

[Delayed] Action to Implement Management with a focus on cost of capital and stock price (Update)



ISEKI & CO., LTD.
〔Tokyo Stock Exchange Prime Market: 6310〕
February 13, 2026



- 1. Current State Analysis**
- 2. Striving to Improve PBR**
- 3. Dialogue with Shareholders & Investors**

1. Current State Analysis

Current State Analysis: Change in PBR, ROE & PER Over Time

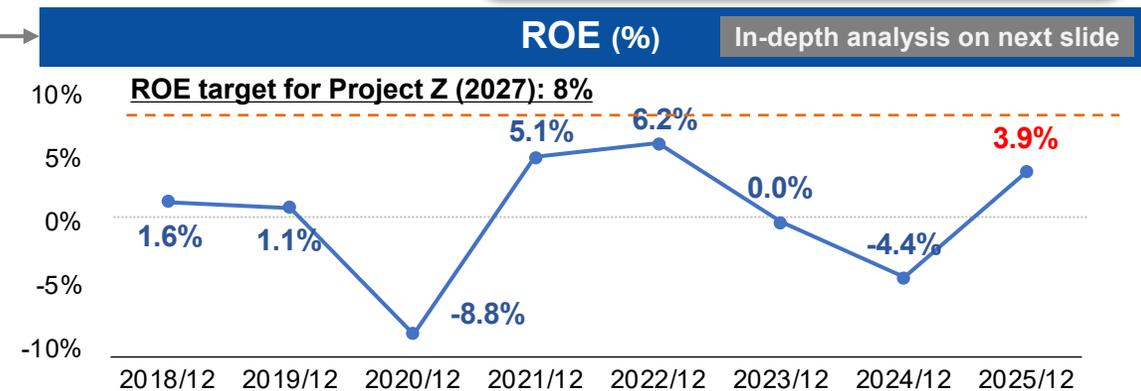
ISEKI

Actual results and other updates have been added in red to the February 2024 analysis

- PBR has continued to remain significantly below 1x
- ROE has remained below the target of 8%, and our return on capital has not exceeded investors' expected cost of equity (We understand that institutional investors view our cost of equity as approximately 8%.)

⇒ Although PBR has improved to 0.55x and ROE to 3.9%, both remain at low levels

$$\text{PBR} = \text{ROE} \times \text{PER}$$



*1: As of December 31, 2025

Current State Analysis: ROE Analysis

Actual results and other updates have been added in red to the February 2024 analysis

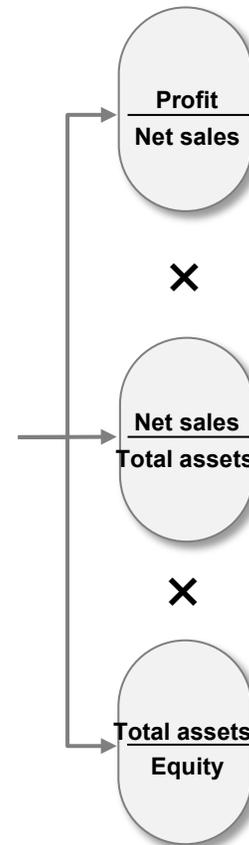
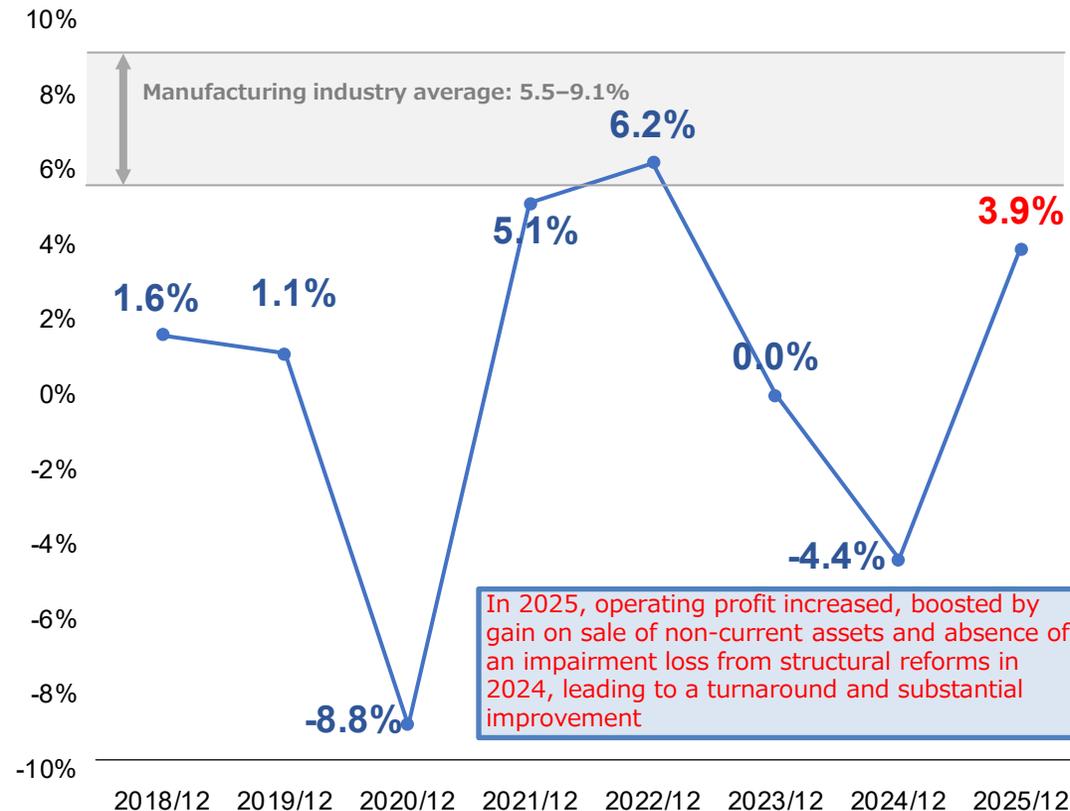
- We recognize that ROE remains low due to our low net profit margin and total asset turnover.

Causes: Low net profit margin – low product-specific profit margins and high SG&A ratio

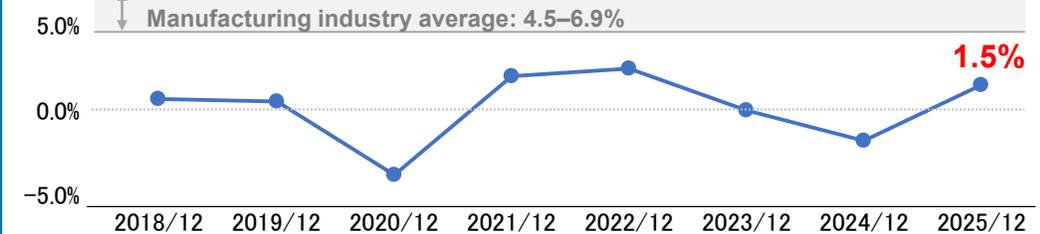
Total Asset turnover – high inventory levels and low capacity utilization rates

⇒ Both net profit margin and total asset turnover improved through higher operating profit and inventory reduction

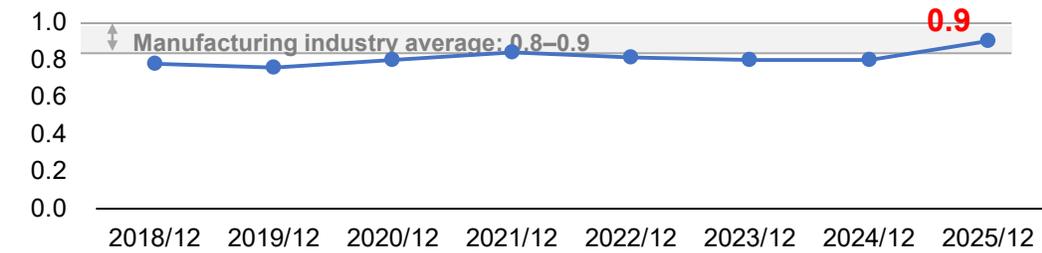
ROE (%)



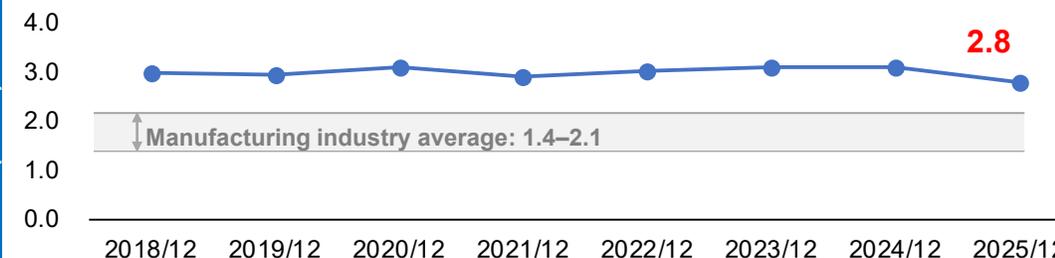
Net profit margin (%)



Total asset turnover (turns)

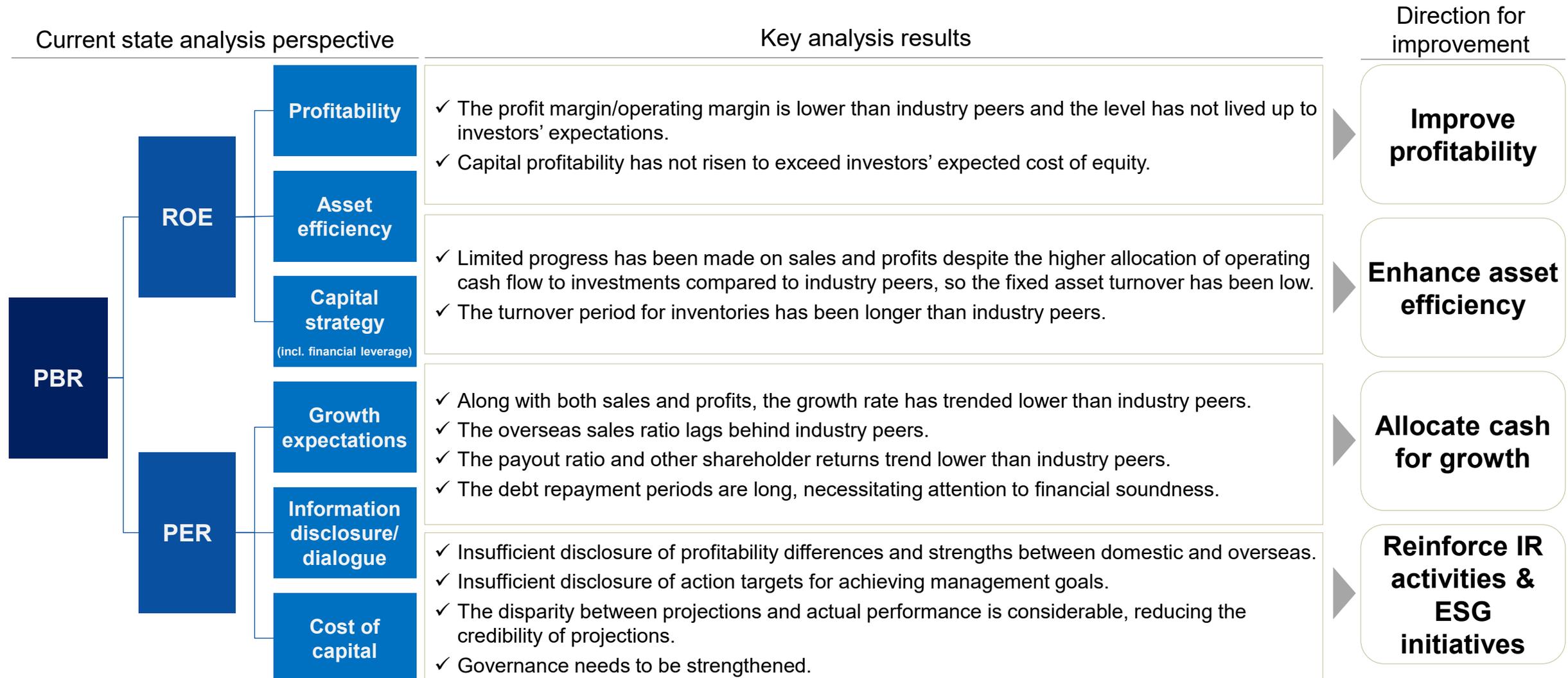


Financial leverage (times)



Current State Analysis: Summary (Reposted)

- We analyzed the components of PBR and identified factors contributing to its low level for each component, based on comparisons over time with industry peers, feedback from investors familiar with the Company, and other methods.



2. Striving to Improve PBR

Striving to Improve PBR: Project Z Plan Overview

ISEKI

- By completing the various Project Z measures and strengthening IR and ESG activities, we aim to achieve a consolidated operating margin of 5% or higher, ROE of 8% or higher, and DOE of 2% or higher by 2027, while targeting a PBR of 1x or higher.

**Our vision
2027**



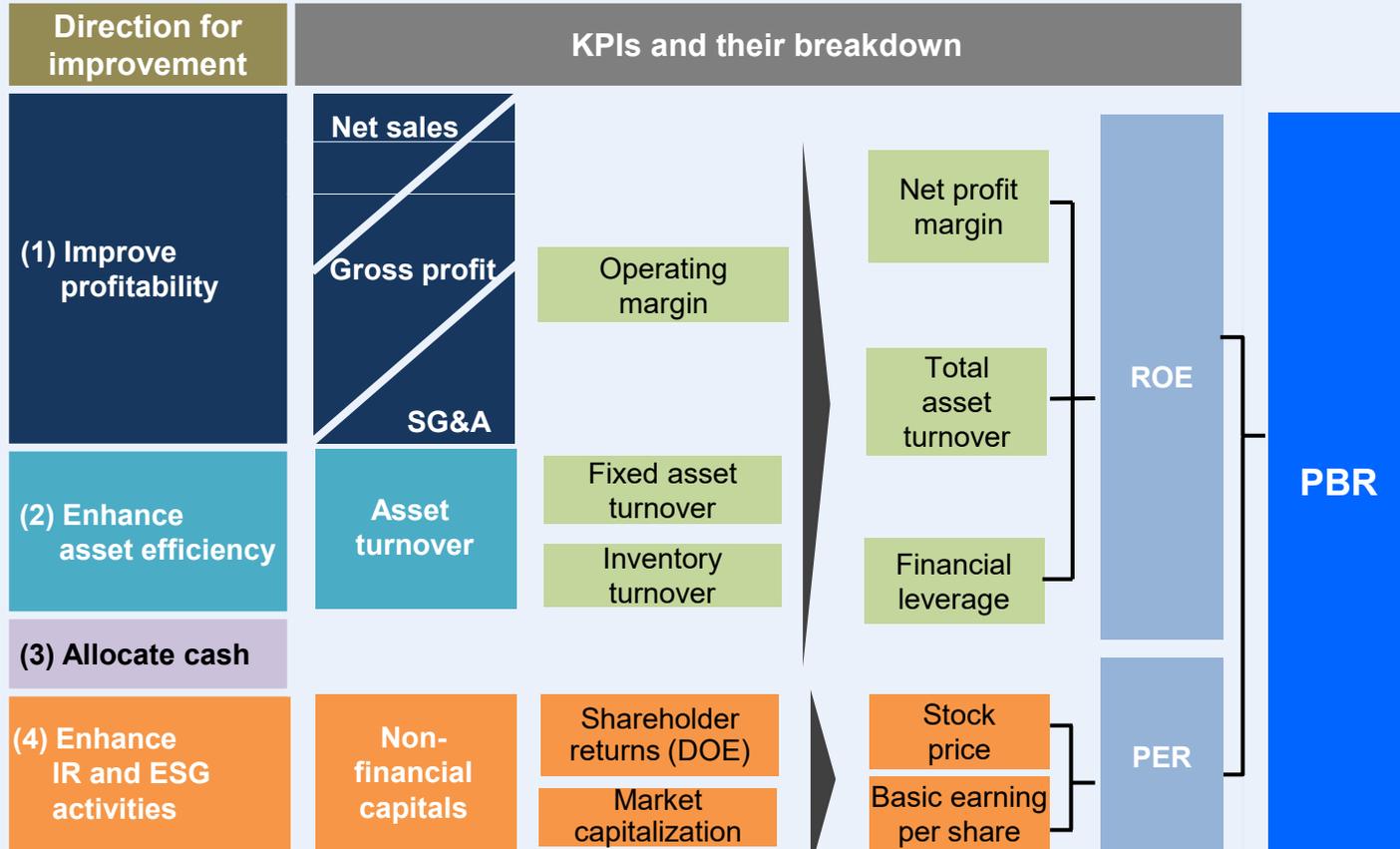
✓ **Consolidated operating margin** : 5% or higher (Record-high operating income)
 ✓ **ROE** : 8% or higher
 ✓ **DOE** : 2% or higher



**PBR of
1x or higher**

Core Themes

Various Project Z measures	Fundamental structural reforms	Optimization of production	Reorganization of production sites
		Optimization of development	Improvement of product profit margins Improvement of development efficiency
		Intensification of domestic sales	Building a base for strategic growth
		Transformation into a robust corporate structure	Optimization of employee composition and investing in human capital Cost reduction
	Growth strategy	Overseas: Developing region-specific strategies Domestic: Focusing on growth areas	
IR & ESG	Expanding and advancing dialogue and information disclosure Strengthening governance structure		



Progress of Project Z Measures (Fundamental Structural Reform)



* For details, see "Progress of Project Z," released on February 13, 2026

- Major measures under the fundamental structural reform have generally progressed as planned
- Since 2025, improvement effects from these measures have been gradually seen. In 2026, we expect these improvement effects are contributing to improved profitability, driven primarily by fixed cost reductions and operational reforms.

Core Themes

2025 Results and Progress Toward 2027

Fundamental structural reforms	Optimization of production	<ul style="list-style-type: none"> ■ Reorganization of production sites 	<ul style="list-style-type: none"> • Site reorganization, including the transfer of production of combine harvesters and hydraulic equipment, was executed as planned. • The effects of operational reforms and fixed cost reductions are expected to materialize from 2026.
	Optimization of development	<ul style="list-style-type: none"> ■ Improvement of product profit margins ■ Improvement of development efficiency 	<ul style="list-style-type: none"> • The effect of improvements in product profit margins materialized as planned in 2025. Toward the 2027 targets, additional resources are being allocated to pursue further improvements. • Reduction of models and product types is progressing as planned.
	Intensification of domestic sales	<ul style="list-style-type: none"> ■ Building a base for strategic growth 	<ul style="list-style-type: none"> • Launched ISEKI Japan; integration synergies are being realized progressively. • Inventory has been reduced beyond the planned level.
	Transformation into a robust corporate structure	<ul style="list-style-type: none"> ■ Optimization of employee composition and investing in human capital ■ Cost reduction 	<ul style="list-style-type: none"> • Headcount and personnel expenses have been maintained at planned levels; the HR system was revised to reward challenge and performance. • Ongoing review of operations, with concrete measures under implementation.

Progress of Project Z Measures (Growth Strategy)

* For details, see "Progress of Project Z," released on February 13, 2026

- Growth strategy: Overseas, expansion is being strengthened in profitable regions, particularly in Europe; domestically, results are emerging through the concentration of management resources in growth areas.

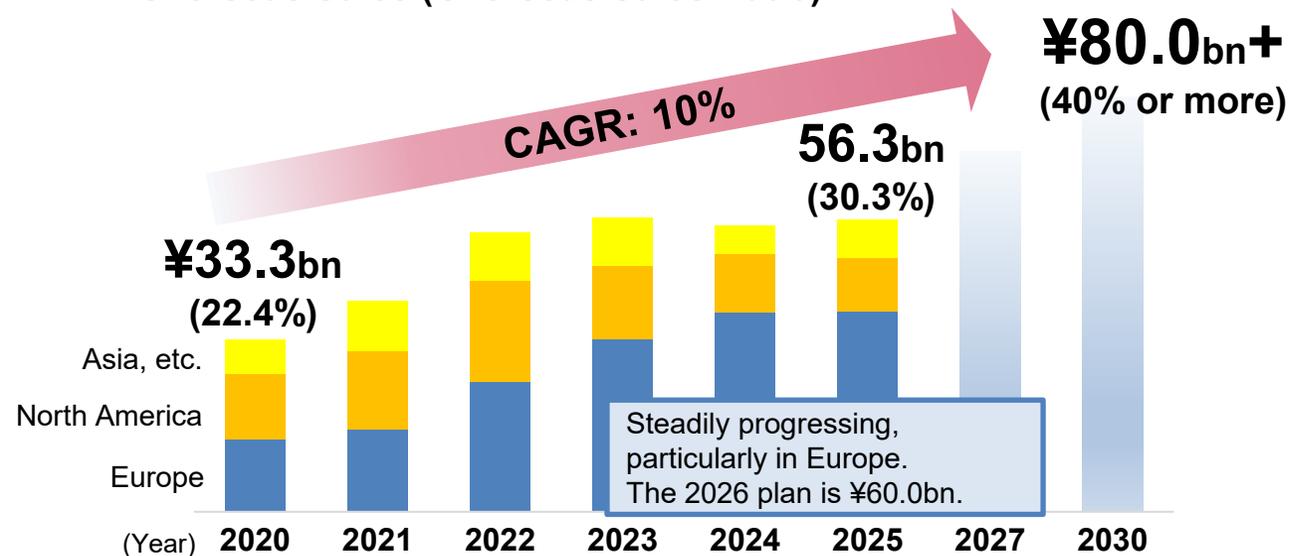
Core Themes

2025 Results and Progress Toward 2027

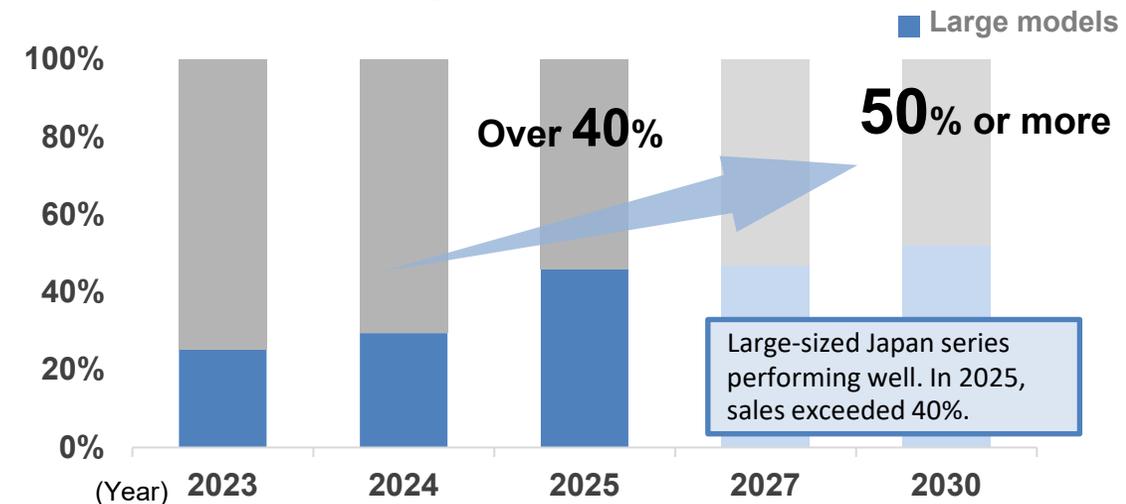
Growth Strategy	Concentrating management resources on growth segments	Overseas ■ Develop region-specific strategies	<ul style="list-style-type: none"> Completed the reorganization of the European sales structure and strengthened collaboration among the three companies. Currently executing sales expansion in the ASEAN market.
		Domestic ■ Concentrate on growth areas	<ul style="list-style-type: none"> Achieved sales plans for large-sized and advanced products and are fully launching the mowing business. Planned market introduction of large tractors and combines in 2026.

◎ KPIs and Progress in Growth Strategy

■ Overseas Sales (Overseas Sales Ratio)



■ Share of Large-sized Models in ISEKI Product Sales (%) (Tractors, Rice Transplanters, Combine Harvesters)



Direction for Improvement (1) Improve Profitability

* For details, see "Progress of Project Z," released on February 13, 2026

- Improve profitability by implementing fundamental structural reforms (short-term focused measures) and pursuing a growth strategy.
- Measures are generally progressing as planned, with full impact expected from 2026 onward.

Progress

✓ Improve gross profit margin

➤ Improve product profit margins

- Improve productivity by optimizing production
- Reduce product variable costs by 10% or more

➤ Focus management resources on growth segments

- Expand profitable businesses

*2027 (compared to 2023): +1.5 to +2.0%

- Combine harvester production shifted from Kumamoto to Matsuyama as planned
- Margin improvement effects to materialize in 2025
- Acquisition of the UK distributor; EU sales expansion underway
- 7% domestic price hike; full impact from 2026

✓ Improve SG&A ratio

➤ Optimize employee composition

- Streamline non-operating departments

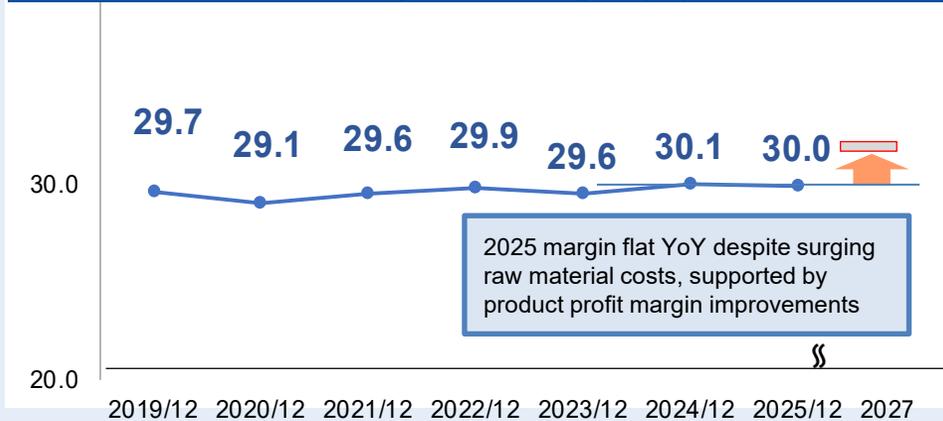
➤ Cost reduction

- Improve operational efficiency by integrating organizations and operations

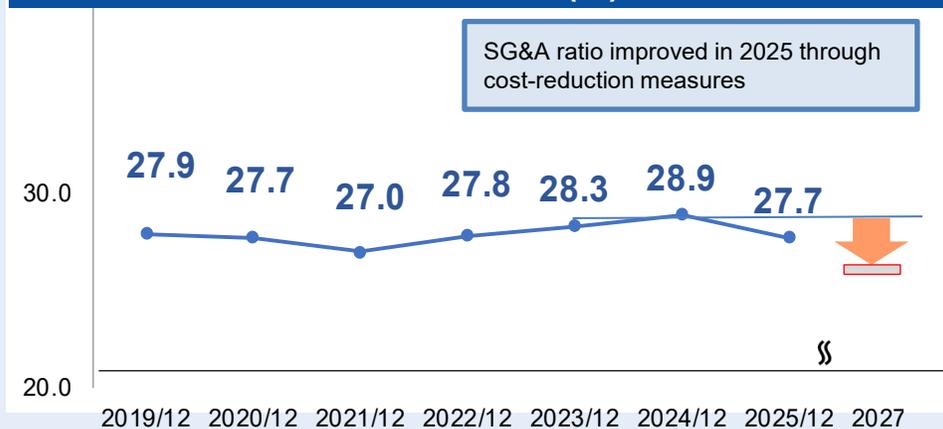
*2027 (compared to 2023): (2.5) to (3.0)%

- Headcount and personnel expenses maintained at planned levels
- Ongoing review of operations

Gross profit margin (%)



SG&A ratio (%)



Direction for Improvement (2) Asset Efficiency Enhancement

* For details, see "Progress of Project Z," released on February 13, 2026

- We will enhance asset efficiency through inventory reduction and investment decisions based on hurdle rates.
- Inventory reduction progressed, improving inventory turnover

Progress

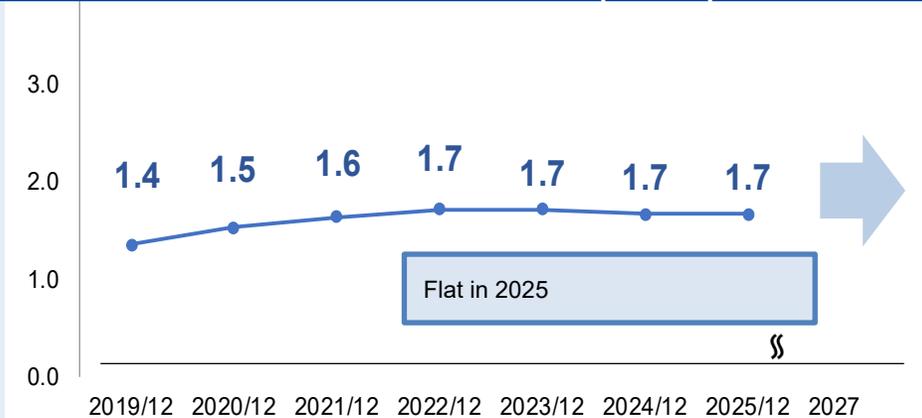
✓ Improve fixed asset turnover

- Make investment decisions based on hurdle rates
 - Hurdle rate = Cost of capital + margin
 - Asset management to be revised annually
- Reorganize business units and reassess production lines

***Estimated to remain flat in 2027 due to growth investment**

- Revised hurdle rate
- Sold non-production sites in Kumamoto

Fixed asset turnover (times)



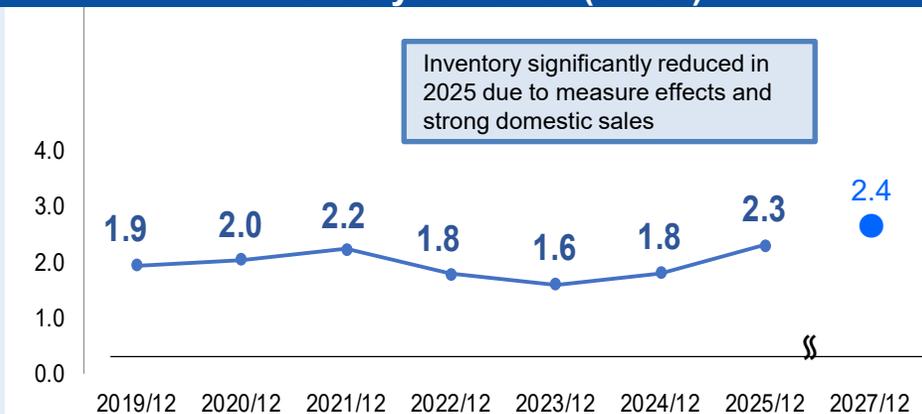
✓ Improve inventory turnover

- Reassess distribution and procurement strategies
- Consolidate production assembly, reorganize domestic sales companies, consolidate models and types, and increase shared use of components

***Improve to 2.4 ASAP (two-month reduction)**

- Significantly reduced inventory through domestic sales company integration and improved inventory efficiency

Inventory turnover (times)



Direction for Improvement

(3) Asset Efficiency Enhancement [Balance Sheet Improvement]

* For details, see "Progress of Project Z," released on February 13, 2026

Vision for balance sheet improvement

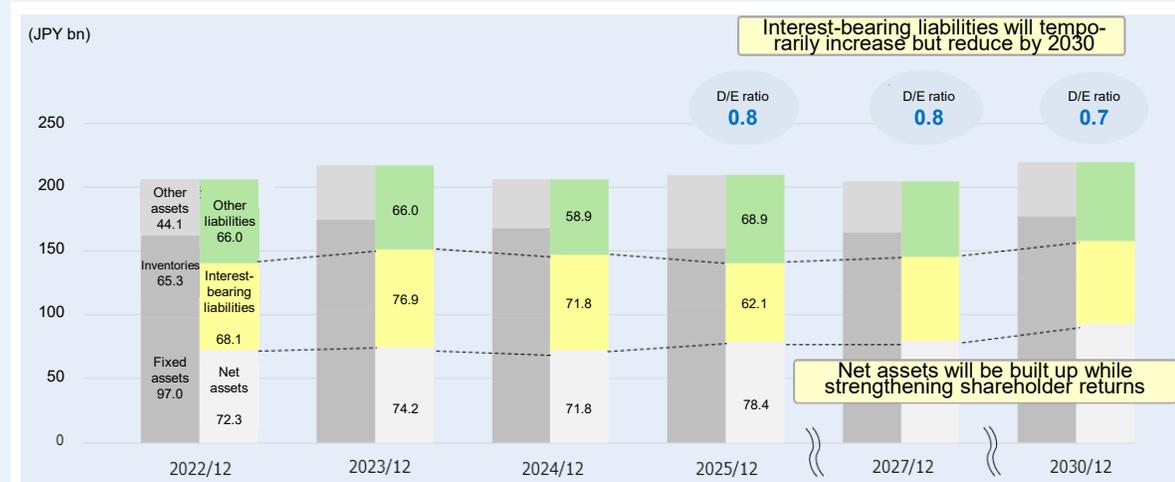
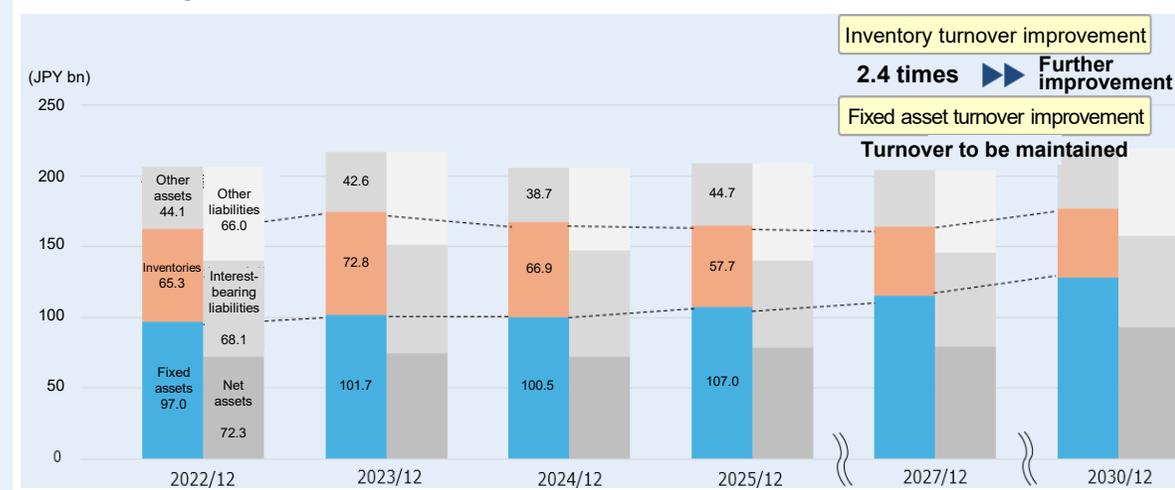
- Inventories significantly reduced through higher sales and centralized inventory management. Further reduction targeted via efficient inventory operation through domestic sales company integration, coordination with overseas subsidiaries, and supply chain strategy
- Fixed assets increased due to investments 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 to maintain turnover

Inventory turnover: 2.4 times for 2027

- Interest-bearing liabilities will be decreased through improved operating cash flow; may temporarily increase due to increased capital expenditures but will be reduced moving forward to 2030
- Net assets will be built up while strengthening shareholder returns (dividends) by increasing revenue

D/E ratio: 0.8x for 2027
0.7x for 2030

Changes in balance sheet



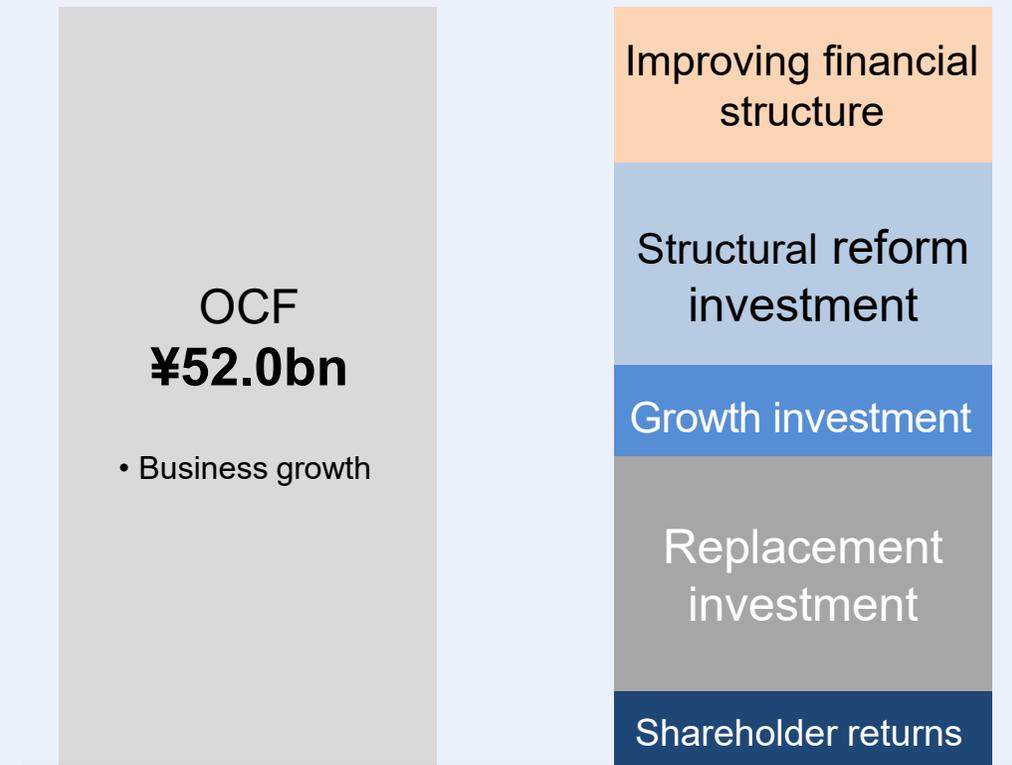
Direction for Improvement (3) Cash Allocation for Growth

- 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
- Capital allocation will focus on cost and efficiency of capital, ahead of Corporate Governance Code revisions

■ 2024–2027 (4-year cumulative total)



■ 2028–2030 (3-year cumulative total)



Direction for Improvement

(3) Cash Allocation for Growth [Shareholder Returns]

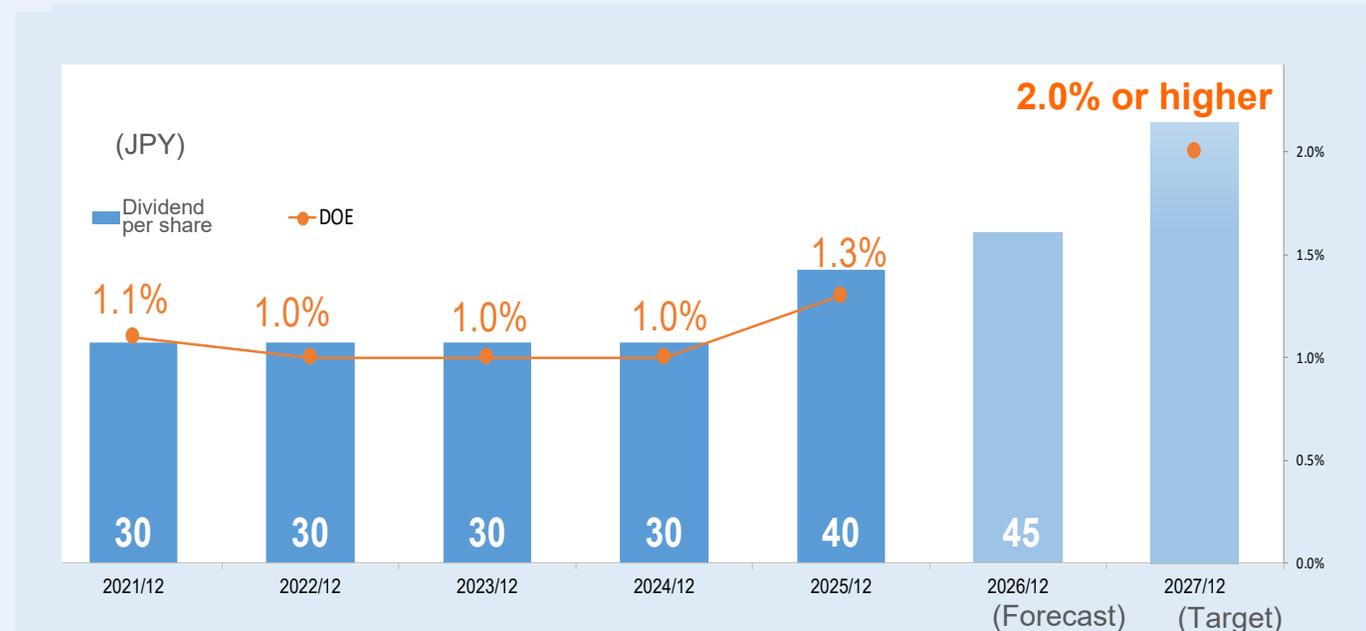
Basic dividend policy

While maintaining and enhancing financial soundness as a prerequisite for sustainable operations, we will continue to provide stable dividends, taking into comprehensive consideration our earnings base, future business development, and changes in the business environment.

- 2025: Year-end dividend of ¥40 per share (revised from the initial forecast of ¥30 to ¥40)
⇒ DOE: 1.3%
- 2026: Forecast dividend of ¥45 per share (an increase of ¥5 yen)

2027 Target: DOE of 2% or higher

■ Trend in Dividends per Share and DOE



Direction for Improvement

(4) Enhancement of IR Activities & ESG Initiatives

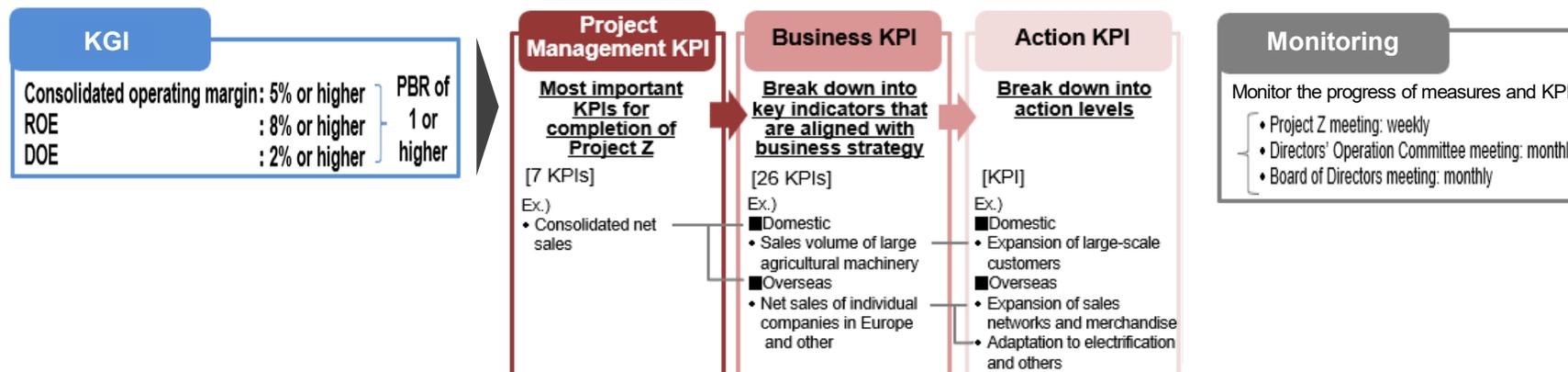
- Enhance corporate value through advanced dialogue and information disclosure, as well as strengthened ESG initiatives.

ESG Initiatives

- ✓ **Strengthen governance structure**
 - Revise directors' compensation system, emphasizing performance-linked evaluation ratios
- ✓ **Enhancement of human capital**
 - Revised HR system to reward challenge and performance (effective from January 2026)

Initiatives to achieve Project Z targets

Set KPIs in three steps. Incorporate "Action KPI" in these KPIs in order to ensure the implementation of measures and achieve KGI through PDCA cycle based on monitoring



Initiatives in 2025

Continued Employee Communication Led by the CEO

- In 2025, 14 sessions were held across 12 sales, development, and production sites to provide opportunities for employees to deepen their understanding of the initiatives.



Direction for Improvement

(4) Enhancement of IR Activities & ESG Initiatives

- Enhance corporate value through advanced dialogue and information disclosure, as well as strengthened ESG initiatives.

IR Activities

- ✓ **Expand and advance dialogue and information disclosure**
 - Enhance disclosure of qualitative & quantitative information and enable visualization of progress
 - Quarterly release of financial results briefing session transcripts (Japanese and English)
 - Submission of the Securities Report prior to the annual general meeting
 - Proactively initiate dialogue (individual meetings, facility tours, etc.)
 - Expanded opportunities for dialogue, including events for individual investors

Initiatives by shareholders and investors

Step 1: Individual investors

◆ Increase awareness

- Strengthen information dissemination social media, email distribution, etc.
- Hold briefings for individual investors
- Continue to hold tours for individual shareholders

Step 2: Domestic institutional investors

◆ Continue existing initiatives and strengthen disclosure

- Continue existing initiatives
- Explain the progress of Project Z in detail
- Provide a higher level of disclosure (e.g., revenue analysis by region)

Step 3: Overseas institutional investors

◆ Strengthen information dissemination

- Ensure simultaneous disclosure in English
- Collect information for the next step of implementing IR activities overseas

Enrich disclosure information

- Upgrade revenue management (e.g. profits by region)
- Disclose information in English, etc.

Diversify the composition of shareholders

- Adopt a shareholder/investor specific approach

Enrich dialogue

- Presentations, tours, etc.

Strengthen information dissemination

- SNS, public relations, etc.

▶ Initiatives in 2025

Expanded engagement opportunities with individual investors in 2025

Date	Event
Jun 7	logmi Finance IR Seminar for Individual Investors
Sep 26–27	Nikkei & TSE IR Fair 2025
Dec 12	Shareholder facility tour

3. Dialogue with Shareholders & Investors

Dialogue with Shareholders & Investors (FY2025 Results)

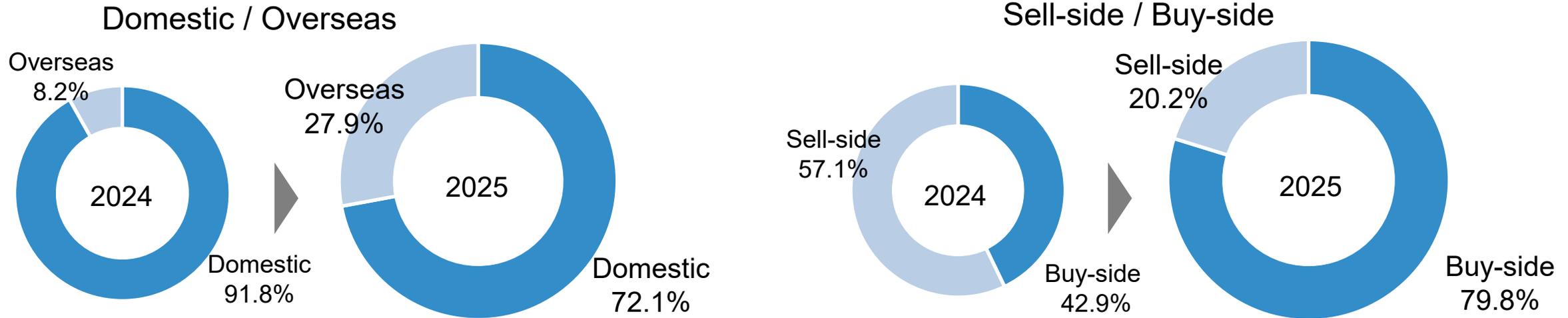
■ Dialogue Opportunities & ISEKI participants

- We have enhanced opportunities for dialogue with shareholders and investors by holding quarterly financial results briefing sessions and information sessions for individual shareholders led by the President and Representative Director, as well as through engagement conducted by directors and other executives.

Description	ISEKI participants	2025 Results	Method, etc.
Ordinary General Meetings of Shareholders	All directors and corporate auditors	1 meeting	Held in person
Financial results briefing sessions	All executive directors	5 sessions	<ul style="list-style-type: none"> • Held online or in a hybrid format • Briefing materials, videos and transcripts made available on website
Individual meetings	Director in charge of investor relations, Director in charge of finance, General Manager of Public & Investor Relations Section, General Manager of Financial Dept.	86 meetings (Target for 2025: 50 meetings)	Online or in-person dialogue
Facility tours & new product launches	President and Representative Director, Director in charge of investor relations, etc.	2 events	Held in-person
Business briefings	President and Representative Director, Director in charge of investor relations, etc.	2 briefings	Held online or hybrid
Facility tours for individual shareholders	President and Representative Director, Director in charge of general affairs, etc.	1 tour	Held in-person
IR fairs for individual investors	President and Representative Director, Director in charge of investor relations, etc.	Once	Participation in IR fair
Inquiry responses	IR Section, General Affairs Dept.	As needed	Dialogue through website, telephone, and email, etc.

Dialogue with Shareholders & Investors (FY2025 Results)

■ Attributes of Dialogue Partners



■ Principal Topics & Concerns

Performance management strategy

- ISEKI Group's strengths
- Business demand trends
- Project Z measures and their progress
- Management with a focus on cost of capital and capital efficiency
- Business portfolio-related management systems

ESG

- Status of climate change response
- Status of human capital-related initiatives
- Directors' compensation system

Stock price & shareholder returns

- Stock price & PBR challenges and responses
- Direction of shareholder returns

Dialogue with Shareholders & Investors (FY2025 Results)

■ Feedback Provided to Management

- ✓ Public & Investor Relations Section provides reports and feedback
 - Opinions, interests, concerns, and other comments provided by shareholders and investors during dialogues are reported to management in a timely manner according to the context
 - Feedback about our businesses is provided to the relevant business units as appropriate, which is then reflected in business activities to make improvements

Description	Reporting method	Frequency	Target
Individual meetings with investors and analysts Opinions, requests, etc. from shareholders and investors Share performance metrics & stock price information IR activity reports	Written reports detailing meeting summaries	Each occasion	All directors
	Reports detailing meeting summaries, stock performance, etc. discussed at public relations liaison meetings	Monthly	Members of Directors' Operation Committee
	Reports detailing meeting summaries, stock performance, etc. discussed at Board of Directors meetings	Quarterly	Members of Board of Directors
	Reports detailing topics of high concern to shareholders and investors as well as opinions voiced at high-level meetings	Monthly	President and Representative Director, Director in charge of investor relations
Other reports (related to shareholders and investors)	As necessary, reports detailing shareholder structure, stockholdings and other trends pertaining to institutional investors and others	Each occasion	Members of Directors' Operation Committee and others

■ Example of Comments Incorporated from Dialogue

Opinions, request, etc.	Our response
Strengthen dissemination of IR information	<ul style="list-style-type: none"> • Publication of transcripts of financial results briefing sessions • Participation in events for individual investors and holding online business briefings

Notes on the Future Forecast

- The objective of this presentation document is to provide information and never intends to induce any action.
- The document was created by ISEKI with currently available information, and it involves potential risks and uncertainties. The forecast may not be consistent with actual results depending on fluctuation of the economic situation and market trends.
- In using this information, investors are expected to depend on their own judgment. ISEKI is not liable for any losses incurred by investment decision made utilizing the business forecast or targets given in this document.
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