

Financial Results for the Fiscal Year Ended December 31, 2018 Investor Relations Presentation Materials

ISEKI & CO., LTD.

Akio Kikuchi,
Chairman

February 15, 2019

1. Outline of Financial Results for the Fiscal Year Ended December 31, 2018
2. Recent Development in Domestic and Overseas Markets
3. Performance Forecast for the Fiscal Year Ending December 31, 2019
4. Mid-term Management Plan



*Presentation Highlights

■ Business Performance for the Fiscal Year Ended December 31, 2018

Decreased revenue and income

Overseas: Growth engine: China and ASEAN business stagnant

■ Forecast for the Fiscal Year Ending December 31, 2019

Moderate recovery in spite of increased revenue and income forecast

■ 2020 Mid-term Management Plan

Numerical targets extended about 2 years

- Basic strategies remains the same

1. Outline of Financial Results for the Fiscal Year Ended December 31, 2018

Outline of Consolidated Business Performance

(JPY bn, %)

	FY2015/12		FY2016/12		FY2017/12		FY2018/12		YoY Change	Difference (forecast/results) ^{*2}
	Results ^{*1}	Results	Results	%	Results	%	Results	%		
Net Sales	156.8	153.1	158.4	100.0	156.0	100.0	(2.4)	1.0		
(Domestic)	125.4	121.0	123.1	77.7	122.8	78.7	(0.3)	0.9		
(Overseas)	31.4	32.1	35.3	22.3	33.2	21.3	(2.1)	0.1		
Operating Income	0.2	2.5	4.0	2.5	3.2	2.0	(0.8)	±0.0		
Ordinary Income	0.4	1.6	4.2	2.7	2.6	1.7	(1.6)	±0.0		
Profit (Loss) Attributable to Owners of Parent		0.9	2.8	1.8	1.1	0.7	(1.7)	(0.3)		
Exchange Rate (JPY)	US\$	119.9	108.6	112.1	110.2	(1.9)	0.2			
	Euro	134.9	120.1	126.8	130.9	4.1	0.9			

*1: FY2015/12 consisted of 9 months due to a change in the fiscal year-end, and has been adjusted and calculated for 12 months.

*2: Difference (forecast/results) is a comparison with the forecast announced on November 12, 2018.

Domestic Sales

» Sales increased due to the launch of new rice transplanters
Farming implements, spare parts, repair fees remains strong

(JPY bn)

		FY2015/12	FY2016/12	FY2017/12	FY2018/12	YoY Change		Difference (forecast/ results) ^{*2}	
		Results ^{*1}	Results	Results	Results	Note			
Agricultural Machinery Related	Agricultural Machinery	Cultivating & Mowing Machinery	30.1	27.6	28.2	27.4	(0.8)	Tractors: (0.6)	1.0
		Planting Machinery	9.9	9.1	8.5	9.2	0.7	Rice transplanters: 0.4 Transplanters: 0.3	±0.0
		Harvesting & Processing Machinery	21.9	20.9	20.4	20.0	(0.4)	Combine harvesters: (0.2)	(0.3)
		Total	61.9	57.6	57.1	56.6	(0.5)		0.7
		Farming Implements	18.0	19.0	19.7	20.2	0.5		(0.3)
		Spare Parts	14.1	14.4	14.7	14.8	0.1		(0.1)
		Repair Fees	4.9	5.2	5.4	5.6	0.2		±0.0
		Total	37.0	38.6	39.8	40.6	0.8		(0.4)
	Total	98.9	96.2	96.9	97.2	0.3		0.3	
	Construction of Facilities	5.5	5.1	6.6	5.7	(0.9)		0.3	
Others	21.0	19.7	19.6	19.9	0.3		0.3		
Total	125.4	121.0	123.1	122.8	(0.3)		0.9		

*1: FY2015/12 consisted of 9 months due to a change in the fiscal year-end, and has been adjusted and calculated for 12 months.

*2: Difference (forecast/results) is a comparison with the forecast announced on November 12, 2018.

Overseas Sales

» Sales decreased due to local inventory adjustment in China and ASEAN

(JPY bn)

	FY2015/12 Results* ¹	FY2016/12 Results	FY2017/12 Results	FY2018/12 Results	YoY Change		Difference (forecast/ results)* ²
						Note	
North America	12.8	10.7	9.1	10.8	1.7	Disappearance of effects of changes in business terms with OEM partner Tractors: 1.5	0.1
Europe	11.0	9.3	10.7	10.9	0.2	Lawn mowers: 0.2	(0.5)
China	1.1	3.2	3.8	1.0	(2.8)	Local inventory adjustment, Rice transplanters: (2.4)	±0.0
ASEAN	1.8	3.0	4.8	3.9	(0.9)	Combine harvesters: (0.9)	0.2
Others	1.9	2.0	2.7	1.8	(0.9)	Tractors: (0.9)	0.1
Product Sales Total	28.6	28.2	31.1	28.4	(2.7)		(0.1)
Parts & Others	2.8	3.9	4.2	4.8	0.6		0.2
Total Sales	31.4	32.1	35.3	33.2	(2.1)		0.1
Overseas Sales incl. Chinese Business	38.0	37.0	38.7	37.0	(1.7)		(1.5)
Overseas Net Sales Ratio	23.2%	23.4%	23.9%	23.2%	(0.7)%		(0.8)%

*1: FY2015/12 consisted of 9 months due to a change in the fiscal year-end, and has been adjusted and calculated for 12 months.

*2: Difference (forecast/results) is a comparison with the forecast announced on November 12, 2018.

Operating Income

» Operating income decreased as a result of a decrease in gross margin due to decreased revenue and temporary factors such as the application of the principle of calculating retirement benefits upon the merger of subsidiaries, as well as increased development costs, etc.

(JPY bn, %)

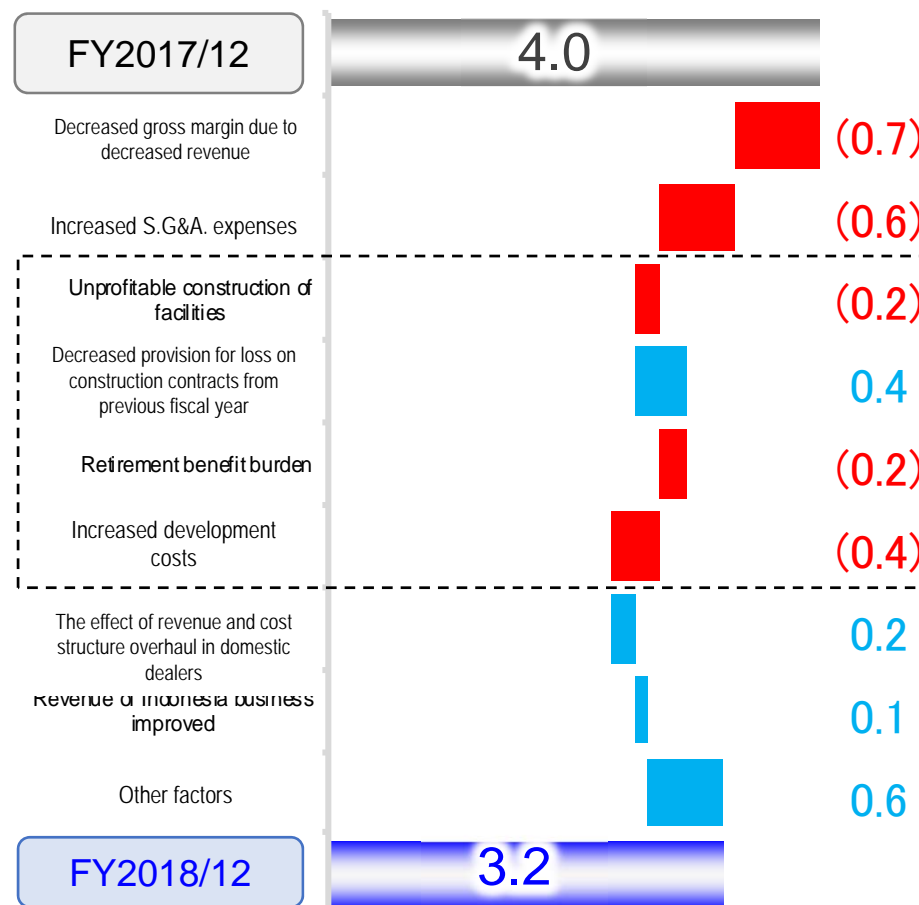
	FY2017/12 Results	FY2018/12 Results	YoY Change	Difference (forecast/ results) *
Net Sales	158.4	156.0	(2.4)	1.0
Gross Profit	46.2	46.0	(0.2)	(0.5)
Gross Profit Margin	29.2%	29.5%	0.3%	(0.5)%
S.G&A. Expenses	42.2	42.8	0.6	(0.5)
Personnel Expenses	24.9	25.4	0.5	±0.0
Other Expenses	17.3	17.4	0.1	(0.5)
Operating Income	4.0	3.2	(0.8)	±0.0

* Difference (forecast/results) is a comparison with the forecast announced on November 12, 2018.

[Effect of forex fluctuations (JPY bn)]

Net Sales	Cost of Sales	S.G&A. Expenses	Operating Income
(0.1)	0.0	0.0	(0.1)

[Breakdown of YoY Change (JPY bn)]



Ordinary Income and Profit

» Ordinary income decreased due to a worsening in foreign exchange gains or losses and in the share of profit or loss of entities using the equity method in China

	FY2017/12	FY2018/12	YoY change	(JPY bn)
	Results	Results		Difference (forecast/results)*
Operating Income	4.0	3.2	(0.8)	±0.0
Balance of Financial Income	(0.7)	(0.8)	(0.1)	(0.1)
Other Non-operating Income	0.9	0.2	(0.7)	0.1
Ordinary Income	4.2	2.6	(1.6)	±0.0
Extraordinary Income	0.5	0.1	(0.4)	(0.1)
Extraordinary Losses	(0.9)	(0.5)	0.4	(0.1)
Income before Income Taxes	3.8	2.2	(1.6)	(0.2)
Income Taxes - Deferred	(1.0)	(1.1)	(0.1)	(0.1)
Profit (Loss) Attributable to Owners of Parent	2.8	1.1	(1.7)	(0.3)

Non-operating Income (YoY change)	
Foreign exchange gains or losses	-¥0.3 billion
Share of profit or loss of entities using equity method	-¥0.8 billion
Technical support fee from TAFE	+¥0.5 billion

[Share of profit or loss of entities using equity method]
(JPY bn)

FY2017/12	FY2018/12	Change
(0.2)	(1.0)	(0.8)

* Difference (forecast/results) is a comparison with the forecast announced on November 12, 2018.

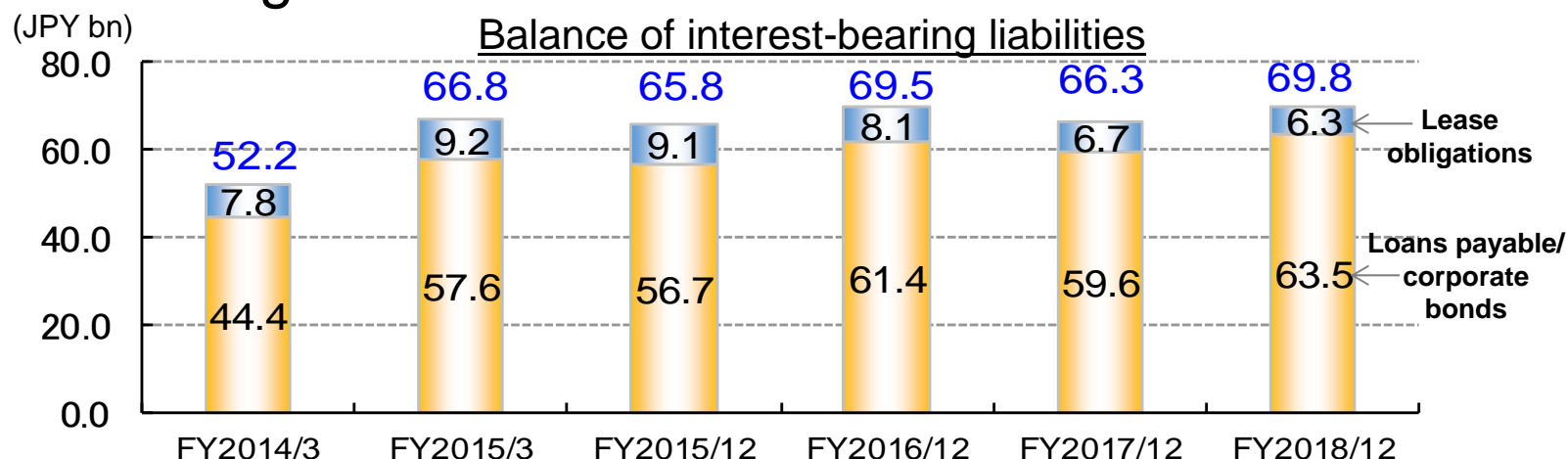
Balance Sheet (Consolidated)

(JPY bn)

	As of Dec. 31, 2017	As of Dec 31, 2018	Difference		As of Dec. 31, 2017	As of Dec. 31, 2018	Difference
Cash & Deposits	8.0	7.5	(0.5)	Accounts Payable - Trade	40.7	39.7	(1.0)
Accounts Receivable - Trade	25.1	23.3	(1.8)	Interest-bearing Liabilities	66.3	69.8	3.5
Inventories	53.4	53.7	0.3	(Loans Payable)	59.6	63.5	3.9
(Merchandise and Finished Goods)	45.4	46.5	1.1	Other Liabilities	23.4	22.8	(0.6)
Other Current Assets	5.2	8.3	3.1	Total Liabilities	130.4	132.3	1.9
Total Current Assets	91.7	92.8	1.1	Net Assets	70.9	68.9	(2.0)
Non-current Assets	96.6	97.9	1.3	(Retained Earnings)	16.5	16.9	0.4
Investments and Other Assets	13.0	10.5	(2.5)	(Valuation Difference on Available-for-sale Securities)	1.8	0.4	(1.4)
(Investment Securities)	7.1	5.8	(1.3)	(Foreign Currency Translation Adjustment)	1.1	0.9	(0.2)
Total Non-current Assets	109.6	108.4	(1.2)	Total Liabilities and Net Assets	201.3	201.2	(0.1)
Total Assets	201.3	201.2	(0.1)				

Interest-bearing Liabilities and Dividends

1. Interest-bearing liabilities



D/E Ratio (x)	0.76	0.94	0.97	1.04	0.94	1.01
Equity ratio (%)	34.0%	34.0%	33.0%	32.2%	34.4%	33.4%
Interest-bearing liabilities (JPY bn)	52.2	66.8	65.8	69.5	66.3	69.8
Net assets (JPY bn)	68.7	71.1	68.1	67.1	70.9	68.9

2. Dividends

(JPY)

	FY2016/12	FY2017/12	FY2018/12 Plan
Year-end dividend	1.5	30	30

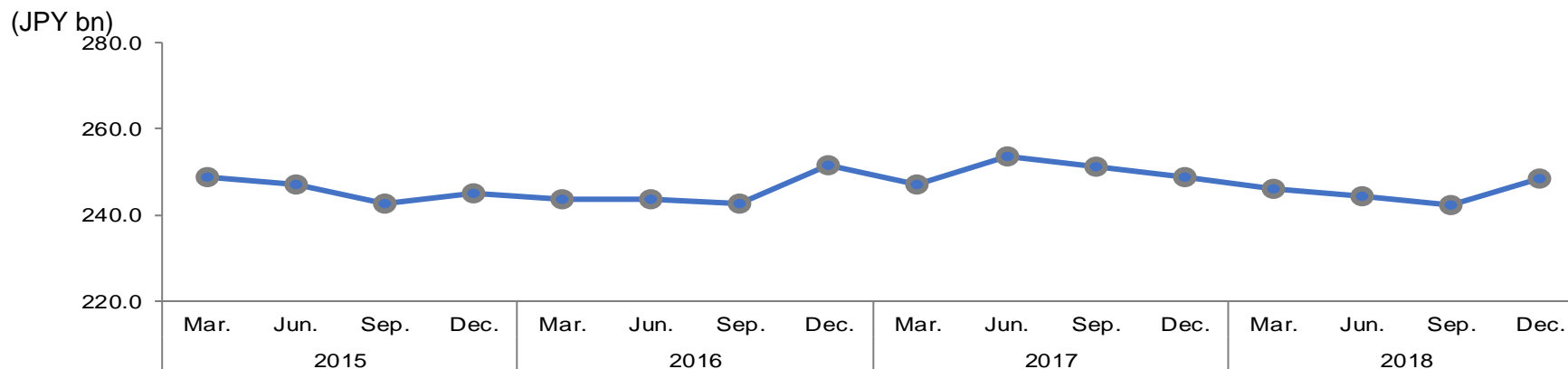
*Effective July 1, 2017, the Company has consolidated shares of its common stock (one-for-ten share consolidation).

2. Recent Development in Domestic and Overseas Markets

» Demand remains bearish and flat

■ Agricultural machinery demand (shipments in the industry)

(9 principal machinery, moving annual total)



*9 principal machinery: Tractors, combine harvesters, rice transplanters, tillers, drying machines, rice huskers, binders, harvesters, treatment

Source: Estimated by ISEKI from statistics provided by the Japan Agricultural Machinery Manufacturers Association

■ Agricultural machinery demand

(Farming implements, trends in vegetable-cultivation machinery, January to December)

(JPY bn)

	2015	2017	Difference
9 principal machinery categories	245.2	249.0	101.5%
Farming implements, vegetable-cultivation	52.9	56.3	106.4%

Increasing demand for farming implements and vegetable-cultivation machinery

Source: Estimated by ISEKI from statistics of the Japan Agricultural Machinery Manufacturers Association

Domestic Agricultural Machinery Shipments and ISEKI's Performance



» Industry and ISEKI remained in line with the previous year

YoY growth rate for 9 principal machinery categories (moving annual total)

*ISEKI estimates (%)

		FY2015/12	FY2016/12	FY2017/12	FY2018/12
Industry	(Amount of shipment)	84%	103%	99%	100%
ISEKI	(Sales amount)	94%	90%	102%	99%

*9 principal machinery: Tractors, combine harvesters, rice transplanters, tillers, drying machines, rice huskers, binders, harvesters, treatment

Domestic Trends in Agricultural Administration

■ Ministry of Agriculture, Forestry and Fisheries budget proposal

2018 supplementary budget + 2019 budget: **¥3,031.6 billion**
(YoY difference: +¥261.5 billion)

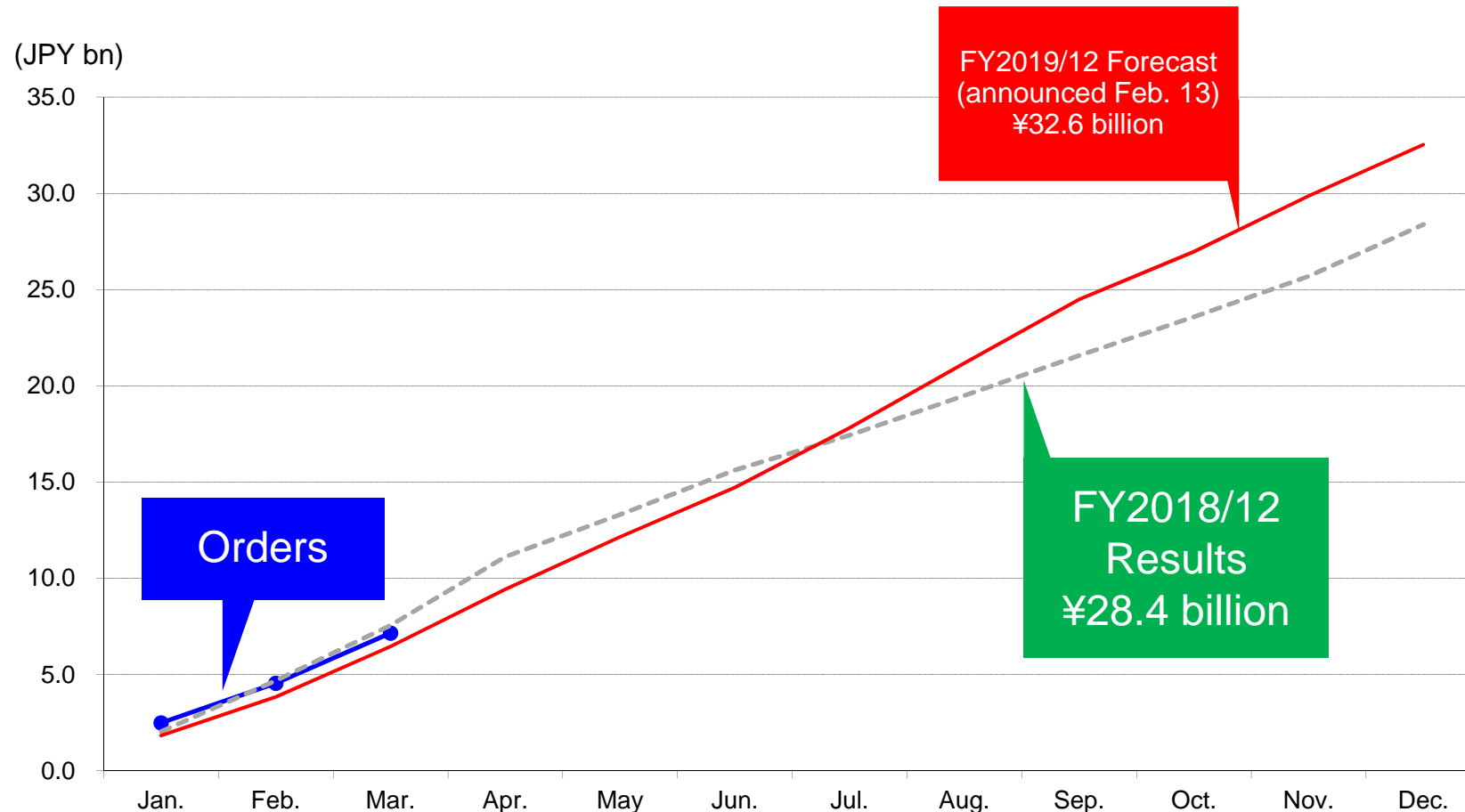
■ Primary budget allowances for agricultural machinery and facilities

Section	Project name	Budget
2019 initial	Smart Agriculture Acceleration Case Study Project	¥0.5 bn
2018 supp.	Smart Agriculture Technology Development and Case Study Project	¥6.2 bn
2019 initial	Within Comprehensive Subsidy for Strong Agriculture and the Cultivation of Principal Farmers Supporting Establishment of Management for Advanced Agriculture Supporting Cultivation of Regional Principal Farmers	¥23.0 bn
2018 supp.	Support Program to Strengthen Maintenance and Management for Principal Farmers	¥5.0 bn
2018 supp.	Production Area Vitalization Program	¥40.0 bn
2018 supp.	Program of Special Measures to Maintain Increased Profitability for Livestock and Dairy Farming (Livestock Cluster Program)	¥56.0 bn

Budget for the projects
to accelerate smart
farming

Recent Market Trends Overseas

» Exceeding targets in the period from January to March



*Based on finished products. "Parts & Others" is not included.

Market Trends (North America)

» Sales in FY2018 remains robust owing to favorable sales by AGCO
 Sales in FY2019 are expected to increase due mainly to the new models launched last year.

1. Market Trends

(Thousand units, %)

PTO horsepower	Compact tractors (40HP and lower)		Utility tractors (40~100HP)		Large class tractors (100HP and above)	
	USA	Canada	USA	Canada	USA	Canada
Jan.-Dec. 2017	142	14	156	59	7	66
Jan.-Dec. 2018	155	15	170	60	6	67
Difference (%)	109%	105%	109%	102%	97%	101%

(Source: AEM Statistics)

2. Situation at AGCO (OEM partner)

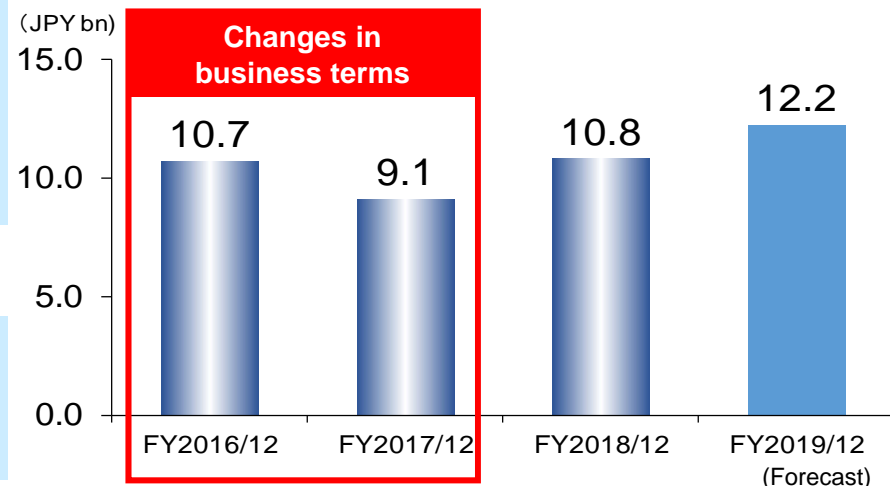
Unit sales (Jan.-Dec. 2018)

- Compact tractors : YoY 116%
- Utility tractors : YoY 115%

3. ISEKI sales and orders

Orders & shipments (Jan.-Mar. 2019) : YoY 115%
 • Steady in tandem with the sales by AGCO

Consolidated net sales (ISEKI to AGCO)



Market Trends (Europe)

» Sales are expected to increase thanks to full-fledged sales by the new distributor in the U.K. as well as the sales by ISEKI France S.A.S., and to the launch of new products in the second half of the year.

1. Market trends

Regardless of uncertainties such as Brexit, foreign exchange rates and weather conditions, the demand in landscaping market for professionals remains solid. So, sales are expected to be in line with the previous year.

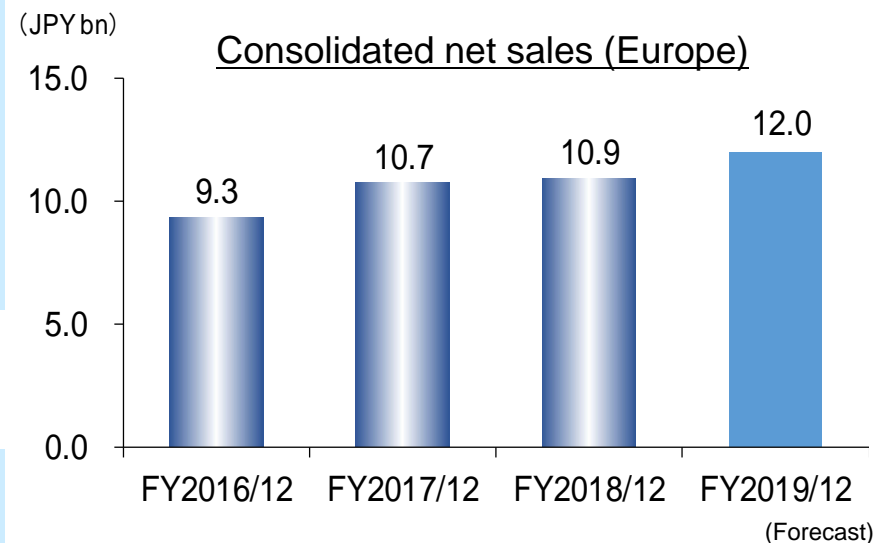
2. Situation for local distributors

➤ Unit sales (Jan.-Dec. 2018)

- Distributors : YoY 101%
(Unit sold base)
- ISEKI France S.A.S. : YoY 104%
(Consolidated subsidiary, amount base)

3. ISEKI sales and orders

- Orders and shipments (Jan.-Mar. 2019) : YoY 81%
- Reduced due to inventory adjustments before the introduction of new model



Market Trends (ASEAN: Thailand)

» Sales in FY2018 decreased due to local inventory adjustment
We will overcome the situation by offering support both sales and after-sales services.

1. Market trends

While the prices of agricultural products remain stable, the consumer mindset has not been fully recovered yet. There is a possibility of the market demand getting slightly stronger due to intensifying sales competition.

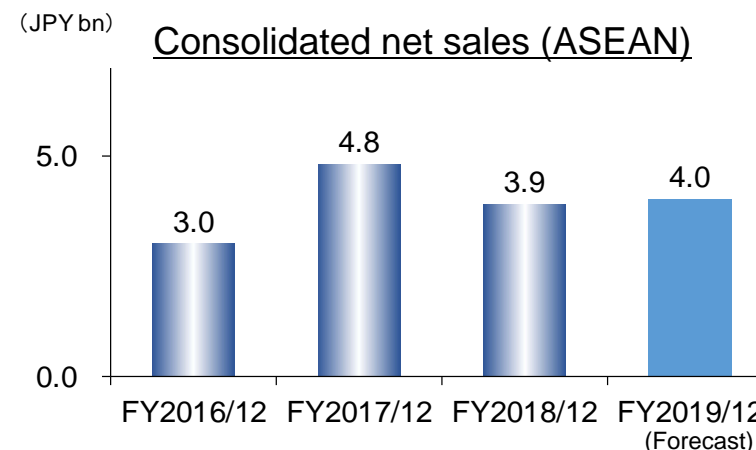
2. Situation of the local sales company “IST Farm Machinery”

[Investment 80% by Mitsubishi Corporation, 20% by ISEKI]

Unit sales in distributor (tractor, Jan.-Dec. 2018) : YoY 88%
Unit sales in dealers (retail) remained in line with the previous year

3. Current sales and orders at ISEKI

Orders and shipments (Jan.-Mar. 2019) : Substantial decrease due to inventory adjustment
• Sales of dealer inventory is in progress



Market Trends (ASEAN: Others)

» We will increase sales in cooperation with our partners as well as strengthen sales and after-sales services by ISEKI (THAILAND).

■ Indonesia

➤ Market trends

Promotion of mechanization by government initiative since 2015 (Government tender). Although the government budget in the provision of tractors is expected to be higher than the last year, it might vary depending on the results of the presidential election in April Our situation

➤ Our situation

Received average orders until April.

Strengthen support for sales and after-sales services at the distributors. Market demand is expected to expand in the future, and we will start building a supply system for spare parts in ISEKI (THAILAND).

■ Others (Myanmar, etc.)

➤ Market trends

Market demand is expected to rise as mechanization proceeds.

➤ Our situation

Focusing on expanding sales in ASEAN through the sales networks of IST Farm Machinery and AGCO.



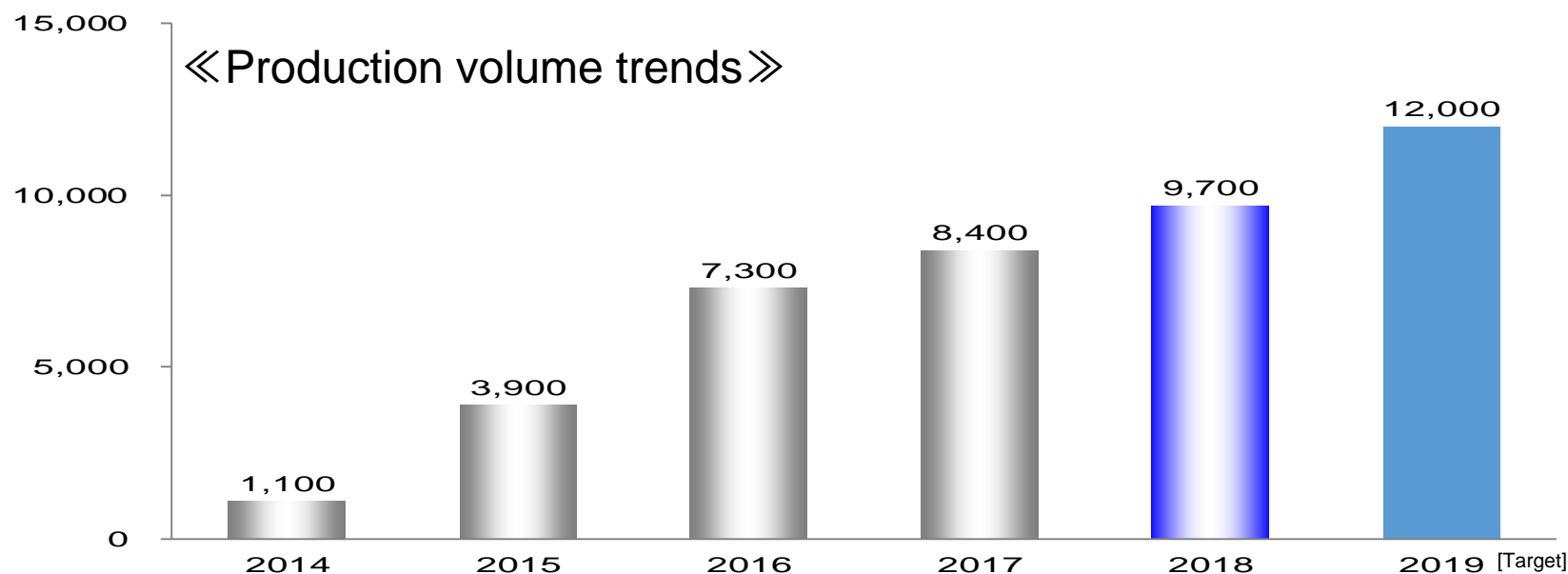
PT. ISEKI INDONESIA (Manufacturing Subsidiary)



» Upgrade systems for increased production. Further strengthen the earnings structure to make more profit in overseas business.

(Units, JPY bn)

	2014 Results	2015 Results	2016 Results	2017 Results	2018 Results	2019 Target
Production Volume	1,100	3,900	7,300	8,400	9,700	12,000
Operating Income	(0.3)	(0.4)	(0.3)	0.3	0.1	0.3



Market Trends (China)

» Sluggish due to the delay in the announcement of subsidies by the Chinese government and decreased prices of rice & wheat in 2018

1. National government subsidy

(RMB bn)

2012	2013	2014	2015	2016	2017	2018	2019
21.5	21.75	23.8	23.8	23.7	18.6	18.6	Unannounced

2. Jan.-Dec. 2018 trends in the agricultural machinery industry (YoY change, units)

(%)

	*Industry
Rice transplanters (walk-behind, riding)	(31)%
Combine harvesters (all-purpose, auto-threshing)	(22)%
Tractors (medium- to large-sized)	(21)%

*Source: China Association of Agricultural Machinery Manufacturers

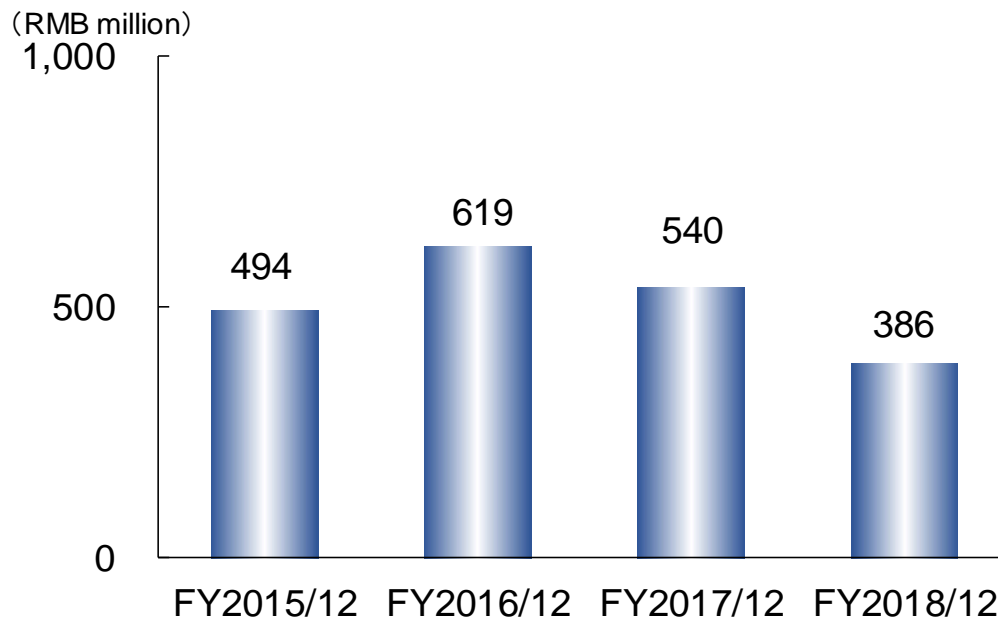
Market Trends (China: Dongfeng Iseki)



- FY2018/12: Both Chinese domestic sales and exports decreased.
- FY2019/12: Work together with the Dongfeng Group to strengthen operational systems.

1. Situation of Dongfeng Iseki

■ Net sales of Dongfeng Iseki (local currency basis)



■ Dongfeng Iseki sales (Jan.-Dec. 2018)

- Sales of rice transplanters decreased in China.
- As for exports to ASEAN, combine harvesters shipped to Indonesia decreased.
- 2019
Work together with the Dongfeng Group to strengthen operational systems for product development, manufacture, sales, and after-sales services.

Market Trends (Others)

» South Korea: Launching tractors and combine harvesters for the high-performance machinery market

■ South Korea

➤ Market trends

The market for high-performance machinery is becoming mainstream as farming population declines.

➤ Our situation

Through the sales channels of the Tong Yang Moolsan (TYM) Group, the top agricultural machinery manufacturer in South Korea, we launched the TJ series tractor and the HJ series combine harvester, the flagship products of the ISEKI brand.

<Launching ISEKI flagship products>



3. Performance Forecast for the Fiscal Year Ending December 31, 2019

Performance Forecast for the Fiscal Year Ending December 31, 2019



(JPY bn)

	FY2017/12		FY2018/12		FY2019/12		YoY Change
	Results	%	Results	%	Forecast*	%	
Net Sales	158.4	100.0	156.0	100.0	164.0	100.0	8.0
(Domestic)	123.1	77.7	122.8	78.7	126.7	77.3	3.9
(Overseas)	35.3	22.3	33.2	21.3	37.3	22.7	4.1
Operating Income	4.0	2.5	3.2	2.0	4.0	2.4	0.8
Ordinary Income	4.2	2.7	2.6	1.7	2.6	1.6	±0.0
Profit (Loss) Attributable to Owners of Parent	2.8	1.8	1.1	0.7	1.6	1.0	0.5
Exchange rate	US\$	112.1	110.2		108.0		(2.2)
	Euro	126.8	130.9		125.0		(5.9)
Foreign exchange sensitivity <small>(million JPY, operating income basis)</small>	US\$				7		
	Euro				15		

*Forecast: Announced on February 13, 2019

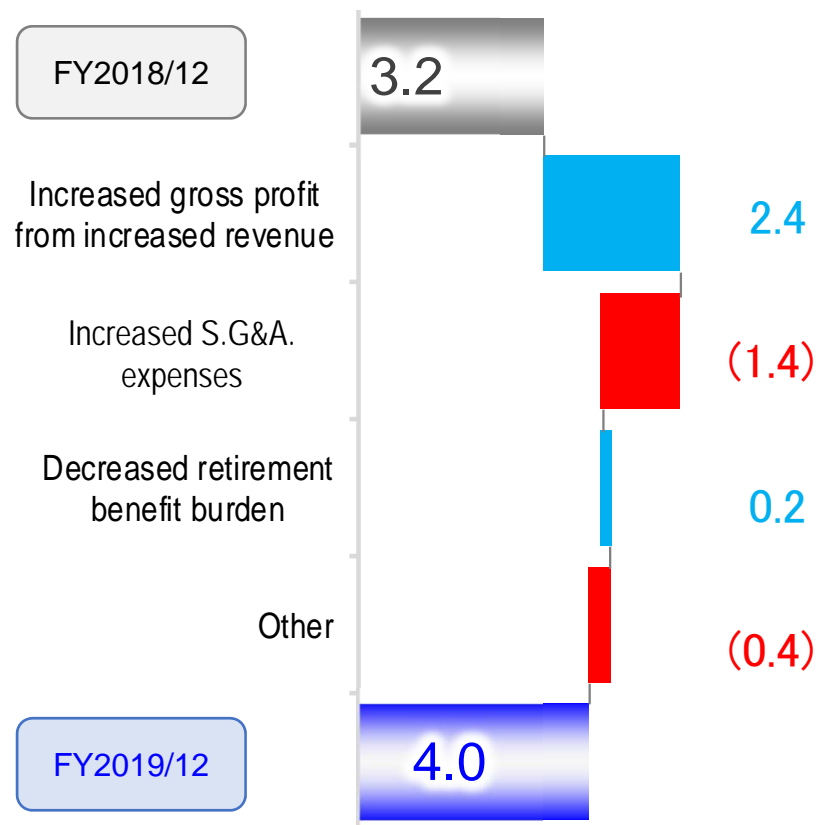
Consolidated Operating Income and Dividend Forecast

1. Operating income

(JPY bn, %)

	FY2017/12 Results	FY2018/12 Results	FY2019/12 Forecast*	YoY Change
Net Sales	158.4	156.0	164.0	8.0
Gross Profit	46.2	46.0	48.2	2.2
Gross Profit Margin	29.2%	29.5%	29.4%	(0.1)%
S.G&A. expenses	42.2	42.8	44.2	1.4
Personnel Expenses	24.9	25.4	26.0	0.6
Other Expenses	17.3	17.4	18.2	0.8
Operating Income	4.0	3.2	4.0	0.8

[Breakdown of YoY change (JPY bn)]



2. Dividend forecast

(JPY bn)

	FY2017/12 Results	FY2018/12 Plan	FY2019/12 Forecast*
Year-end dividend	30	30	30

*Forecast: Announced on February 13, 2019

Breakdown of Domestic Sales

(JPY bn)

		FY2017/12	FY2018/12	FY2019/12	YoY	
		Results	Results	Forecast*	Change	
Agricultural Machinery Related	Agricultural Machinery	Cultivating & Mowing Machinery	28.2	27.4	29.1	1.7
		Planting Machinery	8.5	9.2	9.4	0.2
		Harvesting & Processing Machinery	20.4	20.0	20.1	0.1
		Total	57.1	56.6	58.6	2.0
		Farming Implements	19.7	20.2	21.3	1.1
		Spare Parts	14.7	14.8	15.3	0.5
		Repair Fees	5.4	5.6	5.9	0.3
		Total	39.8	40.6	42.5	1.9
	Total		96.9	97.2	101.1	3.9
	Construction of Facilities		6.6	5.7	5.2	(0.5)
Others		19.6	19.9	20.4	0.5	
Total		123.1	122.8	126.7	3.9	

*Forecast: Announced on February 13, 2019

Overseas Sales Forecast

(JPY bn)

	FY2017/12 Results	FY2018/12 Results	FY2019/12 Forecast*	YoY Change
North America	9.1	10.8	12.2	1.4
Europe	10.7	10.9	12.0	1.1
China	3.8	1.0	0.2	(0.8)
ASEAN	4.8	3.9	4.0	0.1
Others	2.7	1.8	4.2	2.4
Product Sales Total	31.1	28.4	32.6	4.2
Parts & Others	4.2	4.8	4.7	(0.1)
Total	35.3	33.2	37.3	4.1
Overseas Sales incl. Chinese Business	38.7	37.0	43.0	6.0
Overseas Net Sales Ratio	23.9%	23.2%	25.3%	2.1%

*Forecast: Announced on February 13, 2019

4. Mid-term Management Plan

Corporate Philosophy and Mid-Term Vision

Corporate philosophy

We are contributing to agriculture both in Japan and throughout the world by...

“Delivering the products that satisfy customers”

Mid-term vision

2025 marks 100th anniversary of ISEKI Group

To establish a firm position both in domestic and world market

Positioning of the 2020 Mid-term Management Plan

Revision to the current Mid-term Management Plan (2016-2020)

To ensure the process of attaining our target, we reviewed our strategies for the remaining 3 years in light of changes in the business environment



5 basic strategies:

- 1 Strengthen responsiveness to drastic changes in agriculture in Japan

- 2 Expand overseas business

- 3 Strengthen profitability by optimizing development & production

- 4 Make active capital investment for growth

- 5 Enhance corporate value by reinforcing personnel & corporate governance

2020 Mid-term Management Plan: Numerical Targets

	FY2017/12 Results	FY2020/12 Targets
Expansion of business domains	Net sales (consolidated)	¥158.4 billion ⇒ ¥190.0 billion
	Total overseas net sales ratio*	24% ⇒ 40%
Improved profitability	Operating income (consolidated)	¥4.0 billion ⇒ ¥9.0 billion
	ROE	4.2% ⇒ 8.0% or more
Shareholder returns	Dividend per share	¥30 ⇒ ¥50

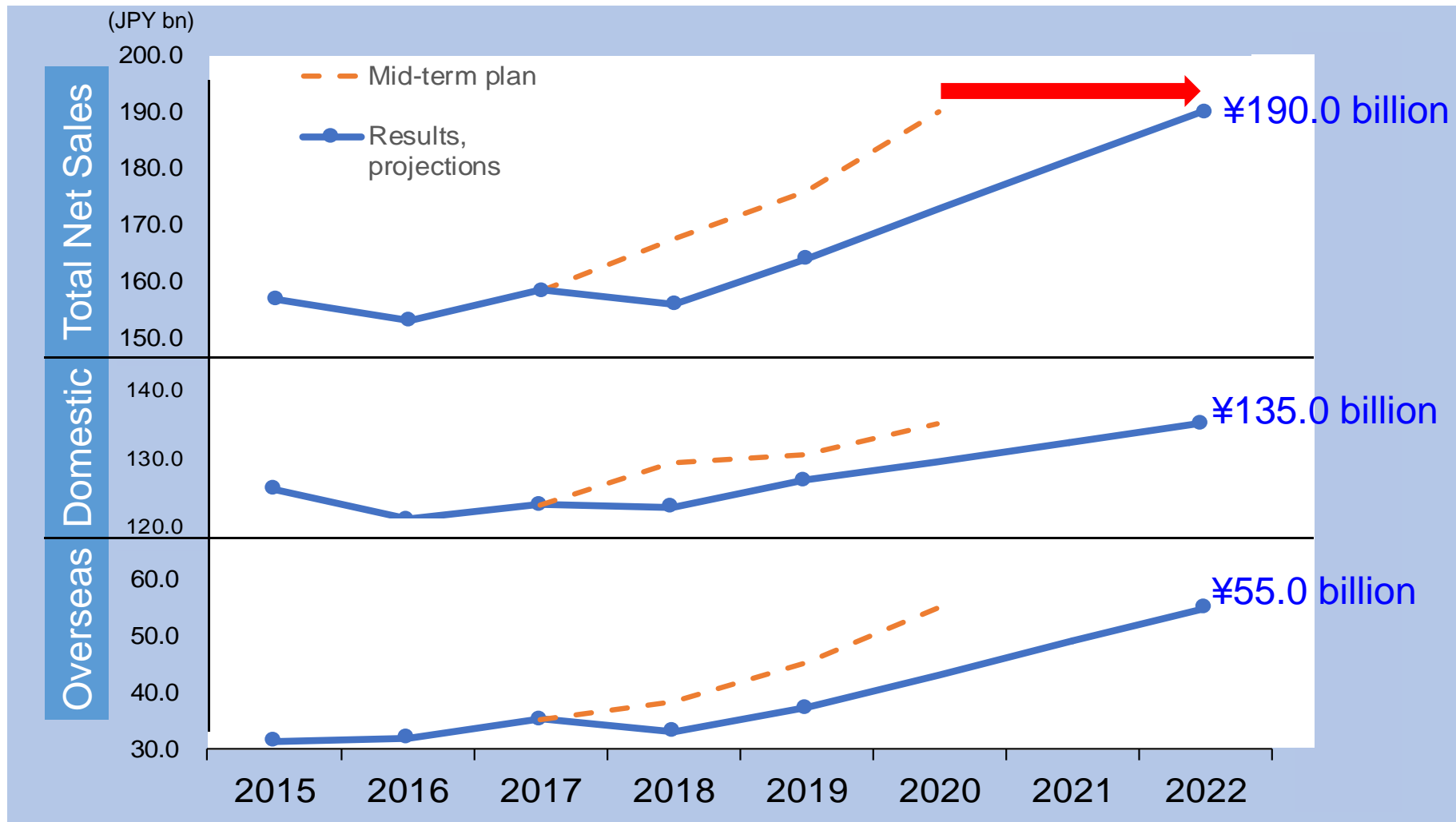
*Total overseas net sales ratio: Overseas net sales ratio including equity method affiliates

Changes in Market Environment

	Market environment	Changes from expectation
Domestic	<p><u>Structural changes in agricultural sector moving faster than expected</u></p> <ul style="list-style-type: none"> » Consolidation into principal farmers (Scale increased, downward trend in prices, use of hi-tech equipment) » Switch to field crop and vegetable farming 	<ul style="list-style-type: none"> » Future investment strategies, acceleration of the promotion of smart agriculture by agricultural administration » Last-minute rush and pullback due to consumption tax hike (scheduled for October 2019) » Poor crops due to unseasonable weather, extended periods of rain, etc.
Overseas	<p><u>Continued growth in demand, clear downward pressure on prices</u></p> <ul style="list-style-type: none"> » North America: Compact machinery (economy) markets firm » Europe: Increased in demand for environmental and hi-tech products » ASEAN: Better agricultural productivity, increased demand spurred by increased food production » China: Some markets stalling due to subsidy cutbacks 	<p><u>Stagnating growth in ASEAN and China</u></p> <ul style="list-style-type: none"> » ASEAN <ul style="list-style-type: none"> ▪ Thailand: Intensifying sales competition » China: Downturn in the agricultural machinery market due to changing subsidy policies, falling grain prices, etc.

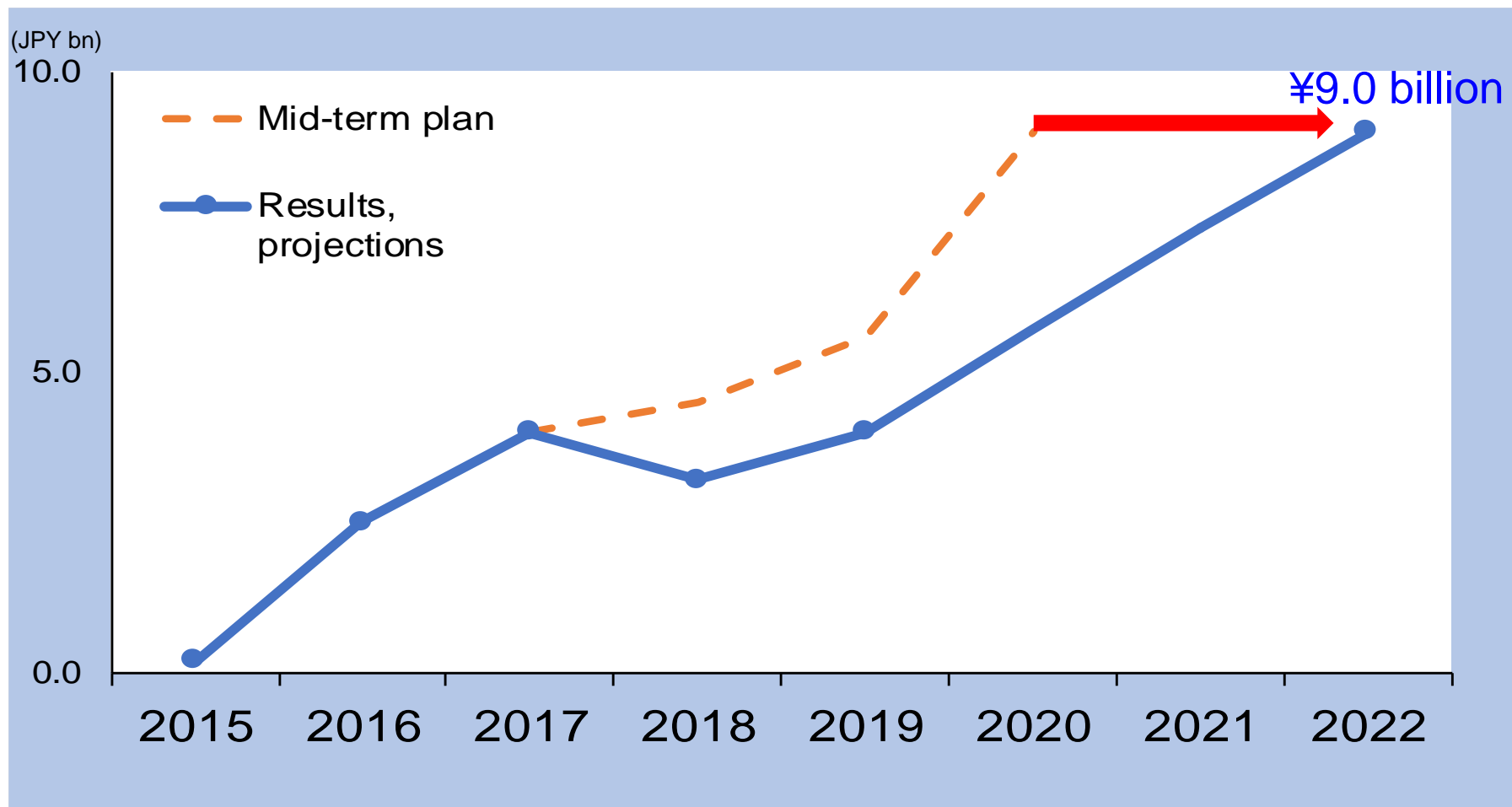
Mid-term Plan Progress (Consolidated Net Sales)

2020 mid-term sales targets extended to 2022



Mid-term Plan Progress (Consolidated Operating Income)

2020 mid-term operating income target extended to 2022



Initiatives for Basic Strategies

	Basic strategies	Initiatives
Domestic	<p><u>Strengthen responsiveness to drastic changes in agriculture in Japan</u></p> <ul style="list-style-type: none"> » Develop sales and services into wider area » Strengthen proposal and follow-up support » Overhaul revenue and cost structure » Strengthen product development 	<ul style="list-style-type: none"> » Establish sales offices focused around large-scale maintenance centers Reorganization of wide-area sales companies 10 site to 8 site system » Increased farming implements, spare parts, repair fees, etc. Aim to strengthen base against swings in agricultural machinery demand » Cultivate personnel who can launch and promote the diffusion of large-sized machinery and smart agricultural machinery
Overseas	<p><u>Expand overseas business</u></p> <ul style="list-style-type: none"> » Expand business through enhanced cooperation in strategic partners » Develop and launch products that match market needs » Build up and expand spare parts and after-sales service businesses 	<ul style="list-style-type: none"> » U.K. : Investment in new distributors India : Technology and business alliance agreement with TAFE » Begin trial sales in Asia, Central and South America, etc. China: Begin sales of own-brand agricultural machinery » Strengthen system in ASEAN and China

Initiatives for Basic Strategies

	Basic strategies	Initiatives
Development & Production	<p><u>Strengthen profitability by optimizing development and production</u></p> <ul style="list-style-type: none"> » Improve profitability of products for overseas market » Productivity reform through efficiency drive » Improve profitability and strengthen marketing capability of China business (Dongfeng Iseki) » Further boost profitability of Indonesia business » Create systems for increased production at overseas manufacturing sites 	<ul style="list-style-type: none"> » Promote standardizing and unifying designs, reducing the number of models (Limited effect due to shipping delays in products for overseas) » Capital investment in partial in-house production of engine supply » While undergoing reform, issues remain in China business Currently undergoing drastic reform through strengthening operational systems Make steady improvements in the Indonesia business » Indonesia production boosted to 15 thousand units (increase of 5 thousand units)
Others	<p><u>Make active capital investment for growth</u></p> <ul style="list-style-type: none"> » ¥35.2 billion over 3 years <p><u>Enhance corporate value by reinforcing personnel and corporate governance</u></p>	<ul style="list-style-type: none"> » Implement and continue active capital investment » Establish operational efficiency project Work Style Reform including the utilization of IT, aiming for improved productivity

Domestic: Develop Sales and Services into Wider Area

■ Reorganization of sales system

Review sites and personnel allocation to improve productivity and profitability

- Wide-area sales companies: 10 sites to 8 sites (From Jan. 1, 2019)

ISEKI Kanto + ISEKI Shinetsu = ISEKI Kanto Koshinetsu

ISEKI Kansai + ISEKI Tokai = ISEKI Kansai Chubu



- Establish sales offices focused around large-scale maintenance centers (Sites renovated in 2018) Expanded maintenance facilities at core sites

Hokkaido (Obihiro Maintenance Factory)



Hokkaido (Okoppe Sales Office)



Hokkaido (Toma Sales Office)



Tohoku (Okitama Chuo Sales Office)



Kanto (Chiba Service Center)



Tokai (Gifu Branch)



Chugoku (Bihoku Sales Office)

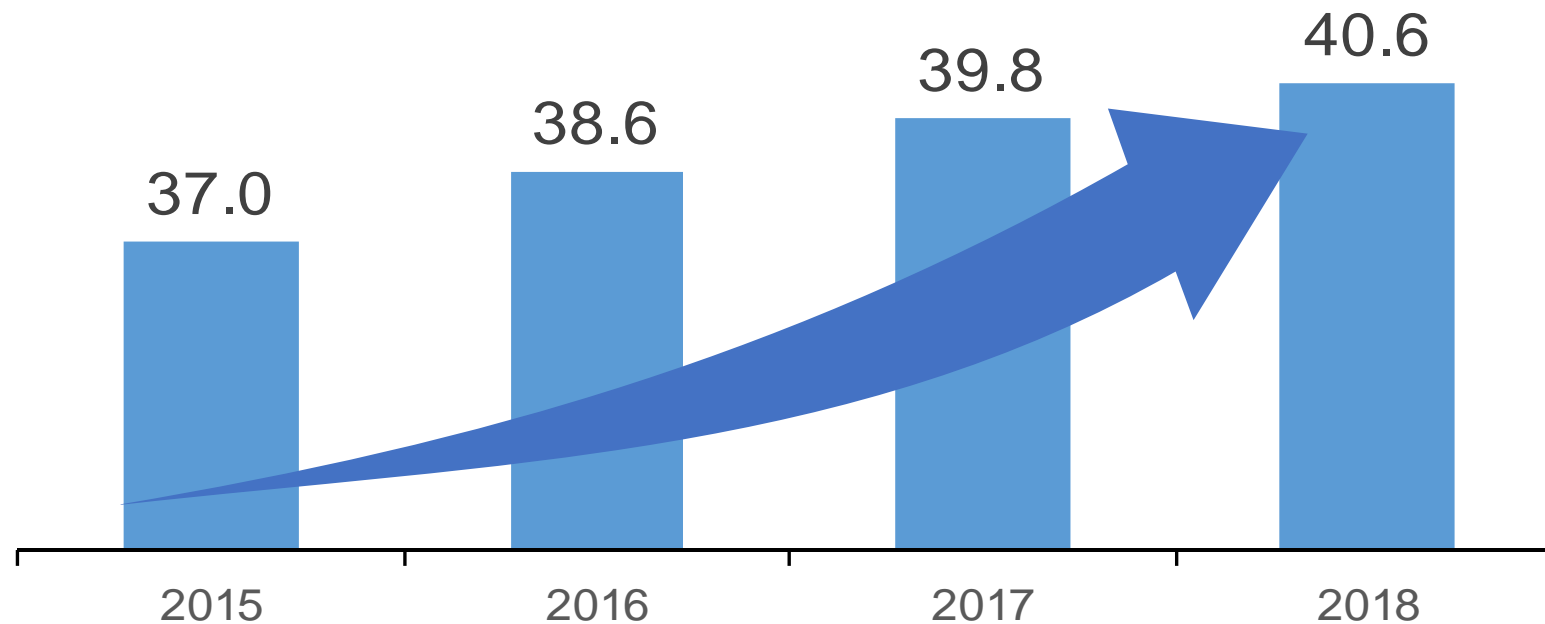


Domestic: Overhaul Revenue and Cost Structure

- Expanding sales from farming implements, spare parts, repair fees

Strengthening base against swings in agricultural machinery demand

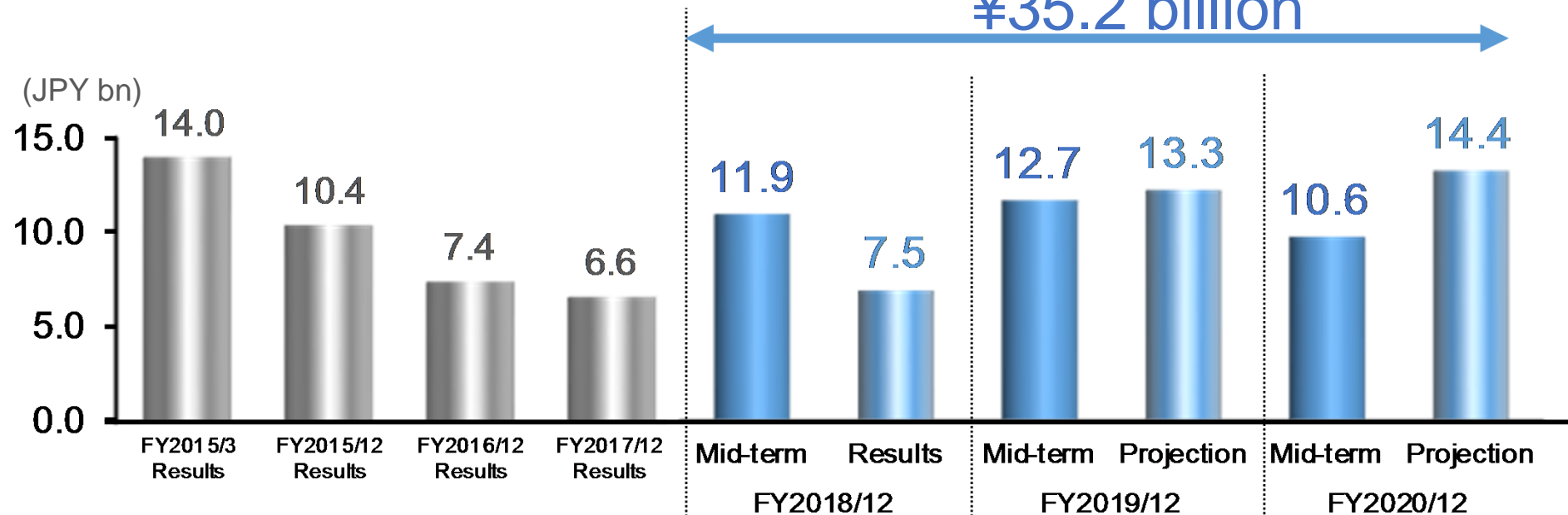
Sales trends for farming implements, spare parts, repair fees (JPY bn)



Capital Investment

Continuing capital investment for growth

¥35.2 billion



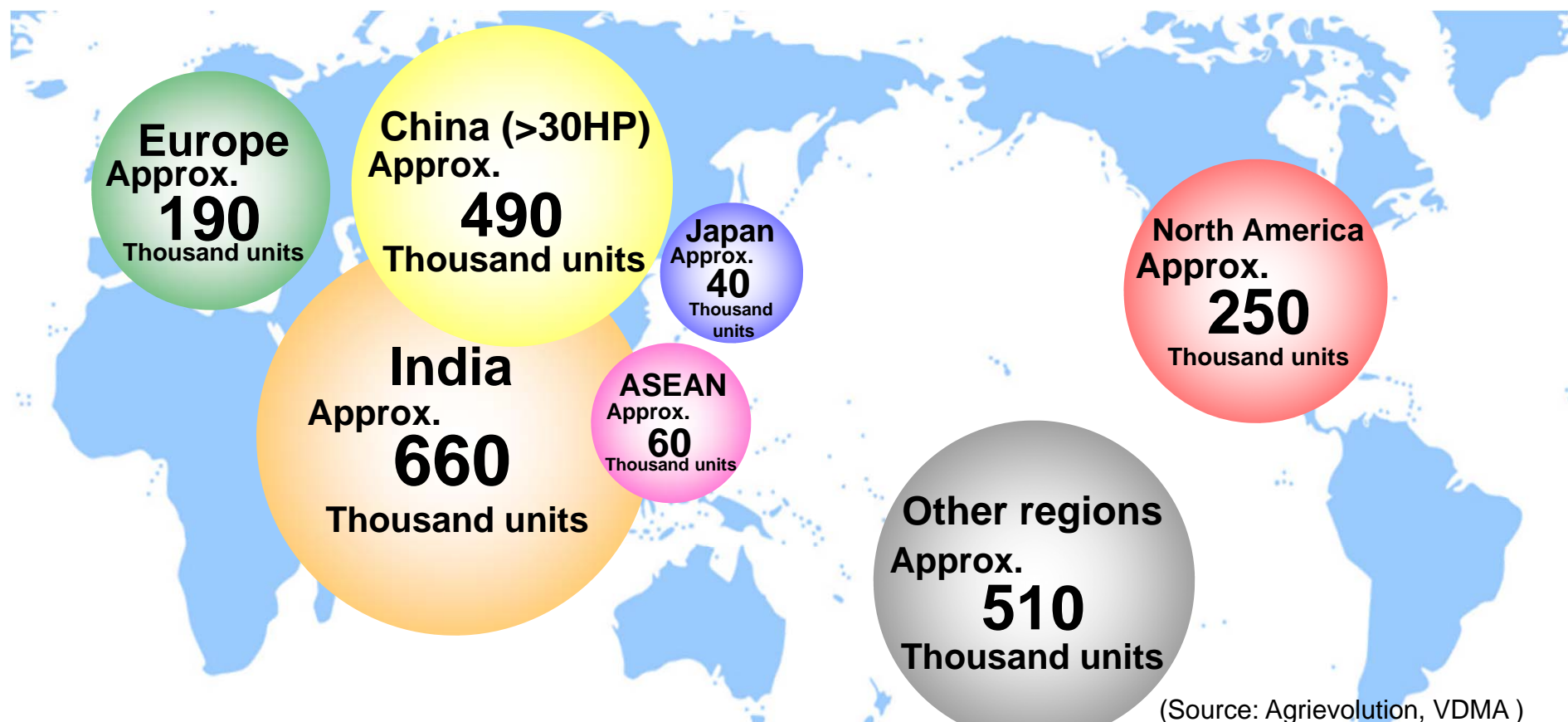
*Property, plant, and equipment after delivery

» Major investments (over 3 years)

Equipping large sales offices of domestic sales companies	: ¥8.2 billion
Production facilities (new machinery, enhancement in productivity)	: ¥15.9 billion
Special investment in information networks	: ¥1.8 billion

Overseas: Tractor Demand

Global tractor demand: approx. 2,200 thousand units (2017)

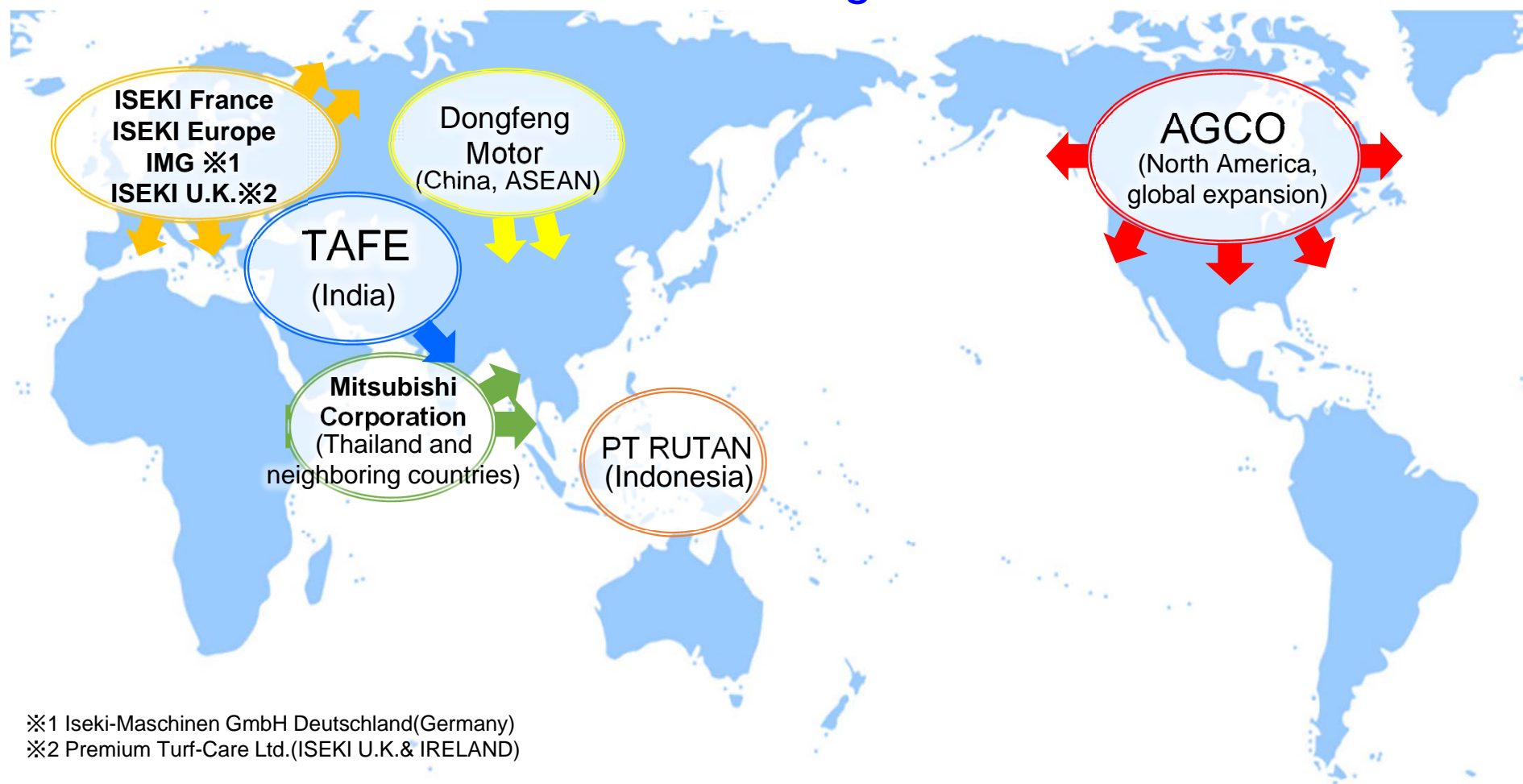


(Source: Agrievolution, VDMA)

Note: Agrievolution is an alliance of agriculture equipment manufacturing associations and organizations of 12 countries and 1 economic region. VDMA is the Mechanical Engineering Industry Association in Germany. *Japan and ASEAN estimated by ISEKI

Overseas: Enhanced Cooperation with Strategic Partners

Enhanced cooperation with strategic partners,
In addition to the existing sales networks



Overseas: Outline of Strategic Partners

Partners	Region	Outline
AGCO	North America, Central and South America, Australia, and others	Major global operator based in North America. ISEKI primarily supplies OEM tractors to them.
Mitsubishi Corporation	ASEAN (Thailand)	Strong business performance in Thailand. Strong in rural areas with sales of pickup trucks. 80% investment to IST Farm Machinery CO.,LTD.
Dongfeng Motor Group	China	Chinese state-owned enterprise. 50% investment to Dongfeng Iseki Agricultural Machinery Co., Ltd. Agricultural equipment is a focus area of Made in China 2025.
PT RUTAN	ASEAN (Indonesia)	Major Indonesian agricultural machinery manufacturer with an extensive sales network. 5% investment to PT. ISEKI INDONESIA.
TAFE	India	The second largest agricultural machinery manufacturer in India. India is the world's largest tractor market.

Overseas: Expanding into the Indian Market

Technology and business alliance agreement with TAFE in India

The second largest agricultural machinery manufacturer in India

- The world's largest (660 thousand units) tractor market
Sales through TAFE's network
- Licensing technology to manufacture and sell medium-sized tractors
- Mutual supply of other machinery and parts



2020 Mid-term Management Plan: Keyword

Henkaku (Change)



Ensuring management transparency

Commitment to earnings

Improving operational efficiency

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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ために、
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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”.