

Financial and capital strategies

Link the pillars of Project Z to growth strategies and realize improvement in capital efficiency and sustainable corporate value

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Looking back on 2025

In 2025, which marked the 100th anniversary of the Company's founding, the Company posted net sales of 185.7 billion yen, operating income of 4.2 billion yen, and net income of 2.7 billion yen, achieving year-on-year increases in both revenues and profits. Net sales reached a record high, and the operating margin was 2.3%. It was a year in which the results of the fundamental structural reforms and growth strategies promoted under Project Z began to appear in quantitative terms.

On the balance sheet, the reduction of inventories, which was an urgent issue, progressed at a higher level than planned with a decrease of 9.1 billion yen from the previous fiscal year due to growth in domestic sales and improved efficiency in inventory management. Although total assets increased due to a rise in the securities investments share price and capital investments based on Project Z, net assets increased due to the recording of net income and an increase in unrealized gains on available-for-sale securities, and the equity ratio improved to 35.2%. Net cash provided by operating activities amounted to 23.4 billion yen due to an increase in profit and the effect of reducing inventories, making a significant contribution to the reduction of interest-bearing debt. As a result, the D/E ratio was 0.8 times, significantly improving the Company's financial soundness.

Project Z

The main measures of Project Z were largely as planned, and their effects are steadily appearing. In terms of fundamental structural reforms, we are promoting various measures such as optimizing the personnel structure, investing in human capital, and cutting expenses, centered on the three pillars of "optimizing production," "optimizing development," and "deepening domestic sales." We have already completed the termination of production at the Kumamoto Factory and the integration of domestic sales companies. From 2026, the effects of fixed cost reductions and operational efficiency improvements will become more apparent. As for our growth strategy, overseas, we have strengthened our development in highly profitable regions, mainly in Europe, and in Japan, we have achieved results by concentrating management resources on growth fields. In the second year of Project Z, we generated 1.5 billion yen in profit as a result of fundamental structural reforms and growth strategies, and took the first step toward improving profitability. We are steadily building a business foundation for sustainable growth from 2026 onward.

Current status of PBR

2025 was a year when stock prices showed signs of improvement. To date, the Company's share price has remained low due to delays in responding to changes in the external environment and low profitability. However, in 2025, in addition to the effects of Project Z measures, the Company's performance improved as it accurately captured the increased purchase motivation of farmers against the backdrop of a recovery in rice prices. As a result, market valuations changed, and stock prices rose toward the middle of the year. However, it subsequently entered an adjustment phase against the backdrop of uncertainties regarding the outlook for rice prices and other factors, and PBR was around 0.5x as of the end of 2025.

In order to achieve PBR of 1.0x or more, it is essential to strengthen IR activities in addition to improving profitability and capital efficiency. Through active dialogue with stakeholders and the expansion and sophistication of information disclosure, we will help them understand the feasibility of the Company's initiatives for its business foundation and growth, and receive an appropriate evaluation from the market.

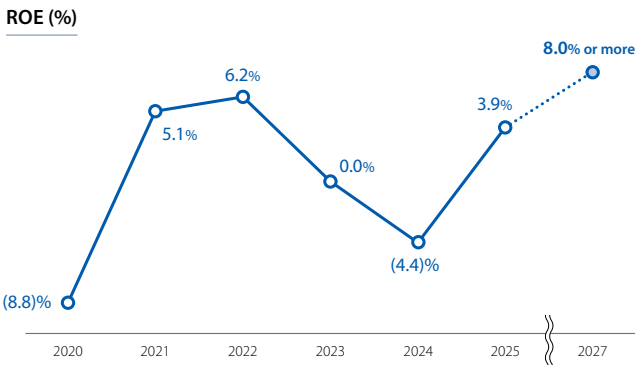
Initiatives to improve capital efficiency through Project Z

There remains a significant gap from the PBR of 1.0x or more targeted under Project Z. ROE, a component of PBR, has not generated a return on capital exceeding the cost of equity expected by investors. We aim to achieve ROE of 8% or higher by 2027 through thorough management that is conscious of capital cost and capital efficiency.

While the Company is responding to multimodal needs through the development of a wide range of models and an extensive sales network, margins are low. Asset efficiency is also an issue due to high inventory levels and low capacity utilization.

In 2025, both the net income margin and total asset turnover ratio improved due to increased profit and inventory reduction, but further improvement is necessary.

In Project Z, which is a business structural reform without exceptions, we are steadily implementing "fundamental structural reform" and "growth strategy," and promoting both improvement of profitability and asset efficiency.



Improvement of profitability

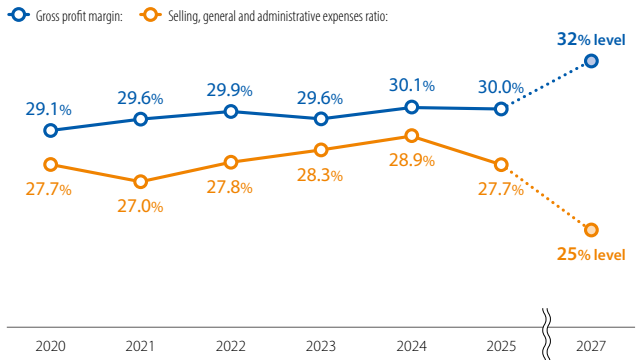
With the aim of improving profitability, we will focus on projects that make a significant contribution to earnings by identifying the profitability and growth potential of each business based on the management decision of "concentrating management resources on priority areas."

In terms of "production optimization," we are promoting the leveling of slack associated with the production of seasonal products through the restructuring of production bases. At the same time, by restructuring our procurement and logistics systems, we will establish a system that enables us to respond flexibly to seasonal changes, and promote improvements in productivity and inventory efficiency. In addition, we will work to improve our earnings structure by optimizing the allocation of fixed costs through effective utilization of human resources.

In "development optimization," we will focus development themes on priority areas based on growth areas and customer needs, and promote the optimal allocation of development resources. As a result, we will improve both profitability and development efficiency, and increase the recoverability of development investments.

In terms of "deepening domestic sales," in addition to unifying organizations and improving operational efficiency through the launch of ISEKI Japan, we will optimize working capital through a review of our inventory and distribution systems. In this way, we will establish a foundation to support our growth strategy by reallocating cash generated to growth areas.

Gross profit margin and selling, general and administrative expenses ratio (%)

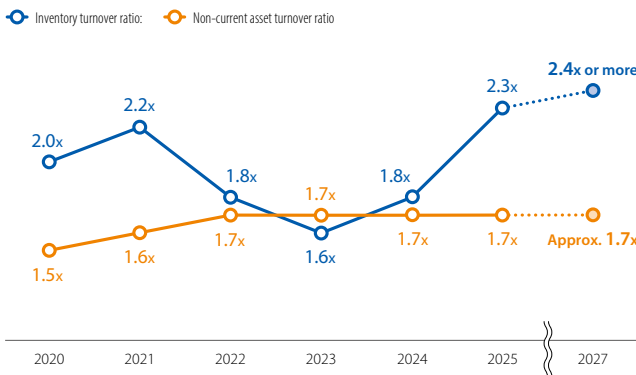


Enhancement of asset efficiency

As for inventories, we are close to achieving the 2027 target of 2.4x or more, making progress ahead of plan. Going forward, we will promote unified inventory management through the integration of domestic sales companies and cooperation with overseas subsidiaries, while developing a supply chain strategy to further reduce inventories.

Although non-current assets are expected to increase due to the reorganization of production bases and the restructuring of core systems, the Company will maintain and improve the turnover rate through the sale of surplus real estate, etc. When making capital investment decisions, we apply a hurdle rate, which represents margin plus the cost of capital, to improve capital efficiency and profitability. We will thoroughly apply hurdle-rate-based investment decisions, aiming to achieve both investment restraint and improved efficiency.

Inventory turnover ratio and non-current asset turnover ratio (times)



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Management foundation to support sustainable growth

Financial and non-financial data

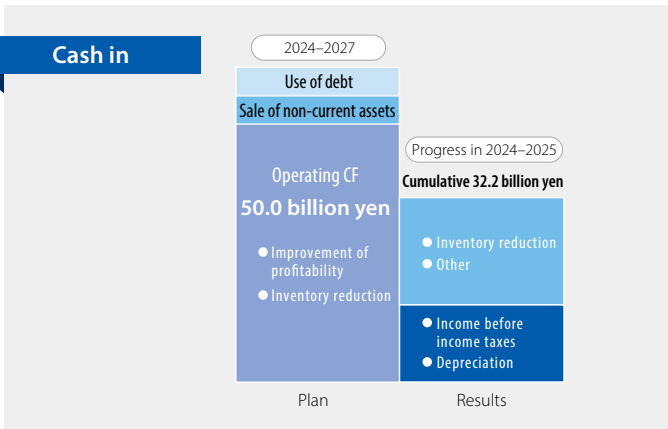
Company information / Stock information

Financial and capital strategies

Cash allocation through 2027

Cash in

The cumulative total of operating cash flow from 2024 to 2025 was 32.2 billion yen, compared with the cumulative total of 50.0 billion yen planned for the period from 2024 to 2027, showing steady progress. In addition, each measure of Project Z is expected to increase operating income by approximately 7.5 billion yen in 2027, and is expected to contribute to achieving the plan. We will continue to promote the improvement of profitability and asset efficiency through Project Z, and enhance our ability to generate operating cash flow.



Operating CF: cumulative 50.0 billion yen, 2024–2027

- Expand operating income by improving profitability
➔ Project Z effect: 7.5 billion yen in 2027
- Reduce inventories by integrating domestic sales companies and concentrating product assembly
➔ Inventory turnover ratio of 2.4x or more by 2027

Monetization of non-current assets

- Liquidation of surplus real estate
➔ Sale of the Kumamoto Plant where production was terminated
➔ Merger and abolition of domestic sales bases

Cash out

Through each of the measures promoted under Project Z, we will improve capital efficiency and strengthen our ability to create sustainable cash flows. At the same time, we will allocate funds to growth investments, the reduction of interest-bearing debt, and shareholder returns, and establish a virtuous cycle of cash flows.

Growth investment

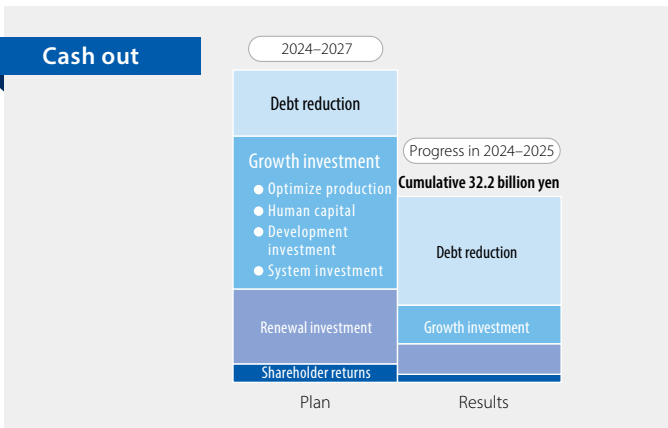
Under “production optimization” in Project Z, we are consolidating production bases with the aim of building a stable business foundation through improving production efficiency and reducing fixed costs. We plan to invest a total of 38.0 billion yen from 2024 to 2030, and have completed the transfer of production of combines and hydraulic components. During the two years from 2026 to 2027, the Company will concentrate investment on the Matsuyama Factory to improve productivity.

In addition, as a means of concentrating management resources on priority areas, in addition to non-organic investments such as the development of new market agencies in European businesses and investments in large-sized machinery and Non-Agri businesses in Japan, the Company aims to strengthen its future earnings base by investing in human capital that supports sustainable growth.

Interest-bearing debt and shareholder returns

Interest-bearing debt is expected to increase temporarily due to long-term borrowing associated with investment in production optimization that will enter full swing from 2026. On the other hand, by improving our ability to generate operating cash flow and selling surplus assets, we will control interest-bearing debt and keep the D/E ratio at 0.8x or less.

For 2026, the Company plans to continue raising the dividend, to ¥45. In addition, we will increase profitability and asset efficiency through Project Z measures, and achieve DOE of 2% or more in 2027.



Growth investment

- Production optimization investment: cumulative 38.0 billion yen, 2024–2030
Integrated product assembly functions and restructured component production system
➔ Streamline and level production, improve productivity
- Concentrate management resources on growth segments
Europe: New market development, product expansion, non-organic strategy
Japan: large, cutting-edge, field crops, and environment; Non-Agri
➔ Cycle of high earnings growth

Interest-bearing debt:

- D/E ratio maintained at the same level as in 2025
➔ D/E ratio of 0.8x or less in 2027

Shareholder returns

- Increased dividends for two consecutive fiscal years, ¥40 in 2025 and ¥45 in 2026
➔ DOE of 2.0% or more in 2027

Toward improved corporate value

Positioning of Project Z - Building a Foundation for Sustainable Growth

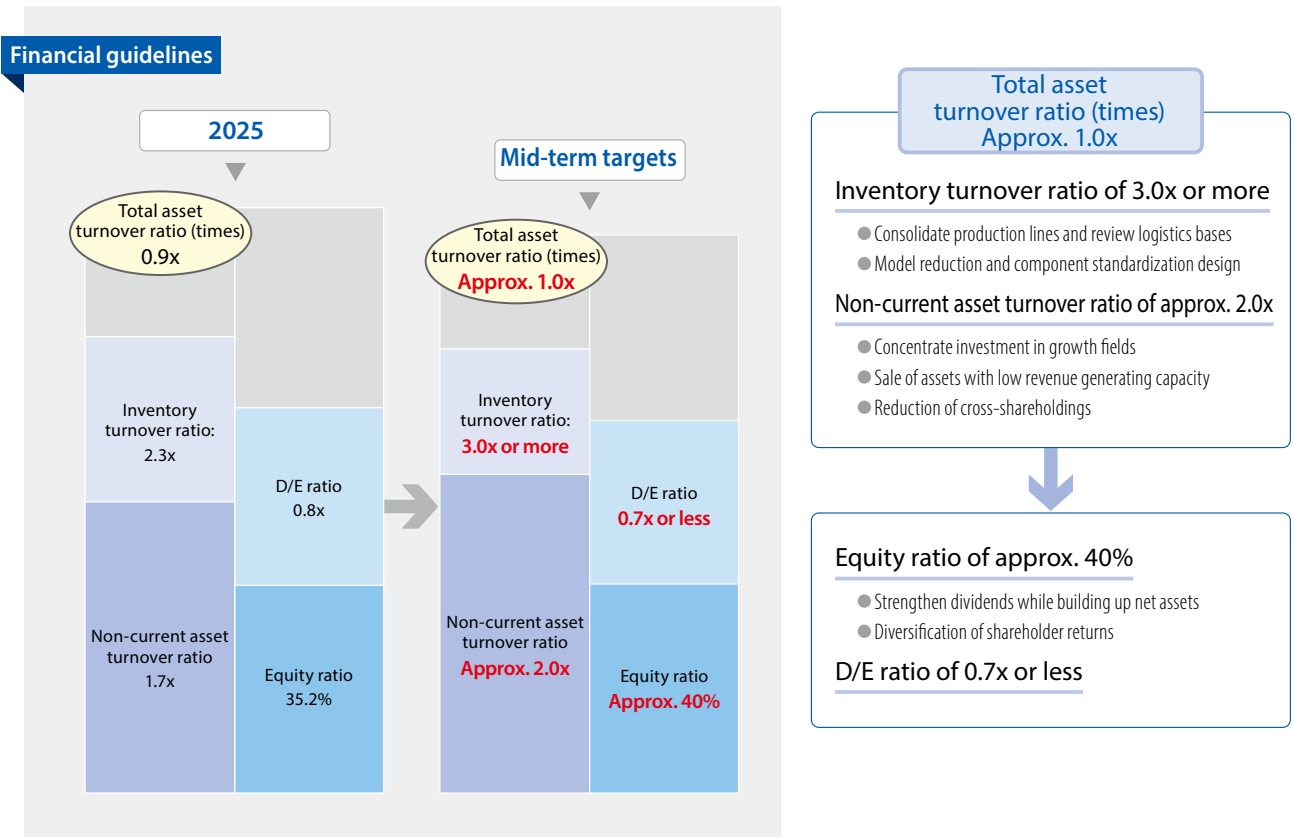
ISEKI Group recognizes low profitability and imbalances in the financial structure as important management issues. The completion of the Project Z initiatives is a prerequisite for realizing sustainable growth, and is an initiative aimed at rebuilding our management foundation in view of the new 100 years. As a new start, rather than improving short-term performance, we will steadily implement each measure and strengthen our earnings structure and financial base.

Basic Policies and Guidelines for Financial Strategy

The Company’s basic financial policy for sustainable growth and improved corporate value is to “ensure financial soundness, optimize growth investments and shareholder returns, and improve capital efficiency,” and the following financial guidelines are set as medium-term target levels.

- Total asset turnover ratio: approx. 1.0x
- D/E ratio: 0.7x or less
- Equity ratio: approx. 40%

The Company will enhance asset efficiency, increase total asset turnover, strengthen the ability to generate operating cash flow, and improve financial soundness by restraining the D/E ratio. By securing an equity ratio of around 40%, we aim to build a financial base that enables us to balance growth investments with shareholder returns.



Beyond Project Z

The main measures of Project Z are generally progressing as planned, and profitability is steadily improving as a result of structural reforms. On the other hand, the Company’s PBR remained at around 0.5x as of the end of 2025, and improving capital efficiency continues to be an important management issue.

ISEKI Group is currently in the transition phase from rebuilding its earnings base through structural reforms to management with growth in mind. While keeping pace with the progress toward achieving the operating margin of 5% set for 2027, we will further deepen our review of cash allocation and optimize the balance between growth investments, shareholder returns, and financial soundness. In addition, by continuously refining the framework for capital allocation, the Company will achieve both profit growth and improved capital efficiency, and establish the reproducibility of growth. At the same time, we will build a financial base that is both sound and flexible, enabling agile management decisions even in an environment of high uncertainty.

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Management foundation to support sustainable growth

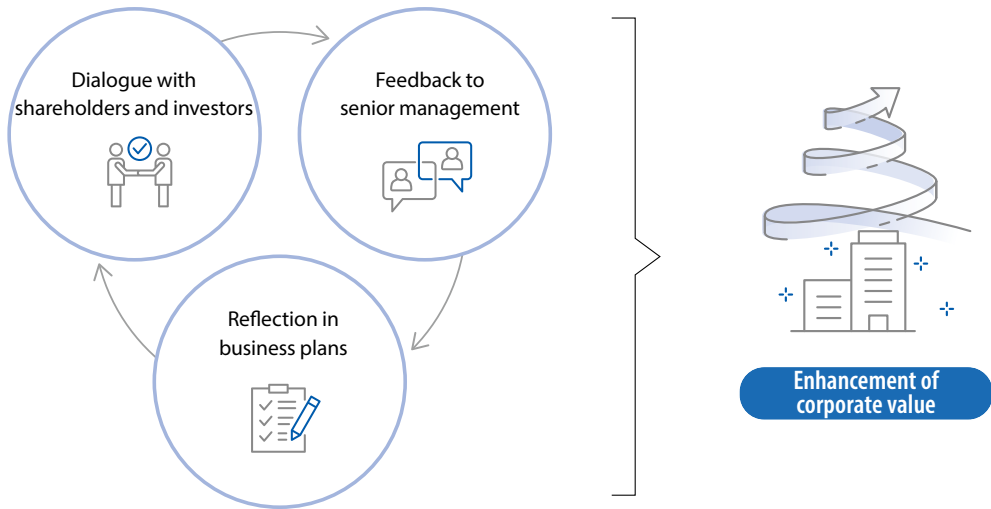
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Dialogue with shareholders and investors

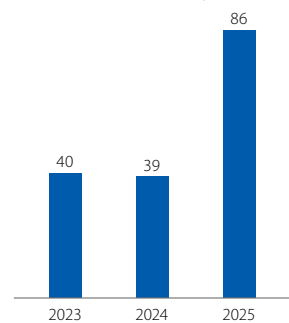
Basic Policy (Fundamental concept)

- The Company believes that, in achieving sustainable growth and enhancing its corporate value in the medium to long term, an important initiative is to build relationships of trust with shareholders and investors by explaining its management policies in detail and engaging in constructive dialogue with them. The Company holds quarterly financial results briefings and briefings for individual shareholders by the representative director in an effort to enhance opportunities for directors and other officers to engage in dialogue with shareholders and investors. The issues, expectations, etc. obtained through various dialogues are fed back to the directors, management executives, and related departments by way of distributing reports, etc. to the Board of Directors and other meeting bodies for the purpose of information sharing and reflected in and used for improvement of business activities.
- Our basic policy in information disclosure is to “disclose information properly to fulfill social accountability” and “endeavor to promptly disclose accurate information required from inside or outside of the Group in recognition of the importance of social accountability and thereby become a company with transparency.” In order to obtain an appropriate evaluation of the Group from all stakeholders, including shareholders, investors, customers, business partners, local communities, and employees, as well as to ensure the transparency of management, the Company shall endeavor to disclose management related information, etc. concerning the Group in a fair, just, timely, and appropriate manner, in accordance with the intent and significance of the Fair Disclosure Rules.

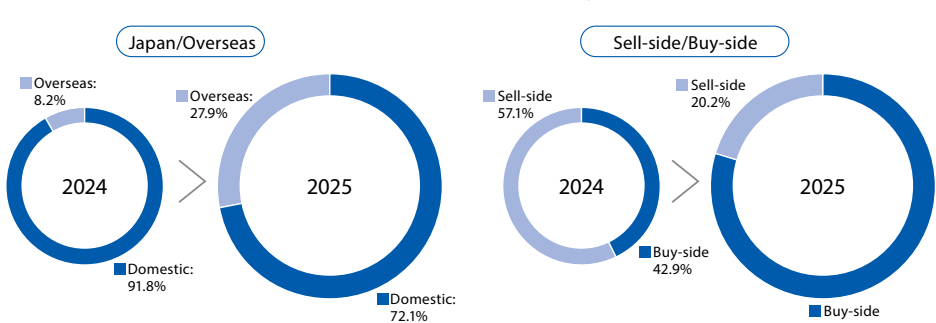


Status of dialogue with stakeholders (FY2025)

Number of dialogues (cases)



Attributes of stakeholders who participated in dialogue



Main themes and matters of interest

Performance-related management strategies	● ISEKI Group's strengths ● Demand trends in businesses ● Project Z Measures and their progress status ● Management conscious of capital cost and capital efficiency ● Management system for business portfolio	ESG-related matters	● Status of response to climate change ● Status of initiatives related to human capital ● Officer compensation system
		Share price and shareholder return	● Issues and responses related to share price and PBR ● Direction of shareholder return policy

Opportunities for dialogue and ISEKI's coordinators

Details	ISEKI's coordinators	2025 Results	Method of meetings, sessions, etc.
Ordinary general meeting of shareholders	All Directors and Audit & Supervisory Board Members	Once	Face-to-face
Quarterly briefing sessions	All executive directors	5 times	● Online or hybrid of online and face-to-face ● Disclosure of briefing materials, videos and transcripts on the website
Individual meetings	Director in charge of investor relations, Director in charge of Finance, General Manager of Public & Investor Relations Section, and General Manager of Financial Dept.	86 times (FY2025 target: 50 times)	Online or face-to-face
Facility tours/New product presentations	President and Representative Director, Director in charge of investor relations, and others	2 times	Face-to-face
Presentation meeting	President and Representative Director, Director in charge of investor relations, and others	2 times	Online or hybrid of online and face-to-face
Facility tour for individual shareholders	President and Representative Director, Director in charge of general affairs, and others	Once	Face-to-face
IR Fair for Individual Investors	President and Representative Director, Director in charge of investor relations, and others	Once	Participation in IR Fair
Response to inquiries	IR and general affairs departments	As required	Dialogue through the website, phone, email, etc.

TOPIC Participated in Nikkei TSE IR Fair 2025

Aiming to strengthen dialogue with individual investors, we exhibited at the “Nikkei TSE IR Fair 2025” held in September 2025.

At the booth, young employees directly explained the Company's initiatives, including an overview of the business, creating a lively dialogue with the visitors.

In addition, at the venue of the briefing session, the President himself spoke about the Company's business strategies and the direction of future growth. There were so many attendees that some had no seats and listened while standing.

Your opinions and questions are valuable suggestions for the Company's IR activities and management decisions.



TOPIC Held a presentation meeting

In 2025, the number of individual dialogues with institutional investors and analysts increased.

While there has been a certain level of understanding of the Company's recent improvements in business performance and structural reforms, there have been many comments such as, “What kind of growth do you envision beyond the structural reform of Project Z?”

Based on these dialogues, explanations were focused on two themes: the European business, which is the core of the Company's overseas growth strategy, and the large-sized machinery strategy, which is a pillar of the Company's domestic growth strategy. We will continue to strive to promote understanding and improve corporate value through interactive dialogue.

Materials, etc.
<https://www.iseki.co.jp/ir/management/zplan/>

Feedback to management executives

Opinions from shareholders and investors, their interests, and matters of concern learned through dialogue are reported as necessary to the management executives in a timely manner under the supervision of Public & Investor Relations Section. Information relating to the Company's business is fed back to related departments as needed to have it reflected in and used for improvement of business activities.

Details	Method of reporting	Frequency	Target
Individual meetings with investors or analysts Opinions, requests, etc. from shareholders and investors Indicators related to shares and share price information Reports on IR activities	An overview of the interview is reported	Each time	All Directors
	Information including an overview of the interviews and the status of share price is reported at a meeting of the Public Relations Liaison Committee	Monthly	Directors' Operation Committee members
	Information including an overview of the interviews and the status of share price is reported at a meeting of the Board of Directors	Every quarter	Members of the Board of Directors
	Opinions from shareholders and investors and topics of great interest are reported at a top executive meeting	Monthly	Representative Director, and Director in charge of investor relations
Other reports (related to shareholders and investors)	Information including shareholder composition and trends in shareholdings by institutional investors and others are reported as necessary	Each time	Directors' Operation Committee members, and others

Examples in which ISEKI incorporated shareholder views learned from dialogues

Opinions, requests, etc.	Response by ISEKI
Strengthen dissemination of IR information	● Disclosure of transcript of financial results briefing session ● Participation in events for individual investors and holding business briefings (online)

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