



ISEKI

Solution Provider for
Agriculture & Landscape



Food



Agriculture



Landscape



New Mid-term Management Plan (2021-2025)

February 15, 2021



- 1. Review of Previous Mid-Term Management Plan**
- 2. Outline of New Mid-Term Management Plan**

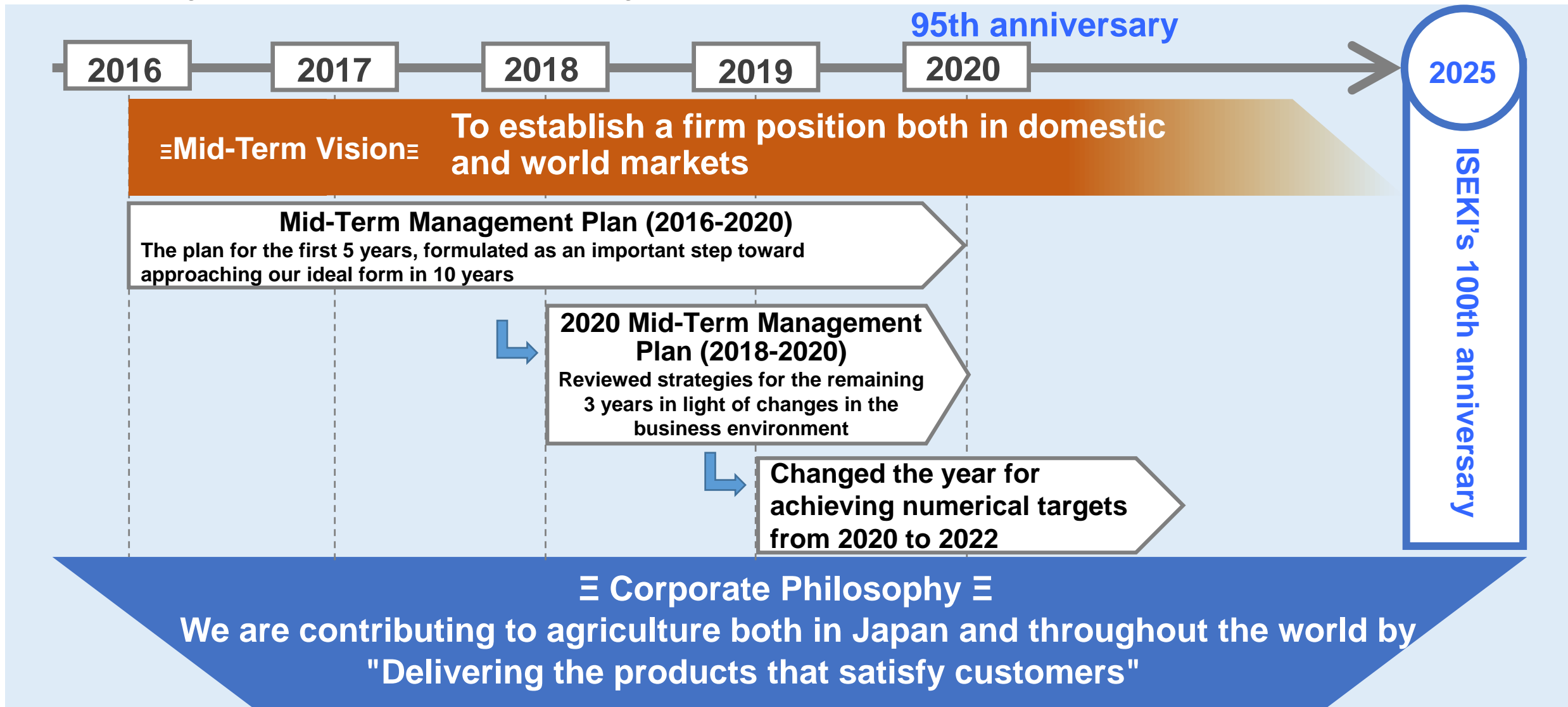


1. Review of Previous Mid-Term Management Plan

Review of Previous Mid-Term Management Plan



■ Positioning of previous Mid-Term Management Plan





■ Basic strategies and numerical targets

≡ Five Basic Strategies ≡

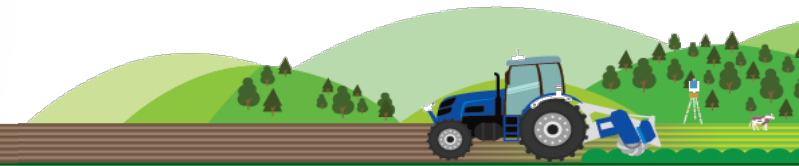
- 1 **Strengthen responsiveness to drastic changes in agriculture in Japan**
- 2 **Expand overseas businesses**
- 3 **Strengthen profitability by optimizing development & production**
- 4 **Make active capital investment for growth**
- 5 **Enhance corporate value by reinforcing personnel & corporate governance**

≡ Numerical Targets ≡

| | |
|--------------------------------------|---|
| Expansion of business domains | Net sales (consolidated) ¥190.0 billion Total overseas net sales ratio*1 40% |
| Improved profitability | Operating income (consolidated) ¥9.0 billion ROE*2 8.0% or more |
| Shareholder returns | Dividend per share ¥50 |

*1: Total overseas net sales ratio: Overseas sales ratio including equity method affiliates

*2: ROE (Return On Equity) = Profit ÷ Equity × 100



■ Changes in market environment from initial assumptions

Domestic

- » Future investment strategies, more rapid acceleration of promotion of smart agriculture by agricultural administration than expected
- » Last-minute rush and greater-than-expected pullback due to consumption tax hike
- » Poor crops due to unseasonable weather, extended periods of rain, etc.
Damage due to typhoons and other natural disasters

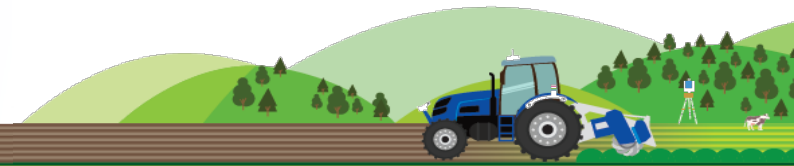
Overseas

Growth continued to level off in ASEAN and China

- » ASEAN
 - Thailand: bearish market, intensifying sales competition
- » China: Downturn in the agricultural machinery market due to changing subsidy policies, falling grain prices, etc., while locally-made products are prominent

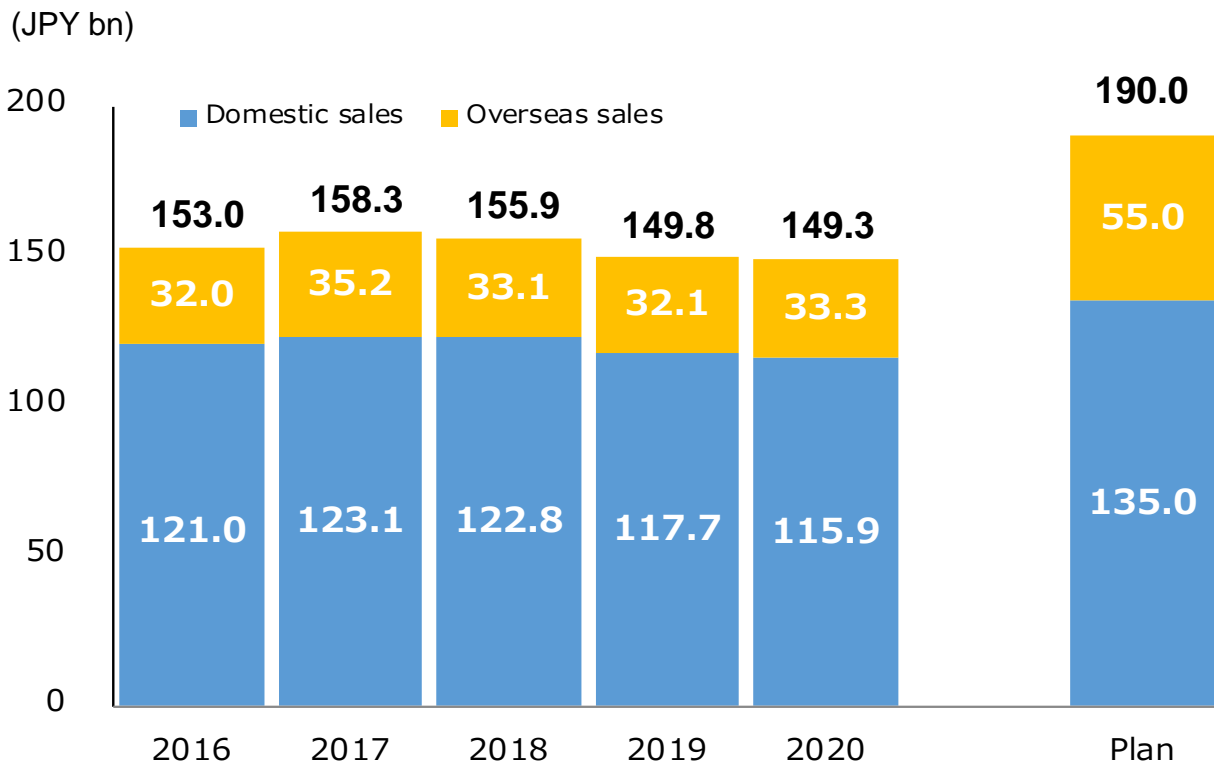
- » Impact of novel coronavirus disease (COVID-19)

Review of Previous Mid-Term Management Plan

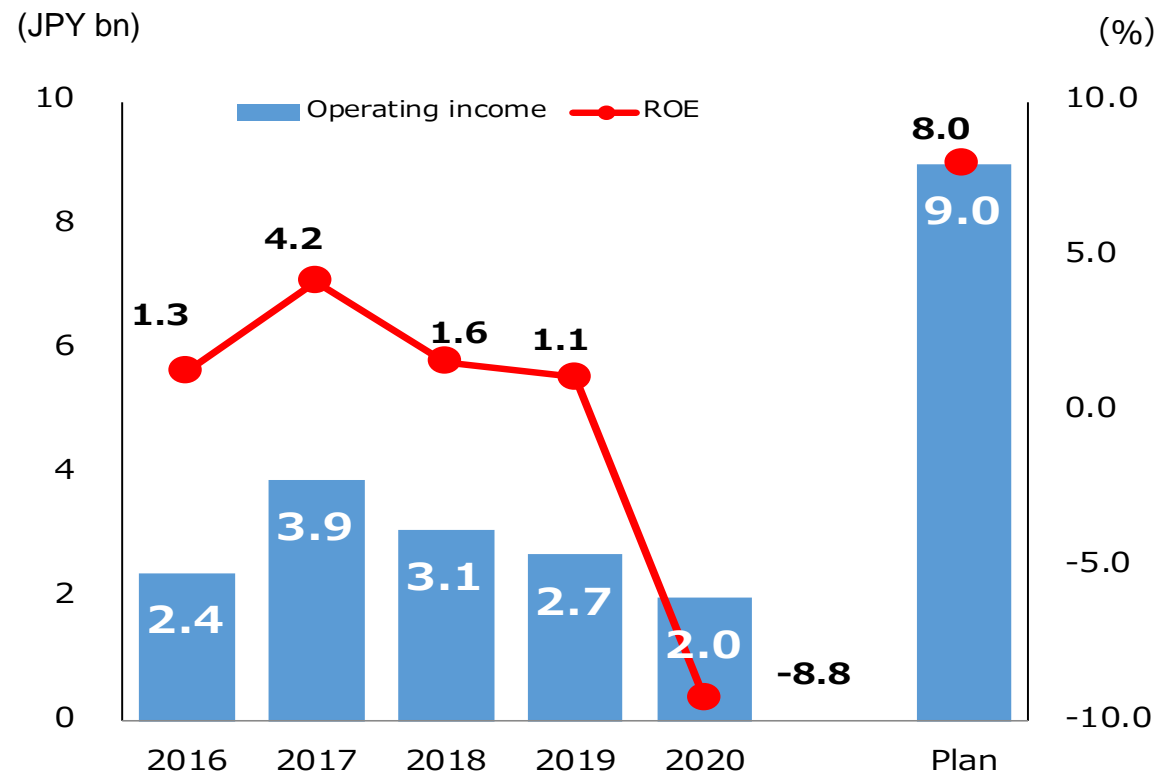


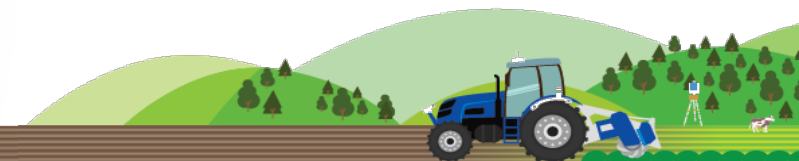
- Numerical targets (results during previous Mid-Term Management Plan)**
 Sales and profits fell far short of expectations due to deviation from the expected environment, but measures are progressing steadily.
 ⇒ It is necessary to shift to a more muscular structure that can reliably generate earnings without being affected by sales.

<Net sales>



<Operating income and ROE>



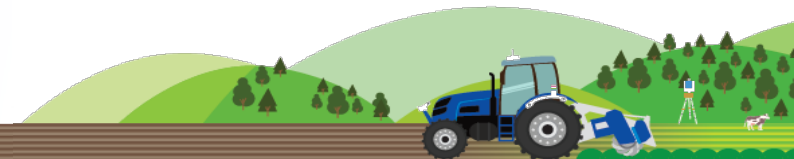


■ Major achievements of the basic strategies and issues remaining to be addressed

| | Major achievements | Remaining issues |
|---|---|---|
| Strengthen responsiveness to drastic changes in agriculture in Japan | <ul style="list-style-type: none"> ✓ Developed sales and services into a wider area Reorganized wide-area sales companies: 10 site to 6 site system ✓ Overhauled revenue and cost structure Increased revenue from maintenance ⇒ Improving profitability of sales companies | <ul style="list-style-type: none"> ✓ Strengthen measures for large-size, hi-tech vegetable cultivation machinery ✓ Further improve the profit structure of sales companies |
| Expand overseas businesses | <ul style="list-style-type: none"> ✓ Expanded business through enhanced cooperation with strategic partners U.K. and India ✓ Developed and launched products that match market needs Compliance with exhaust gas regulations, hi-tech, compact tractors, etc. | <ul style="list-style-type: none"> ✓ Expand business through further enhancement of cooperation ✓ Develop products that meet changing needs (Europe: electrification; China: high-end products, etc.) |
| Strengthen profitability by optimizing development & production | <ul style="list-style-type: none"> ✓ In-house manufacture of engines complying with exhaust gas regulations Reduced costs, increased competitiveness ✓ Improved profitability of Indonesia business Kept PT. ISEKI INDONESIA profitable | <ul style="list-style-type: none"> ✓ Improve profitability of unprofitable products in Japan and overseas, and thoroughly review low-cost designs ✓ Optimize product categorization |



2. Outline of New Mid-Term Management Plan

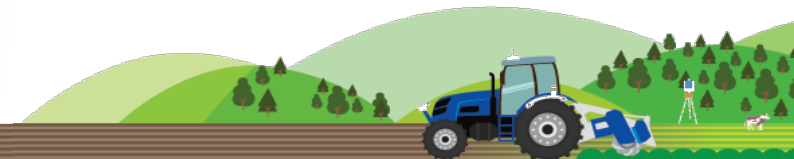


(Corporate Philosophy)

We strive to contribute to the creation the prosperous and sustainable society through "providing innovative products and higher quality of services to the customers"

(Long-Term Vision)
To be solution provider for
"Agriculture and landscape"

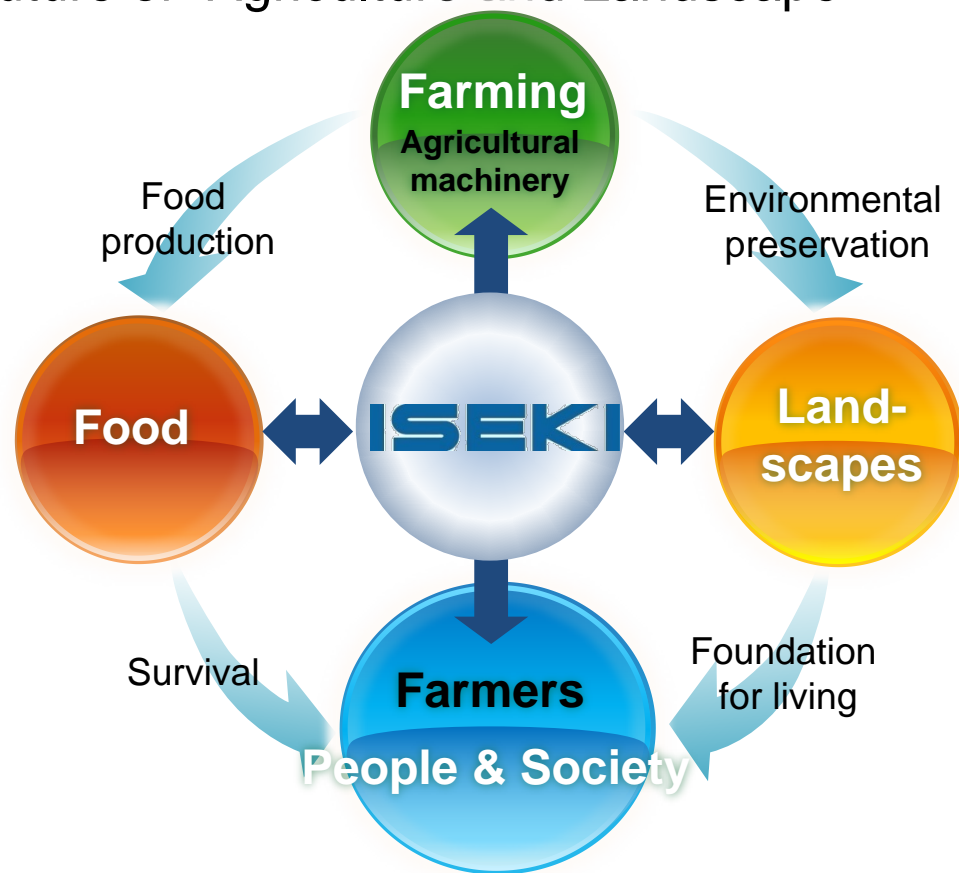
~Founding Philosophy~
To free farmers from exhausting labor



(Long-term Vision)

To be solution provider for "Agriculture and landscape"

Supporting "the farming full of dreams" and "beautiful landscapes, Creating the sustainable future of "Agriculture and Landscape"

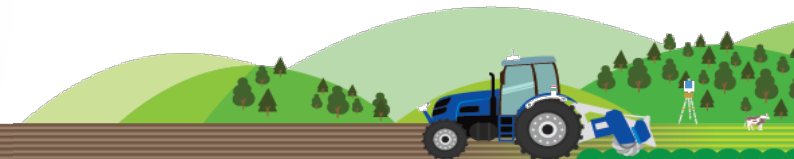


SDGs to be realized by the ISEKI Group through its business

Toward realization of a sustainable society

- ✓ Supporting resilient agriculture
- ✓ Landscaping for livable villages and towns
- ✓ Environmental conservation for a recycling-oriented society

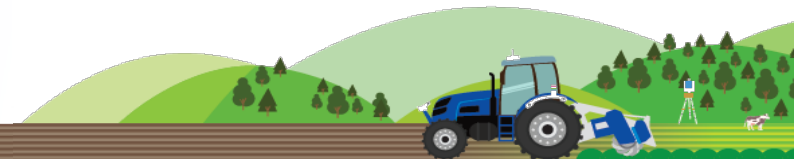




Keyword: *Henkaku* (Change)

「変革」

Toward the next 100 years...



Environmental awareness

Domestic

- ✓ Decline in number of farm households and increase in scale of farming
- ✓ Crop diversification
- ✓ Transition to smart farming, regulatory reform (WAGRI, open API, digital transformation, etc.)
- ✓ Price reduction

Overseas

- ✓ Diverse environments according to each region
- ✓ Enhancement of functionality ↔ Price reduction (Diverse needs)
- ✓ Intensifying competition

- ✓ With- and Post-Covid era, global food issues, climate change risks
- ✓ Change in business model (from products to services)
- ✓ Increased environmental awareness (exhaust gas, electric)
- ✓ Increasing demand for disclosure of non-financial information, SDGs
- ✓ Response to changes in laws and regulations, compliance

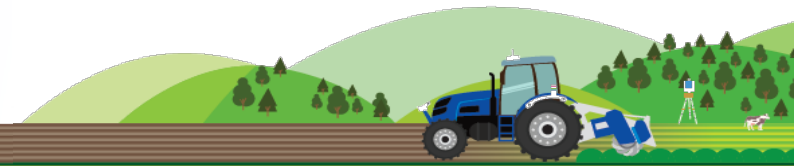
Business issues

Response to changing demands and needs

Improvement of financial position, expansion of earnings

Strengthening of ESG initiatives

Realization of technological innovation



(Positioning of the plan)

ISEKI's 100th anniversary in 2025—laying the foundations for the next 100 years

(Basic strategies)

➤➤ 1 Providing the best solutions

- We will focus on providing not only products but also services from tangible to intangible.

(Targets)

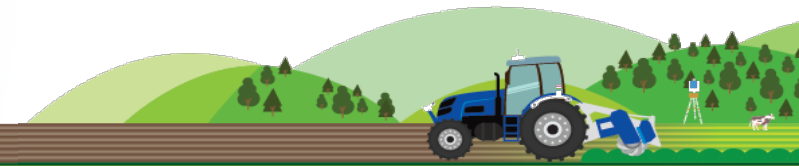
Customers

➤➤ 2 Increasing corporate value by strengthening profitability and governance

- We will make profitable corporate structure that can surely raise profits beyond sales ups and downs

Employees,
shareholders,
suppliers

Solving business issues



■ Direction of the basic strategies and initiatives

Providing the best solutions

Focus on providing services in addition to products in a transition from products to services.

Selection & concentration

Resource concentration

- Product development and sales strategy integrating domestic, overseas, and development & production

Business model transformation

Focus on service provision

- Promotion based on information (digital transformation)
- Adapt to the new normal
- Further increase revenue from maintenance

- Perspective according to business
- Introduction of an in-house company system

Visualization of unprofitable businesses

Increase corporate value by strengthening earnings and governance

Transformation to a muscular structure that can reliably generate earnings without being affected by sales

Improving profitability

Toward an operating margin of 5%

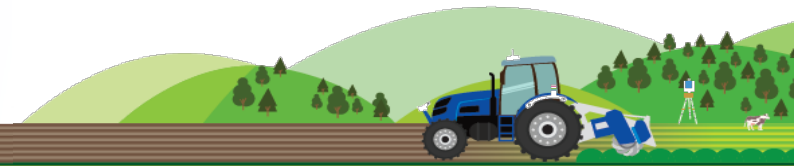
- Structural reform through the establishment of an optimal production system
- Improve management efficiency from the perspective of group-wide optimization
- Financial and capital strategies

ESG

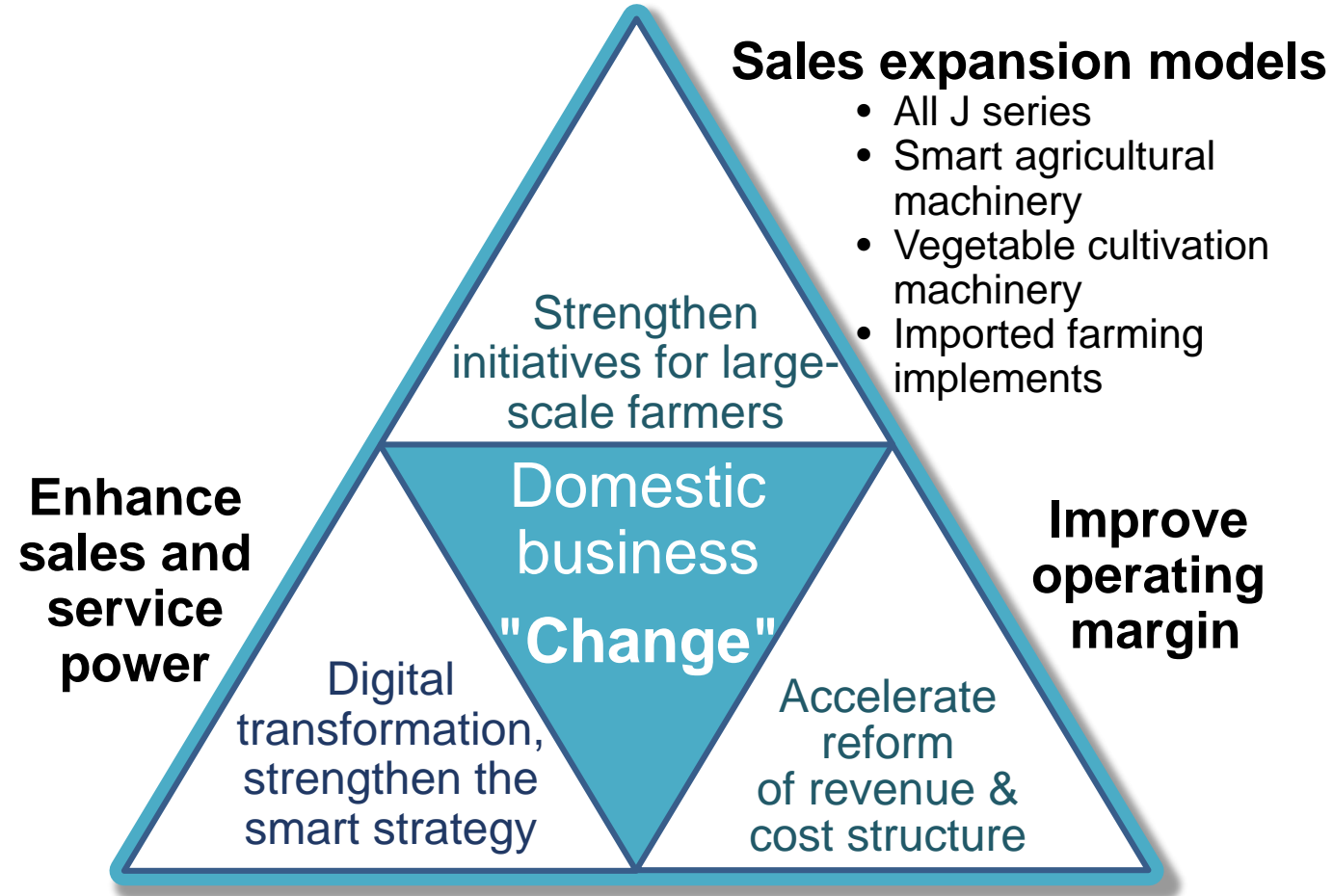
Meaning of our existence Pursuit of sustainability

- Strengthen initiatives by reviewing ESG materiality and contribute to the SDGs

- Full utilization of personnel throughout the group
⇒ Optimal allocation of personnel



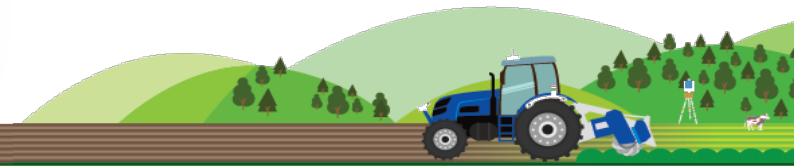
■ 3 important measures



• Vision (2025)

| | |
|---|--|
| Large-scale farmers | <ul style="list-style-type: none"> • Expand large-scale customers • Increase sales of the All Japan series |
| Digital transformation, smart strategy | <ul style="list-style-type: none"> • Enhance service power <ul style="list-style-type: none"> ○ Utilize digital tools (i-Magazine, agri-note, etc.) • Increase sales of smart agricultural machinery |
| Reform of revenue & cost structure | <ul style="list-style-type: none"> • Improve operating margin of sales companies <ul style="list-style-type: none"> ○ Revenue from maintenance • Block strategy <ul style="list-style-type: none"> ○ Appropriate allocation of bases ○ Promote the development of large-scale bases |

ISEKI, a company with a strong presence through sales and services of agricultural machinery



■ Mid-term product strategy

Important items

Large-size products

Smart agricultural machinery

Vegetable cultivation machinery

Low-cost products

Focusing on launching products for large-scale farmers

2025



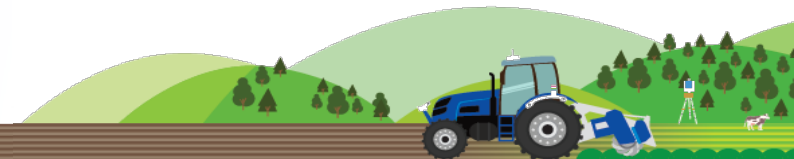
2021

2020

Product launch image

- Large-size products
- Large-size vegetable cultivation machinery
- Smart agricultural machinery
- Medium-size mainstay products
- Robot tractors
- Low-cost products
- Vegetable cultivation machinery
- Complete full lineup of the **All Japan series**





Solution Provider for Agriculture & Landscape

As a solution provider for "Agriculture and landscape", we will contribute to the needs of local communities around the world through manufacturing.



Asia

Reduce the burden of agricultural workers and support food production



Europe

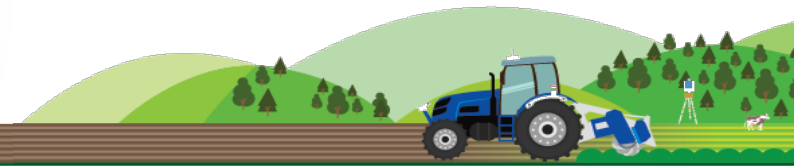
Create clean and livable towns



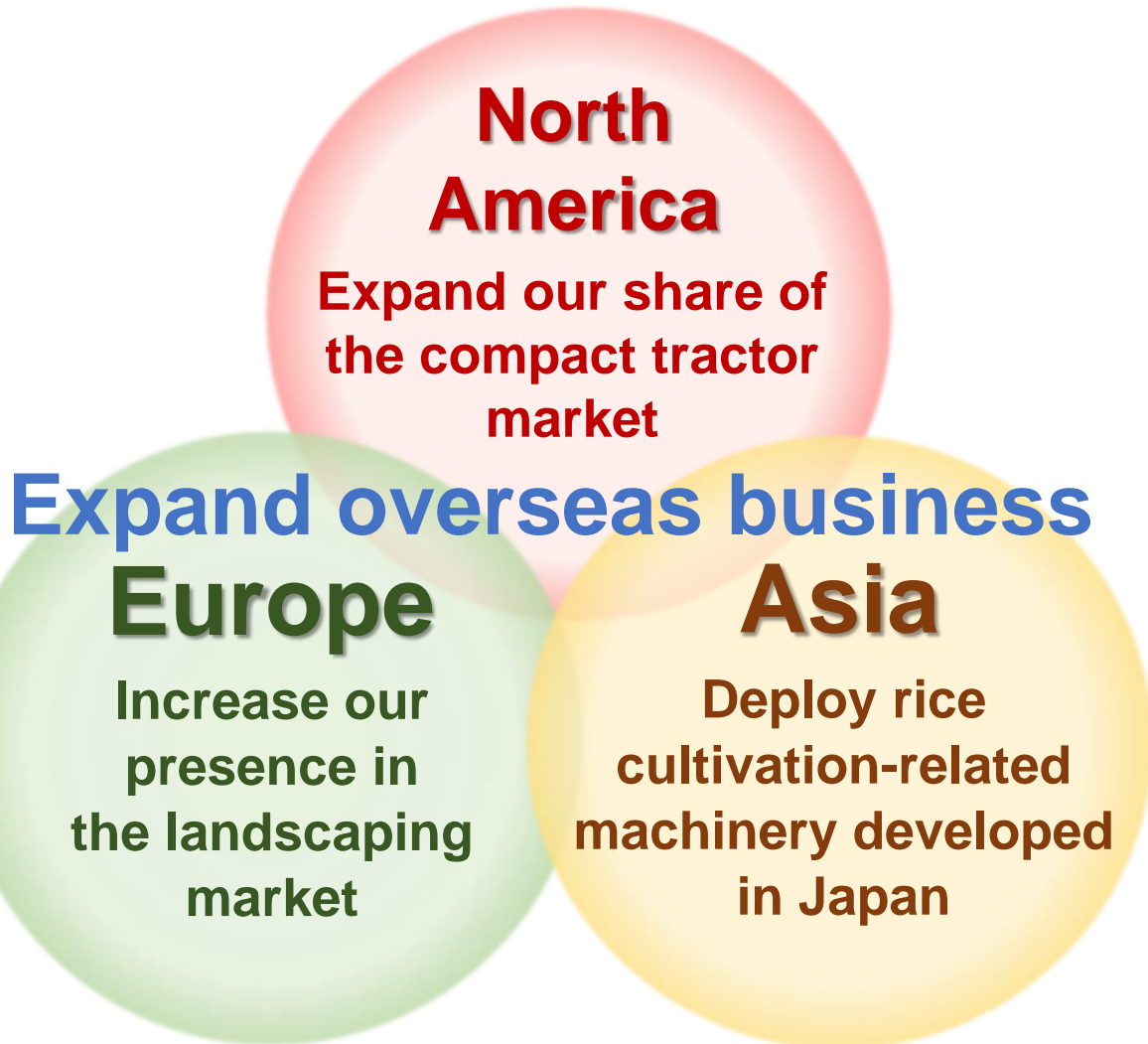
North America

Support for enhancing private life



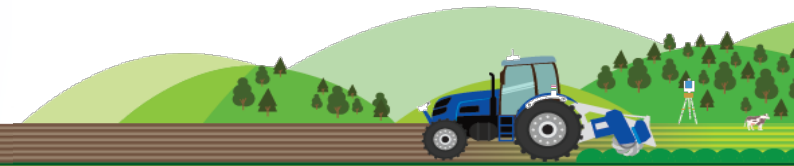


■ 3 key regions



• Major measures by region

| | |
|----------------------|---|
| North America | <ul style="list-style-type: none"> • Support development of AGCO's brand strategy • Launch economy-spec cost-cutting machines |
| Europe | <ul style="list-style-type: none"> • Restructure the sales network with a view to consolidation • Enhance products including through electrification • Improve efficiency of consumer products and implement procurement |
| Asia | <ul style="list-style-type: none"> • Build a foundation for ASEAN business with IST as the starting point • Launch large-size, high-performance agricultural machinery • Strengthen the service structure |



■ North America

- North American compact tractor market expanded steadily (reached over 210,000 units in FY2020).
- Although a temporary rebound from stay-at-home demand is expected, the market will remain stable over the medium to long term.

USA & Canada

- Strengthen the cooperative relationship with our partner AGCO
- Increase sales and market share in robust markets
- Improve & expand profitability

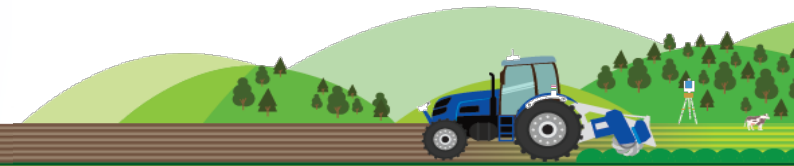
Support development of AGCO's brand strategy

Enhance products

Increase market share while improving profitability

Improve low-profitability products

Launch economy-spec cost-cutting machines



■ Europe

- The compact tractor and diesel gardening equipment market in Europe, including Central and Eastern Europe, expanded gradually.
- Electrification is accelerating due to growing environmental awareness.

Europe

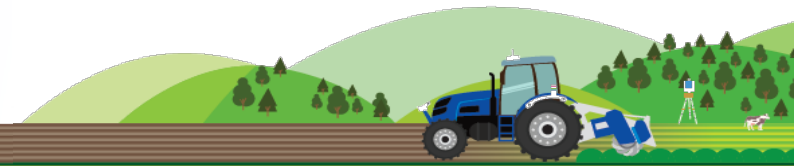
- **Restructure the European sales network**
 - Strengthen service and sales structure
 - Expand Group earnings through increased efficiency
- **Maintain and expand market share in the landscaping market with high brand recognition**
 - R&D of electrification and low-cost machines to compete with Indian companies
- **Improve and expand profitability**

Restructure the sales network with a view to consolidation

Enhance products (electrification)

Improve low-profitability products

Improve efficiency of consumer products and implement procurement



■ Asia

- ASEAN: Size of the agricultural market and expectations for growth
- South Korea & Taiwan: Increasing shortage of agricultural workers due to aging of workforce
- China: Mixture of low-cost and high-performance agricultural machinery responsible for Asia's largest rice production

Asia

- Accelerate ASEAN business with new IST (Thailand) as the starting point
- Establish a market presence in the large-size, high-performance agricultural machinery market through partner distributors in South Korea and Taiwan.
- Business development using Japanese high-performance rice cultivation machinery and products produced in China with cost advantages

Lay a foundation for ASEAN business (IST (Thailand) as starting point)

Launch large-size, high-performance agricultural machinery

Strengthen the service structure

Enhance products



Expand earnings through product development focused on regions and products where our strengths lie and growth markets

Domestic

<Support transition to large-scale farming>

- ✓ Strengthen medium- and large-size, low-price, smart agricultural machinery and field/vegetable cultivation products
- ✓ Respond to changes in farming styles (contract-farming, lease farming, etc.)

Overseas

<Support brand expansion>

- ✓ Strengthen products in Europe and North America, where our strengths lie
- ✓ Strengthen ASEAN products to establish a foothold
- ✓ Establish a brand in China and East Asia

Common strategy

<Safety & environmental support>

- ✓ Measures to prevent farming accidents
- ✓ Expand in-house production of engines that comply with exhaust gas regulations
- ✓ Develop electric products

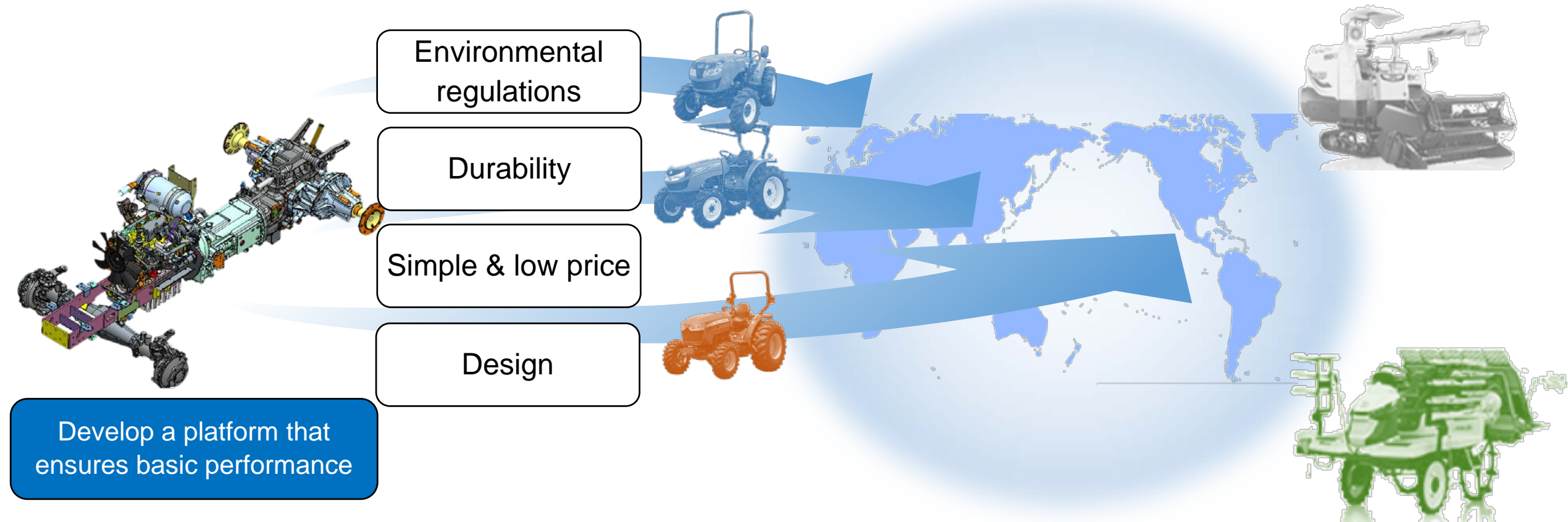
<Front-runner development>

- ✓ Globally strategic machines
- ✓ Electrification and hydrogen utilization to address environmental issues
- ✓ Automation, robotization, data utilization, etc.



■ Globally strategic machines

- ✓ In order to meet the growing demand for agricultural machinery due to food shortages, we will develop the main platforms for tractors, combine harvesters, and rice transplanters, and then introduce globally strategic machines based on these platforms as well as the regulations and necessary equipment for each region.





■ Electrification

- ✓ Launch electric products for professional use in the European landscape maintenance market to address environmental issues, using technologies developed through electric products and research.
- ✓ Expand to products for home gardens and greenhouses

For the European landscaping market



Electric tractor prototype (2011)

For home gardens and greenhouses

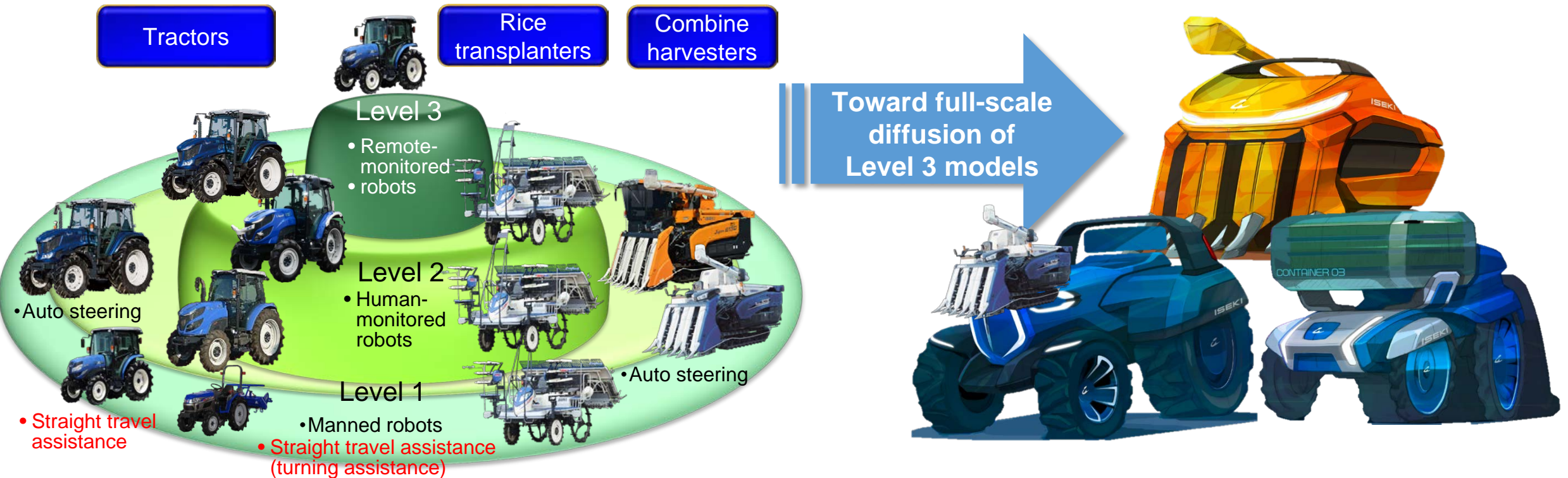


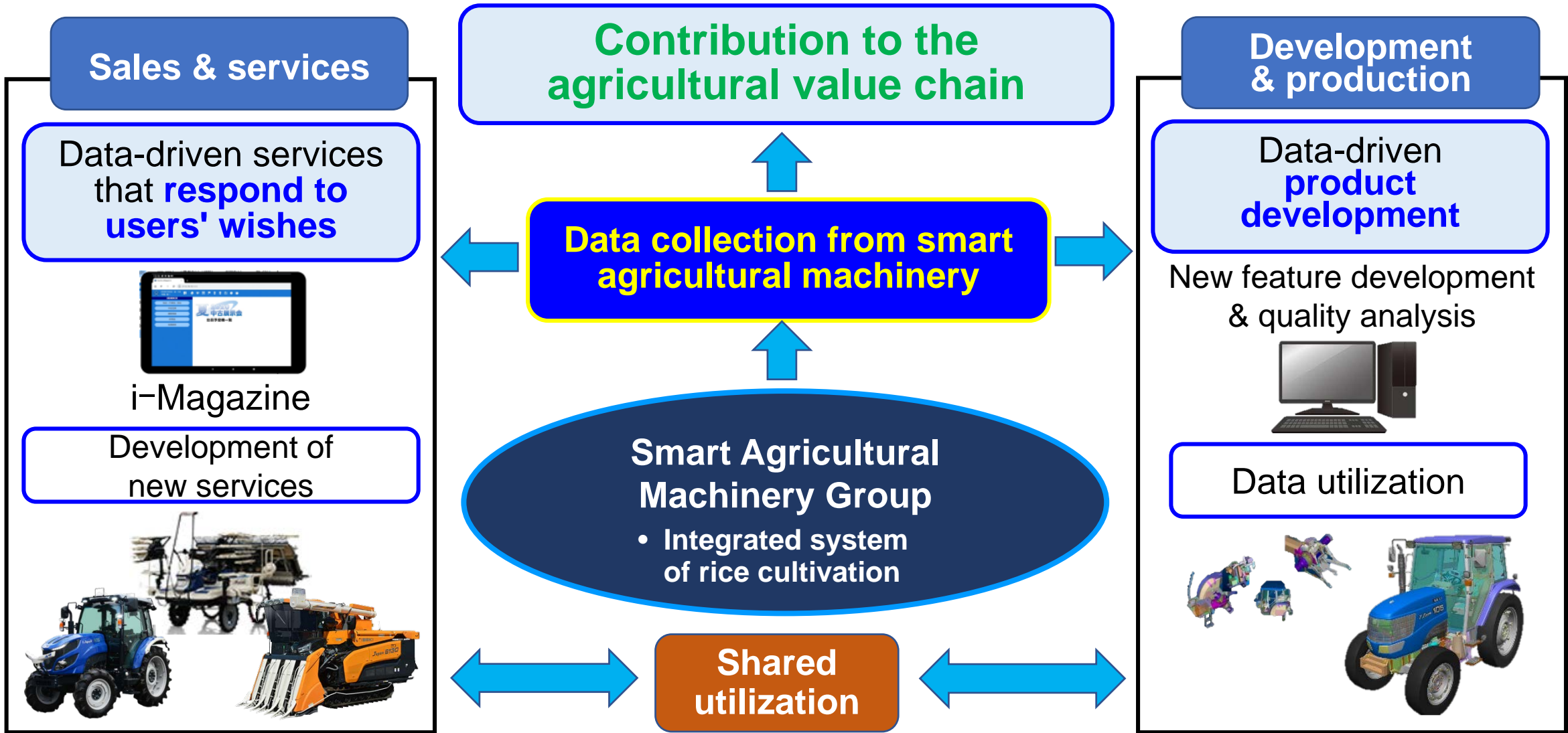
Electric cultivator Elena (2009)

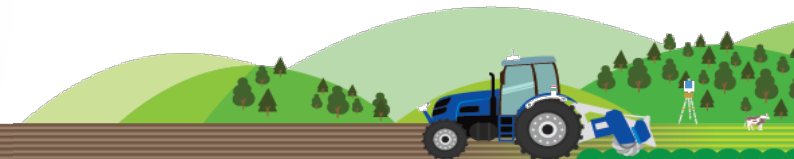


■ Automation, robotization, and data utilization

- ✓ To expand the scale of agriculture, we will sequentially introduce smart agricultural machinery that supports labor-saving and data-driven agriculture, while promoting the development of Level 3 fully unmanned models for full-scale use.







Spread of COVID-19

<Agriculture>

Increasing interest in food

⇒ **Stable supply, improved food self-sufficiency rate**

<Work styles>

Response adapted to the new normal



ISEKI's mission & vision

Renewed recognition of agriculture and landscaping as **essential businesses**

ISEKI, supporting "food, agriculture, and landscapes"

《Our response》

<Sales aspect>

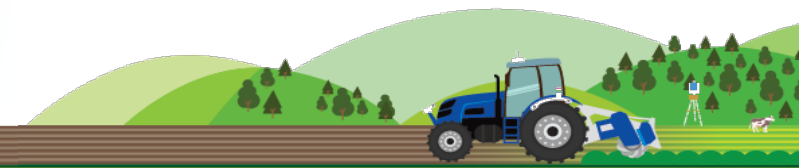
- ✓ Online distribution of videos, etc.
- ✓ Advertising via social media
- ✓ Strengthen online dissemination capabilities through virtual demonstrations, etc.
- ✓ Strengthen service capabilities through online seminars, etc.
- ✓ Develop i-Magazine
- ✓ Respond to increased demand for hobby purposes

<Production aspect>

- ✓ Remote guidance for launching new products at overseas production plants

<Employees' work styles>

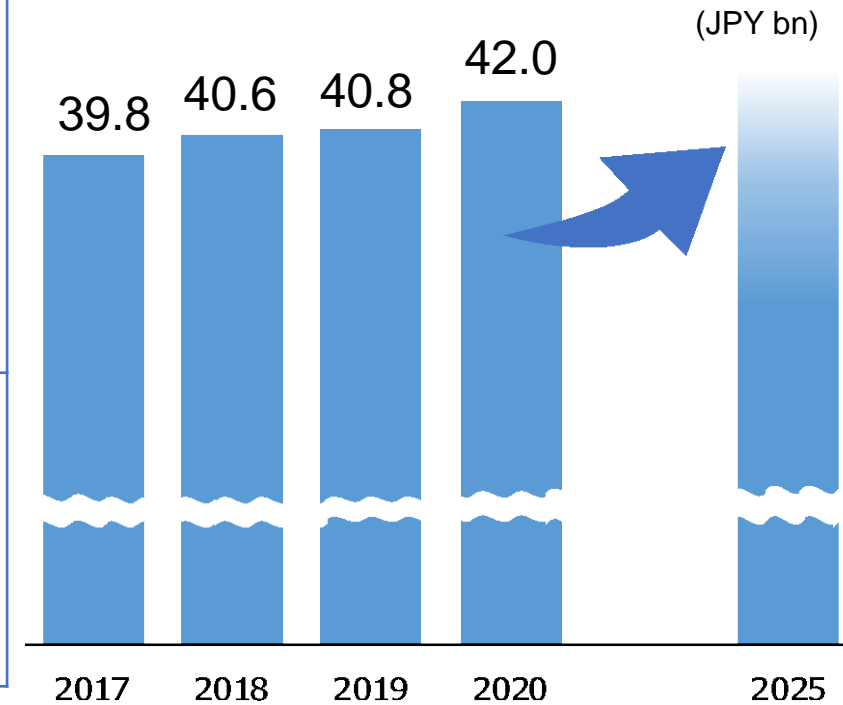
- ✓ New workstyles such as flexible working hours, telecommuting, and distributed work



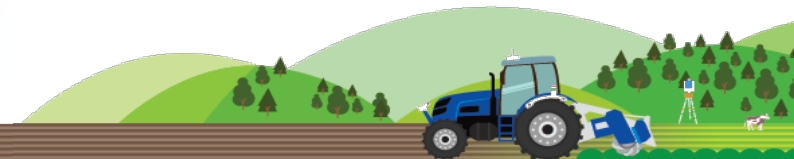
- Revenue from ancillary services

| | |
|-----------------|--|
| Domestic | <ul style="list-style-type: none">✓ Expand parts, repair fees, and farming implements<ul style="list-style-type: none">• Expand large maintenance bases• Expand new products such as ICT• Increase the number of service personnel, personnel development |
| Overseas | <ul style="list-style-type: none">✓ Establish parts and service business<ul style="list-style-type: none">• Strengthen service capabilities through dealer education• Strengthen cooperation with European distributors |

<Domestic sales trends for farming implements, spare parts, and repair fees>



- Plan and develop new business styles



■ Construct the optimal production system

✓ Reorganize the production system

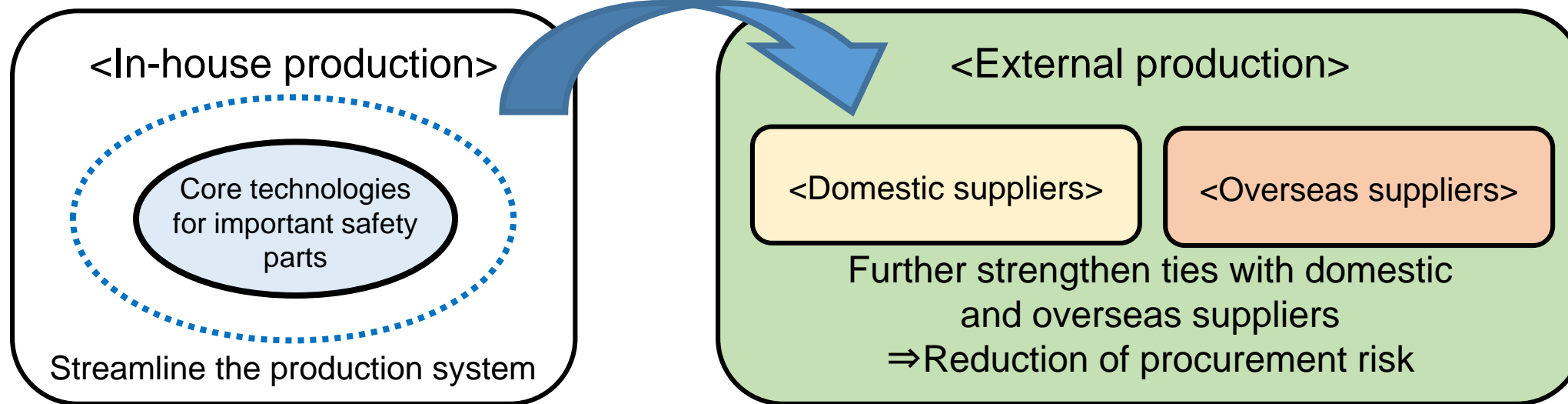
- Production base for parts and units
- Product assembly and shipping bases



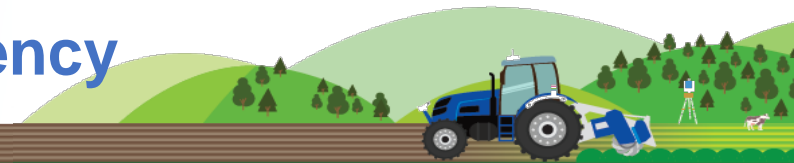
Boost productivity by effectively utilizing the Group's personnel and facilities

■ Review segregation of in-house and external production

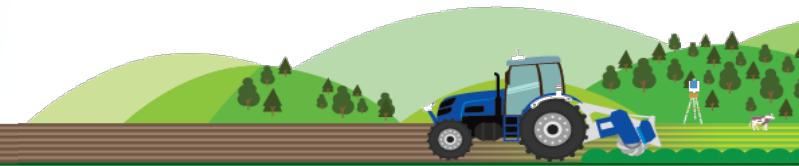
Change to external production for some parts produced in-house



Continue in-house production of important safety parts and core technologies that require skills transfer. On the other hand, in line with the reorganization of the production system, we will promote the switch from in-house production of parts to external production to achieve structural reform.



| | |
|---|---|
| Improve operational efficiency | <ul style="list-style-type: none">✓ Increase development efficiency by tightening the development process✓ Streamline indirect departments by strengthening IT, RPA, and shared services |
| Improve sales efficiency | <ul style="list-style-type: none">✓ Use digital tools in sales activities✓ Reduce transportation costs and inventory by improving domestic product distribution |
| Maximize investment efficiency | <ul style="list-style-type: none">✓ Cut costs and reduce model types through global common designs✓ Restructure to achieve an optimal production system |
| Maximum utilization of personnel | <ul style="list-style-type: none">✓ Fully utilize personnel throughout the entire Group✓ Develop a diversity promotion system |



Improve operating margin

- ✓ Operating margin: 5% (2025)
- Improve gross profit
- Improve fixed cost ratio
- Optimization, selection and concentration

Improve asset efficiency

- ✓ Improve CCC
- ✓ Reduce inventory
- ✓ Optimize non-current assets

Generate cash flows

Operating cash flows
¥60.0 billion
(5 year cumulative)

Aiming at ROE of 8%

Capital investment

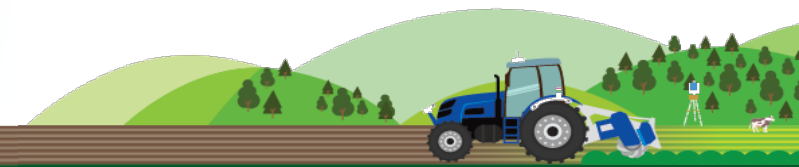
Within the scope of depreciation
Thoroughly implement a capital cost perspective

Reduce interest-bearing liabilities

- ✓ D/E ratio: 0.8 times (2025)

Shareholder returns

Continued stable dividend payments



- Shift to a more muscular structure that can reliably generate earnings without being affected by sales

Management target: Operating margin **5%**

→ **Improve gross profit margin**

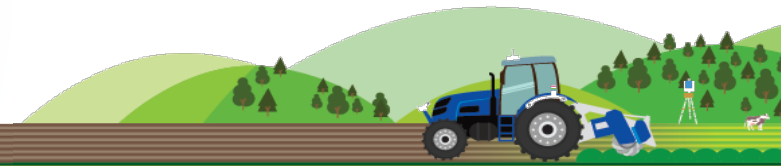
→ **Improve fixed cost ratio**

Optimization

- Improve profit margin for each product
- Review unprofitable products
- Optimize product categorization
- Clear out surplus equipment
- Strengthen RPA and shared services

Selection & concentration

- Expand revenue from maintenance
- New business
- Block strategy
- Liquidation of unprofitable businesses



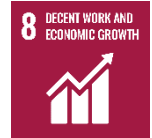
Relationship between our business and SDGs



Eco-products and environmental burden reduction activities



Supporting agricultural resilience



Landscaping for livable villages and towns



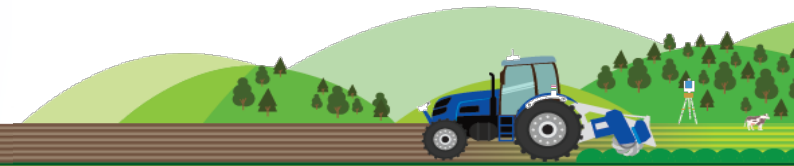
Environmental conservation for a recycling-oriented society



ESG: Identifying ESG Materiality



| | | Materiality (priority issues) | Value provided to society (examples) | Related SDGs |
|---|---|--|--|--------------|
| <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Elements that support sustainable value creation and growth</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);"><ESG Materiality></p> | Solving social issues through business activities | <p>Basic strategies</p> <ol style="list-style-type: none"> 1. Provide the best solutions 2. Increase corporate value by strengthening earnings and governance | <ul style="list-style-type: none"> ✓ Products and services that contribute to increased productivity, safety and reduced environmental burden regarding agriculture and landscaping ✓ Encouraging women to participate in farming (Project to support female farmers) ✓ Revitalization and development of local communities | |
| | Society | <p>Improve brand value</p> <p>Improving customer satisfaction and creating quality Supply chain management Social contribution and international cooperation</p> | <ul style="list-style-type: none"> ✓ Creating diverse personnel ✓ Providing a safe and rewarding workplace | |
| | | <p>Enhance engagement</p> <p>Diversity Creating a comfortable workplace Occupational health and safety management</p> | <ul style="list-style-type: none"> ✓ Reducing greenhouse gas emissions ✓ Contribution to formation of a recycling-oriented society | |
| | Environment | <p>Environmental preservation</p> <p>Environmental management Environment-friendly design (eco products) Reduction of environmental burden (CO2, etc.)</p> | <ul style="list-style-type: none"> ✓ Increasing corporate value, stable dividends | |
| | Corporate governance | <p>Increase corporate value</p> <p>Strengthening governance Risk management Compliance Information disclosure and constructive dialogue</p> | | |

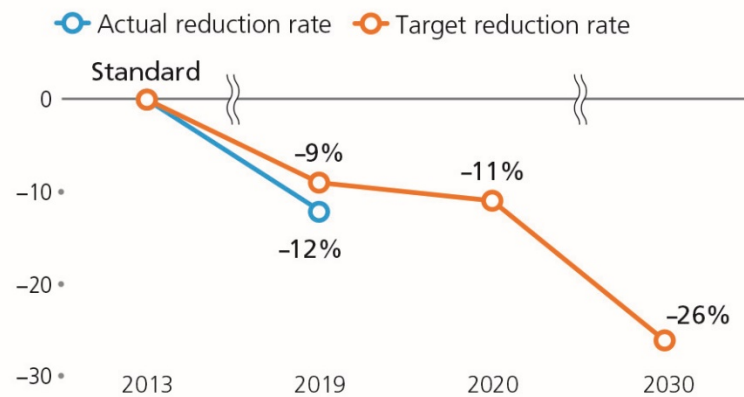


- ✓ Introduce an environmental management system (EMS) for the entire group
- ✓ Set and promote mid- and long-term goals to reduce environmental burden

Mid- and long-term targets

Reduction in CO₂ emission volumes in production activities in Japanese manufacturing locations

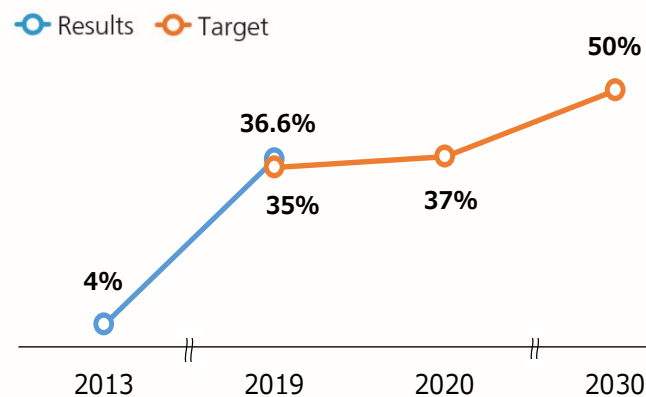
2030: **26% reduction** (compared to FY2013)



Eco-product ratio in domestic sales

2020: **37%**

2030: **50% or more**



EMS certification status

■ Manufacturing bases
 <Japan 6 / Overseas 3>
 100% certified

■ Non-manufacturing bases
 <Domestic sales companies 9>
 100% certified

<Other bases 9>
 100% certified

The Group's EMS covers ISO 14001 and Eco Action 21.

Work toward decarbonization (electrification, use of hydrogen, etc.)



HR transformation

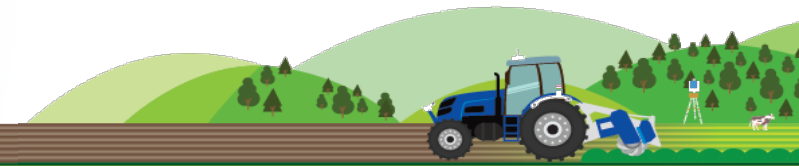
- ◆ **Implement human resource policies based on business strategies**
 - ✓ Optimal allocation of the Group's personnel
- ◆ **Secure and foster personnel to realize business strategies**
 - ✓ Response to advanced technology, global personnel, domestic farmers, etc.

Enhance employee engagement

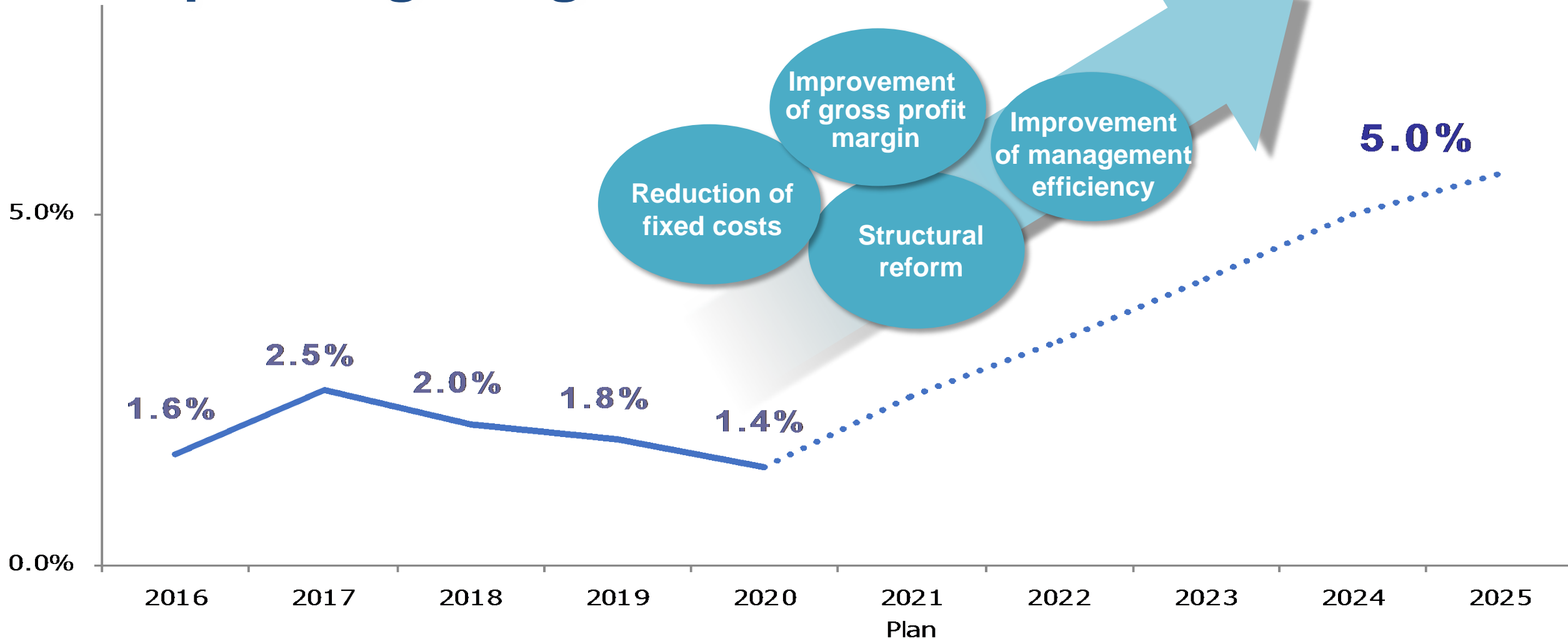
- ◆ **Create an attractive and comfortable workplace**
 - ✓ Conduct engagement surveys
 - ✓ Enhance the work-life balance
- ◆ **Training programs, education, and diversity**
 - ✓ Personnel development for the next 100 years

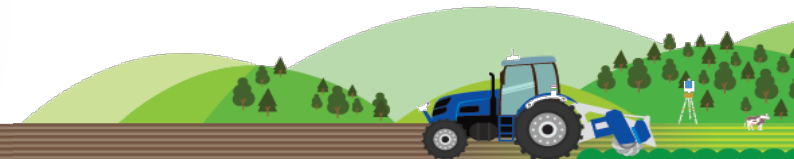


| | 2019 | 2020 | 2021 | -2025 |
|--|--|---|-------------------------|---|
| Board of Directors | Establishment of the Nomination Advisory Committee | Reorganization into the Nomination and Compensation Committee | CG Code revision | Succession planning and review of compensation system |
| | Implementation of effectiveness evaluation (by an external organization) | | | Continued implementation of effectiveness evaluation |
| | Outside directors: 2 out of 11; Japanese, male only | | | Increase the ratio of outside directors Consider diversification |
| Internal control & compliance | Enhancement of the reporting system (misconduct, on-site inspection by government offices, disasters) Measures to protect personal information and prevent harassment | | | Strengthen internal controls at overseas subsidiaries Further strengthen personal information protection |
| | Risk management | Risk Management Control Committee: once per year | | Risk Management Control Committee: 3 times per year |



Operating margin **5%**





- 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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ISEKI group is a promotional partner of FOOD ACTION NIPPON



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ために、
いま選ぼう。

ISEKI Group joins the nationwide action called "COOL CHOICE" run by the Ministry of the Environment Government of Japan, which promotes to make "smart choices" for the global warming. As a proposal of "smart choices", we develop and deliver environmental-friendly products like "eco products".