

[Delayed] Progress of Project Z

ISEKI & CO., LTD.
〔Tokyo Stock Exchange Prime Market:6310〕
February 14, 2025





Solution Provider
for Agriculture & Landscape

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1. Outline of Project Z Plan

Outline of Project Z Plan

Sweeping comprehensive business structural reforms [Project Z]

- We are implementing sweeping comprehensive business structural reforms of which Project Z is a core pillar, to achieve our long-term vision for 2030

Sweeping comprehensive business structural reforms

[Short-term focused measures] · [Fundamental structural reforms]

Smart & Sharp

<Core themes>

- Optimize production
- Optimize development
- Deepen domestic sales

Goals for 2027

Operating margin
5% or higher
Record-high operating income*

ROE 8% or higher

DOE 2% or higher

**PBR of
1 or
higher**

* The highest operating income ever recorded; 7.4 billion yen for the fiscal year ended March 31, 2014

[Growth strategy]

Growth

<Core themes>

- Overseas

- Domestic

Focusing management
resources on growth segments

2030

- Overseas: Expand net sales to approximately 1.5 times of 2023 net sales
- Domestic: Focus on growth areas and strengthen profitable businesses

Vision

To be a
Solution
Provider for
Agriculture
&
Landscape

[Short-term focused measures]

[Fundamental structural reforms]

[Growth strategy]

Outline of Project Z Plan

The path to growth

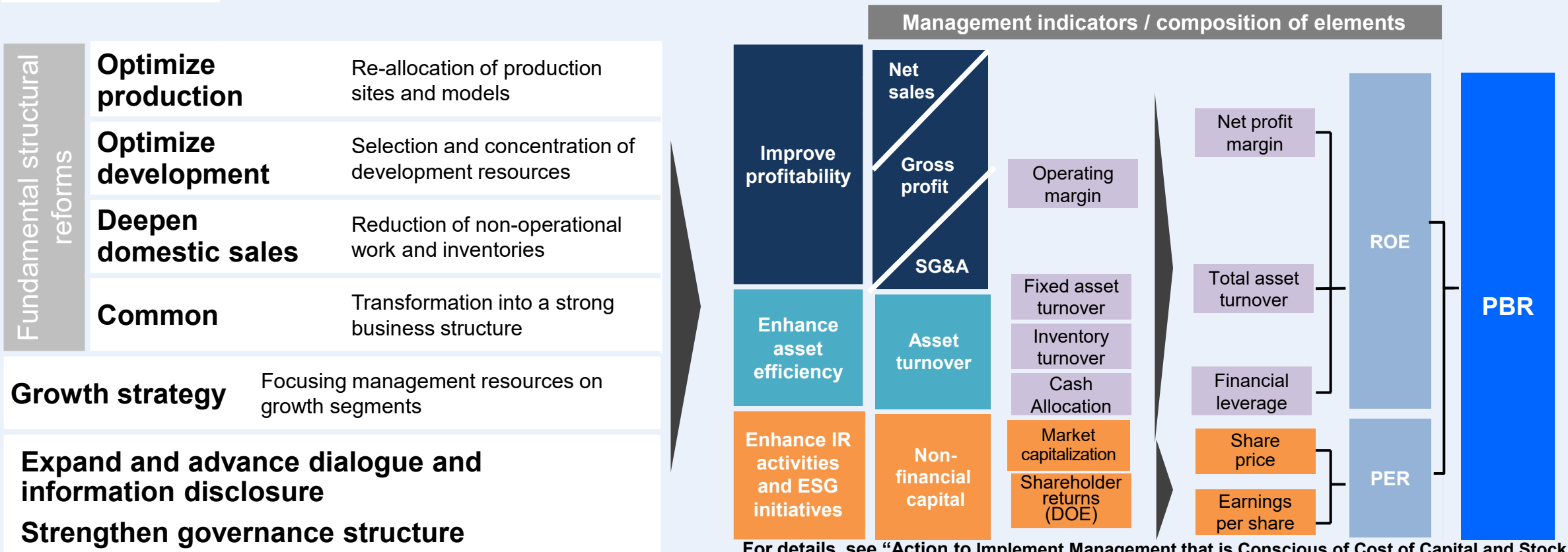
- Develop and implement various Project Z measures to achieve the goals for 2027

Our vision

2027

- ✓ Consolidated operating margin : 5% or higher (Record-high operating income*)
- ✓ ROE : 8% or higher
- ✓ DOE : 2% or higher

PBR of 1 or higher



For details, see "Action to Implement Management that is Conscious of Cost of Capital and Stock Price," released on February 14, 2025

Outline of Project Z Plan

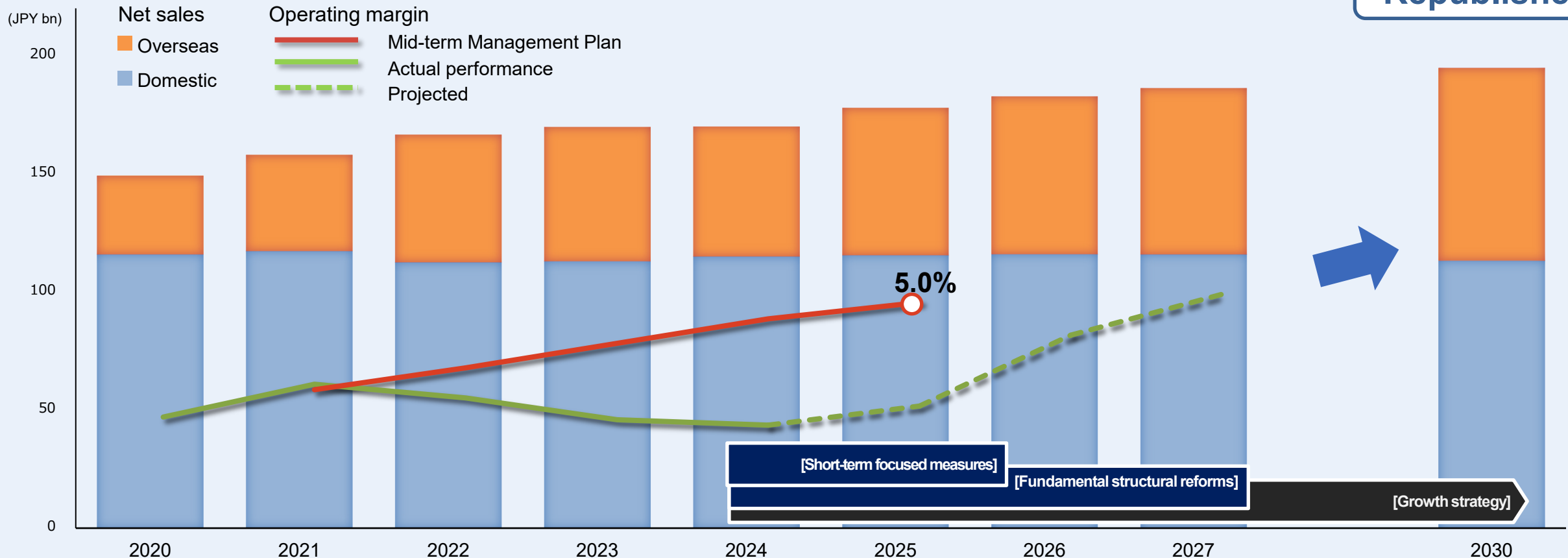
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The path to growth

- Implement difficult fundamental structural reforms as part of short-time focused measures
- Record operating income in 2027 by steadily implementing various Project Z measures

Changes in net sales and operating margin

Republished





2. Progress of Project Z

2 – 1. Overview of Progress

Progress (Summary)

- Among the fundamental structural reforms to be implemented through intensive short-term efforts, major measures such as the reorganization of production sites and the integration of sales companies have generally progressed as planned
- To realize our growth strategies, we took measures to expand our European business overseas and reorganized our sales companies in Japan

<Core themes>

Fundamental structural reforms	Optimize production	Re-allocation of production sites and models
	Optimize development	Selection and concentration of development resources
	Deepen domestic sales	Reduction of non-operational work and inventories
	Common	Transformation into a strong business structure
Growth strategy	Overseas	Focusing management resources on growth segments
	Domestic	

<Progress>

(Page no.)

■ Reorganization of production sites ✓ Consolidation of production assembly <u>has progressed as planned</u>	P12 P24
■ Product margin improvement and development efficiency improvement ✓ Product margin improvement <u>was delayed in some areas</u> <u>Necessary to deploy more resources</u> ✓ Development efficiency improvement <u>has progressed as planned</u>	P12 P25
■ Building a base for strategic growth ✓ Establishment of ISEKI Japan: <u>Progressed as planned</u>	P12 P26
■ Optimization of employee composition and investing in human capital ✓ The number of applicants for voluntary retirement was <u>below plan</u> , <u>but the expected personnel cost level was secured</u> ✓ Cost reduction was <u>delayed in some areas</u> . <u>Thorough review of operations</u> is required	P13
■ Development of region-specific strategies ✓ PTC Limited*, our local distributor in the UK, was made a consolidated subsidiary *PTC Limited: Abbreviation of PREMIUM TURF-CARE LIMITED	P16
■ Focusing on growth areas ✓ Provision of valuable agricultural solutions ✓ Establishment of the Large-scale Planning Section	P17-18

Progress (Summary): Income Increases

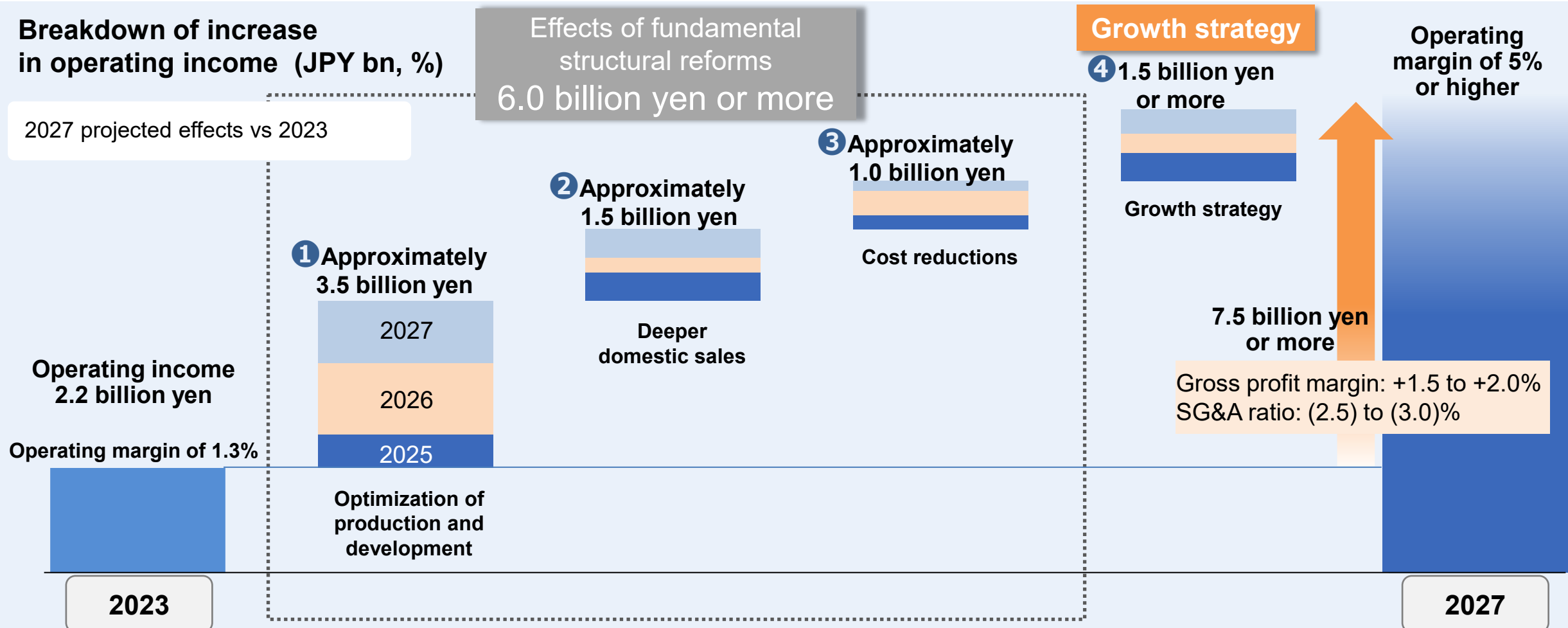
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Goal: a consolidated operating margin of 5% or higher in 2027

- Generate increases in operating income of 7.5 billion yen or more through fundamental structural reforms and growth strategy
- Increase in operating income due to implementation of measures is expected to be seen from 2025.

✓ Breakdown of increase ✓ in operating income (JPY bn, %)

2027 projected effects vs 2023



Portfolio by Region

2027 and 2030 projected: Overseas operations will be the growth engine

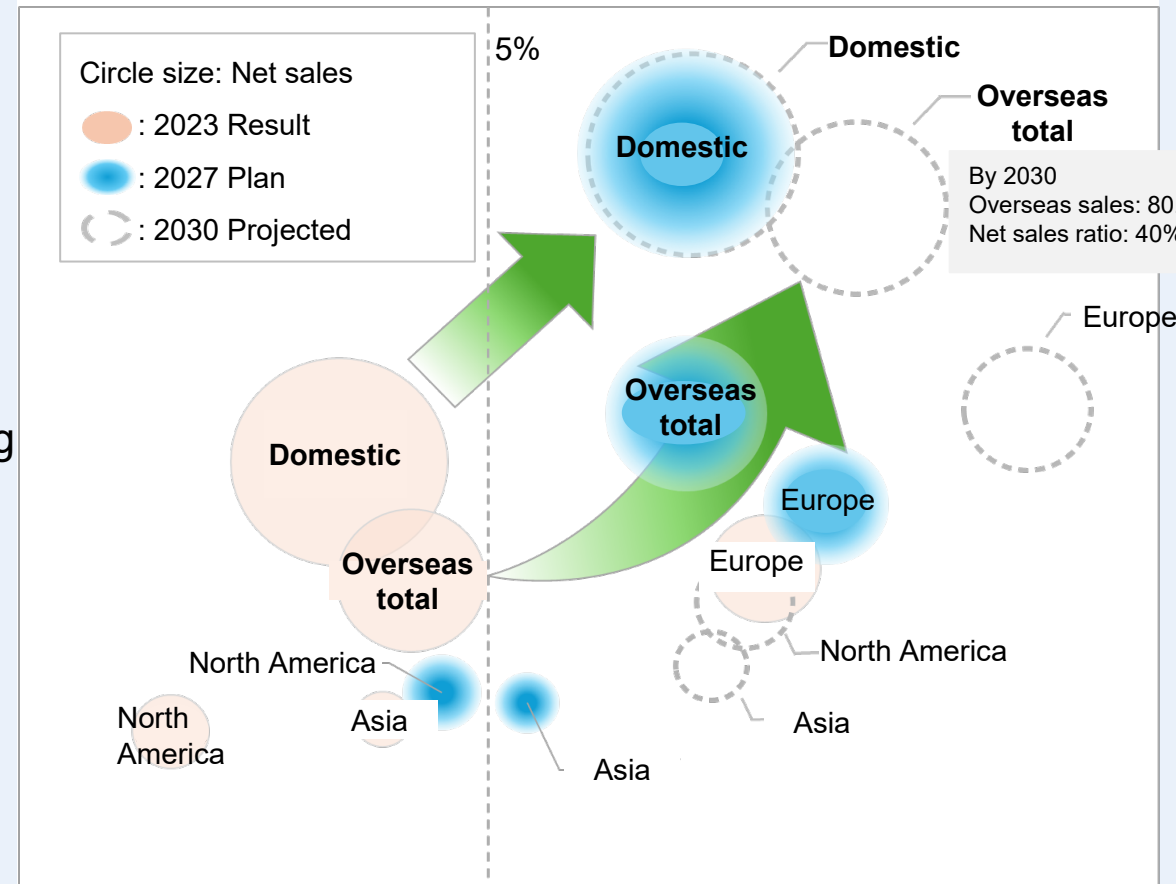
- Domestic: Improve profitability by reducing costs through improved product profit margins and operational efficiencies such as the establishment of IJ while maintaining net sales
- Overseas: Expand net sales and further increase profitability mainly in Europe, including by making PTC Limited a consolidated subsidiary

IJ: ISEKI Japan Co., Ltd.

PTC Limited: PREMIUM TURF CARE LIMITED

Operating income and operating margin by region are estimated without including corporate expenses

Operating income



Operating margin (%)

2. Progress of Project Z



2-2. Progress of Fundamental Structural Reforms

<Progress>

- Optimize production: Progress on reorganization of production sites
- Optimize development: Progress on product profit margins and consolidation of models and types
- Deepen domestic sales: Consolidation of sales companies, establishment of ISEKI Japan
- Common: Progress on optimization of employee composition, investing in human capital, and cost reduction

Implement reforms through intensive short-term efforts

Optimize production: Building robustly-structured factories Progressed as planned

Make capital investments toward reorganization of production sites; improve earning capacity by increasing production

- ✓ Started the construction of new buildings to consolidate production assembly at ISEKI M&D (Matsuyama)
- ✓ The process of transferring assembly operations of combine harvesters from ISEKI M&D (Kumamoto) is proceeding as planned
- ✓ Reduce capital investment while improving production efficiency
 - Total investment plan: reduce investment from 46.0 billion yen to 38.0 billion yen ('24-'30)

Optimize development: Product margin improvement and development efficiency improvement Delayed in some areas

Shift development resources to growth themes through short-term execution of variable cost reduction and reduction of models and types

- ✓ Product margin improvement was delayed in some areas from the original plan. Overcome the delay by deploying more resources
- ✓ Improvement effects will be seen gradually from the second half of 2025. We aim to achieve the improvement targets in 2027
- ✓ Development efficiency improvement by identifying the models and types to be reduced. Progressed as planned

Deepen domestic sales: Building a base for strategic growth Progressed as planned

Improve management efficiency by management integration of domestic sales companies

- ✓ The sales organization system was changed following the establishment of ISEKI Japan
- ✓ Focus management resources to build a system that enables rapid decision-making and strong business promotion

Effects

◆ Increase in operating income in 2027

1 approx.
3.5 billion yen
(compared to **2023**)

Effects

◆ Increase in operating income in 2027

2 approx.
1.5 billion yen
(compared to **2023**)

(Common: Optimization of Employee Composition; Investing in Human Capital; Cost Reduction)

Building a new human resource system for a sustainable growth strategy

- Accelerate optimization of employee composition and investing in human capital in parallel to achieve transformation into a robust business structure within a short time frame

Optimization of employee composition

The plan was partially changed

- ✓ Streamline non-operating departments from 2025
- ✓ Regarding voluntary retirements, the number of applications was below plan, but we secured the expected level of personnel expenses due to a review of the entire group's workforce plan

Investing in human capital

Progressed as planned

- ✓ Strengthen education and training programs
- ✓ Implement recruitment to promote diversity
- ✓ Allocate human resources to growth areas

Impact on personnel expenses of 1.0 billion yen in total ①②*

Effects

◆ Increase in operating income in 2027
①② approx. 3.0 billion yen (compared to 2023)

Investment

◆ Decrease in operating income in 2027
①② approx. (2.0) billion yen (compared to 2023)

Cost reductions (The effects in the above section excluded)

Delayed in some areas

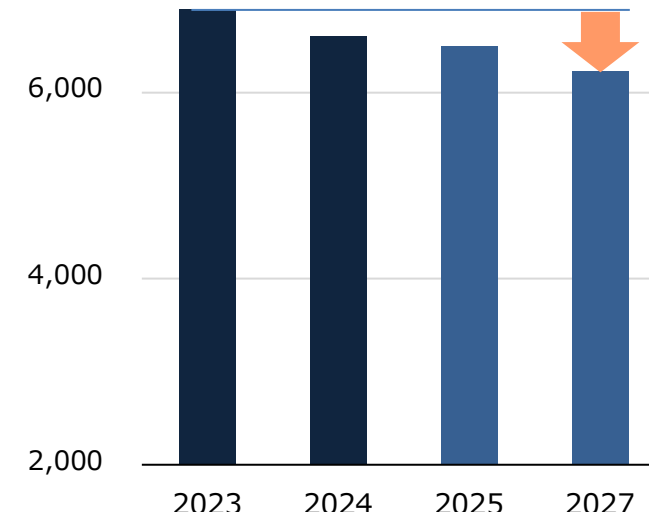
- ✓ Cost-reduction initiatives were delayed in some areas from the original plan. We will review operations thoroughly and implement concrete measures

Effects

◆ Increase in operating income in 2027
③ approx. 1.0 billion yen (compared to 2023)

Changes in total no. of employees (optimization of employee composition)

(Employees) *Including non-permanent employees



Changes in total number of employees progressed as planned as a result of group-wide efforts to improve operational business

➤ **Productivity to increase by 20% (vs 2023) as a result of stronger human resources**

*Impact on personnel expenses of 1.0 billion yen in total is included in the calculation of Optimization of production and development and Deeper domestic sales on page 9, Income Increases by Measure



2. Progress of Project Z

2-3. Progress of Growth Strategy

<Progress>

- Overseas: Business strategies in Europe. Completion of making PTC Limited, our local distributor in the UK, a consolidated subsidiary
- Domestic: Progress in sales strategy (advanced, dry field)
- Enhance asset efficiency: Progress in inventory turnover

<In This Announcement>

- Enhance asset efficiency: Vision for the balance sheet
- Allocate cash for growth




Growth Strategy

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Focusing management resources on growth segments

- Overseas ► Develop region-specific strategies: accelerate business growth in Europe, a highly profitable region in which we have presence
- Domestic ► Reorganize the Company's organization and its systems, focusing on growth areas

Growth Strategy

Overseas	<h3><u>Develop region-specific strategies</u></h3> <ul style="list-style-type: none"> ✓ Expand the business in Europe Progressed as planned <ul style="list-style-type: none"> - PTC Limited, our local distributor in the UK, was made a consolidated subsidiary <p><small>*PTC Limited: Abbreviation of PREMIUM TURF-CARE LIMITED</small></p>		<h3>Effects</h3> <ul style="list-style-type: none"> ◆ Increase in operating income in 2027 <p>4 approx. 1.0 billion yen (compared to 2023)</p>
	<h3><u>Product strategy</u></h3> <ul style="list-style-type: none"> ✓ Expand range of Non-Agri products; introduce environmentally friendly products <p><small>**“Non-Agri products” means machinery not used for agriculture (environmental improvement machinery, etc.).</small></p>	<p>Front mower</p> 	
Domestic	<h3><u>Expanding sales in growth segments</u></h3> <ul style="list-style-type: none"> ✓ Expanding sales in growth segments ✓ Focus on growth areas through reorganization Establishment of the Large-scale Planning Section 	<p>Progressed as planned</p>  <p>Large-sized robot tractor TJW1233-R</p>	<h3>Effects</h3> <ul style="list-style-type: none"> ◆ Increase in operating income in 2027 <p>4 approx. 0.5 billion yen (compared to 2023)</p>

Growth Strategy - Overseas

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Additional acquisition of shares of PTC Limited, our local distributor in the UK

► Completed in FY2024 as planned

January 2025: PTC Limited became a consolidated subsidiary of the Company (shareholding ratio of the Company: 100%)

- Three consolidated subsidiaries: We have established the system **for the next phase of growth of our business in Europe**
- Promote sales, products, and regional strategies** to increase our presence in the landscape improvement market

Making PTC Limited a consolidated subsidiary

- ✓ Expansion of sales territory and enhancement of product lineup **Progressed as planned**
- ✓ Higher efficiency owing to consolidated inventory management across
- ✓ Generating innovation through the exchange of diverse human resources

Effects

◆ Increase in operating income in 2027
4 0.4 billion yen
 (compared to 2023)

*Included in the 1.0 billion yen increase in overseas operating income in 2027

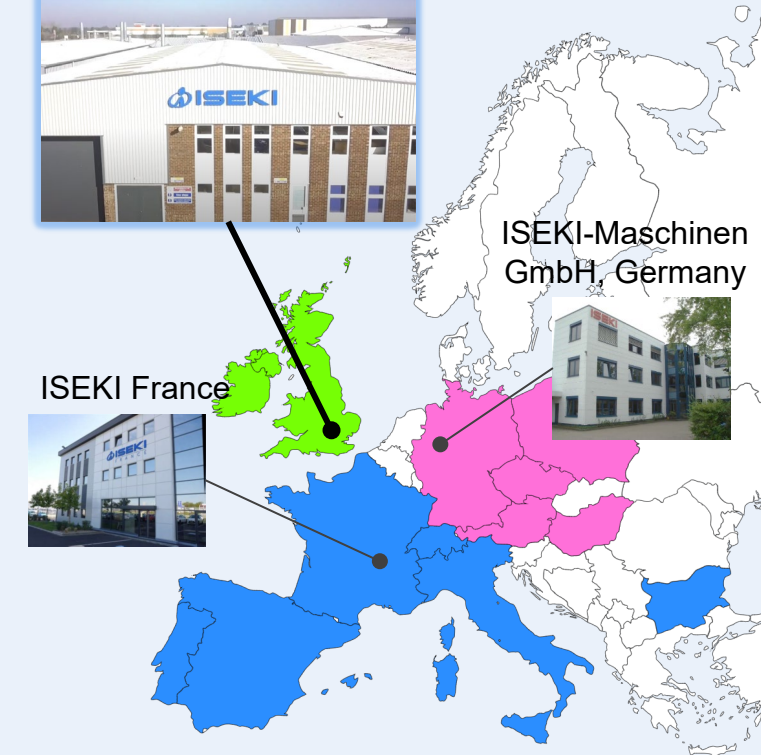
Premium-Turf Care, the UK



ISEKI-Maschinen GmbH, Germany



ISEKI France



*Shaded areas: sales territories of each subsidiary

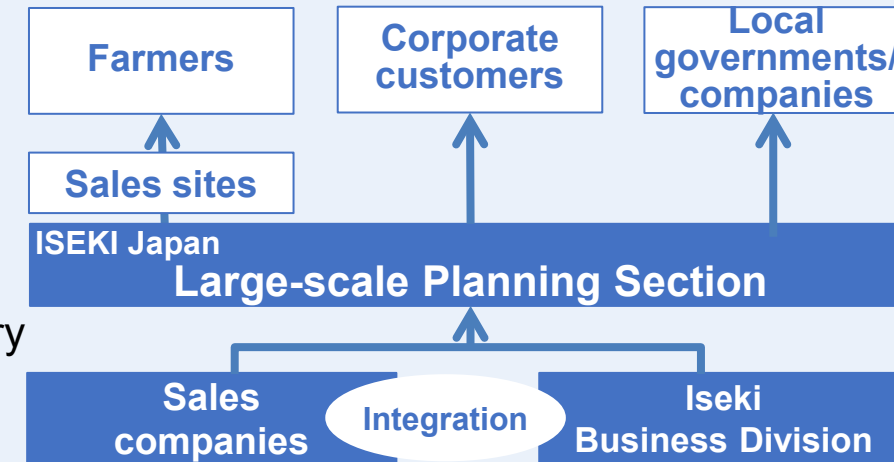
Growth Strategy - Domestic ▶ Sales Strategy (Large-sized)

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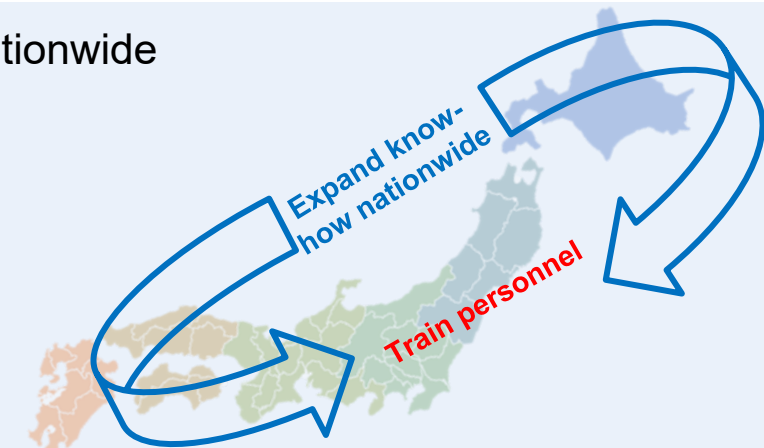
The Large-scale Planning Section was established in ISEKI Japan (January 2025)

- Consolidate the capabilities of ISEKI Japan and ISEKI Business Division
Expand customer base and strengthen proposal capabilities by faster sharing of know-how resulting from the new organizational structure
- Strengthen marketing to persons-in-charge
Venture into B2B business targeting companies entering the agriculture industry
- Provide goods and services targeting the growing demand for large-scale agriculture



Improving human resource capabilities through employee rotation

- Implement training and deploy/transfer employees to the large-sized market on a nationwide scale to develop human resources in the areas of large-sized and dry field farming



Growth Strategy - Domestic ▶ Sales Strategy (Advanced, Dry Field) ISEKI

Enhancement of large-sized products/farming implements and development of promotion system

- Large-sized products and products equipped with advanced technologies
- Dry field farming implements and farming implements compliant with ISOBUS
- ✓ Establish a promotion system in ISEKI Japan that works in conjunction with the Large-scale Planning Section
- Dry field farming promotion group



BIG-T



Vegetable farming implement



Imported farming implement

• Solution promotion group



Robot agricultural machinery



Variable fertilizer



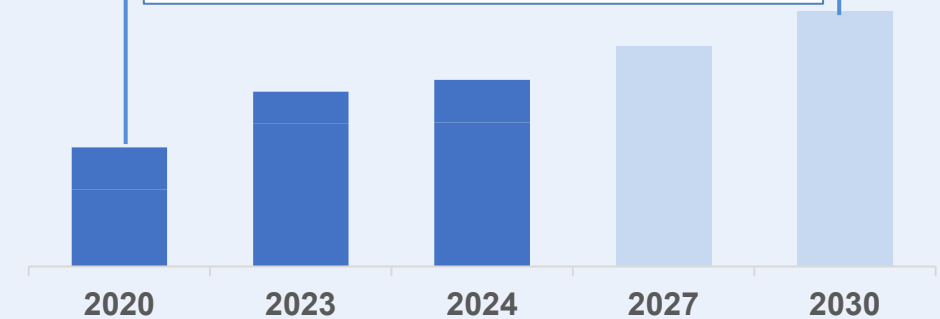
Data utilization



Response to governmental initiatives

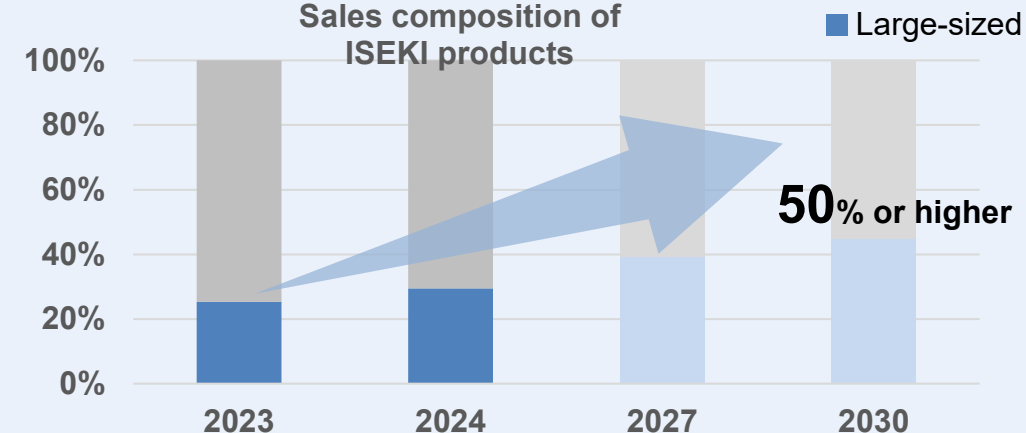
Net sales of products equipped with advanced technologies

Average annual growth rate 7.9% (2020-2030)



(Tractors, rice transplanters, combine harvesters)

Sales composition of ISEKI products



*Large-sized: tractors of 70PS or greater; rice transplanters of 8 rows or more; combine harvesters of 6 rows or more

Enhance Asset Efficiency

Reduce inventories

- Minimize stock of products through consolidation of product assembly factories and integration of sales companies
- Reduce inventories by consolidating machinery models and types

Inventory turnover

- ✓ Build a procurement/logistics system through consolidation of product assembly factories
 - Achieve an optimal production structure for timely provision of seasonal products
- ✓ Consolidate machinery models and types ➡ Increase in production and sales efficiency
- ✓ Reduce inventories through integration of sales companies
- ✓ Implement centralized inventory management ➡ Effective use of inventories (domestic and overseas [Europe])
- ✓ Supply chain strategy
 - Build a supply chain that is strong enough to withstand environmental changes
 - Establishment of SCM Promotion Section (established in Dec. 2024) ➡ Accelerate initiatives

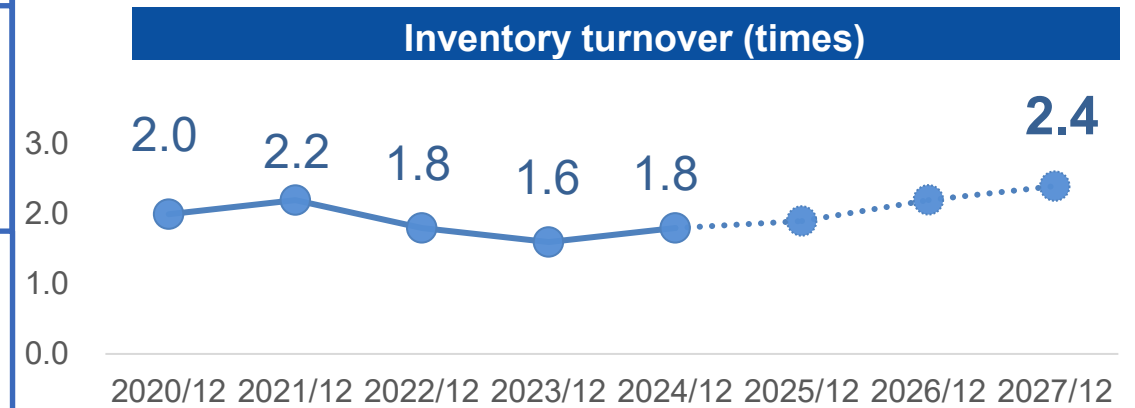
SCM: Supply Chain Management

Target

◆ 2027

Progressed as planned

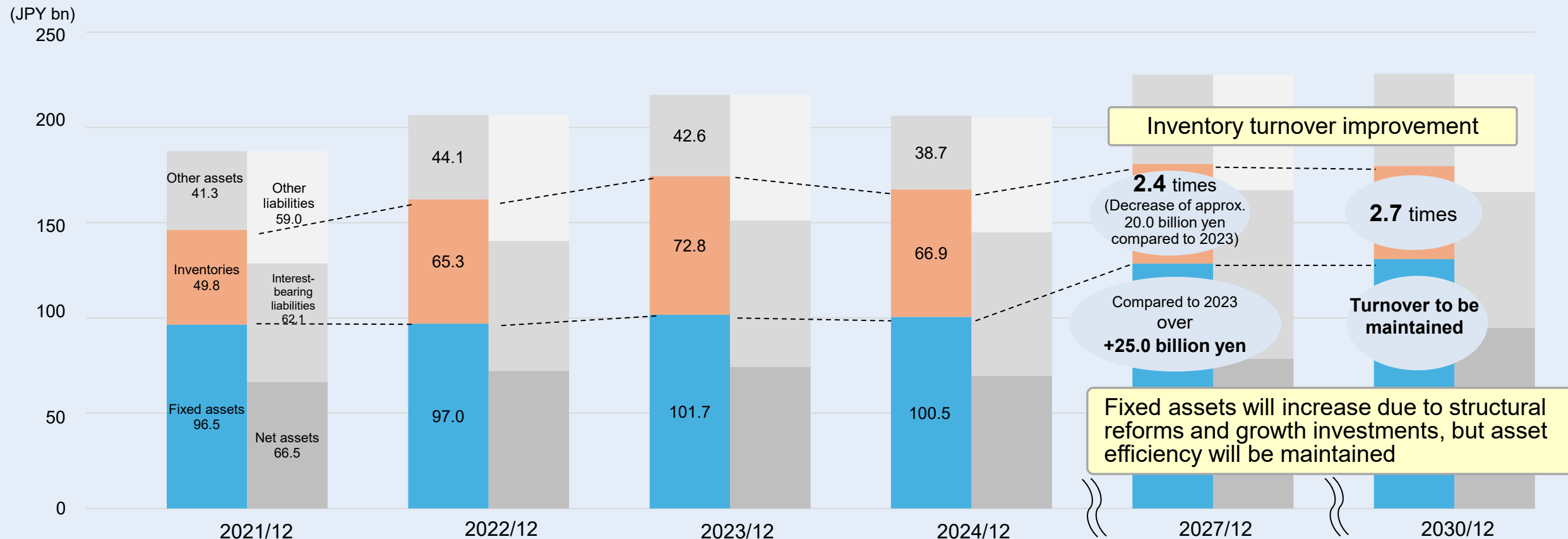
Turnover of **2.4** times or higher



Enhance Asset Efficiency

Vision for balance sheet improvement

- Inventories increased significantly in 2023, but we will reduce them by reviewing logistics and procurement strategies and through the effects of reorganization of business units, etc.
- Fixed assets increased due to investments in Project Z but will shift to assets with higher utilization rates by satisfying hurdle rates. Surplus assets resulting from structural reforms will be reduced through their sales

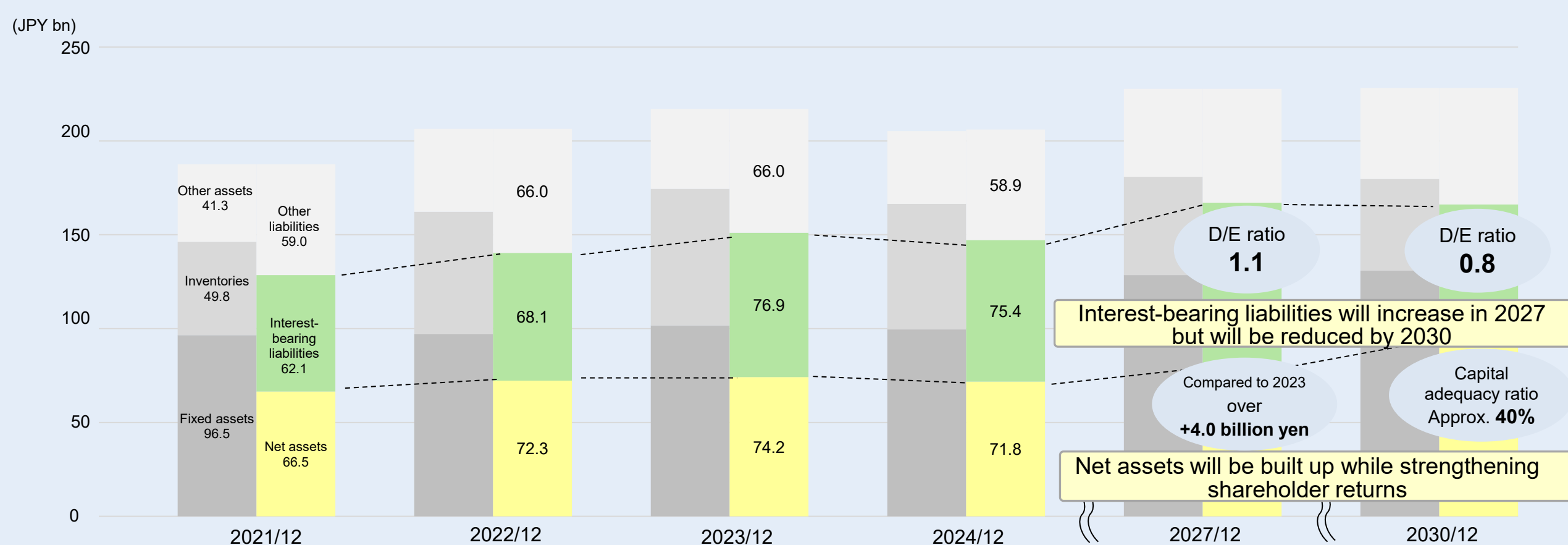


Enhance Asset Efficiency

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Vision for balance sheet improvement

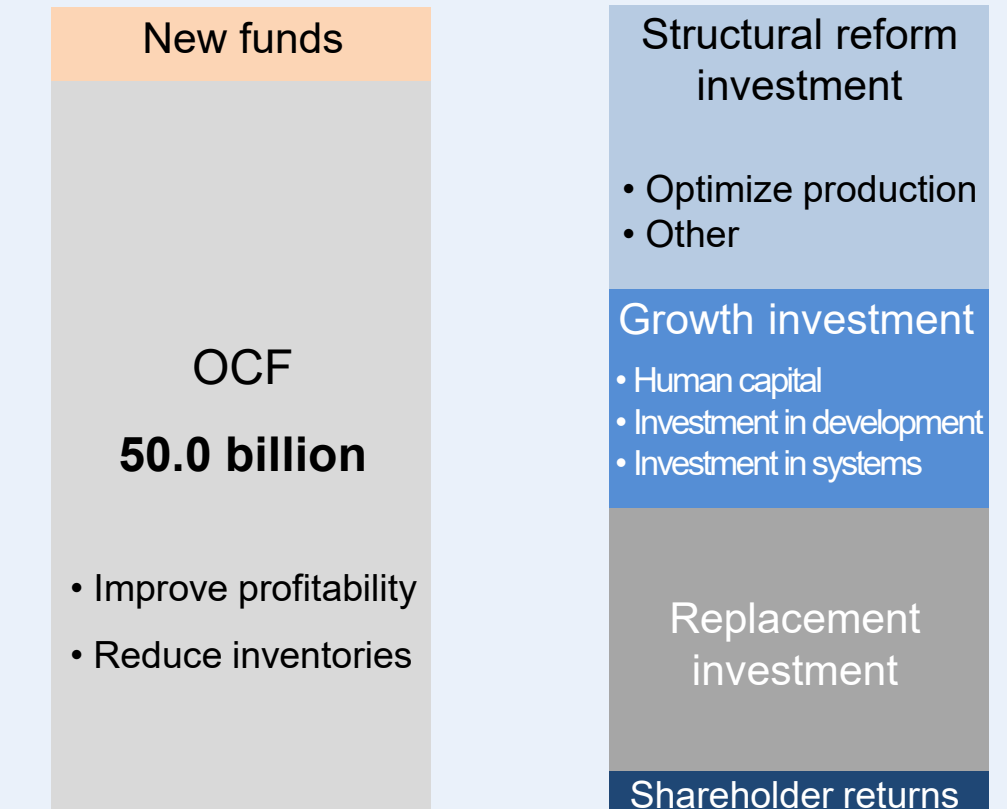
- Interest-bearing liabilities will increase through 2027 due to increased capital expenditures but will be reduced moving forward to 2030
- Net assets will be built up while strengthening shareholder returns



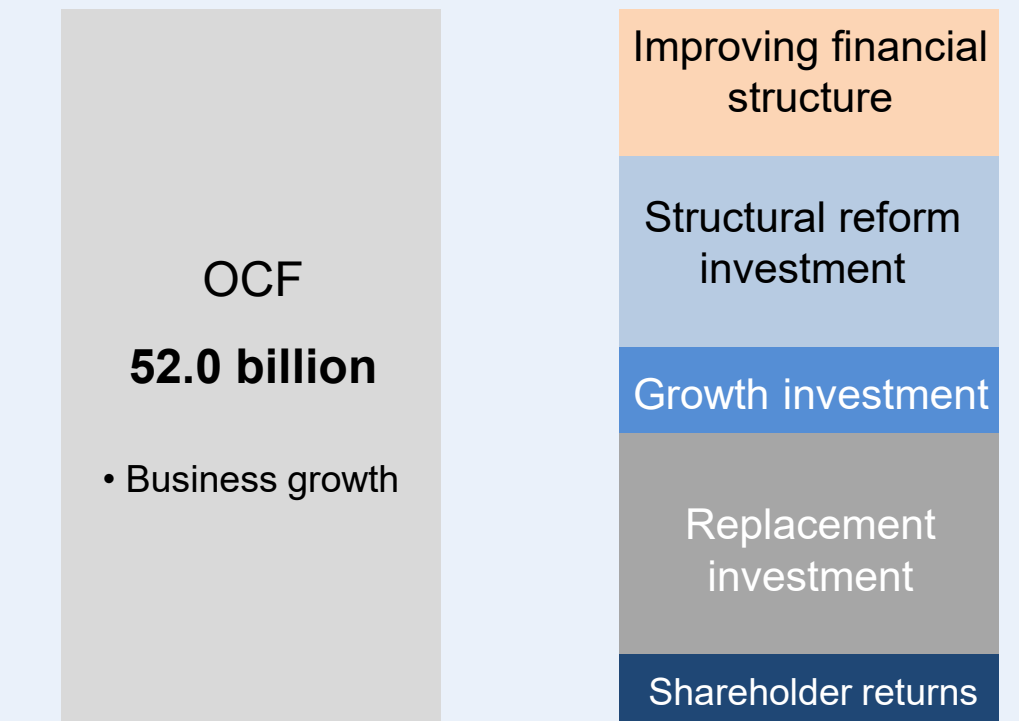
Allocate Cash for Growth

- Generate operating cash flows through improved profitability and enhanced asset efficiency
- By 2027, implement fundamental structural reforms and growth investment, with shareholder returns of DOE 2% or higher
- From 2028, improve shareholder returns from operating cash flow and reduce interest-bearing liabilities

■ 2024~2027 (4-year cumulative total)



■ 2028~2030年 (3-year cumulative total)





3. Appendix

<Details of Fundamental Structural Reforms>

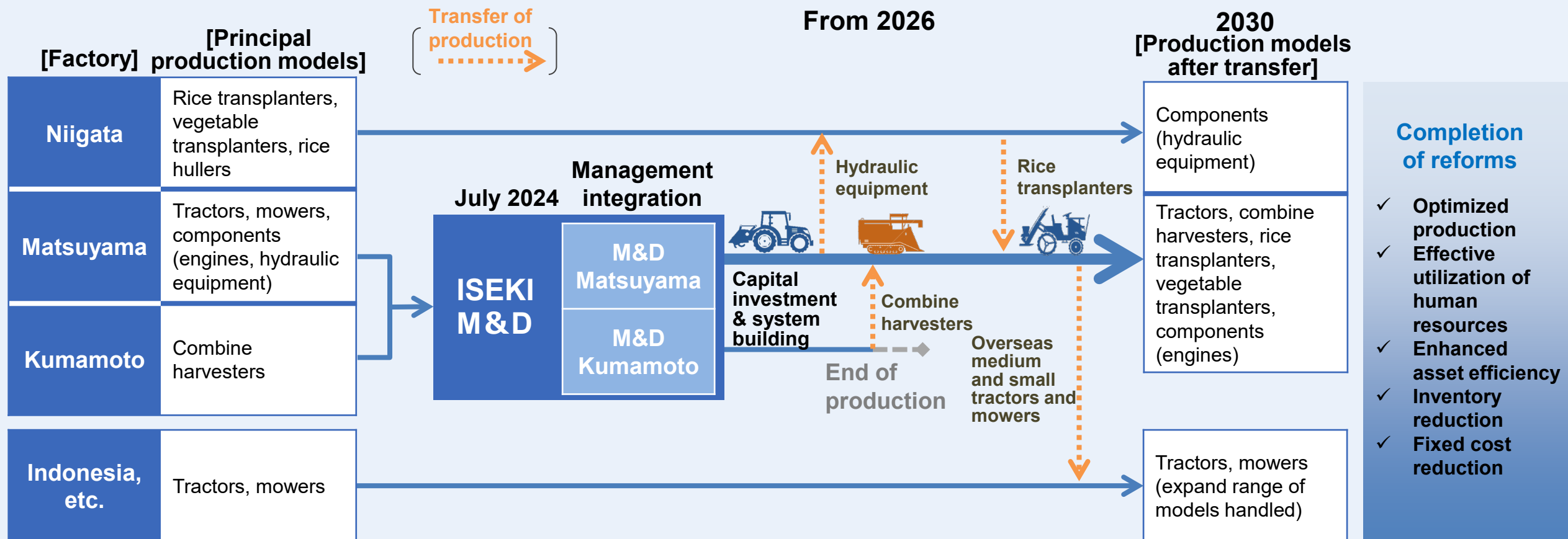
- Optimize production
- Optimize development
- Deepen domestic sales

Optimize Production Reorganization of Production Sites

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Reorganization of production sites and models to build robustly-structured factories Progressed as planned

- Reorganization of domestic factories: consolidate production of combine harvesters and rice transplanters in ISEKI M&D (Matsuyama). Build a system that can respond swiftly to environmental changes
- Strengthening overseas production sites: transfer production for overseas products to PT. ISEKI Indonesia, etc.



Optimize Development

Product margin improvement and development efficiency improvement

Delayed in some areas

- Product margin improvement is lagging in some areas compared to the original plan. We intend to recover the delay by deploying more resources. The improvement effects will be seen gradually from the second half of 2025, and we aim to achieve the improvement targets in 2027
- Development efficiency was improved by identifying the models and types to be reduced Progressed as planned

Reduce models and types by 30% or more and focus on growth strategy

✓ Growth rate
✓ Market size

Reduce product variable costs by 10% or more to improve product margin in a short period of time

✓ Intensive short-term efforts
✓ Cross-model efforts
✓ Standardization

Optimize production

Reorganization of manufacturers

Increase development efficiency and streamline the organization

Development and production system to create valuable products

Product margin improvement

Large-sized, Advanced, Dry field, Environmentally friendly

Transformation of development methods

✓ Common design
✓ Increased efficiency

Global design: Make sure the cores of products have common design and that only different parts depending on the region are designed specifically

Global design

Deepen Domestic Sales

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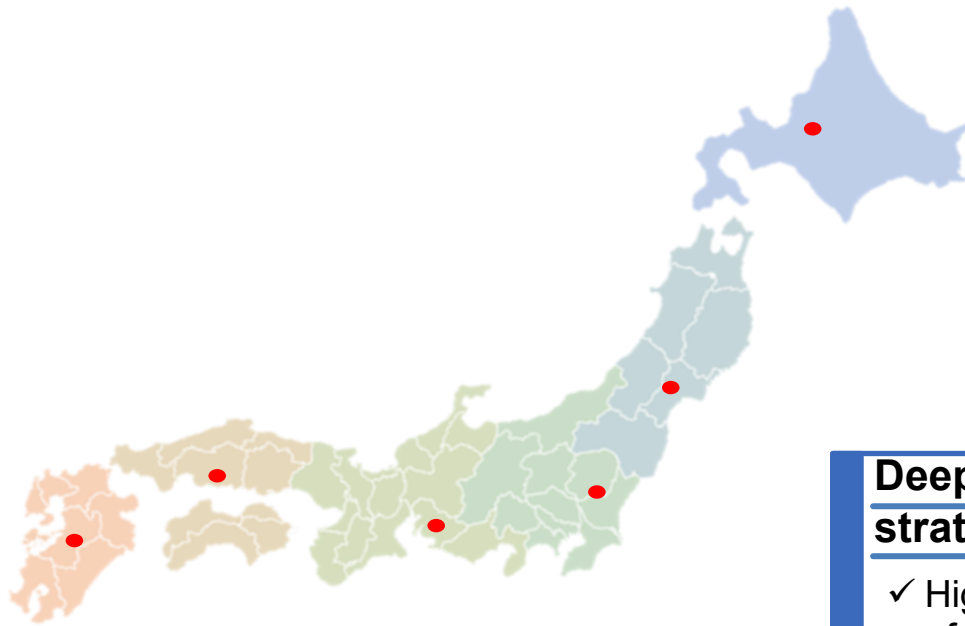
Establishment of ISEKI Japan in January 2025

- Management integration of domestic sales companies over a wide area (6 companies) and Mie ISEKI Sales
- Integrate functions of the new company and ISEKI Business Division to improve management efficiency
- Revamp the management and execution structure of the sales company
Execute rapid decision-making functions and strong driving force

Progressed as planned



国内広域販売会社が合併し「株式会社 ISEKI Japan」となりました



Deepen domestic sales: building a base for strategic growth

- ✓ Higher efficiency due to concentration and redistribution of management resources
- ✓ Reduced logistics costs due to optimization of inventory hubs and reassessment of logistics

Progressed as planned

Effects

- ◆ Increase in operating income in 2027

2 approx.
1.5 billion yen
(compared to 2023)

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