

We will execute the business structural reform without exceptions to build a strong management foundation.

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Q Please explain the background behind the implementation of the business structural reform.

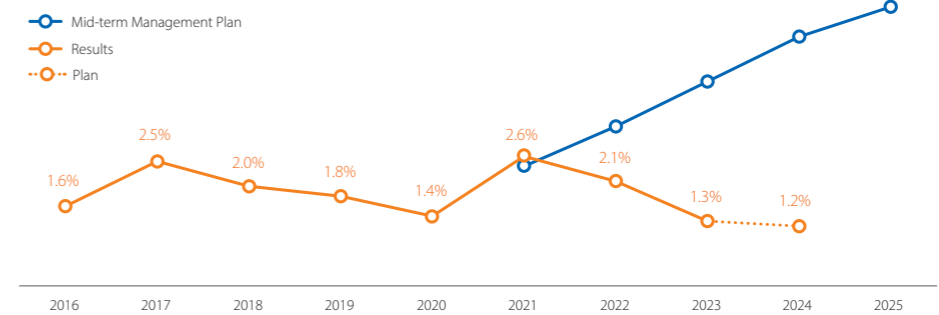
A: With the aim of building a strong management foundation by improving and enhancing profitability and asset efficiency, we will proceed with fundamental business structural reform under the moniker Project Z.

The ISEKI Group has been working to realize a consolidated operating margin of 5% by 2025 as a numerical target in the five-year Mid-term Management Plan formulated in 2021. The plan for 2024 is 1.2%, a significant deviation from the original target. We have not yet achieved our transformation into a company with a lean and streamlined business structure that can constantly generate profit

without being affected by the fluctuation in sales, another goal set forth in the Mid-term Management Plan. We acknowledge that this was largely attributable to insufficient responsiveness to the drastically changing environment and the failure of implementation of overall management reform. Moreover, low net income margin and total asset turnover ratio have kept return on equity, or ROE, below the target of 8%.

We believe improving and enhancing profitability and asset efficiency—a challenge for our group—is essential in building a strong management foundation. To this end, we established Project Z on November 14, 2023, for the purpose of implementing fundamental business structure reforms.

Consolidated operating margin



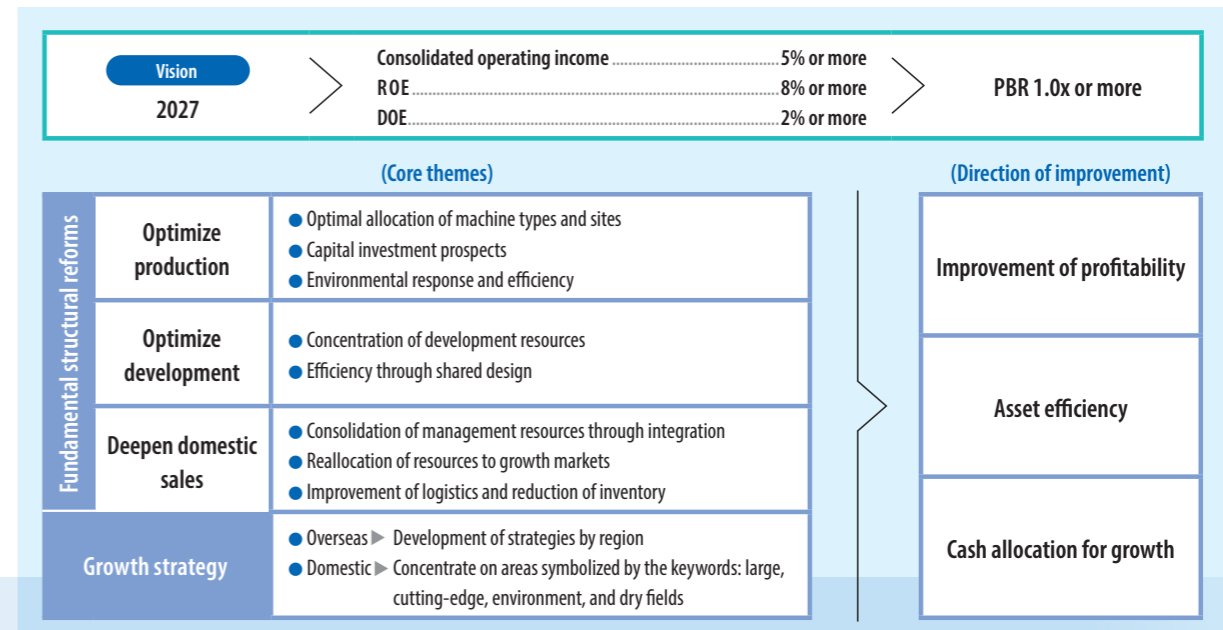
Q What are the policies and objectives of Project Z?

A: We aim to achieve a consolidated operating margin of 5% or more, ROE of 8% or more, and dividend on equity (DOE) of 2% or more by implementing fundamental structural reforms and growth strategies.

Under Project Z, we will draft and implement fundamental structural reforms and growth strategies. Looking at fundamental structural

reforms, we will promote the three themes of “Optimize production,” “Optimize development,” and “Deepen domestic sales.” 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. With regard to our growth strategy, we will deepen our selection and concentration, and concentrate resources on domestic and overseas growth markets with the aim of further development. Through these

Idea behind Project Z



Project Z initiatives, we will work to improve profitability and asset efficiency, and implement the allocation of cash for growth.

Q Please discuss the project's fundamental structural reform initiatives.

A: We will implement the three themes of "Optimize production," "Optimize development," and "Deepen domestic sales" and promote the transformation to a lean and streamlined business structure in a short-term, concentrated fashion.

Normally, fundamentally reforming a business structure requires a considerable amount of time, but we believe it is necessary to rapidly build a lean and streamlined business structure not susceptible to changes in the environment, as we continue to fail to achieve the goals of our business plan. We will implement the three themes of "Optimize production," "Optimize development," and "Deepen domestic sales" from 2024 to 2025, and promote the transformation of the company's structure very rapidly.

First, with regard to "Optimize production," we have been promoting the establishment of an optimal production system for domestic and overseas production sites as a priority measure to enhance profitability, and through Project Z we will further accelerate these efforts. In July 2024, we plan to integrate the operations of Iseki-Matsuyama MFG. Co., Ltd. and Iseki-Kumamoto MFG. Co., Ltd. The consolidation of human resources and systems

will lead to the creation of operational efficiency and reduced costs, and create a robust structure for the production sites. (P47)

Next, concerning "Optimize development," after analyzing product growth potential and profitability, we will consolidate types and models by 30% or more and concentrate 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. In addition to streamlining the organization by boosting the efficiency of development and concentrating resources, we will implement product profitability improvements in a short-term, intensive fashion. (P46)

Finally, looking at "Deepen domestic sales," in January 2025, we plan to integrate the management of our sales subsidiaries, which have divided their operations into six regions nationwide. This will heighten management efficiency through consolidation of resources by streamlining redundant indirect operations, reviewing inventory bases and distribution systems to lower distribution costs, and centralizing nationwide inventory management to reduce inventory. (P40)

Since time will be required for some of these effects to manifest themselves, we have set 2027 as the completion date of the fundamental structural reforms. We will, however, steadily implement these initiatives during the two year period from 2024 to 2025.

Q Please tell about the project's growth strategy initiatives.

A: We will concentrate management resources on domestic and overseas growth markets to expand sales.

Our analysis shows that the growth axis for the Group is in specific fields, both abroad and in Japan. Among these fields, we will accurately ascertain demand in each region to accelerate the improvement of profitability and business expansion in overseas markets. The Group is expanding its business in three key regions—North America, Europe, and Asia—and in recent years, overseas sales have been steadily increasing. To further expand sales in the future, in North America, we will cooperate with our OEM partner, AGCO, to expand our market share and introduce new, environmentally friendly products. In Europe, we will expand our lineup of environmentally friendly products such as electric and consumer products, and promote the centralized management of inventory. In Asia, we will establish and implement specific measures for the next stage in each region. These measures include strengthening the sales channels of IST Farm Machinery Co., Ltd., our sales subsidiary in Thailand, launching production machines from Indian agricultural machinery manufacturer TAFE, with whom we have a business alliance, and launching high-performance machinery for East Asia. (P41–44)

In Japan, which is facing agricultural issues including a declining agricultural workforce, food security, and mitigation of environmental impact, we forecast expansion in the large, cutting-edge, environment, and dry fields markets in response to these issues. By promoting the use of dynamic, broad-based human resources through the operational integration of our sales subsidiaries, we will further develop our domestic business through the nationwide development and diligent study of know-how concerning these markets—already advanced in some regions—as well as through the agricultural management support capabilities cultivated at the Dream Agricultural Research Institute (DARI). Similarly, we will expand profitable businesses, such as aftermarket maintenance and used machinery businesses, across Japan to build a stable management foundation. (P37–40)

Also, with regard to the development structure and intellectual property that support these efforts, we will concentrate our resources on growth markets and move forward with unified, Group-wide goals.

Q What do you see as the keys to successful structural reform?

A: It is important for each employee to serve as a leader in Project Z and to make a unified, Group-wide effort in implementing it.

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. To complete Project Z—in which we will reevaluate the state of the Group from zero in preparation for our 100th anniversary in 2025 and the century to come—it is essential that we all share the same goal and that each individual takes the initiative in working toward that goal. Although each employee has a different position and role, we hold briefings for employees, training sessions for executives, and group discussions in each department to help members understand the significance and importance of Project Z, to see that they themselves have a responsibility toward its success, and to act in that manner. Each individual employee will play a key role in Project Z, and the Group will work in a unified manner to reform the business structure.

We believe that we must complete Project Z to realize our group's long-term vision of becoming a "solution provider for agriculture and landscape." Project members currently meet once a week for discussions on all measures and to monitor progress. Specific plans and quantitative targets for each measure, as well as additional measures, are scheduled to be announced during FY2024. To aid our stakeholders in better understanding our business, we intend to provide explanations as necessary through means such as financial results briefings and the website. As the project leader, I will take the helm and work together with the Group to achieve reforms in our business structure.

We will announce additional measures and other information on Project Z going forward. Please refer to our website for the latest information.
<https://www.iseki.co.jp/ir/management/zplan/>



Direction of growth strategy

