Competition with other companies, changes in economic conditions and the environment of agriculture Climate change, reduction of environmental burden, natural disasters, infectious diseases, etc. Lagging behind Chinese and other competitors in the European and U.S. electric product markets	New demand and needs Generation of business and creation of new value through innovation Increased demand for electric products Dissemination of electric products in the landscaping business and personal hobby market	Consolidated net sales Net sales of ISEKI products Productivity per person Optimization of personnel	Percentage of invention proposals related to advanced technologies: 60% (in 2025) Results as of December 31, 2024: 60%	Productivity per person Reduce types and models and shift development resources to growth themes	P41-44, P55-56	
		Improved agricultural productivity	Japan	Contribute to the realization of sustainable agriculture through the dissemination and promotion of agriculture that uses smart agricultural machinery and data		Decline in the number of farms in Japan, advancing age of farmers, and slowdown of demand due to an increase in contracting of farm work		Larger scale of Japanese agriculture, diversification of crops Develop measures to ensure the stability of food supplies Dissemination of smart agriculture (data-driven and environmentally sound agriculture) Partnerships with entities in other industries through DX	Larger proportion of large-sized agricultural machinery and smart agricultural machinery to sales	Unit sales of large-sized agricultural machinery	P33-36
			Asia	Contribute to the improvement of productivity through the mechanization of agriculture by providing agricultural machinery to suit individual countries and regions, leveraging the rice-growing technologies developed in Japan		Lowering of prices, rise of Indian, South Korean, and Chinese competitors Chinese and other manufacturers leading the competition of electrification		Progress in mechanization of agriculture in ASEAN, India, and other regions Dissemination of smart agriculture (data-driven and environmentally sound agriculture) in East Asia, etc. Expansion of price-competitive products manufactured by TAFE into the ASEAN market	Sales expansion in Asia Results as of December 31, 2024: 4.9 billion yen	Net sales of IST Farm Machinery Co., Ltd.	P37-39
		Improvement of quality of life	North America	Support the enhancement of private lives including hobby gardening and farming through provision of small-sized tractors, etc.				New demand for electric products, etc. Contribute to the SDGs such as "Sustainable cities and communities" by increasing sales of our products	Larger proportion of electric products to sales	Compact tractors Share of AGCO	P37-39
	Europe		Contribute to the development of pleasant communities by safeguarding beautiful landscapes and environments				Net sales of consolidated individual companies in Europe	P37-40			
	Realization of a decarbonized and recycling-oriented society	Contribute to the realization of a decarbonized and recycling-oriented society through business activities that take the environment into consideration			Tightening of environment-related regulations and standards Decline in demand due to changing market needs Decline in competitiveness due to delays in responding to GHG emission reduction solutions Reputational risks Suspension of product and service provision systems due to natural disasters such as typhoons and floods Increase in costs due to introduction of carbon tax and rising energy prices	Increase in demand for products and services that accommodate changes in the agricultural environment Improvement of the image of agriculture and the Company • Conservation of energy and labor • Reduction of greenhouse gas emissions • Reduction of fertilizer and agrochemicals • Expansion of organic farming, etc. Cost reduction through the introduction of facilities with high environmental efficiency Minimization of resource consumption Production activities with low environmental burden by curbing waste generation	— — —	Eco-product sales in Japan (%): 65% (in 2025) Results as of December 31, 2024: 53% Domestic land area organically farmed (rice): 5,000 hectares (in 2030) Results as of December 31, 2024: 134 hectares *estimated by the Company Reduction rate of group-wide CO2 emissions (compared with 2014): 46% (in 2030) Results as of December 31, 2024: 41% Reduction rate of final volume of waste (compared with 2013): 71% (in 2030) Results as of December 31, 2024: 58%		P49-51, P61-62	
Improvement of financial performance	Transformation to a lean and streamlined business structure	Build a management structure and foundation that can respond to changes in the environment and strive to achieve sustainable growth and enhance corporate value			Fluctuations in production caused by changes in economic conditions and the environment Stock market trends, price decline in land and other fixed assets Exchange rate fluctuations A hike in interest rate, rise of an obligation to pay back loans early because financial covenants are triggered	Establishment of an optimal production system capable of responding to changes Improvement of management efficiency and sophistication of business management Capital investment in line with growth strategies, diversification of procurement methods	Product gross profit margin Inventory turnover ratio: 2.4 times or more (in 2027) —	Operating margin: 5% (in 2027) Results as of December 31, 2024: 1.1% Generation of operating cash / flows: 30.0 billion yen (cumulative total of 2024–2027) Results as of December 31, 2024: 8.8 billion yen	Variable expenses reduction amount Inventory turnover period (months) D/E ratio: 0.8 times (in 2030) Expenses reduction: 1.0 billion yen (in 2027) Optimize development, total investment: 38.0 billion yen (in 2030)	P21-30	
Building of a resilient management base	Enhancement of employee engagement	Secure core human resources to execute business strategies Maximize each individual's abilities and develop human resources with a spirit of challenge to bring about change Provide employees with secure and safe workplaces, and create rewarding workplaces			Shortage of labor power, outflow of human resources Rigid organization and culture due to homogeneity and bias of human resources An impact of property and personal damage on our business Reputational risk and damages due to industrial accidents Human rights violations due to labor issues (harassment, overtime work, etc.)	Improvement of ability to generate innovations through retention and development of women, experts, and foreign nationals Improvement of motivation and productivity, securing health and safety of employees	Investment in human capital: 2.0 billion yen (in 2027)	Ratio of female employees in managerial positions: at least 7% (in 2025) Results as of December 31, 2024: 4% Foreign nationals in managerial positions: to be increased from the current level Results as of December 31, 2024: 0 Ratio of mid-career hires in managerial positions: at least 7% (in 2025) Results as of December 31, 2024: 9.6% Overall satisfaction rate in engagement surveys: at least 70% (in 2025) Results as of December 31, 2024: 53.1%		P57-60	
	Enhancement of brand value (building of trust)	Make our presence felt by solving social issues, leading to development of the relationships of trust with stakeholders and mitigation and prevention of risks			Serious defects in products and services Dependence on specific suppliers, soaring raw material prices, difficulty in procurement, and supply chain disruptions Reputational risk	Capturing customers and fans with secure, safe, and cost-effective products and services Building trust with suppliers Stabilization of business through a sense of presence in the region, enhancement of brand value, and co-existence	—	Strengthen relationships with local communities Six seminars for female farmers (in 2025) Results as of December 31, 2024: four seminars on agricultural machinery Two online seminars Enhancement of customer satisfaction Satisfaction rate in each survey item: NPS of at least 20; at least 100% compared with the previous year (a review is underway in 2025) Suppliers' CSR questionnaire response rate: 100% (in 2030) Results as of December 31, 2024: 91% Suppliers' green procurement rate: at least 85% (in 2025) Results as of December 31, 2024: 82% Establishment of the Group's three-line system Number of material legal violations and scandals occurred: zero occurrence Results as of December 31, 2024: zero Material information security incident: zero occurrence Results as of December 31, 2024: damage caused by a ransomware attack at ISEKI Japan Hokkaido Company Number of dialogues held with shareholders and investors: at least 50 times/year (in 2025) Results as of December 31, 2024: 37 times Compliance with information disclosure regulations		P66 P63-64 P66	
	Enhancement of corporate value by reinforcing corporate governance	Respond to changes in the business environment swiftly and accurately, and maintain fair management			Risks in general • Risk of legal violation • Risks related to information security • Risks derived from international business and other risks	Stabilization of business activities Transformation through prompt management decision and appropriate risk taking Promotion of awareness and understanding through information disclosure Establishment of trust through constructive dialogue	—			P71-76, P83-84	
Strive to disclose necessary information promptly and accurately, and create a transparent company									P54, P79-80		

Materiality identification process

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

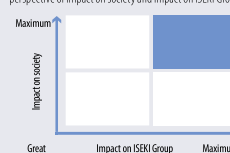
Identification of issues

- Issues were identified based on social issues and various guidelines (ISO26000, GRI, SDGs, etc.).
- Issues were identified by identifying risks and opportunities through SWOT analysis.
- The process identified issues to be addressed as a priority for the creation of social and economic value through business activities and issues to be addressed from the perspective of risks and opportunities in business activities, such as environmental changes, impediments to business activities, and burden on the global environment.



Evaluation of materiality

- Evaluate the importance of the issues identified from the perspective of impact on society and impact on ISEKI Group.



Evaluation of reasonableness

- Issues and the reasonableness of the results of the evaluation of importance are discussed at the ESG Committee and reviewed by external sustainability expert organizations.

Identification of materiality

- The materiality to be addressed by ISEKI Group are identified through deliberation and decisions at the ESG Committee and the Board of Directors.
- The ESG Committee and the Materiality Working Group deliberate once a year whether or not a review of materiality is necessary.