

Product/Development Strategies

Optimize production and development, and achieve Project Z with all employees

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Among the fundamental structural reforms under Project Z, in terms of “optimize production,” in 2025 we gradually transferred combine harvester production from the Kumamoto area of ISEKI M&D Co., Ltd. to the Matsuyama area, and consolidated the functions of the Kumamoto area into the Matsuyama area at the end of December 2025. Looking ahead to 2026, while strengthening manufacturing governance and stabilizing the system after the transfer of production, we will further promote the optimization of roles between manufacturing plants and operational efficiency, and aim to further improve production efficiency.

In “development optimization,” efforts are being made to improve product profit margins at the design stage by incorporating cost, quality, and mass production at the same time from the initial development stage, centering on the reduction of variable costs. In addition, we will enhance development efficiency and price competitiveness through global design, standardization, module design, and model reduction, and realize sustainable profit growth by reinvesting the results in growth areas.

At the Development & Production Division, our policy is to achieve “Project Z” (optimization of production and development) with the wisdom, ingenuity, and enthusiasm of all employees, and all employees will work as one team toward the common goal. In addition, we will strengthen the creation of intellectual property from the development theme point of view, while also improving development capabilities, productivity, and profitability at the same time. We will also improve quality by enhancing design capabilities and promoting multi-skilling.

Under the motto, “Work quickly, work hard, work happily,” we will all strive to improve the speed, accuracy, and motivation of our work, and will act with determination toward realizing our goals.

Project Z

Optimize production: create robust structure for production sites

We will invest capital in production base reorganization and increase productivity to boost profitability.

- 2025 Termination of production in Kumamoto
- Transferring production to Matsuyama as planned
- Effects of site consolidation to emerge from 2026, with measures being promoted toward 2030
 - Implementation phase of production efficiency improvement
 - Construction of buildings and establishment of a system to consolidate sites

Optimize development: product profitability improvements and efficiency of development

Implement short-term variable expense reduction and reduce models and types to shift development resources to growth themes

- Effect of improvement in product profit margin achieved as planned for 2025
- Toward the 2027 Plan, pursue further improvements by expanding scope and methods
- Reducing the number of types and models as planned

Increased earnings effect in 2027
Approx. 3.0 billion yen
(compared with FY2023)
* Initial: 3.5 billion yen

Effect

Research and development policy

We conduct research and development in line with the four spirits as the engineer, upholding the mission of “contributing to society through agricultural machinery.”

Spirit as the engineer

- Market ideas
- Always being one step ahead of the competitors
- Exert all technical potential
- Be totally dedicated to product philosophy

The Company's characteristics in research and development, production

- Maximized product value based on technological capabilities and intellectual property strategies
- Technical capabilities specialized in agricultural machinery for paddy rice cultivation that supports Japanese rice production
- Joint research and development in collaboration with research institutions, universities, etc.
- Strengthened collaboration with Dream Agricultural Research Institute (Initiatives for smart agriculture that utilize advanced technologies)
- Development of specialized human resources in research and development and at production sites

Optimize production:

Initiatives to Optimize Production and Production Structure

Issues such as seasonal fluctuations in production and decreased production efficiency due to a decline in the number of units have become apparent in line with changes in the domestic market. The Company is responding to this by promoting production optimization through a review and reorganization of the roles of production bases in Japan and overseas as a measure under Project Z. In the conventional multi-site system in Japan, diverse needs were met by having multiple assembly sites for mainstay products. On the other hand, there were issues of inefficiency, such as duplication of processes and facilities, and differences in capacity utilization among sites.

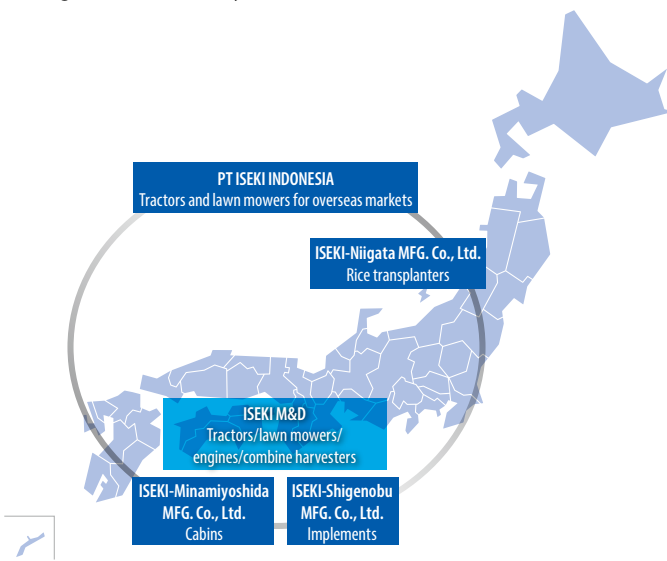
To solve these issues, the Company is building a production system centered on ISEKI M&D. The Company is gradually promoting the restructuring of its domestic bases based on the integration of product assembly functions and the division of roles in component production. In concrete terms, the Company is consolidating the assembly functions of its main products into ISEKI M&D, while also developing a production network in which each base plays its respective roles, including ISEKI-Niigata MFG. Co., Ltd., ISEKI-Shigenobu MFG. Co., Ltd., and ISEKI-Minamiyoshida MFG. Co., Ltd.

In 2025, we terminated combine production in Kumamoto and transferred production of these products to Matsuyama. We also relocated facilities in Kumamoto to each base. In addition, as part of a restructuring of the component production system, production of hydraulic equipment was transferred to the ISEKI Niigata Factory, and production began there in January 2026.

In the future, we plan to further consolidate product assembly bases in stages, and transfer rice transplanter production at ISEKI-Niigata MFG. Co., Ltd. to ISEKI M&D by 2029. As a result, we will concentrate our product assembly bases in Matsuyama and aim to realize a “robust production system.”

Regarding overseas production bases, we will augment the production structure at PT ISEKI INDONESIA while transferring overseas-bound tractors, lawn mowers, and other products from ISEKI M&D (Matsuyama) to accelerate global expansion.

Through these initiatives, we aim to improve efficiency through the consolidation of processes and facilities, equalize production, and improve productivity. At the same time, we aim to build a solid earnings base that can secure stable earnings regardless of the number of units produced, by streamlining our organization.

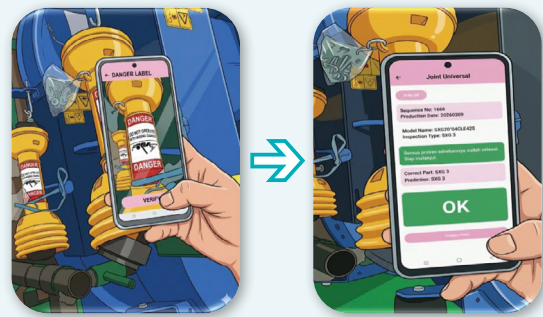


TOPIC Establishment of digital quality management system at overseas production sites

As part of its efforts to optimize production, the Company is strengthening the quality management system at PT ISEKI INDONESIA, its overseas production base. At this base, we have introduced advanced process management through the use of computerized check sheets, as well as a mechanism for managing work history, such as work certification and defects, using two-dimensional codes, to thoroughly ensure in-process assurance at each process.

In addition, we developed and rolled out a digital error-proofing system (a mechanism to prevent work errors) that utilizes AI, and realized prevention of mis-assembly and improvement of inspection accuracy through automatic recognition of similar parts. These efforts have made it possible to identify defects in real time and provide rapid feedback to the upstream process, stabilizing quality while improving productivity.

The Company has positioned PT ISEKI INDONESIA as one of the cores of its global production system, and will continue to strengthen its production base to support stable quality.



MENU GUIDE

What ISEKI Group aims for

Key Points of ISEKI Report 2026

ISEKI Group's value creation

Management strategies to improve
corporate value

Materiality 23

Financial and capital strategies 25

Dialogue with shareholders and investors 29

Human resource strategies 31

Domestic Market Strategies 37

Overseas Market Strategies 41

Product/Development Strategies 45

Product roundtable discussion 51

Management foundation to support
sustainable growth

Financial and non-financial data

Company information /
Stock information

Product/Development Strategies

Optimize development

In the “development optimization” initiative of Project Z, we are working to improve product profitability, reduce the number of product models, and improve development efficiency through standardized design, focusing on reducing variable costs.

To improve product profitability, we have set a target of reducing product variable expenses by 10% or more. Although delays have been seen in some initiatives, improvements are being made by expanding the scope and methods. Development, manufacturing, and purchasing are all integrated in these activities, and we are working to improve profit margins based on manufacturing that ensures quality, cost, and QCD.



Global cabin design for sharing with other series

In terms of development efficiency, we are promoting the consolidation of machine types (series) and models, and the standardization of designs. As a result of finely dividing specifications in response to local needs, the number of models has increased, causing an increase in the burden at the development and production stages. For this reason, we are using the timing of model changes to promote model consolidation and focus on the required specifications, thereby enhancing the adaptability of each model. We expect to reduce the number of machine types (series) by approximately 30%. In addition to streamlining design and development process, we are also focusing on the allocation of the development resources we have created to the growing areas of “large,” “cutting-edge,” “field crops,” and “environment.”

Development of the new small tractor model “BB Series”

The Company is working to improve development efficiency by reviewing its product system, integrating redundant horsepower bands, and standardizing basic structures. As part of these efforts, we commercialized the “BB Series,” a new model that integrates the TM Series and the TQ Series of small tractors. The BB Series uses a compact one-piece structure for the bonnet, improving visibility and maintainability. In addition, continuous installation of a synchro-linear shift function (a convenient function for smooth forward and backward movement) has realized high operability.



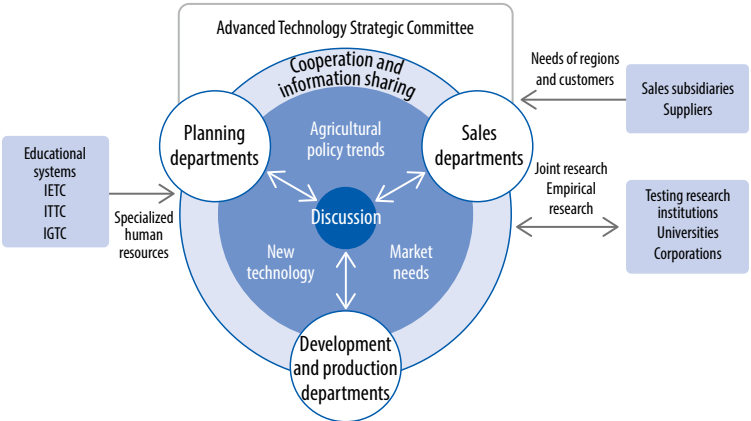
“BB Series,” a new small-sized tractor model for the Japanese market, with 19 horsepower

Research and development system

We have built a research and development system that displays collective power through mutual collaboration among the planning, development, production, and sales departments, and manufacture products that meet the market needs of each country and region. The “Product Development Strategy Committee” regularly discusses the direction with an eye on medium-term solutions of social issues, and determines basic policies and plans for product strategies and research and development. For advanced technologies, a priority area, the “Advanced Technology Strategic Committee” narrows down themes to be addressed and shares technological trends, takes a deep dive into issues, and discusses business development that leverages the Company’s strengths.

The ISEKI Basic Engineering Training Center (IETC), which is a training facility specialized in designing technologies, dedicates itself to foster human resources to promote frontrunner development such as application of robotic technology and electrification. In addition, in recent years, the Company has been promoting the use of digital technology, including generative AI, in research and development, and has implemented educational programs by external experts covering the basics of generative AI to its application in development operations. Furthermore, within the Company, efforts are being made to strengthen research and development capabilities by promoting the introduction of AI tools that support development operations, leading to increased efficiency in design and development process, and the creation of new ideas.

Moreover, we are generating new value by integrating external resources with our core technologies through numerous types of collaboration, including joint research with universities and companies and open innovation.



Joint development projects in FY2025

Research institutions	7 themes
Universities	2 themes

Examples of AI utilization in product development

Initiatives to utilize generative AI in the design review process

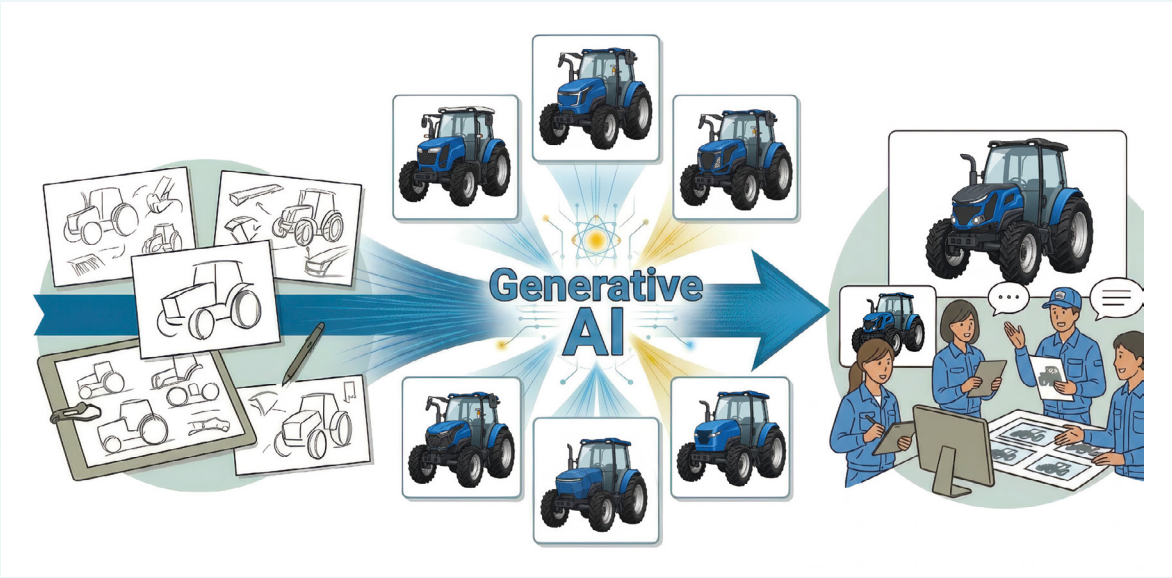
In order to enhance the quality of design consideration in product development, the Company began utilizing generative AI (a type of artificial intelligence with creative capabilities) mainly in the initial phase.

At the Design Department, in the process of progressing from hand-drawn sketches to designs, issues were “improving the speed of consideration” and “expanding the range of ideas” within a limited amount of time.

Therefore, we have improved the efficiency of generating ideas at the planning stage by selecting and introducing tools that can faithfully reproduce the intent of the sketch while appropriately expressing it as research materials.

As the output of generative AI varies, we maintain the principle that the final decision-making will be performed by people as in the past, but we are also pursuing designs that focus more on details than ever before, taking advantage of the time generated by efficiency improvements.

In the future, we will continue to position AI as a supplementary technology for enhancing human creativity, and carefully and proactively advance further deepening of design by combining sensibility and technology.



Example of industry-government-university collaboration

Participation in commissioned research by the Fukushima Institute for Research, Education and Innovation (F-REI)

The Company is participating in research commissioned by the Fukushima Institute for Research, Education and Innovation (F-REI), and is collaborating with universities, research institutions, and companies on demonstrative research on remote-monitoring automated driving systems using agricultural machinery.

The objective of this research is to address issues such as the shortage of personnel for paddy rice cultivation and the increase in the size of paddy fields in Japan, including Fukushima Prefecture, and to build a fully unmanned automated travel system that works while autonomously moving between multiple fields.

To achieve this, we are working on the following:

- Remote monitoring of automatic traveling agricultural machinery
- Operation of multiple-vehicle agricultural machinery through farmland management utilizing a digital map of a wide area

While establishing such technologies, we are conducting demonstration experiments in actual farmland environments.

By utilizing various sensors, communication technology, and digital maps mounted on the agricultural machinery, multiple automatic driving agricultural machinery can be monitored and operated from a remote location. We aim to realize a new work system for paddy field agriculture that enables even a small number of people to manage a large area of farmland efficiently.



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Human resource strategies	31
Domestic Market Strategies	37
Overseas Market Strategies	41
Product/Development Strategies	45
Product roundtable discussion	51
Management foundation to support sustainable growth	
Financial and non-financial data	
Company information / Stock information	