

## ISEKI & CO., LTD.

6310

Tokyo Stock Exchange Prime Market

9-May-2024

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<https://www.fisco.co.jp>

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## Summary

### Sales increased and profits decreased in FY12/23, with the overseas business continuing to perform well. Groundwork was laid for intensive, fundamental reforms from FY12/24

ISEKI & CO., LTD. <6310> (hereafter, “the Company”) is an integrated manufacturer specializing in agricultural machinery that was founded in August 1926 under the principle of “free farmers from exhausting labor,” and has its Head Office in Matsuyama City, Ehime Prefecture. The Company is engaged in a wide variety of businesses and the development and manufacture, sales, and provision of after-sales service for cultivating and mowing machinery such as tractors and riding lawnmowers, harvesting and processing machinery such as combine harvesters, and planting machinery such as rice transplanters and vegetable transplanters, and also sells items such as implements and parts and OEM products, centered on farmers and large farming corporations in Japan and the rest of Asia, and landscape developers, hobby farmers and general consumers in Europe and North America. For Japanese agriculture, the Company’s feature is that it provides products in all phases of farming from plowing to rice harvesting onto drying and conditioning.

The Company has three strengths: “technological capabilities,” “support capabilities to offer farm business proposals,” and “innovation based on collaboration.” In the number of published and registered patents by specialty field, the Company remained among the top places almost constantly since 2000, from 2000 to 2006 in “agriculture and fishery” and since 2007 in “other special machinery,” (ranking No. 1 from 2000 to 2017 and again in 2019, and in second place in 2018 and from 2020 to 2022). In recent years it has also focused on strengthening services aspects in addition to sales of agricultural machinery. The Company provides useful information for farmers, its customers, on its website and, in 2021, launched the Amoni farm business solutions portal website providing weather information and data related to growth forecasts. In 2015, the Company established the Dream Agricultural Research Institute to create new value for agriculture. The Company conducts research, demonstrations and dissemination activities for smart agriculture in collaboration with outside stakeholders such as governments, research institutes, universities and companies.

The three strengths of the Company are combined with its two basic strategies of “provision of the best solutions” and “enhancement of corporate value by strengthening profits and reinforcing corporate governance” in the Mid-term Management Plan as the Company aims to achieve the goal of a consolidated operating margin of 5% or more by 2027.

As of December 31, 2023, the Company had share capital of ¥23,344mn. The total number of Group employees was 5,457 and its Group companies were 20 consolidated subsidiaries (9 domestic sales companies, 6 manufacturing-related companies, and 5 other companies), and 1 equity-method affiliated company.

## Summary

### 1. Overview of FY12/23 results

In the Company's FY12/23 consolidated results, net sales increased 2.0% year on year (YoY) to ¥169,916mn, operating profit decreased 36.2% to ¥2,253mn, ordinary profit decreased 44.4% to ¥2,092mn and profit attributable to owners of parent decreased 99.3% to ¥29mn. Net sales increased in both the domestic and overseas businesses, lifting consolidated net sales to a record high. Overseas, Europe continued to drive growth, with net sales reaching a record high for the third consecutive year. In Japan, growth in maintenance-related income such as spare parts and repair fees – a key area of focus for the Company – contributed to higher net sales. However, operating profit declined, mainly reflecting higher selling, general and administrative (SG&A) expenses and a drop in capacity utilization due to lower production volumes. In FY12/23, the Company implemented various measures under its Mid-term Management Plan, but structural reforms to address profitability were insufficient, resulting in weak profits. In response, the Company launched Project Z, a package of fundamental reforms and growth strategies to be implemented over the short- and medium-term. Starting off with the management integration of manufacturing companies in July 2024, the Company plans to rapidly implement a range of fundamental structural reforms tackling all areas of its operations by 2025.

### 2. Outlook for FY12/24

The outlook for FY12/24 consolidated results is for net sales to increase 0.0% YoY to ¥170,000mn, operating profit to decrease 11.3% to ¥2,000mn, ordinary profit to decrease 52.2% to ¥1,000mn and profit attributable to owners of parent of ¥400mn (profit of ¥29mn in the previous fiscal year). In the domestic business, the Company expects demand to remain weak, but it forecasts higher net sales supported by price hikes and measures to expand sales of large-size agricultural machinery and new products. Overseas, it expects net sales to decline overall, but it forecasts higher net sales in the North America business and a continued strong performance in the Europe business. The Company expects profits to be impacted by ongoing production adjustments to improve asset efficiency and by higher SG&A expenses, including personnel expenses and distribution costs. As noted above, 2024 will be the first year of Project Z. Under the project, the Company plans to decisively implement fundamental structural reforms, including the management integration of manufacturing companies.

### 3. Mid-term Management Plan

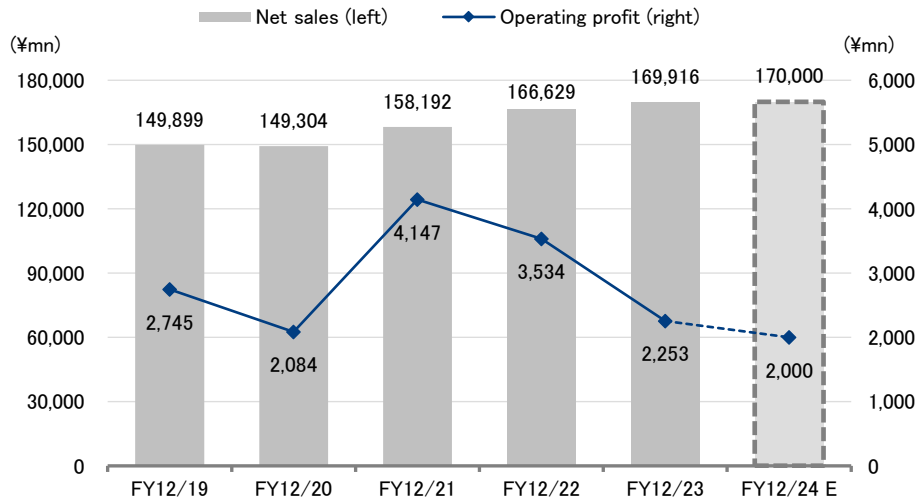
The Company is seeking to transform its business activities enlisting the four approaches of “selection & concentration,” “business model transformation,” “improving profitability,” and “ESG,” underpinned by its two basic strategies of “provision of the best solutions” and “enhancement of corporate value by strengthening profits and reinforcing corporate governance.” The Company has steadily implemented a range of measures since FY12/21, the first year of the plan, but structural reforms mainly targeting improvements in asset efficiency and profitability have fallen short. As such, the Company's transition to a business structure that can reliably generate profits regardless of sales levels is still incomplete. To address this, in February 2024 the Company launched Project Z, which includes a further package of short- and medium-term measures to accelerate growth while improving asset efficiency and profitability. The sweeping comprehensive business structural reforms are focused on three core themes: optimization of production, optimization of development and intensification of domestic sales. With these measures, the Company is aiming for a consolidated operating margin of 5% or higher, ROE of 8% or higher, DOE of 2% or higher and a PBR of 1.0x or higher in FY12/27.

Summary

**Key Points**

- FY12/23 sales rose in Japan and overseas, but operating profit declined
- Earnings were driven by the Europe business and maintenance services in Japan
- Launched Project Z, a package of short- and medium-term fundamental structural reforms to transform the business structure

**Results trend**



Source: Prepared by FISCO from the Company's financial results

## Company profile

### Integrated manufacturer specializing in agricultural machinery headed toward its 100th anniversary of foundation in 2025, supporting agricultural management for customers from both tangible and intangible aspects

#### 1. Company profile

Founded in August 1926 under the principle of “free farmers from exhausting labor,” the Company has contributed to the modernization, laborsaving and efficiency improvement of Japanese agriculture, and also developing business overseas. Starting with the development of a fully-automated rice huller in 1926, the Company has developed many types of original agricultural machinery that have been world-firsts, or industry-firsts. In 2014, the Company began developing “smart agricultural machinery” using ICT such as robot tractors to make agriculture more laborsaving and more efficient. By utilizing ICT to promote greater laborsaving and efficiency, the Company aims to contribute to the realization of profitable agriculture and at the same time enhance the attractiveness of its agricultural machinery and its competitiveness. Moreover, the Company does not stop just at sales of agricultural machinery, but provides farm business support in various forms under the concept of “supporting agriculture full of dreams (i.e., profitable agriculture).” In 2015, it established the Dream Agricultural Research Institute and conducts research, demonstrations and dissemination activities for smart agriculture utilizing robotic technologies and ICT in collaboration with outside stakeholders such as governments, research institutes, universities and companies, in addition to delivering useful farm business information to farmers through its website and the Amoni portal site, and helping farm producers to obtain JGAP\* certification promoted by the Japan GAP Foundation. It can be said that one of the Company’s major features is that it supports the farmers who are its customers and its agriculture management from both tangible and intangible aspects.

\* GAP is an acronym of good agricultural practices and refers to agricultural production process management methods recommended by the Ministry of Agriculture, Forestry and Fisheries (MAFF). Introducing the methods enables producers such benefits as standardization of agricultural management, enhanced trust as a farm and realization of stable business.

#### ISEKI's product development history

<p><b>1926&gt;</b> Established with fully-automated rice hullers "Iseki Farm Implement Trading Co." was established and a fully-automated rice huller was produced as the first product.</p> 	<p><b>1966&gt;</b> Development of world's first auto-threshing combine harvesters Enabled the process from reaping to threshing to finish 16 times faster. Popularity was achieved due to its high efficiency, small size and light weight, and reasonable price, with production unable to satisfy the high demand.</p> 	<p><b>1971&gt;</b> Development of two-wheel rice transplanters equipped with backward-tilting seeding tanks After much trial and error, succeeded in developing two-wheel rice transplanters equipped with backward-tilting seeding tanks that used a plastic float. Birth of name, a synonym for rice transplanters.</p> 	<p><b>1988&gt;</b> Birth of Naueru System for the mechanization of vegetable farming Developed our original "Naueru Pot Seeding" vegetable seeding that mainly used paper pots and nursery soil and the "Naueru PV101" fully-automated vegetable transplanter for planting the seedlings.</p> 	<p><b>2014&gt;</b> Center collect-type riding mower (lawn mower) for Europe A high horse power, Japan's first center collect-type front mower SF4 series with superior flexible maneuvering. ISEKI Group's flagship series of landscaping machinery for Europe that can respond to the needs of professional users.</p> 	<p><b>2015&gt;</b> Development of industry's first variable fertilizing rice transplanter Groundbreaking rice transplanter that adjusts to the appropriate amount of fertilizer while rice planting. Contributes to lower fertilizer costs and reduced plant lodging.</p> 
<p><b>1965&gt;</b> Tractor suitable for Japanese wet paddies Developed TB20, a Japanese tractor with exceptional performance that even climbed Mt. Fuji.</p> 	<p><b>1967&gt;</b> Sales of tillers to Europe Began export and sale of tillers, the start of ISEKI's European business. Deployment of technology fostered in Japan to overseas.</p> 	<p><b>1988&gt;</b> ISEKI's first riding mower (lawn mower) A full-spec riding mower installed with a diesel engine. It established ISEKI brand in the landscaping market of Europe.</p> 	<p><b>2009&gt;</b> Development of the industry's fastest auto-threshing combine harvesters Developed the industry's fastest combine harvester capable of six-row reaping with a maximum working speed of 2.0m/s. Also developed the industry's first combine harvester capable of seven-row reaping.</p> 	<p><b>2015&gt;</b> Development of industry's first plant growth diagnosis device Measures the photosynthetic abilities of plants and visualizes the conditions of plants invisible to the human eye. Contributes to optimal control and growing by preventing disease.</p> 	<p><b>2018&gt;</b> Development of manned monitoring-based robot tractors Realized significant labor saving in farming. This type of agricultural machinery was the first big step toward the future of agriculture.</p> 

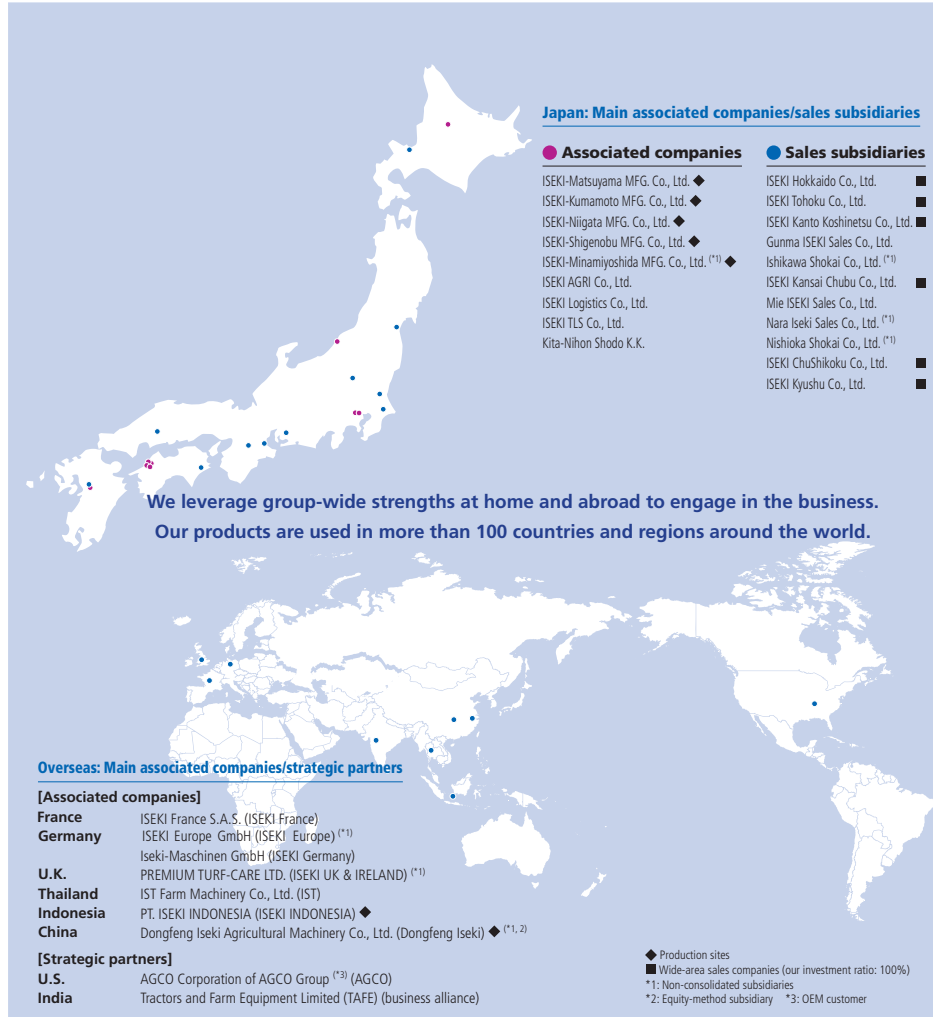
Source: ISEKI Report 2021

## Company profile

The Company is engaged in a wide variety of businesses and the development and manufacture, sales, and provision of after-sales service for cultivating and mowing machinery such as tractors and riding lawnmowers, harvesting and processing machinery such as combine harvesters, and planting machinery such as rice transplanters and vegetable transplanters and also sells items such as implements, parts and OEM products, mainly centered on farmers and large farming corporations in Japan and the rest of Asia, and landscape developers, hobby farmers and general consumers in Europe and North America. For Japanese agriculture, the Company's feature is that it provides products in all phases of farming from plowing to rice harvesting onto drying and conditioning. In Japan, the Company has 11 sales subsidiaries (of which 6 companies are wide-area direct dealers) covering the entire country, selling agricultural machinery to customers throughout all of Japan and appropriately absorbing the needs of the front lines. Overseas, the Company develops business while stipulating the three key regions of North America, Europe and Asia. The Company is rolling out business globally through production bases such as PT. ISEKI INDONESIA and has set up sales bases like ISEKI France S.A.S ("ISEKI France"). For net sales by region in FY12/23, Europe was highest at ¥33.2bn, followed by North America at ¥14.2bn and Asia with ¥8.1bn. Although Asia currently trails Europe and the U.S. in terms of sales size, we at FISCO believe it is noteworthy as a growing market for the future. This is because the Company will be able to leverage the technological capabilities and expertise it has cultivated in Japan against a backdrop of these countries where rice cultivation is popular and food culture resembles that of Japan, and governments in the countries having policies to promote the modernization of agriculture. In fact, the Company is steadily increasing its presence in the Asian region, having established PT. ISEKI INDONESIA in 2012 to serve as a global production base (and strengthening its production system in 2023), making a subsidiary of its Thai sales agent, IST Farm Machinery Co., Ltd. ("IST"), in 2020. The Company plans to integrate the management of sales companies in Japan. In January 2025, regional sales companies in Hokkaido, Tohoku, Kanto Koshinetsu, Kansai Chubu, Chu-Shikoku and Kyushu will be merged into a single company.

Company profile

Major domestic and overseas affiliates and sales companies



Source: The Company's website



Company profile

History

Date	Major events
August 1926	Founded as Iseki Farm Implement Trading Co. in Aratama-cho, Matsuyama City, Ehime Prefecture
April 1936	Incorporated as ISEKI & CO., LTD. Commenced production of ISEKI rice hullers and automatic rice graders
May 1946	Established new plant in Yashiro-machi, Matsuyama City, Ehime Prefecture
October 1949	Newly constructed Kumamoto Plant in Kengun-machi, Kumamoto City, Kumamoto Prefecture
June 1961	Listed shares on the Tokyo Stock Exchange
March 1967	Started production of rice transplanters, combine harvesters and binders Accomplished mechanized integrated system for rice cultivation using those and tractors
February 1971	Established N.V. ISEKI Europe S.A. in Brussels (now ISEKI Europe GmbH in France)
September 1972	Expanded Matsuyama Plant (Wake) and relocated Head Office to the same place
April 2001	Separated Matsuyama and Kumamoto plants and established Iseki-Kumamoto Mfg. and Iseki-Matsuyama Mfg. co., Ltd.
July 2011	Established Dongfeng Iseki Agricultural Machinery (Hubei) Co., Ltd. in Hubei, China
October 2012	Established PT. ISEKI Indonesia in Indonesia
October 2013	Established ISEKI SALES (THAILAND) Co., Ltd. in Thailand (now IST Farm Machinery Co., Ltd.) Established ISEKI Technical Training Center (ITTC) inside ISEKI-Matsuyama MFG. Co., Ltd.
May 2014	Integrated ISEKI-Changzhou Mfg. Co., Ltd. with Dongfeng Iseki Agricultural Machinery (Hubei) Co., Ltd and established Dongfeng Iseki Agricultural Machinery (Hubei) Co., Ltd.
July 2014	Acquired ownership of French sales agencies Yvan Beal S.A. and YB Holding S.A.S (now ISEKI France S.A.S.)
October 2015	Established Dream Agricultural Research Institute in Tsukubamirai City, Ibaraki Prefecture
April 2016	Established Iseki Basic Engineering Training Center (IETC) in the Tobe Office
January 2017	Established ISEKI Global Training Center (IGTC) in Tsukubamirai City, Ibaraki Prefecture
December 2020	Made a consolidated subsidiary of IST Farm Machinery Co., Ltd.
April 2022	Reorganized on the Tokyo Stock Exchange Prime Market
July 2022	Made a consolidated subsidiary of Iseki-Maschinen GmbH, its German sales agent

Source: Prepared by FISCO from the Company's Securities Report and news releases

2. Business description

(1) Cultivating and mowing machinery

In the cultivating and mowing machinery category, the Company handles tractors and tillers used for soil cultivation before planting for agriculture, as well as high-clearance multipurpose vehicles used for pest control and other purposes. Sales of tractors for civil engineering use, tractors for landscaping and riding lawnmowers have been strong, particularly among landscaping developers, hobby farmers and general consumers in Europe and the U.S., and accounted for 36.2% of Company-wide net sales in FY12/23, the highest ratio. Cultivating and mowing machinery accounted for 69.3% of all overseas net sales.

Landscaping machinery and other machinery selling strongly overseas

Tractor for overseas markets  
(for light civil engineering)



Tractor for overseas markets  
(for landscaping)



Riding lawnmower



Source: ISEKI Report 2021

Company profile

In the tractor category, the flagship model is the T. Japan (TJ) series. The lineup is comprised of the three series of TJV5, TJX3 and TJW3, ranging from 65 to 130 horsepower. In addition to being highly efficient, highly durable and high performance, a feature of this series is its installation of ICT. For example, the TJV5 series and TJW3 series can collect information on farm machinery using GPS antennas and communication terminals mounted on the machinery, as well as being equipped with theft deterrent functions and operational information management tools. In the TJX3 series, ISEKI AGRI-SUPPORT, which provides work management support and machine maintenance support through the use of ICT, can be introduced to the machinery. Furthermore, the robot tractor TJV series equipped with the most advanced automated driving technology, allows the operator to select the mode that suits the situation from the following three operation modes: (1) robot mode, in which the tractor is operated without boarding and under manned monitoring; (2) auto mode, in which the operator boards the tractor and operates it automatically onboard; and (3) automatic steering mode, which assists the operator in straight travel operations. Launching agricultural machinery utilizing ICT onto the market has contributed significantly to greater efficiency and laborsaving in agricultural work. Furthermore, in June 2023, the Company launched a new mid-sized class tractor, the BF Series, which is in the volume zone. Like the large-sized class, the mid-sized models come with the straight-travel assist function and compatibility with map data – features that are in high demand – as well as a continuously variable transmission (CVT), comfortable suspension seats and a seat belt reminder, resulting in a product design that is comfortable, easy to operate and safe. The new model has been well received by customers and is likely to contribute to earnings growth, as the Company is steadily winning new contracts.

**A robot tractor equipped with the advanced automated driving technology (left) and a new mid-sized class tractor, the BF Series, which is in the volume zone (right)**



Source: The Company's website

**(2) Harvesting and processing machinery**

In the harvesting and processing machinery category, the Company handles such machinery as combine harvesters that combine grain harvesting and threshing, dryers for drying harvested rice, rice hullers and vegetable harvesting machinery. In FY12/23, the category accounted for 10.1% of Company-wide net sales, following the cultivating and mowing machinery and implements, spare parts and repair fees, and other agriculture-related categories. In addition, it accounts for 2.4% of overseas sales.

Company profile

Product examples

**Frontier Fighter**  
(auto-threshing combine harvester)



**Common rail turbo engine**



**HC1153**  
(general purpose combine harvester)



Source: The Company's website

This category's flagship models are the HJ series of combine harvesters. Not only do HJ series combine harvesters offer high efficiency, durability and performance mirroring that of the Company's tractors, but they also come equipped with ISEKI AGRI-SUPPORT as a standard feature for enabling efficient work management and machinery management through the use of the latest ICT. Certain types of HJ series combine harvesters are also equipped with ISEKI REMOTE, which features remote monitoring to deter theft of agricultural machinery and management services for operational information. In December 2022, the Company launched its new HJ6130-Z combine harvester equipped with its straight-travel assist system, in response to mounting demand for agricultural machinery with automatic steering. Introduction of the straight-travel assist system reduces operator fatigue and helps give rise to a more comfortable agricultural work environment. The advent of straight-travel assist functionality in the Company's combine harvester category provides it with a complete lineup of straight-travel assist models across its main product categories of rice transplanters, tractors, and combine harvesters. In December 2023, the Company also launched the Frontier Master (FM) series, a new range of combine harvesters that are easier to operate and maintain, while also offering improved comfort. The FM series is aimed at large-scale farmers. Some variants in the series are equipped with crop yield and moisture measurement functions. Amid growing needs for data-driven farming and reduced environmental impact, the FM series is likely to see increasing uptake.

**Japan HJ series are flagship models for combine harvesters**



Source: The Company's website

Company profile

**(3) Planting machinery**

The planting machinery category includes products such as rice transplanters used for transplanting seedlings into rice paddies and vegetable transplanters. In FY12/23 the category accounted for 5.3% of Company-wide net sales.

The flagship models of the category are the Sanae Japan PRJ8 and Sanae Japan PRJ8 robot rice transplanter. In addition to being highly efficient, highly durable and high performance, the Sanae Japan PRJ8 is equipped with the ISEKI straight travel and turning assisting system, a steering operation assisting system using GPS technology. In addition, the robot rice transplanter model is also equipped with a function that enables unmanned operation under remotely controlled manned monitoring.

The addition of the Japan series to the rice transplanter lineup in FY12/21 means that all of the Company's main product categories of tractors, combine harvesters and rice transplanters now feature products bearing the "Japan" name. These can all be classified as large-scale agricultural machinery. With the increasing size of agricultural land in the future, sales of Japan series products are expected to grow, contributing to greater efficiency and laborsaving in agriculture. Additionally, the Company launched its new Sanae PJ10 large-scale 10-row rice transplanter in 1H FY12/23. One distinctive characteristic of the new model is that it features a fundamentally redesigned body with the engine positioned at the front of the rice transplanter. Given that the Company has come up with this design concept of positioning the engine at the front with its sights set on global expansion, the Sanae PJ10 has potential when it comes to prospects for taking on overseas markets going forward.

**Sanae Japan PRJ8, a flagship model of rice transplanter**



Source: The Company's website

**Main features of Sanae Japan PRJ8**

■ **Remote control switch**

Use for automated operation. Visible color LCD display with a signal range extending to 300 meters.



■ **Automatic differential lock**

Maintains propulsive force when tire idling is detected when turning by activating an automatic differential lock.



■ **Forced four-wheel drive control**

Forced four-wheel drive control can be applied automatically when further propulsive force is needed. And this can be operated remotely.



Source: The Company's website

Company profile

**(4) Implements, spare parts and repair fees**

Implements refers to work tools fixed to agricultural machinery, of which “Eco unemaze kun” ridge-making tool is one kind. Other operations at its maintenance bases throughout Japan include repairing breakdowns in agricultural machinery it has sold and maintenance repairs to prevent breakdowns from occurring. In FY12/23, the category accounted for a ratio of 28.8% of Company-wide net sales, giving it a sales size following the cultivating and mowing machinery category. The Company rigorously conducts maintenance repairs to prevent breakdowns and earn trust from customers, ensuring stable earnings unaffected by the external environment, such as unseasonable weather, and for that reason is focusing on incidental services such as repairs and maintenance, and increasing sales.

**“Eco unemaze kun” implements attached to agricultural machinery**



Source: The Company's website

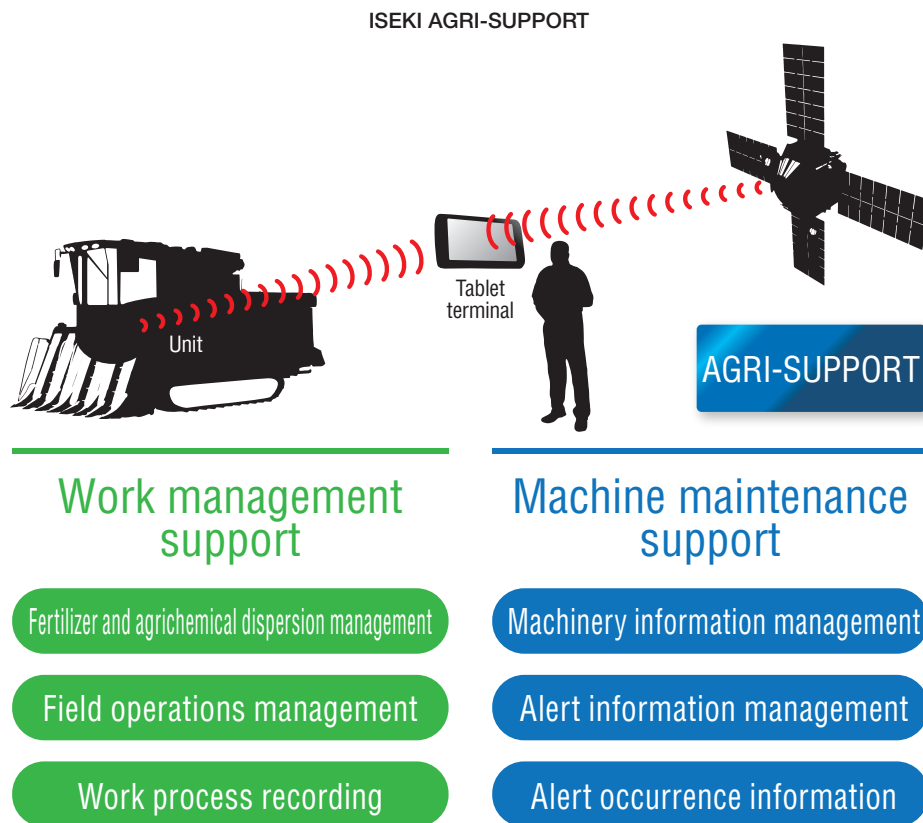
**(5) Agricultural ICT contributing to improved productivity**

In addition to tangible aspects such as sales of agricultural machinery, the Company also focuses on intangible aspects such as disseminating beneficial farm business information. The Company is involved in activities to propose or support farm business mainly through the Dream Agricultural Research Institute under the concept of “supporting agriculture full of dreams (i.e., profitable agriculture).” Moreover, it uses its website to send out information related to low-cost technologies and proactively disseminates articles related to the latest technical trends on the Amoni farm business solutions portal website. Currently, the main objective of the activities is to transmit information to farmers and create contact points with them, but in the future, it has an eye on commercializing this in the form of consulting services.

Moreover, it also utilizes ICT proactively to make agriculture more laborsaving and more efficient. In addition to providing ISEKI AGRI-SUPPORT and ISEKI AGRI-SUPPORT linked with farm business support software agri-note as farm management systems and the ISEKI REMOTE service for remote monitoring, it also provides services such as IROHA drone related to growth management and that sends farm images taken by drone to be saved on the cloud, and Up-a-ray, which makes agricultural work more efficient by utilizing analyses of images taken by drone and satellite.

Company profile

The functions that ISEKI AGRI-SUPPORT provides can be divided into two major sections: work management support and machine maintenance support. Work management support helps achieve more efficient farming by breaking away from the conventional reliance on experience and intuition by recording, analyzing and managing data obtained through ICT-equipped agricultural machinery. Machine management support ascertains the state of agricultural machinery using data obtained from the agricultural machinery. These enable agricultural machinery to be inspected and undergo maintenance in advance, making it possible to prevent breakdowns by stopping them before they can happen.



Source: The Company's website

We at FISCO believe that farm business support utilizing ICT will become increasingly important in the future. According to a survey conducted by MAFF in 2021, 45.7% of respondents to a question of what they use to manage farm business information replied, “writing notes in a business diary or the like,” which accounted for the highest ratio of responses. In addition, 84.9% said they are “not utilizing” smart agricultural machinery in their farm business. Meanwhile, 51.8% of respondents said they “intend to utilize” a farm business management system. The survey results show how much room there is to improve agricultural efficiency and how much room for growth there is through the use of ICT-based farm business support and smart agricultural machinery.

In light of this situation, the Company has indicated that it will focus on providing information and know-how based services and new business creation in the Business Model Transformation section of its Mid-term Management Plan. For agriculture where ICT utilization has not made progress there are many areas where ISEKI AGRI-SUPPORT can contribute to making farm business more efficient, increasing the attractiveness of the Company's agricultural machinery and raising expectations of a contribution to expanding sales.

Company profile

### 3. The Company's strengths

The strengths that the Company has cultivated over a long business history since its founding in 1926 can be divided into three broad categories. There will be more in detail below on each of the strengths, but we at FISCO believe that the important point is that each strength works with and complements the others, creating a virtuous cycle.

**The Company's three strengths**

<b>Technological capabilities</b>	Capability as a front runner to develop groundbreaking agricultural machinery and landscaping machinery, and to create innovation
<b>Support capabilities to offer farm business proposals</b>	Capability to solve customers' issues from both tangible (agricultural machinery) and intangible (production management and advanced farm business technologies) aspects
<b>Innovation based on collaboration</b>	Capability to work together with partners in each field and each region in Japan and overseas to develop and provide groundbreaking products and services and create new value for new markets

Source: Prepared by FISCO from ISEKI Report 2021

#### (1) Technological capabilities

The first of the Company's strengths is its advanced technological capabilities that have enabled it to introduce to the market many "industry firsts" and "world firsts" since its founding in 1926. It has developed many products that have been industry leading from a functional aspect, starting in 1926 with its fully-automated rice hullers, the world-first autothreshing combine harvesters in 1966, its first riding lawnmower in 1988 and the industry's fastest auto-threshing combine harvesters (seven-row reaping) in 2009. The Company has also maintained its competitive edge through the technologies it has developed, and its consistent intellectual property strategy has been to acquire patents. In the number of published and registered patents by specialty field, the Company remained among the top places almost constantly since 2000, in "agriculture and fishery" from 2000 to 2006 and since 2007 in "other special machinery," (ranking No. 1 from 2000 to 2017 and again in 2019, and in second place in 2018 and from 2020 to 2022), and although it was in third place among all industries in 2022, it has remained in the top 2 in all industries for patent allowance rates since 2004 (the patent allowance rate has consistently exceeded 90%, which is an extremely high result.)

**The Company's position in the number of published and registered patents by specialty field and patent allowance**

1. Number of patents registered in Japan by sector Ranked No. 2 in the Other Special Machinery Sector

Year	2000-2006	2007-2014	2016-2017	2018	2019	2020	2021	2022
Statistics	Number of patents published by sector		Number of patents registered by sector					
Sector	Agriculture and Fishery		Other Special Machinery					
Rank	First		Second	First	Second			

2. Patent grant ratio Ranked No. 3 in All Industries

Year	2004-2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Patent grant rate	-	91.8%	94.7%	97.0%	99.2%	97.5%	100.0%	98.1%	96.4%	97.7%	98.7%	97.2%	94.6%
Rank	First	Second	First					Second	First		Third		

\* Patent grant rate = Number of patents granted / (Number of patents granted + Number of patents applications refused + Number of patents applications withdrawn or abandoned)  
 Number of patents applications withdrawn or abandoned = Number of patents applications withdrawn or abandoned after notice of reasons for refusal

Source: The Company's financial results presentation materials

## Company profile

We at FISCO believe that the factors that made these advanced technological capabilities possible are the Company's R&D base, in-house systems and sales framework. On a daily basis, the Company conducts latest research as a matter of course at its R&D base in Ehime Prefecture and at the Dream Agricultural Research Institute in Ibaraki Prefecture, but it also proactively engages in invention proposal activities where employees in development departments submit ideas matching market needs, and in invention creation activities in which veteran engineers pass on invention creativity know-how to younger engineers, as well as conducts technological research presentations to share the outcomes of research and development and invention information. These activities make it possible for young employees to come up with innovative ideas, while at the same time ensuring that expertise, which can tend to become tacit knowledge, is properly shared throughout all the Company's engineers, raising the level of innovation creation output overall. We at FISCO believe that the invention creation activities in particular, which are conducted to share tacit knowledge within the Company, and the Company culture, are not something that competitors can imitate overnight, which gives the Company a powerful competitive edge. In recent years, as a result of these activities, the Company was able to develop and introduce to the market a variable fertilizing rice transplanter that plants rice at the same time as automatically adjusts the amount of fertilizer applied by using real-time sensing, as well as the Sanae Japan PRJ series equipped with advanced, straight travel and turning-assist functions.

Moreover, a sales network spanning nationwide also enables technological development that meets farmers' needs. Sales employees at sales stores communicate closely with farmers to accurately ascertain their needs and properly pass on that information to development departments, which enables development of technologies that are attractive to customers. Development departments also conduct direct market surveys, so efforts to ascertain market needs are also a feature.

Looking ahead, it seems that the Company wants to proactively engage in ICT-related R&D. In the belief that it should raise the rate of advanced technology-related invention proposals to 60% by 2025 (39% in fiscal 2021 and 56% in fiscal 2022), it is implementing in-house training and proactively employing outside expert human resources.

**(2) Support capabilities to offer farm business proposals**

The Company leverages the experience it has built up over many years of involvement in agriculture to proactively aid in achieving profitable agriculture. Specifically, this is support for farm business from intangible aspects such as providing information and proposals on low-cost agriculture via the "Supporter for the farming industry full of dreams" group, supporting acquisition of JGAP certification and delivering farm business information via its website. In addition, the Dream Agricultural Research Institute established in 2015 conducts research, demonstrations and dissemination activities for smart agriculture utilizing advanced farm business and robot technologies and ICT, then spreading information about this on the Amoni farm business solutions portal website.

It seems that one of the factors that enables the Company to realize advanced proposal and support capabilities is a sales network spanning nationwide. By having a wide network rooted in communities it enables frequent communication with customers and allows for rapid support and proposals on agricultural efficiency to be carried out. In addition to tangible sales, it is extremely important to also focus on intangible aspects. The Company can expand its contact points with customers and increase the number of its fans by showing an attitude of friendly support for agricultural management.



## Company profile

**(3) Innovation based on collaboration**

The Company naturally engages in development of new technologies at its own R&D base, and aggressively conducts research, and development activities in collaboration with outside stakeholders such as governments, research institutes, universities and companies. We at FISCO believe that this will enhance the speed of R&D activities and add new perspectives within the Company, and it will also enable generation of groundbreaking innovation. (Generally, the effectiveness of open innovation is widely known.) In addition, in June 2023, the Company established a budget of up to ¥1.0bn for investment in venture companies to enhance its innovation capabilities while also gaining access to know-how from venture companies. The following month it set up the Investment Management Committee as a deliberative body to support rapid decision-making on investments.

In recent years, the Company has furthermore been actively promoting ties with external entities upon having set new targets for giving rise to environmentally sound smart agriculture. The Company provides various solutions in collaboration with external organizations, including variable fertilizer machinery, developed with academic and corporate partners. The machinery is equipped with technology that precisely applies fertilizer according to field conditions to reduce chemical fertilizer volumes. It has also created a J-credit application service with Faeger Co. Ltd. Additionally, the Company is actively working with local governments and other bodies. It currently has partnership agreements with more than 10 local governments to promote the uptake of sustainable, environmentally sound agriculture and related production areas. In June 2022, the Company invested in Yukimai Design Co., Ltd. (now NEWGREEN, Inc.) a startup company with which it has formed a business alliance involving development and sales of the Aigamo robot, an automatic weed control robot for use in rice paddies. The Aigamo robot has the potential to significantly reduce weeding work, which has been an obstacle to the growth of organic paddy rice cultivation. By deepening cooperation with NEWGREEN, the Company plans to spur even wider adoption of organic farming.

Considering the Company's strengths, the important thing about these three strengths is that they influence each other and are complementary. It is easy to understand how technological capabilities could improve by innovation based on collaboration, but if advanced technological capabilities are not used for developments that meet needs, they are a wasted treasure. By accurately absorbing front line needs during activities for farm business proposals and support and providing that information to development divisions it enables those advanced technological capabilities to be used in a form that meets needs.

## Results trends

### FY12/23 sales increased, and profits decreased; record-high consolidated net sales and overseas net sales

#### 1. Overview of FY12/23 results

In the Company's FY12/23 consolidated results, net sales increased 2.0% YoY to ¥169,916mn, operating profit decreased 36.2% to ¥2,253mn, ordinary profit decreased 44.4% to ¥2,092mn and profit attributable to owners of parent decreased 99.3% to ¥29mn. Net sales increased in both the domestic and overseas businesses, lifting consolidated net sales to a record high. Overseas, Europe continued to drive growth, with net sales reaching a record high for the third consecutive year. Operating profit declined, reflecting a modest drop in the gross profit margin due to lower capacity utilization amid weaker production volumes, and an increase in SG&A expenses that outpaced growth in net sales. Ordinary profit and profit attributable to owners of parent were impacted by higher interest expenses due to an increase in interest-bearing liabilities, and by the absence of extraordinary income booked in FY12/22 related to the consolidation of Iseki-Maschinen GmbH ("ISEKI Germany").

Domestic net sales increased 0.4% YoY to ¥113,060mn. Net sales of agricultural machinery products declined YoY, but maintenance revenue increased amid the Company's shift to a services-oriented business model under its Mid-term Management Plan. Orders for large agricultural facilities also contributed to sales growth. In agricultural machinery products, sales of the newly launched BF series of mid-sized tractors were firm and net sales of smart agricultural machinery surged 20% YoY on strong support from customers for tractors and combine harvesters with straight-line assist systems. However, demand was sluggish overall, with a pullback from a rush in demand ahead of price hikes weighing on sales. Also, the Company is working to expand sales of large-size agricultural machinery, leading to a high level of inquiries about these models, but it was unable to convert these opportunities into earnings due to production bottlenecks and other issues. By product category, net sales of cultivating and mowing machinery such as tractors decreased 3.6% YoY to ¥22,083mn, net sales of planting machinery such as rice transplanters decreased 8.5% to ¥7,235mn, and net sales of harvesting and processing machinery such as combine harvesters decreased 2.2% to ¥15,741mn. Meanwhile, net sales from implements, spare parts and repair fees such as maintenance revenue increased 1.1% YoY to ¥42,506mn, and net sales from other agriculture-related business including facility construction increased 7.5% to ¥25,493mn.

Overseas net sales increased 5.3% YoY to ¥56,855mn. The European market continued to drive earnings, supporting record-high net sales for the third consecutive year. Sales in the European region jumped 32.3% YoY to ¥33,262mn. The top line was boosted by strong demand from dealers despite price hikes, and by the consolidation of ISEKI Germany from 2H FY12/22. ISEKI France also contributed to the solid earnings. Net sales in the North American region decreased 26.8% YoY to ¥14,298mn. Despite a range of sales measures implemented by partner AGCO, such as extending the term of interest-free loans, sales were impacted by a continued correction in the compact tractor market. Net sales in the Asian region decreased 5.7% YoY to ¥8,139mn. Although shipments of production parts for rice transplanters were strong in China due to factors such as the promotion of seedling cultivation in the south of the country, shipments to South Korea fell amid shrinking demand caused by weak rice prices and other factors.

## Results trends

## Overview of FY12/23 results

	FY12/22		FY12/23		YoY	
	Results	vs. Net sales	Results	vs. Net sales	Change amount	Change %
Net sales	166,629	-	169,916	-	3,287	2.0%
Gross profit	49,890	29.9%	50,359	29.6%	469	0.9%
SG&A	46,356	27.8%	48,105	28.3%	1,749	3.8%
Operating profit	3,534	2.1%	2,253	1.3%	-1,281	-36.2%
Ordinary profit	3,762	2.3%	2,092	1.2%	-1,670	-44.4%
Profit attributable to owners of parent	4,119	2.5%	29	0.0%	-4,090	-99.3%

Source: Prepared by FISCO from the Company's financial results

One of the key developments in FY12/23 was the Company's decision in June 2023 to establish a budget of up to ¥1.0bn to invest in early-stage venture companies. The Company has invested in startup company NEWGREEN (June 2022) as part of efforts to promote environmentally sound smart agriculture. MAFF's Strategy for Sustainable Food Systems (MIDORI) and discussions around revisions to the Basic Law on Food, Agriculture and Rural Areas herald major changes to the business environment surrounding the Company and the structure of the agricultural industry itself. Against this backdrop, the Company created the investment fund to accelerate innovation through collaboration – one of the Company's strengths – to help solve various issues faced by the agricultural industry through business. Target investment fields are advanced technology and ICT that contribute to automation and electrification, the environment, and improvements in food self-sufficiency, including participation in projects related to Japan's sixth agricultural industrialization. In these areas, the goal is to create new products, services and business models through collaboration with venture companies in Japan and overseas. In line with this strategy, the Company has recently entered into a capital and business alliance with WaterCell Inc. to jointly develop and sell agricultural machinery-related systems. Since the start of their collaboration in 2018, the Company and WaterCell have been promoting efficient ICT-powered agricultural management by linking data between the ISEKI AGRI-SUPPORT farm machinery data management system and the agri-note farm management support tool. By forming the capital and business alliance, the goal is to further strengthen collaboration to help solve issues in the agricultural industry through their business activities. Other developments in FY12/23 included a business alliance with Faeger and a collaboration agreement with Kagoshima Organic Farmer's Association (Minamitane, Kumage-gun, Kagoshima Prefecture) as part of moves to step up initiatives in environmentally sound smart agriculture.

## 2. Progress on the Mid-term Management Plan

While overall progress with fundamental structural reforms to improve capital efficiency and profitability has been slower than expected, the Company has made steady progress with individual initiatives.

### (1) Provision of the best solutions: Selection & concentration (domestic market)

In Japan, the Company continued to focus on sales activities aimed at large-scale farmers and it booked strong sales of the newly launched BF series of mid-sized tractors.

### (2) Provision of the best solutions: Selection & concentration (overseas markets)

Overseas, the European market remained strong, driving overall sales. In Europe, the Company is selling its electric mower on a limited basis for now, but the model has been well received by the market and the Company is gathering customer feedback ahead of a full-scale launch. It is also steadily improving efficiency in the supply chain and strengthening the sales structure, centered on ISEKI Germany and ISEKI France, contributing to earnings.

## Results trends

**(3) Provision of the best solutions: Selection & concentration (product and development strategies)**

In Japan, mid-sized tractor models, aimed at the volume zone, were revamped for the first time in 10 years, and the new BF series was launched. Sales of the BF series have been strong, with its premium design features and improvements to usability, comfort and safety well received by customers. Also, as noted above, the Company is preparing to start volume production of electric mowers for Europe as part of its response to environmental issues.

**(4) Provision of the best solutions: Business model transformation**

Maintenance revenues remained strong, reflecting the Company's shift to services as part of its ongoing business restructuring. In FY12/23, maintenance revenue was the main factor driving sales growth in Japan.

**(5) Enhancement of corporate value by strengthening profits and reinforcing corporate governance:  
 Improving profitability (structural reform and improvement of management efficiency)**

The Company is taking various steps such as rebuilding its production and supply chain system around PT ISEKI INDONESIA, including relocating production of some products from the Matsuyama Plant in Japan to ISEKI INDONESIA, to build a system capable of manufacturing products at optimal prices. However, more work is needed to improve profitability. In response, the Company launched Project Z, a package of short- and medium-term sweeping comprehensive business structural reforms.

**3. Financial condition and management indicators**

With respect to the Company's financial condition at the end of FY12/23, total assets were ¥217,102mn, for an increase of ¥10,611mn relative to the end of FY12/22. Primary factors attributable to changes in the amount include a decrease of ¥848mn in cash and deposits, against an increase of ¥8,535mn in merchandise and finished goods due mainly to filling inventories that had been at a low level at overseas subsidiaries.

Total liabilities were ¥142,886mn, for an increase of ¥8,740mn. This mainly reflected increases of ¥2,865mn for short-term loans payable and ¥8,356mn for long-term loans payable related to an increase in working capital such as inventories. Total net assets were ¥74,215mn, an increase of ¥1,870mn. The main factors were an increase of ¥1,013mn for valuation difference on available-for-sale securities and an increase of ¥672mn for foreign currency translation adjustments.

Looking at management indicators, the Company's current ratio and fixed asset ratio are 120.8% and 146.8%, respectively. The equity ratio was 31.9%. The equity ratio declined slightly from the end of the previous fiscal year, but given the Company's focus on paring back inventories, the ratio is likely to improve over the long term as interest-bearing liabilities is reduced.

## Results trends

## Consolidated balance sheets and management indicators

	FY12/19	FY12/20	FY12/21	FY12/22	FY12/23	Change
	(¥mn)					
<b>Current assets</b>	87,159	89,979	91,103	109,414	115,322	5,908
Cash and deposits	8,404	10,787	14,850	10,749	9,901	-848
<b>Non-current assets</b>	110,352	97,449	96,581	97,076	101,780	4,704
<b>Total assets</b>	197,511	187,428	187,684	206,491	217,102	10,611
<b>Total liabilities</b>	128,259	125,009	121,123	134,146	142,886	8,740
<b>Net assets</b>	69,252	62,419	66,561	72,345	74,215	1,870
Retained earnings	17,025	14,493	17,690	21,131	20,474	-657
<b>Stability</b>						
Equity ratio	34.2%	32.4%	34.5%	32.9%	31.9%	
<b>Profitability</b>						
ROA (return on assets)	0.6%	0.9%	2.5%	1.9%	1.0%	
ROE (return on equity)	1.1%	-8.8%	5.1%	6.2%	0.0%	
Operating margin	1.8%	1.4%	2.6%	2.1%	1.3%	

Source: Prepared by FISCO from the Company's financial results

## ■ Outlook

### ISEKI forecasts steady sales and lower profits in FY12/24. Launched Project Z – package of short- and medium-term fundamental structural reforms to transform the business structure

#### 1. Outlook for FY12/24

The outlook for FY12/24 consolidated results is for net sales to increase 0.0% YoY to ¥170,000mn, operating profit to decrease 11.3% to ¥2,000mn, ordinary profit to decrease 52.2% to ¥1,000mn and profit attributable to owners of parent of ¥400mn (profit of ¥29mn in the previous fiscal year). The Company sees net sales declining overseas, but it forecasts broadly steady net sales YoY on a consolidated basis due to higher sales in Japan. It forecasts operating profit and ordinary profit will decline due to the impact of ongoing production adjustments to improve asset efficiency and higher SG&A expenses, including personnel expenses and distribution costs.

The Company forecasts net sales in the domestic business will increase 1.8% YoY to ¥115,000mn. In terms of the market environment, it assumes continued weak demand, but it is targeting top-line growth by focusing on expanding sales of large-size agricultural machinery and the BF series, a new tractor for the volume zone. Price hikes are also expected to contribute to sales growth. Net sales in FY12/23 were impacted by production bottlenecks for large-size agricultural machinery due to supply chain disruption, but these bottlenecks have recently been resolved. As production recovers, it aims to carefully capture market needs and expand earnings. Also, sales of the BF series have been strong and are expected to contribute to earnings in FY12/24. Additionally, the Company will focus on increasing sales of smart agricultural machinery in tractors and rice transplanters by stepping up demonstrations when the new smart models are launched this spring. Based on the above, the Company forecasts net sales of ¥46,000mn for agricultural machinery products, an increase of 2.2% YoY, and ¥43,700mn for implements, parts and repair fees, an increase of 2.8% YoY.

## Outlook

The Company forecasts net sales in the overseas business will decrease 3.2% YoY to ¥55,000mn. By region, it sees sales increasing in the North American market but contracting in the European, Asian and other markets. In North America, it assumes continued sluggish demand in the compact tractor market, but expects the market to bottom. Against this backdrop, the Company plans to expand the top line by stepping up cooperation with AGCO and implementing various sales initiatives. Price hikes are also likely to support sales growth. In Europe, sales are expected to decline, but the Company forecasts continued high sales levels after steady business expansion in recent years. We think the Company's outlook for softer demand in Europe due to an economic slowdown and cuts to national and local public budgets for landscape improvement projects looks slightly cautious. It plans to maintain its strong performance in Europe by strengthening sales and services, centered on European subsidiaries, and by focusing on growing sales of consumer products. In Thailand, part of the ASEAN market, it expects demand to remain weak due to the lingering impact of drought, among other factors. Despite these challenges, the Company will focus on turning round sales by signing up new dealers and reinforcing its sales network, centered on local subsidiary IST. In the East Asian market, it expects sales to decline due to temporary inventory adjustments at a distributor in South Korea. As a result, the Company forecasts net sales of ¥16,000mn in North America, an increase of 12.7% YoY, ¥32,000mn in Europe, a decrease of 3.6%, and ¥6,400mn in Asia, a decrease of 21.0%.

**2. Sweeping comprehensive business structural reforms under Project Z**

As noted above, FY12/24 marks the first year of Project Z. Under Project Z, the Company aims to accelerate growth while improving asset efficiency and profitability in a short- and medium-term time frame. In a first phase of rapid, fundamental reforms, by 2025 the Company plans to integrate the management of manufacturing companies (scheduled for July 2024), merge regional sales companies (scheduled for January 2025), and improve product profit margins. Manufacturing companies ISEKI-Matsuyama MFG and ISEKI-Kumamoto MFG will be integrated. By merging these companies and consolidating human resources, investment and IT systems, the Company aims to improve production efficiency, effectively utilize human resources, optimize assets, reduce inventories and lower fixed costs. Meanwhile, regional sales companies in Hokkaido, Tohoku, Kanto Koshinetsu, Kansai Chubu, Chu-Shikoku and Kyushu will be merged into a single company to optimize inventory hubs, rebuild logistics systems and implement centralized inventory management. The goal is to reduce distribution costs and inventories. Additionally, the Company plans to improve product profit margins by focusing resources on a narrower range of development models. Specifically, it aims to lift product development efficiency and improve product profit margins by reducing the number of models and types by 30% or more based on two criteria: growth rate and market size. The Company will implement these intensive, fundamental reforms in the short term while also planning further far-reaching reforms aimed at increasing asset efficiency and profitability. These reforms will be announced before the end of 2024.

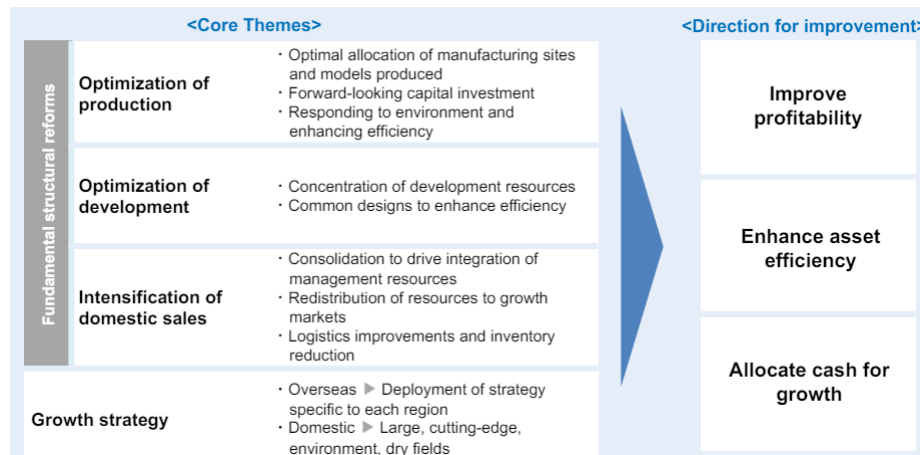
## ■ Medium- to long-term growth strategy

**Aiming for another 100 years, guided by the key word “change.”  
Combining Project Z with the basic strategies of the Mid-term Management Plan to improve profitability and accelerate business expansion**

### 1. Mid-term Management Plan and Project Z

The Company is implementing various measures under its Mid-term Management Plan, which ends in FY12/25, the Company’s 100th anniversary. It has been steadily rolling out a range of initiatives in line with the plan’s basic strategies. However, as of the end of FY12/23, the Company’s transition to a business structure that can reliably generate profits regardless of sales levels was incomplete. We believe the basic strategies are taking the Company in the right direction, but measures to improve asset efficiency and profitability have been insufficient. To address this, the Company formulated Project Z, which includes a further package of measures to accelerate growth while improving asset efficiency and profitability in a short- and medium-term time frame. The sweeping comprehensive business structural reforms are focused on three core themes – optimization of production, optimization of development and intensification of domestic sales. With these reforms, the Company is aiming for a consolidated operating margin of 5% or higher, ROE of 8% or higher, DOE of 2% or higher and a PBR of 1.0x or higher in FY12/27.

Overview of Project Z



Source: The Company’s Project Z material

### 2. Mid-term Management Plan: Establishing a foundation of “change” for the next 100 years

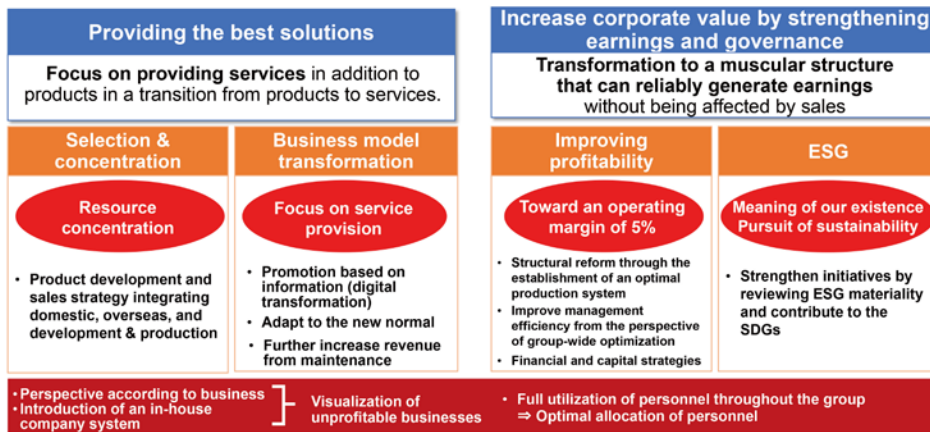
The keyword of the Mid-term Management Plan is “change.” This expresses the desire of the Company’s aim to be one that continues for another 100 years beyond 2025, and the main objective of the plan is to lay a foundation for that purpose. It is largely divided into the following two basic strategies.

- (1) Provision of the best solutions: Focus on providing not only products but also services from tangible to intangible
- (2) Enhancement of corporate value by strengthening profits and reinforcing corporate governance: Make a profitable corporate structure that can surely raise profits beyond sales ups and downs

Medium- to long-term growth strategy

Under these two basic strategies, the Company intends to focus on expanding business and improving profitability under a basic strategy encompassing the four perspectives of “selection & concentration,” “business model transformation” (these two are included in “provision of the best solutions”), “improving profitability” and “ESG” (these two are included in “enhancement of corporate value by strengthening profits and reinforcing corporate governance”). Project Z is a package of fundamental structural reforms to be implemented in the short- and medium-term, targeting an improvement in profitability from three perspectives – optimization of production, optimization of development and intensification of domestic sales.

Direction of the basic strategies and initiatives in the Mid-term Management Plan



Source: The Company's New Mid-term Management Plan

1) Selection & concentration

The first example of a concrete initiative is “selection & concentration.” The Company will aim to efficiently utilize the limited in-house resources in accordance with changes in the external environment.

In sales activities for the domestic market, as agricultural management entities continue to expand in scale, the Company has established further increases in large-scale farming customers and a focus on sales of the flagship model Japan series, which consists of large-scale agricultural machinery in the categories of tractors, combine harvesters, and rice transplanters, as its basic policies. Based on the recent flow of introducing ICT to agriculture, it is also planning to concentrate resources on sales of smart agricultural machinery such as the robot tractor TJV series and Sanae Japan PRJ8 robot rice transplanter.



## Medium- to long-term growth strategy

In sales activities for the overseas market, the Company will focus on sales of products matched to demand in each region. In North America, it will focus on sales of products such as compact tractors from AGCO, a partner in its global strategy, in an aim to expand its share of the compact tractor market, as well as plans to introduce new eco-friendly products in response to growing environmental awareness. In Europe, it will aim to further expand its share of the landscaping market and intends to focus on sales of landscaping machinery tractors, as well as on new launches onto the market of electrified products in response to heightening environmental awareness. (Plans are to start mass production of highly commended electric mowers in 2024.) In addition, it made preparations to rebuild its sales network with an eye on consolidation to expand shares, making a consolidated subsidiary of ISEKI Germany in July 2022 and strengthening its sales structure in Europe. In the Asian market, it plans to expand and accelerate business with its Thai company IST as a starting point while developing the rice cultivation expertise and its agricultural machinery it has amassed in Japan. It also plans to increase sales of production machinery from Indian agricultural machinery manufacturer TAFE, with which it has a business partnership. Under Project Z, the Company has set out new targets for the pace of overseas business expansion, aiming for sales CAGR of 10% and operating profit CAGR of 20% through 2030.

In product development, particularly advanced development aimed at the future, the Company has set three important measures: “globally strategic machines,” “development of electrified products,” and “development of smart agricultural machinery.” For globally strategic machines, it intends to reduce costs and improve the efficiency of development by developing common platforms for the categories of tractors, combine harvesters, and rice transplanters. In development of smart agricultural machinery, it will focus on developing agricultural machinery adapted to Level 3 (fully unmanned and remotely monitored robotic agricultural machinery models) for full-scale use. Going forward, more efficient agriculture will become necessary as the size of farms increases, and there is a possibility that various new businesses based on data will be generated. Taking these and other factors into consideration, we at FISCO believe that focusing on the development of smart agricultural machinery will be extremely important.

**2) Business model transformation**

It is becoming widely recognized that business models to earn sales continually through services are superior to businesses in which items are completely sold off. Amid these conditions, the Company plans to shift from its existing business model focused on completely selling all its agricultural machinery to one in which it will continually increase earnings through the provision of services focused on “data,” repairs, and maintenance, etc.

Specifically, it provides a low-cost and advanced location information service (required to operate robotic agricultural machinery or agricultural machinery equipped with automatic steering functions) utilizing GNSS (Global Navigation Satellite System) for ¥3,300 per month that reduces the initial costs of antenna construction for customers. Furthermore, going forward, new businesses such as consulting services based on data obtained from smart agricultural machinery, outside sales of data and fee-based information provided by Amoni may be considered. The Company currently launches agricultural machinery equipped with ICT in the market, and establishes structures that enable it to collect data related to agricultural machinery and agricultural work. We at FISCO think that in the future, the Company will be able to generate a great number of businesses that turn data into earnings, depending on the idea.

The Company will also collect data from this type of ICT agricultural machinery, and accelerate the flow of use by customers. It will utilize data at sales sites and work to develop new services including maintenance, as well as bridge the data to improvements in work styles. It also intends to utilize data for product development and production, and accelerate DX in such ways as improving productivity.

## Medium- to long-term growth strategy

Additionally, it is engaged in steady expansion of sales of spare parts and repair fees, which are an after-sales service. In concrete terms, it is striving to transition to a service structure focused on large-scale maintenance bases and enhance these large-scale maintenance bases. Business model transformation is progressing steadily, with the Company becoming a driving force for increased domestic business sales in FY12/23.

**3) Improving profitability**

The Company will work on structural overhaul to stably increase earnings unaffected by external environment and improve profitability. In specific terms, it improved the fixed cost ratio by consolidating functions, etc. that were overlapping at each production factory and reviewed segregation of in-house and external production, reduced workloads by placing outside orders for a portion of parts, made business activities more efficient by introducing IT, and improved asset efficiency by reducing inventory. The newly launched Project Z sets out specific measures to fundamentally restructure the business, mainly targeting improvements in asset efficiency and profitability. The aim is to accelerate the pace of improvement in profitability based on three core themes – optimization of production, optimization of development and intensification of domestic sales.

With optimization of production, the Company will seek optimal allocation of manufacturing sites and models produced, forward-looking capital investment and respond to the environment and enhance efficiency. First, under an initial phase of intensive, fundamental structural reforms to be implemented in the short term, the Company plans to integrate the management of manufacturing companies in July 2024. With optimization of development, it has already been working to reduce development costs and improve efficiency by developing shared platforms, but it plans to accelerate these efforts by narrowing down the number of models under development based on two criteria: growth rate and market size. Specifically, it aims to reduce the number of models and types by 30% or more to lift product profit margins, as well as improve efficiency by consolidating manufacturing processes and back-office departments by integrating manufacturing companies. To increase product profit margins, it aims to reduce variable costs by 10% or more. With intensification of domestic sales, the Company will improve management efficiency and reduce inventories by integrating the operations of regional sales companies. In addition to implementing these intensive, fundamental reforms in the short term to increase asset efficiency and profitability, the Company also intends to start rolling out a further package of sweeping comprehensive business structural reforms before the end of 2024 targeting all areas of the business.

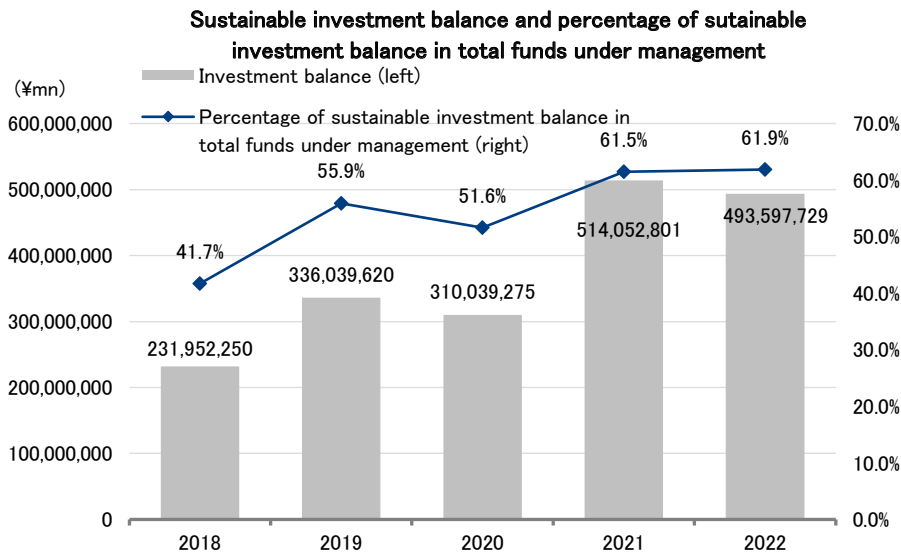
**4) ESG**

The fourth initiative is to conduct business with ESG in mind. In that regard, the Company previously established targets of achieving a 26% reduction in CO<sub>2</sub> emission volumes generated by production activities in Japanese manufacturing locations by 2030 compared to FY2013 (in 2019, the Company achieved a reduction rate of 12%, exceeding its target of 9%), and also of increasing its eco-product ratio in domestic net sales to 50% or more by 2030. Meanwhile, the Company will further promote environmental management underpinned by its endorsement of the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). Specifically, the Company's plans now entail achieving a 46% reduction in CO<sub>2</sub> emissions by 2030 compared with 2014 at all of its consolidated Group companies while also increasing its ratio of eco-products in domestic sales to 65% or more by 2025, and establishing reduction targets in cooperation with suppliers, who account for 70% of transaction amounts, and move forward on developing environmentally friendly products. Its CO<sub>2</sub> emissions reduction targets have been expanded from applying to global manufacturing sites to include all consolidated Group companies. This will further accelerate ESG management. In addition to these promotions of environmental management, the Company aims to contribute to realization of the SDGs through its business on three fronts: "supporting the enhancement of resilience in agriculture," "landscaping for comfortable villages and towns," and "environmental preservation for a recycling-oriented society."

Medium- to long-term growth strategy

For in-house activities, the Company intends to increase employee engagement by enhancing the work-life balance and ensuring diversity, among other things.

ESG investment has been spreading rapidly in recent years among institutional and private investors in response to frequent natural disasters and human rights issues in supply chains, etc. In this environment, we at FISCO predict that companies that do not take ESG into consideration will experience increasing difficulty with funding in the future. In that sense, conducting business activities with ESG in mind will certainly be important.



Note: The percentage shows the ratio of sustainable investment balance in total assets under management by respondent institutions.

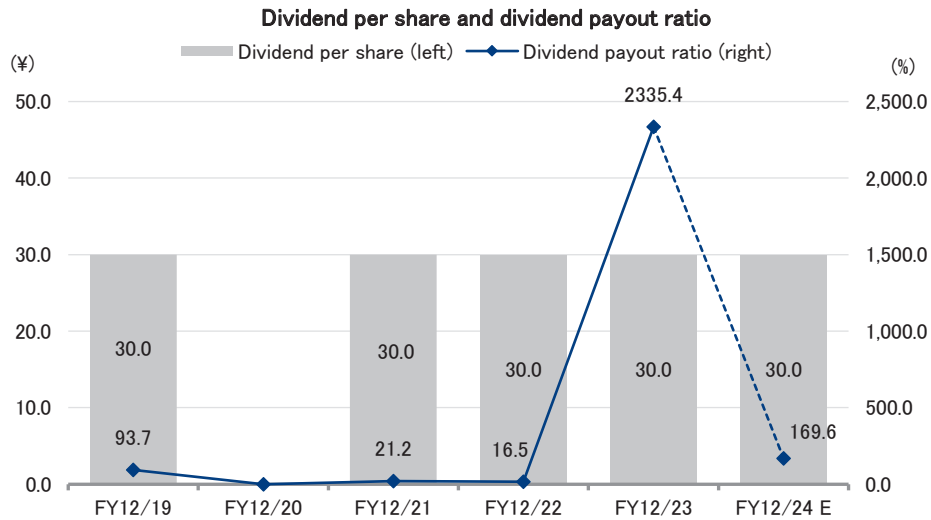
Source: Prepared by FISCO from the Japan Sustainable Investment Forum

The Company has also stated that management decisions will take into account the cost of capital and the share price. Given its current low level of profitability and asset efficiency, the Company plans to improve profitability, asset efficiency and growth by steadily implementing the measures in Project Z while also targeting a PBR of 1.0x or higher by stepping up IR activities and ESG initiatives. It says it will work to continuously increase corporate value through priority investments of cash generated from improved asset efficiency and profitability in strategic growth areas.

## Shareholder return policy

### Positions shareholder return policy as a key policy, and pays stable dividends

As a policy for profit distribution, the Company positions the allocation of stable dividend payments to shareholders as a key policy. Dividends were ¥30 in FY12/18, ¥30 in FY12/19, ¥0 in FY12/20, ¥30 in FY12/21 and ¥30 in FY12/22. Due to the recording of a net loss in FY12/20, no dividend was paid, but a dividend of ¥30 has been paid during all other periods. The dividend payout ratio during these periods was respectively 62.1%, 93.7%, 21.2% and 16.5% (no dividend in FY12/20). The Company paid a dividend of ¥30 for FY12/23. Its forecast for the FY12/24 year-end dividend is ¥30 (dividend payout ratio of 169.6%). Also, under Project Z, it aims to achieve a DOE of 2% or higher in 2027.



Source: Prepared by FISCO from the Company's financial results



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