



Financial Results for the Fiscal Year Ended December 2019 Investor Relations Presentation Materials

President Shiro Tomiyasu

February 17, 2020



1. Outline of Financial Results for the Fiscal Year Ended December 2019
2. Domestic and Overseas Markets
3. Performance Forecast for the Fiscal Year Ending December 31, 2020
4. Progress of Mid-term Management Plan

1. Outline of Financial Results for the Fiscal Year Ended December 2019



Outline of Consolidated Business Performance



(JPY bn, %)

	FY2018/12		FY2019/12		Y o Y change	Diff. (Target/Actual)*
	Actual	%	Actual	%		
Net Sales	156.0	100.0	149.9	100.0	(6.1)	(5.6)
(Domestic)	122.8	78.7	117.7	78.5	(5.1)	(5.0)
(Overseas)	33.2	21.3	32.2	21.5	(1.0)	(0.6)
Operating Income	3.2	2.0	2.7	1.8	(0.5)	(1.3)
Ordinary Income	2.6	1.7	1.1	0.7	(1.5)	(1.5)
Profit attributable to owners of parent	1.1	0.7	0.7	0.5	(0.4)	(0.9)
Exchange rate	US\$	110.2	109.3		(0.9)	0.3
	Euro	130.9	121.6		(9.3)	0.6

*Comparison with the forecast announced on November 13, 2019.

Domestic Sales

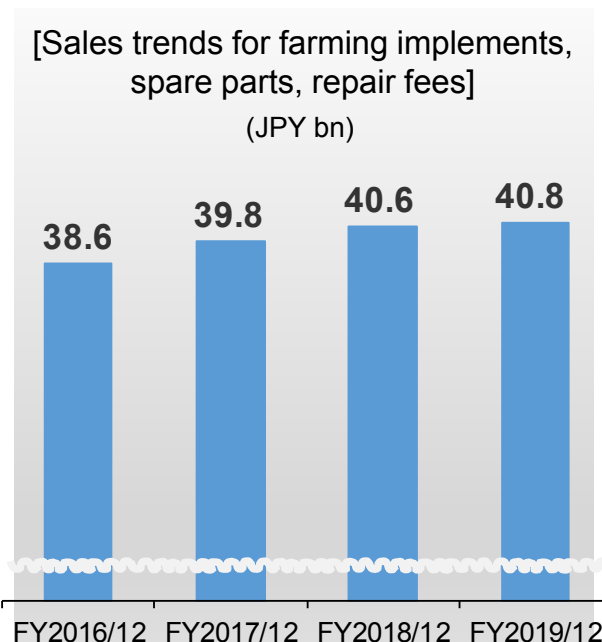


Y o Y
-¥5.1 billion

Sales decreased due to effects of construction of large-scale facilities in the previous year, in addition to decreased sales of agricultural machinery following the increase in VAT, despite solid performance of repair parts and repair fees.

		FY2018/12	FY2019/12	Y o Y change		Diff. (Target/ Actual)*	
		Actual	Actual		Notes		
Agricultural Machinery Related	Agricultural Machinery	Cultivating & Mowing Machinery	27.4	25.4	(2.0)	Tractors: (1.7)	(1.5)
		Planting Machinery	9.2	9.0	(0.2)		(0.6)
		Harvesting & Processing Machinery	20.0	18.6	(1.4)	Combine harvesters: (1.0)	(1.2)
		Total	56.6	53.0	(3.6)		(3.3)
		Farming Implements	20.2	20.1	(0.1)		(0.4)
		Spare Parts	14.8	15.0	0.2		(0.2)
		Repair Fees	5.6	5.7	0.1		(0.1)
		Total	40.6	40.8	0.2		(0.7)
		Total	97.2	93.8	(3.4)		(4.0)
		Construction of Facilities	5.7	4.6	(1.1)		(0.3)
	Others	19.9	19.3	(0.6)		(0.7)	
	Total	122.8	117.7	(5.1)		(5.0)	

(JPY bn)



*Comparison with the forecast announced on November 13, 2019.

Overseas Sales

Y o Y
-¥1.0 billion

Overall sales decreased due to decreased sales in China and ASEAN, despite increased shipments to South Korea and strong sales in North America. Excluding the effect of forex fluctuations, sales in Europe increased.

	FY2018/12 Actual	FY2019/12 Actual	Y o Y change		Diff. (Target/ Actual)*	Note 1: Effect of forex fluctuations in Europe			
				Notes		FY2018/12	FY2019/12	Change	Of which, forex fluctuations
North America	10.8	12.7	1.9	Favorable sales of compact tractors, a new product Tractors: 1.9	(0.3)				
Europe	10.9	10.2	(0.7)	Note 1	(0.5)	10.9	10.2	(0.7)	(0.9)
China	1.0	0.1	(0.9)	Rice transplanters: (0.8)	±0.0				
ASEAN	3.9	1.7	(2.2)	Tractors: (2.2)	±0.0				
Others	1.8	3.5	1.7	South Korea: 1.3 (Combine harvesters: 1.1)	0.1				
Product Sales Total	28.4	28.2	(0.2)		(0.7)				
Parts & Others	4.8	4.0	(0.8)		0.1				
Total Sales	33.2	32.2	(1.0)		(0.6)				

*Comparison with the forecast announced on November 13, 2019.

Operating Income



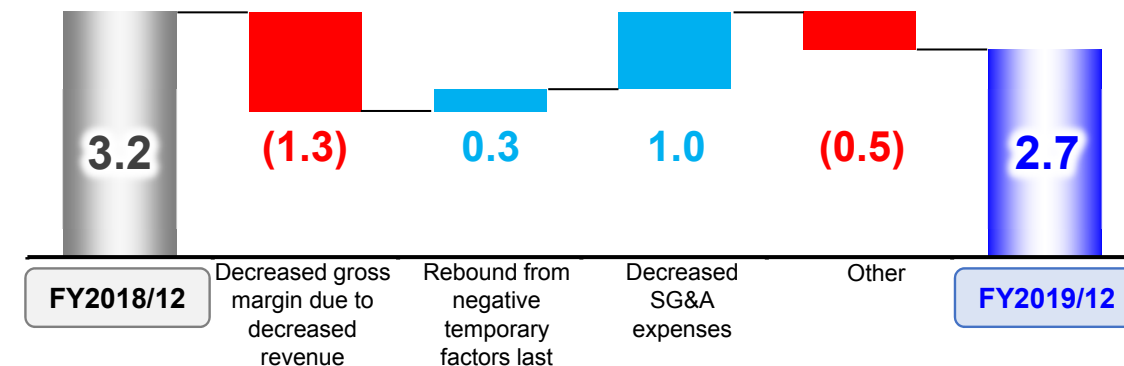
YoY
-¥0.5 billion

Gross profit decreased due to a decline in sales, but reduction in selling, general and administrative expenses continued through revenue and cost structure overhaul at domestic dealers and improved operational efficiency.

	FY2018/12	FY2019/12	YoY change	Diff. (Target/Actual)*
	Actual	Actual		
Net Sales	156.0	149.9	(6.1)	(5.6)
Gross Profit	46.0	44.5	(1.5)	(2.2)
Gross Profit Margin	29.5%	29.7%	0.2%	(0.3)%
SG&A Expenses	42.8	41.8	(1.0)	(0.9)
Personnel Expenses	25.4	24.7	(0.7)	(0.4)
Other Expenses	17.4	17.1	(0.3)	(0.5)
Operating Income	3.2	2.7	(0.5)	(1.3)

*Comparison with the forecast announced on November 13, 2019.

[Breakdown of YoY Change]



*Temporary factors last year:

- Decreased temporary factors such as the application of the principle of calculating retirement benefits upon the merger of subsidiaries 0.2
- Decreased profitability deterioration from unprofitable construction work 0.1

[Effect of forex fluctuations (JPY bn)]

Net Sales	Cost of Sales	SG&A Expenses	Operating Income
(1.3)	(1.0)	(0.2)	(0.1)

*Negative cost of sales and SG&A expenses equals positive profit

Ordinary Income and Profit

ISEKI

Ordinary
income
YoY
-¥1.5 billion

Profit decreased further due to appropriation of loss on equity method and disappearance of technical support fee recorded in the previous year.

	FY2018/12	FY2019/12	YoY change	(JPY bn) Diff. (Target/ Actual)*
	Actual	Actual		
Operating Income	3.2	2.7	(0.5)	(1.3)
Balance of Financial Income	(0.8)	(0.8)	±0.0	(0.1)
Other Non-operating Income	0.2	(0.8)	(1.0)	(0.1)
Ordinary Income	2.6	1.1	(1.5)	(1.5)
Extraordinary Income	0.1	0.5	0.4	0.1
Extraordinary Losses	(0.5)	(0.3)	0.2	±0.0
Income before Income Taxes	2.2	1.3	(0.9)	(1.4)
Income Taxes - Deferred	(1.1)	(0.6)	0.5	0.5
Profit Attributable to Owners of Parent	1.1	0.7	(0.4)	(0.9)

Non-operating Income (YoY change)	
Share of loss of entities using equity method	-¥0.4 billion
Disappearance of technical support fee recorded in the previous year	-¥0.5 billion

• Share of loss of entities using equity method -¥0.4 billion
(JPY bn)

FY2018/12 Actual	FY2019/12 Actual	Change
(1.1)	(1.5)	(0.4)

*Comparison with the forecast announced on November 13, 2019.

Balance Sheet (Consolidated)



Y o Y

There was a decrease in accounts receivable - trade, and in notes and accounts payable - trade due to decreased domestic sales since October.

(JPY bn)	As of Dec. 18	As of Dec. 19	Y o Y change		As of Dec. 18	As of Dec. 19	Y o Y change
Cash & Deposits	7.5	8.4	0.9	Accounts Payable - Trade	39.7	37.7	(2.0)
Accounts Receivable – Trade	23.3	19.7	(3.6)	Interest-bearing Liabilities	69.8	69.3	(0.5)
Inventories	53.7	54.2	0.5	(Loans Payable)	63.5	60.9	(2.6)
Other Current Assets	7.3	4.9	(2.4)	(Lease Obligations)	6.3	8.4	2.1
(Short-term Loans Receivable)	2.8	1.2	(1.6)	Other Liabilities	22.7	21.2	(1.5)
Total Current Assets	91.8	87.2	(4.6)	Total Liabilities	132.2	128.2	(4.0)
Property, Plant and Equipment	96.8	98.3	1.5	Net Assets	69.0	69.3	0.3
(Lease Assets)	6.0	8.0	2.0	(Retained Earnings)	16.9	17.0	0.1
Intangible Assets	1.1	1.3	0.2	(Valuation Difference on Available-for-sale Securities)	0.4	0.4	±0.0
Investments and Other Assets	11.5	10.7	(0.8)	(Foreign Currency Translation Adjustment)	0.8	0.6	(0.2)
(Investment Securities, Capital)	7.3	5.5	(1.8)	Total Liabilities and Net Assets	201.2	197.5	(3.7)
Total Non-current Assets	109.4	110.3	0.9				
Total Assets	201.2	197.5	(3.7)				

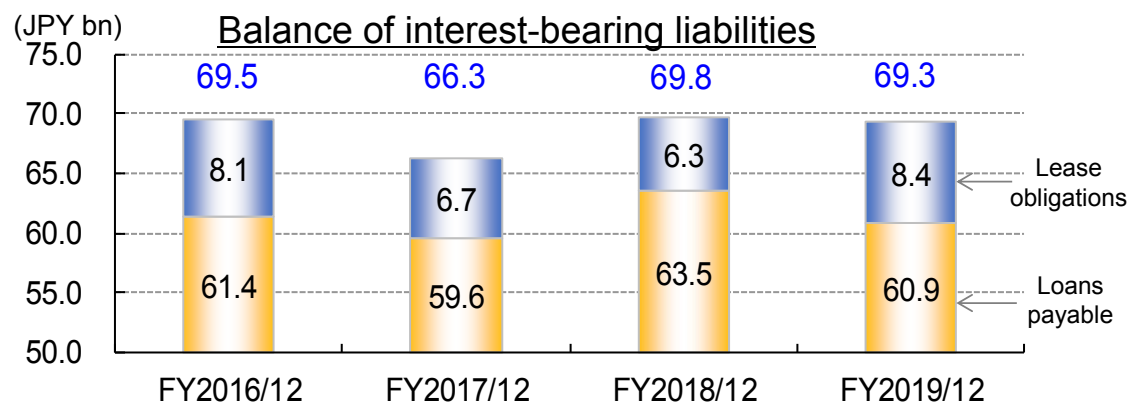
Interest-bearing Liabilities and Dividends



Interest-bearing
Liabilities
Dividends

Interest-bearing liabilities decreased slightly compared to the previous year
The year-end dividend is planned at ¥30.0

1. Interest-bearing liabilities



2. Dividends

(JPY bn)

	FY2018/12 Actual	FY2019/12 Planned
Year-end dividend	30	30

D/E Ratio (x)	1.04	0.94	1.01	1.00
Equity ratio (%)	32.2%	34.4%	33.4%	34.2%
Interest-bearing liabilities (JPY bn)	69.5	66.3	69.8	69.3
Net assets (JPY bn)	67.1	70.9	68.9	69.2

Statement of Cash Flows

ISEKI

Cash flows

Cash flows from operating activities continue to be positive

(JPY bn)

	FY2018/12 Actual	FY2019/12 Actual	Y o Y change
Cash flows from operating activities	7.6	10.5	2.9
Cash flows from investing activities	(9.9)	(7.1)	2.8
Free cash flow	(2.3)	3.4	5.7
Cash flows from financing activities	2.0	(2.4)	(4.4)
Effect of exchange rate change on cash and cash equivalents	(0.1)	0.0	0.1
Net increase (decrease) in cash and cash equivalents	(0.4)	1.0	1.4

2. Domestic and Overseas Markets



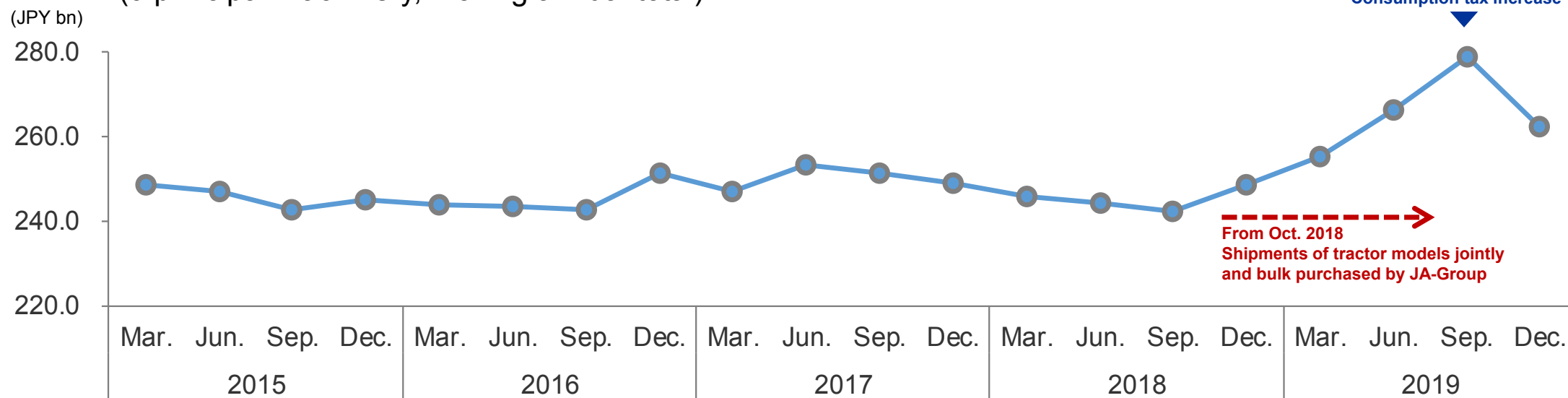
Domestic Agricultural Machinery Market Trends



Domestic agricultural machine demand

Sales were strong until September, due to shipments of tractors (models jointly and bulk purchased by JA-Group) and rush-demand before increase in VAT, but they decreased from October due to pullback in demand after the tax increase.

■ 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

Domestic agricultural machine demand

In contrast to industry expansion, ISEKI's sales have slightly decreased

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

*ISEKI estimates (%)

		Jan.-Dec., 2017	Jan.-Dec., 2018	Jan.-Dec., 2019
Industry	(Amount of shipment)	99%	100%	106%
ISEKI	(Sales amount)	102%	99%	95%

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

Domestic Developments



Domestic sales developments

Promoted sales with the 95th anniversary of ISEKI Group, a campaign celebrating 50 years of the “Sanae” rice transplanter and other measures

<95th anniversary of ISEKI Group>



<50 years since the birth of the “Sanae” rice transplanter>



■ Ministry of Agriculture, Forestry and Fisheries (MAFF) budget proposal

2019 supplementary budget + 2020 budget **¥2,895.8 billion**

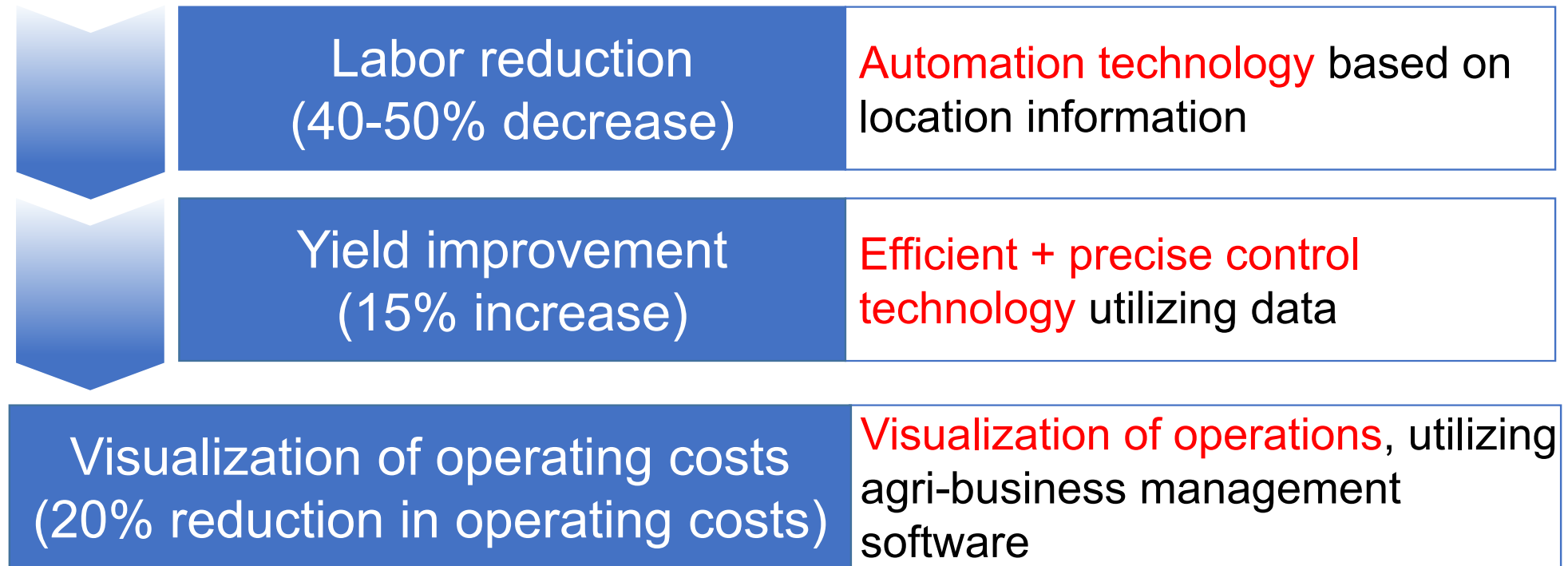
■ Primary budget allowances for agricultural machinery and facilities

Section	Project Name	Budget
2020 initial	Comprehensive Subsidy for Strong Agriculture and the Cultivation of Principal Farmers	¥23.0 bn
2019 supp.	Support Program to Strengthen Maintenance and Management for Principal Farmers	¥6.4 bn
2019 supp.	Production Area and Base Vitalization Program	¥34.8 bn
2019 supp.	Program of Special Measures to Maintain Increased Profitability for Livestock and Dairy Farming (Livestock Cluster Program)	¥40.9 bn
2020 initial	Support for Introduction of Horticulture Crops in Wet Paddy Fields	¥11.1 bn
2020 initial	Smart Agriculture Acceleration Case Study Project	¥0.8 bn
2019 supp.	Smart Agriculture Development and Case Study Project, etc.	¥7.2 bn
2020 initial	Program to Improve Cultivation Conditions on Agricultural Land (Setting up GNSS Base Stations, etc.)	¥25.0 bn

Accelerating social implementation of “smart farming”

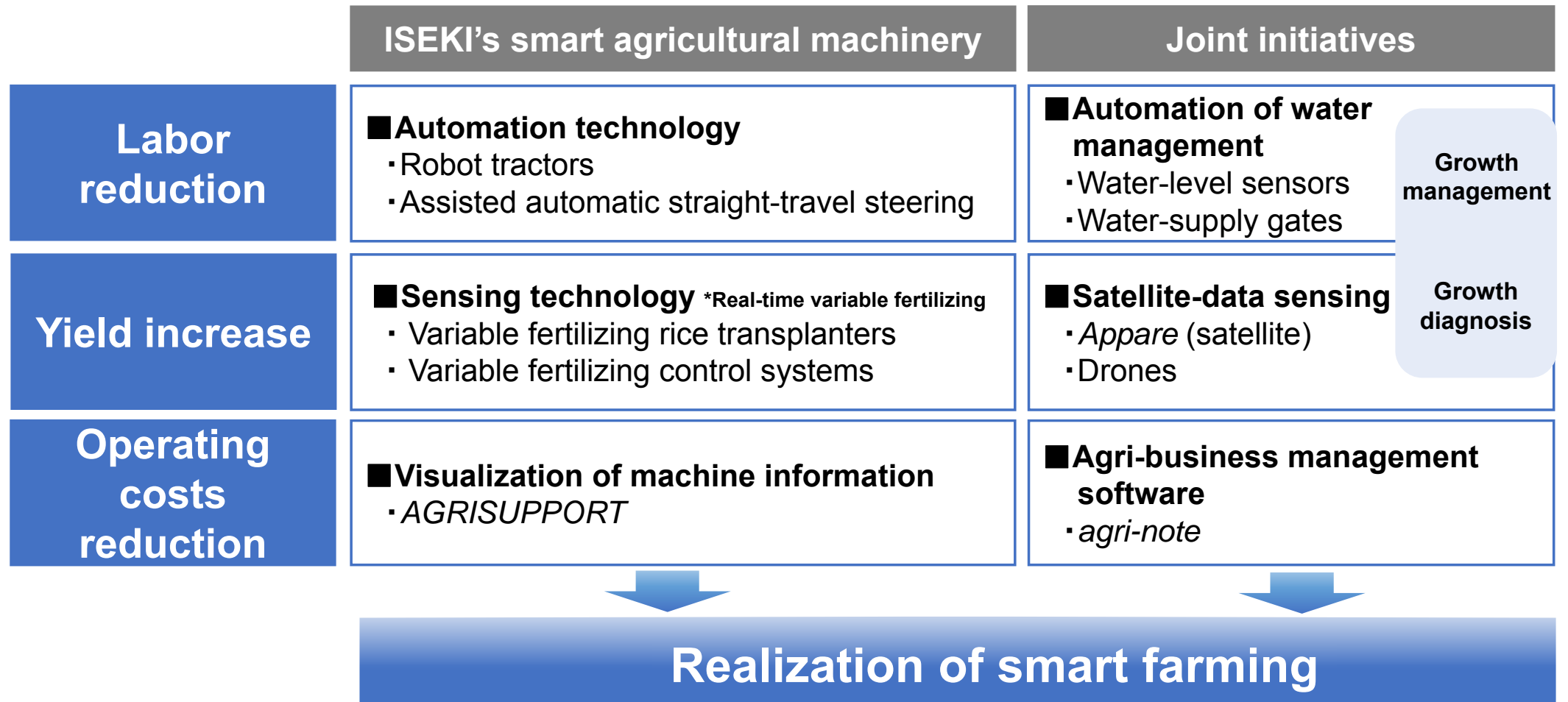
Vision of future farm operations (smart farming)

* Figures are from MAFF's Program to Promote Onsite Implementation of New Farming Technology



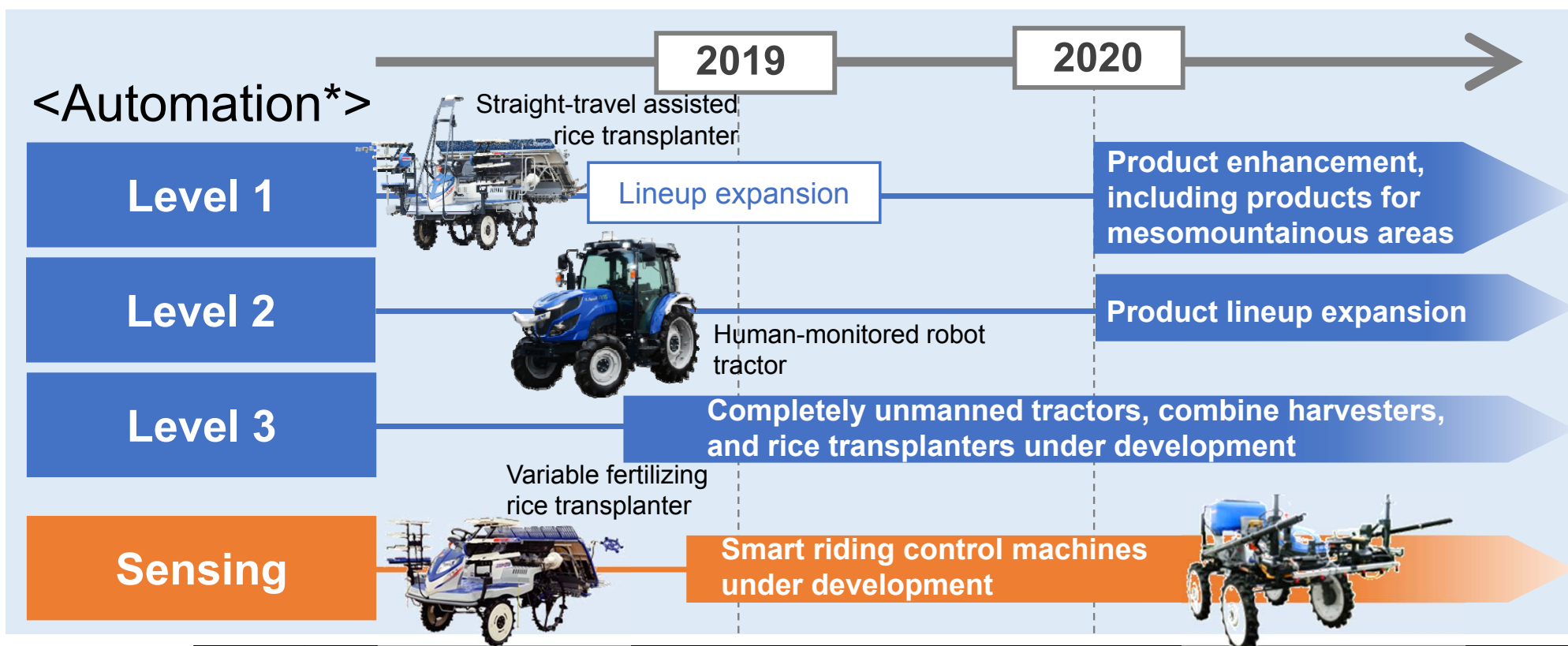
Farming based on *experience* and *intuition* ► Rationalized farming

ISEKI's Smart Farming Initiatives in Japan



Growth management

Growth diagnosis



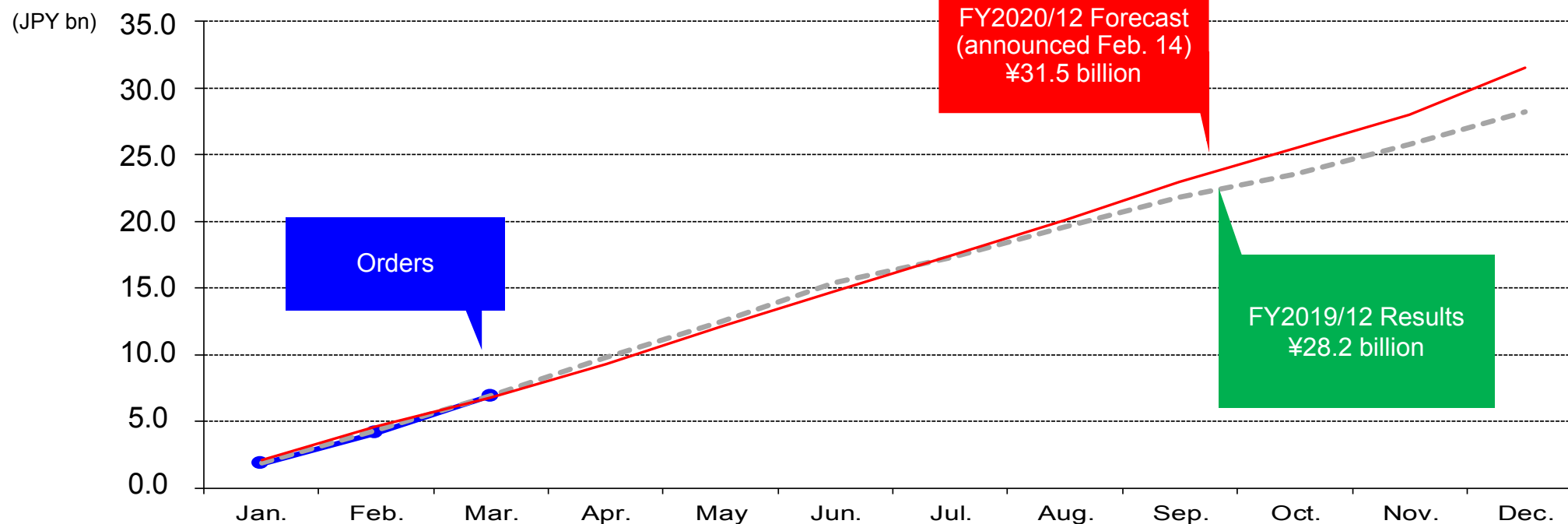
*Automation level

Level 1	Manned riding models: steering assistance, turning assistance
Level 2	Human-monitored models: unmanned driving except for round-about plowing
Level 3	Remote monitored models: the target is completely unmanned operation, including during movement between fields

Recent Market Trends Overseas

Overseas
orders
received

Progressed as planned until March



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

Market Trend (North America)



North America

FY2019/12: Strong sales of new compact class tractor products.
FY2020/12: Sales in the compact tractor market will continue to perform well. ISEKI will work toward expanding sales by strengthening partnership with AGCO.

1. Trend in the market

Category	(1000 units, %)		
	40HP and lower (Compact tractors)	40HP - 100HP (Utility tractors)	100HP and above
Jan.-Dec. 2018	170	66	22
Jan.-Dec. 2019	178	72	22
Differences (%)	105%	109%	100%

(Source: AEM Statistics)

2. Situation of AGCO (OEM partner)

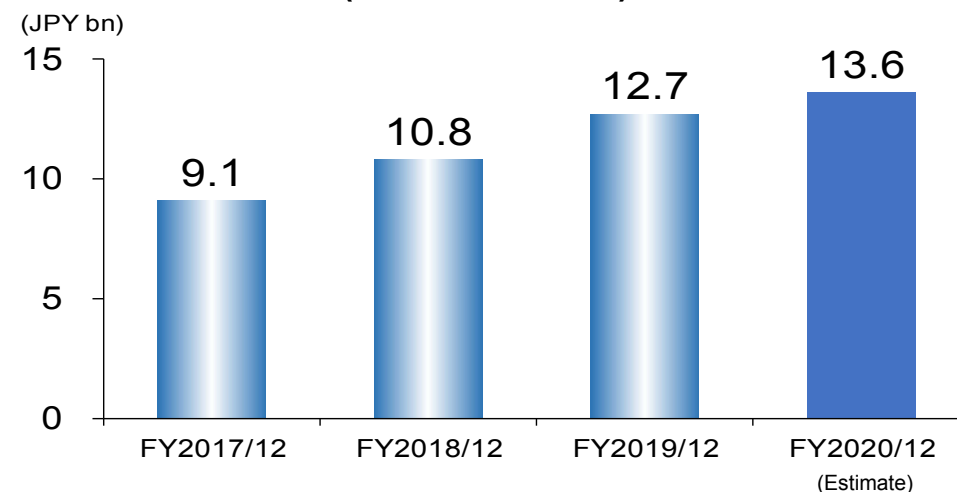
Unit sales (Jan.-Dec. 2019)

- Compact tractors : YoY 110%
- Utility tractors : YoY 96%

3. Sales and orders at ISEKI

Orders/shipments : YoY 120%
(Jan.-Mar. 2020)

**Consolidated net sales
(ISEKI to AGCO)**



Market Trend (Europe)

Europe

FY2019/12: Increased local currency base year on year, despite unseasonable weather. Yen base decreased.
FY2020/12: Despite the effect of currency exchange rates linked to the higher yen, sales are expected to be in line with the previous year due to launch of new products and strengthened coordination with distributors.

1. Trend in the market

<Landscaping market>
(2019)

- Strong pre-season sales
- Unseasonable weather: cold in April, hot and dry in late June

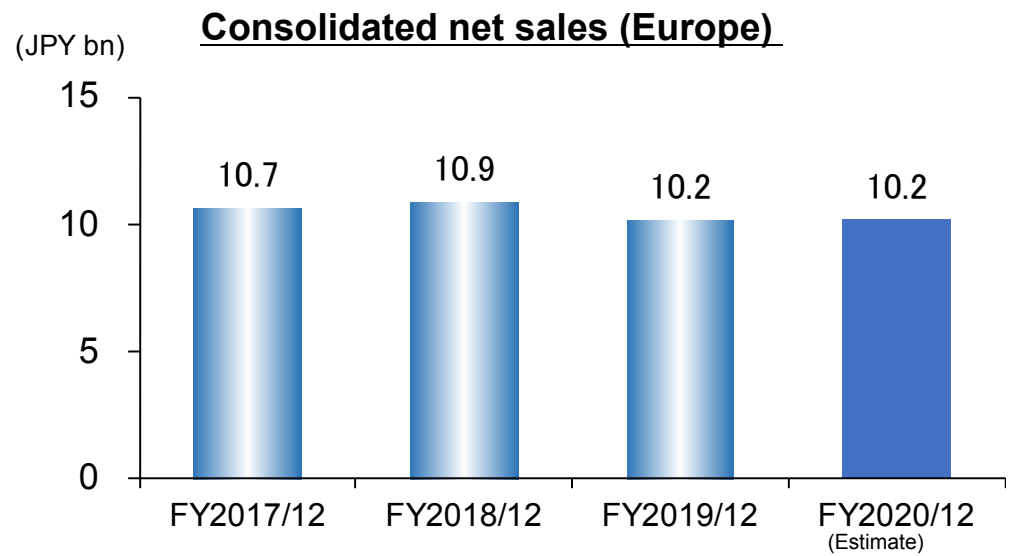
2. Situation of distributors

➤ Unit sales (Jan.-Nov. 2019)

▪ Local distributors	: YoY	100%
Lawnmowers	: YoY	95%
Tractors	: YoY	105%

3. Sales and orders at ISEKI

Shipments/orders (Jan.-Mar. 2020) : YoY 95%



Market Trend (ASEAN: Thailand)

Thailand

**FY2019/12: The market for agricultural machinery is bearish due to the effects of droughts and floods.
 FY2020/12: ISEKI will work toward expanding the IST sales service network and expanding sales by strengthening the branding.**

1. Trend in the market

(2019)

- The market for agricultural machinery is bearish, due to slow economic improvement in rural areas, and the effects of droughts and floods

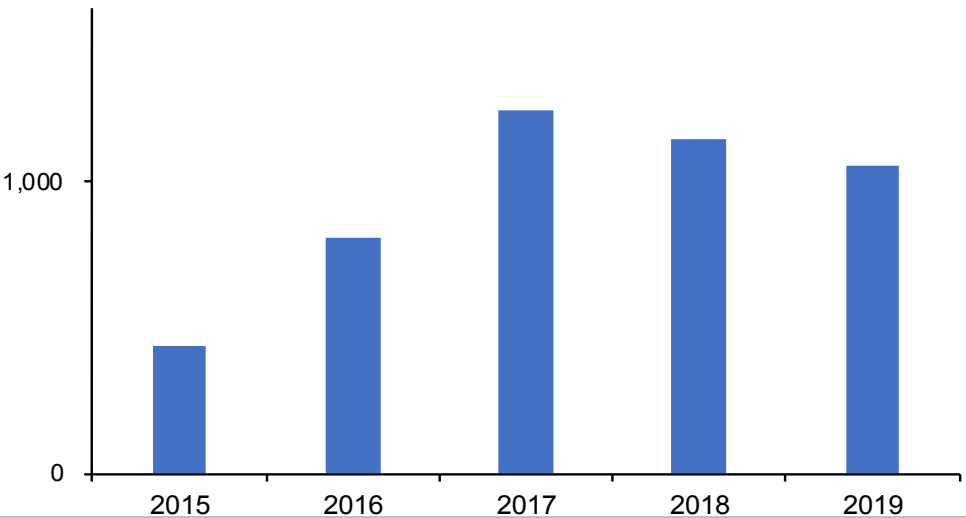
2. Situation of the local distributor “IST Farm Machinery”

Number of units sold
 ASEAN strategy tractor (Jan.-Dec. 2019): YoY 84%
 • Opened IST branches ⇒ Strengthened service structure

3. Sales and orders at ISEKI

Shipments/orders (Jan.-Mar. 2020) : Shipments resumed in Dec. 2019

■ Sales at IST (*Including units outside Thailand)



Market Trend (ASEAN and Neighboring Regions)

ASEAN and neighboring regions

FY2019/12: Decreased volume of Indonesian government tendering. Sales in Myanmar is steady.
 FY2020/12: Continued growth in sales is expected in Myanmar, in addition to Indonesian government tendering.

1. Trend in the market

(2019)

<Indonesia>

- Decreased volume of government tendering

<Myanmar>

- Mechanization of farming is making progress (centered on independent contractors)

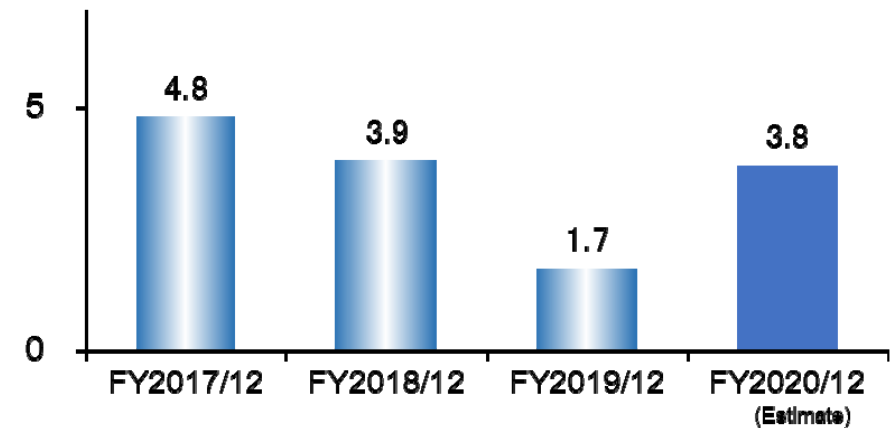
3. ISEKI Thailand's initiatives

Strengthening sales and service support for distributors. ISEKI will strengthen the repair parts supply structure with ISEKI Thailand as a base, projecting future market expansion.

2. ISEKI's situation (2019)

- Indonesia: Decreased sales compared to previous year due to lower tendering volume
- Myanmar: Sales expansion through IST Farm Machinery

(JPY bn) Consolidated net sales (ASEAN)

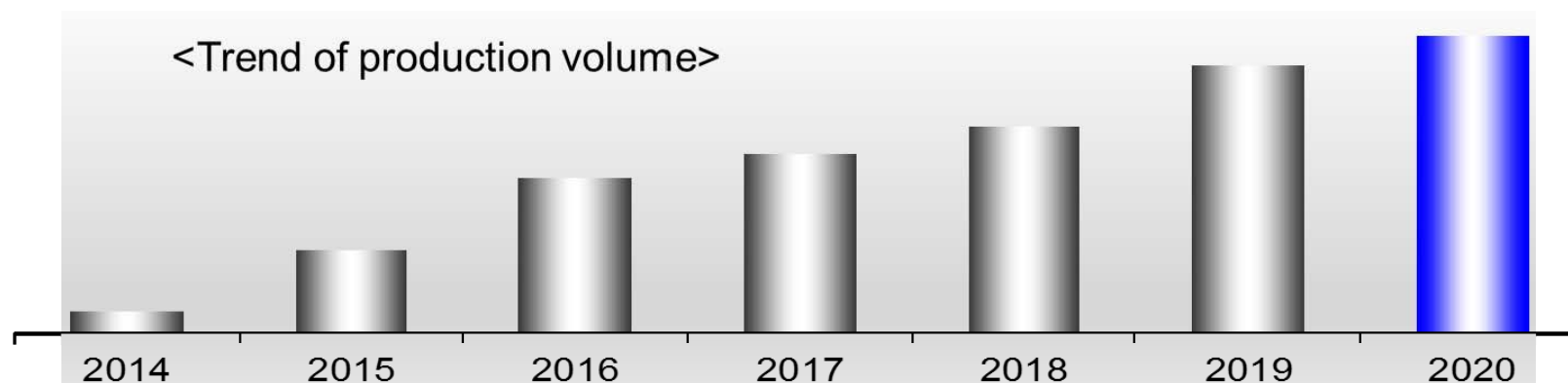


Number of units manufactured and profit for 2019 were almost as planned. Promote further enhancement of its profitability as the base station for earning abroad.

(Units, JPY bn)

	2014 Results	2015 Results	2016 Results	2017 Results	2018 Results	2019		2020 Plan
						Plan	Results	
Production Volume	1,100	3,900	7,300	8,400	9,700	12,000	12,600	14,000
Operating Income	(0.3)	(0.4)	(0.3)	0.3	0.1	0.3	0.3	0.5

<Trend of production volume>



Trends in Overseas Markets (China)

China

FY2019/12: Sales of rice transplanters, our main product, decreased substantially amid a sluggish market.
FY2020/12: Will implement measures suited to the market trends, with subsidies at the same level as in 2019.

1. Trends in the agricultural machinery industry by product type

(YoY change in units, %)

	Dec. 2017	Dec. 2018	Nov. 2019
Rice transplanters (riding)	6%	(20)%	(11)%
Combine harvesters (all-purpose, auto-threshing)	(12)%	(22)%	(17)%
Tractors (medium- to large-sized)	(25)%	(21)%	7%

*Source: China Association of Agricultural Machinery Manufacturers

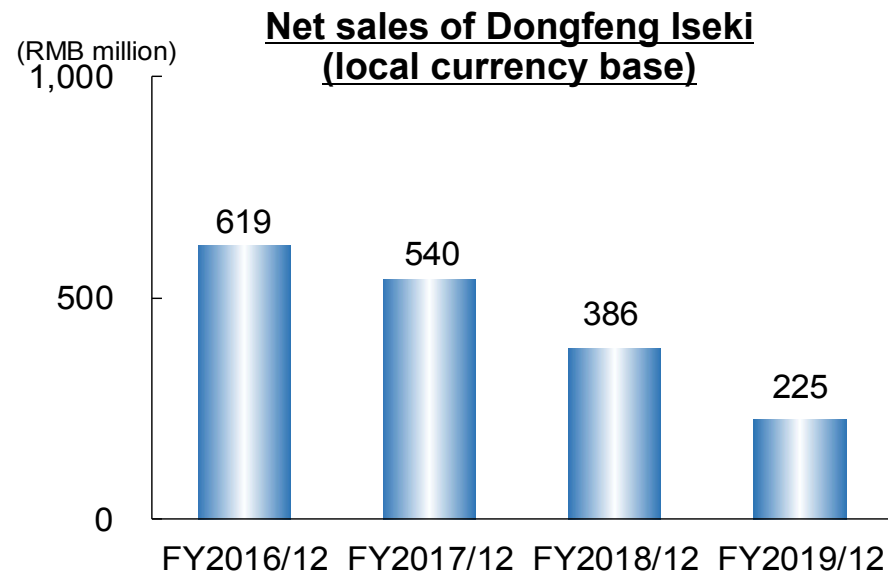
2. National government subsidy

(RMB bn)

2014	2015	2016	2017	2018	2019	2020
23.8	23.8	23.7	18.6	18.6	18.0	18.0 (Estimate)

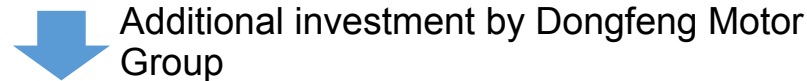
3. Situation of Dongfeng Iseki

➤ In domestic sales in China, sales of rice transplanters decreased substantially.



■ Ratio of investment in Dongfeng Iseki Agricultural Machinery Co., Ltd.

Previously: Dongfeng Motor Group: ISEKI = 50% : 50%



Currently: Dongfeng Motor Group: ISEKI = 75% : 25%

■ Background

For the purpose of working toward further business expansion and localization of business operations in China

■ Future direction

- There will be no change in the importance of business in China in ISEKI's overseas strategy
- Local production quality has improved, and Dongfeng Iseki will continue to develop, centering on technical support including licensing technology of ISEKI's high-performance and hi-tech models.
- We will engage in developing Chinese business, based on a relationship of trust with Dongfeng Motor Group

■ Status of ISEKI Group's main bases and operations in China

- Hubei Province ISEKI Wuhan Office (Wuhan City)

 - Dongfeng Iseki Wuhan Headquarters (head office) (Wuhan City)

 - Dongfeng Iseki Xiangyang Plant (Xiangyang City)

 - ⇒ Plan to reopen on Friday, February 21. Will take measures upon monitoring the situation

- Other Dongfeng Iseki Changzhou Plant (Changzhou City, Jiangsu Province)

 - ⇒ Will reopen on Wednesday, February 12, to start production on Thursday, February 13 however at a low operating ratio

 - We will closely monitor the impact of the supply chain.

South Korea

FY2019/12: Major growth in sales, centered on combine harvesters.

FY2020/12: Will work toward expanding orders by continuing to support local distributors.

1. Trend in the market

<South Korea>

Crop rotation is being encouraged under the leadership of the South Korean government, and progress is being made in increasing the size and efficiency of agricultural machines due to farmland consolidation.

The need for large-size, high-performance machines is growing as the number of farmers is falling.

➤ Unit sales of combine harvesters (Jan.-Dec. 2019)

Market : YoY 109%

Tong Yang Moolsan (TYM) : YoY 125%

* Estimates by ISEKI based on information from Korean industry newspapers

2. Sales at Iseki

- Launched our brand's flagship products, TJ series tractors and HJ series combine harvesters, via the sales channel of the TYM Group, a major South Korean agricultural machines manufacturer



TJ series tractor



HJ series combine harvester



Riding, 8 plot, rice transplanter featuring straight-travel assistance

3. Performance Forecast for the Fiscal Year Ending December 31, 2020



Performance Forecast for the Fiscal Year Ending December 31, 2020



(JPY bn)

	FY2018/12		FY2019/12		FY2020/12*		Y o Y change
	Actual	%	Actual	%	Forecast	%	
Net Sales	156.0	100.0	149.9	100.0	156.0	100.0	6.1
(Domestic)	122.8	78.7	117.7	78.5	120.3	77.1	2.6
(Overseas)	33.2	21.3	32.2	21.5	35.7	22.9	3.5
Operating Income	3.2	2.0	2.7	1.8	3.6	2.3	0.9
Ordinary Income	2.6	1.7	1.1	0.7	2.8	1.8	1.7
Profit attributable to owners of parent	1.1	0.7	0.7	0.5	1.7	1.1	1.0
Foreign Exchange Rates	US\$	110.2	109.3		105.0		(4.3)
	Euro	130.9	121.6		118.0		(3.6)
Foreign exchange sensitivity (JPY million, operating income basis)	US\$				4		
	Euro				10		

*Forecast: released on Feb. 14, 2020

Domestic Sales Forecast

ISEKI

Domestic sales

Will secure agricultural machinery sales at the same level as in 2019 through the 95th anniversary campaign and launching of new products, and expand revenue from farming implements, spare parts and repair fees, as well as the construction of facilities

(JPY bn)

		FY2018/12 Actual	FY2019/12 Actual	FY2020/12 Forecast	Y o Y change	
Agricultural Machinery Related	Agricultural Machinery	Cultivating & Mowing Machinery	27.4	25.4	25.6	0.2
		Planting Machinery	9.2	9.0	9.5	0.5
		Harvesting & Processing Machinery	20.0	18.6	18.1	(0.5)
		Total	56.6	53.0	53.2	0.2
		Farming Implements	20.2	20.1	20.5	0.4
		Spare Parts	14.8	15.0	15.1	0.1
		Repair Fees	5.6	5.7	5.8	0.1
		Total	40.6	40.8	41.4	0.6
	Total		97.2	93.8	94.6	0.8
	Construction of Facilities		5.7	4.6	6.0	1.4
Others		19.9	19.3	19.7	0.4	
Total		122.8	117.7	120.3	2.6	

Overseas Sales Forecast



Overseas
sales

Expect to increase revenue mainly owing to continued strong sales in North America and recovery in ASEAN.

(JPY bn)

	FY2018/12 Actual	FY2019/12 Actual	FY2020/12 Forecast	Y o Y change
North America	10.8	12.7	13.6	0.9
Europe	10.9	10.2	10.2	±0.0
China	1.0	0.1	0.1	±0.0
ASEAN	3.9	1.7	3.8	2.1
Others	1.8	3.5	3.8	0.3
Product Sales Total	28.4	28.2	31.5	3.3
Parts & Others	4.8	4.0	4.2	0.2
Total Sales	33.2	32.2	35.7	3.5

Consolidated Operating Income and Dividend Forecast

Performance forecast

An increase in gross profit as a result of increased revenue, as well as strengthening of the revenue structure at domestic dealers and improved profitability in products for overseas markets will mainly offset an increase in SG&A expenses.

1. Operating income

(JPY bn)

	FY ended Dec. 2018	FY ended Dec. 2019	FY ending Dec. 2020	YoY
	Actual	Actual	Forecast*	Change
Net Sales	156.0	149.9	156.0	6.1
Gross Profit	46.0	44.5	46.7	2.2
Gross Profit Margin	29.5%	29.7%	29.9%	0.2%
SG&A Expenses	42.8	41.8	43.1	1.3
Personnel Expenses	25.4	24.7	25.3	0.6
Other Expenses	17.4	17.1	17.8	0.7
Operating Income	3.2	2.7	3.6	0.9

2. Dividend forecast

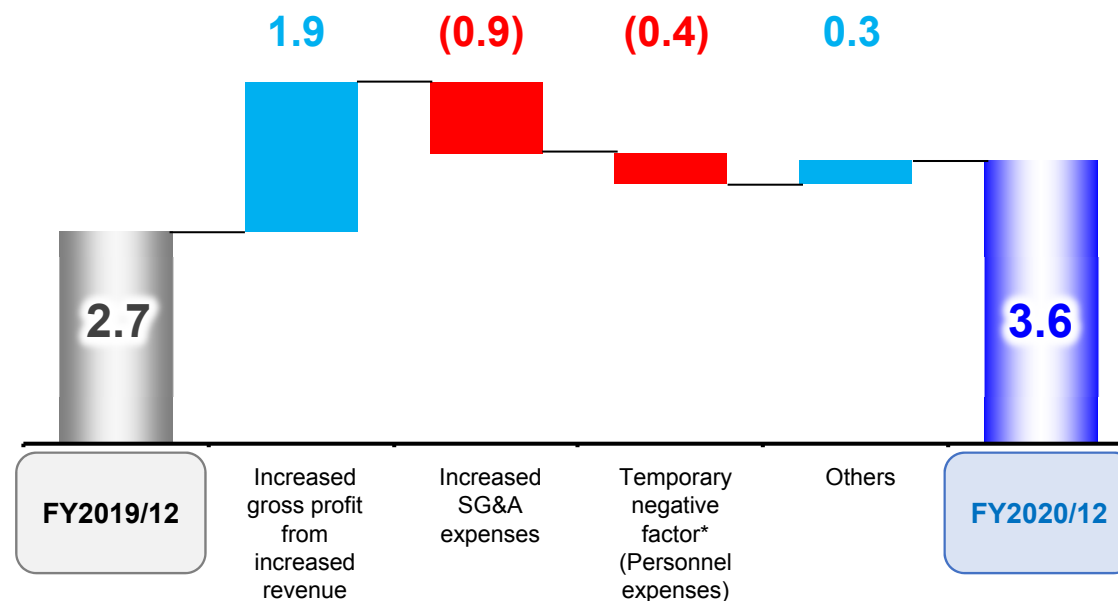
(JPY bn)

	FY2018/12 Actual	FY2019/12 Plan	FY2020/12 Forecast*
Year-end dividend	30	30	30

*Forecast: released on Feb. 14, 2020

[Breakdown of YoY change in operating income]

(JPY bn)

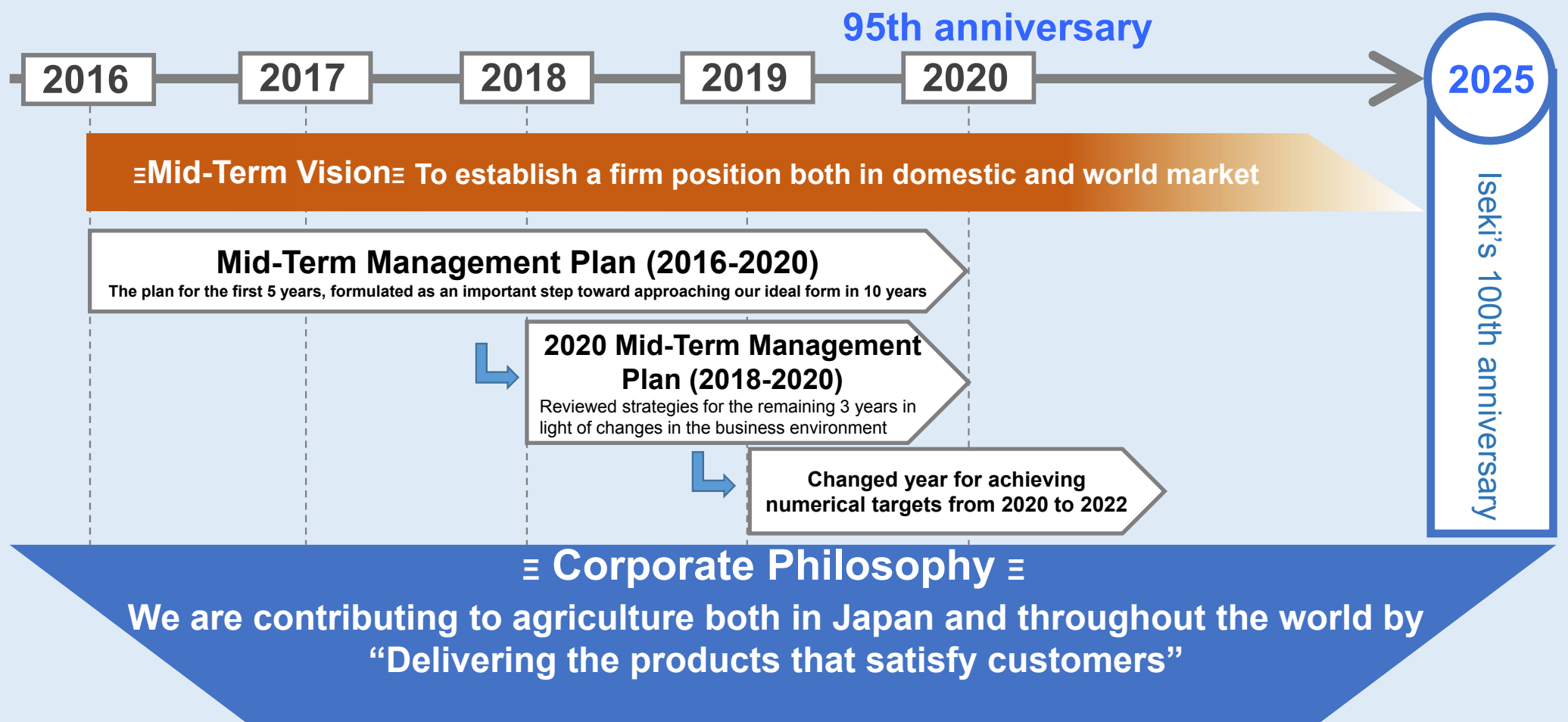


*Temporary negative factor: application of the principle of calculating retirement benefits upon the merger of dealers

4. Progress of Mid-term Management Plan



Positioning of the Mid-Term Management Plan



≡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 from assumptions

Domestic

- » Future investment strategies, accelerating promotion of smart agriculture by agricultural administration
- » Last-minute rush and 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

- Continued levelling-off of growth 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

1. Strengthen responsiveness to drastic changes in agriculture in Japan

(1) Develop sales and services into a wider area (Block strategy)

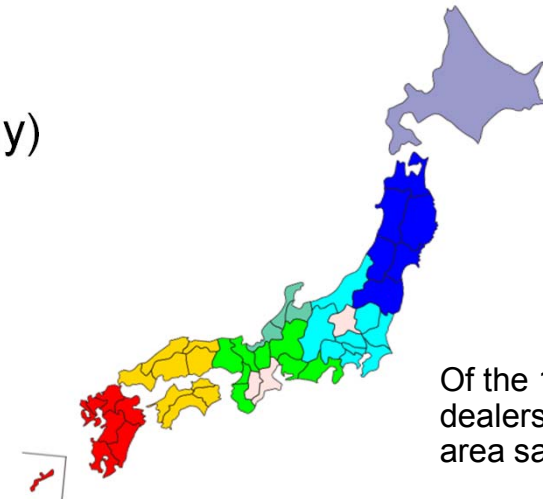
- Establish sales offices focused around large-scale maintenance centers
Reorganizing wide-area sales companies
10 site to 7 site system

(2) Overhaul revenue and cost structure

- Increased revenue from farming implements, spare parts and repair fees
Improving profitability of dealers

(3) Strengthen product development

- Increasing product strength, including that of the All Japan Series (large-sized, hi-tech products)



Of the 12 affiliated dealers, 7 are wide-area sales companies



Large-sized machinery



Vegetable cultivation machinery

2. Expand overseas businesses

(1) Expand business through enhanced cooperation with strong strategic partners

- U.K.: Investment in new distributors
- India: Technical/business alliance agreement with TAFE

(2) Develop and launch products that match market needs

- North America: Model change into sub-compact tractors
- Europe: Products that comply with Stage V emission standards
- China: Sales of hi-tech rice transplanters
- ASEAN: New products for Thailand and Myanmar

(3) Build up and expand spare parts and after-sales businesses

- Strengthening the spare parts, services and support system by ISEKI Thailand

Europe:
riding lawnmowers



North America:
sub-compact tractors



ASEAN: tractors



China:
hi-tech rice
transplanters

Progress of Basic Strategies

3. Strengthen profitability by optimizing development and production

(1) Improve profitability of products for overseas market

- Effect of improvement from compact tractors for the North America market
⇒ Driving continued improvement of profitability of products for overseas market

(2) Inhouse manufacture of engines complying with exhaust gas regulations

- Renewing the engine production line (capital investment)
⇒ Reducing costs, increasing competitiveness

(3) Boost profitability of Indonesia business

- Steady improvement, staying profitable
⇒ Further growth along with acceleration of overseas developments



Renewing the engine production line (its automation)



Starting with production of engines complying with Stage V standards for the European market

*Stage V: Stage 5 of European emission standards for diesel engines

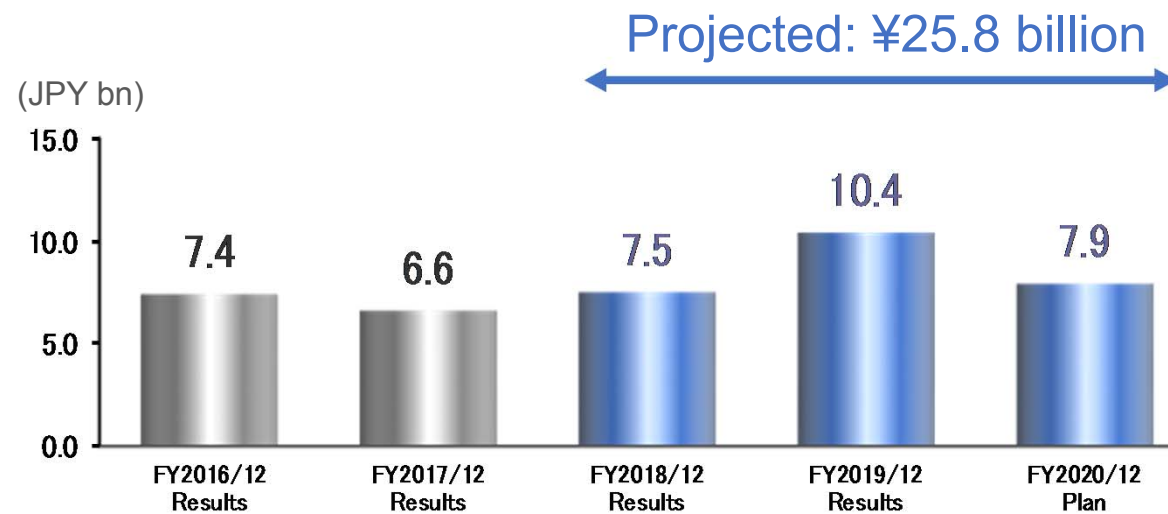


PT. ISEKI INDONESIA: Production of tractors for overseas markets



Progress of Basic Strategies

4. Make active capital investment for growth



*Property, plant, and equipment after delivery

Continue investment for growth in Japan and overseas

Major investments (over 3 years)

- Equipping large sales offices of dealers ¥5.0 bn
- Production facilities ¥12.5 bn
(to automate engine lines, to produce new models, to increase productivity, etc.)
- Investment in IT ¥1.9 bn

Progress of Basic Strategies

5. Enhance corporate value by reinforcing personnel & corporate governance

(1) Foster personnel, create comfortable workplaces

- Foster personnel for development, production, and sales & services (Number of staff who underwent inhouse training: 1,625 in 2018)
- Promoting creation of comfortable workplaces (rate of reinstatement after childcare leave: 100%)
- Established an operations streamlining project
Toward overhauling work approaches and increasing productivity, including use of IT

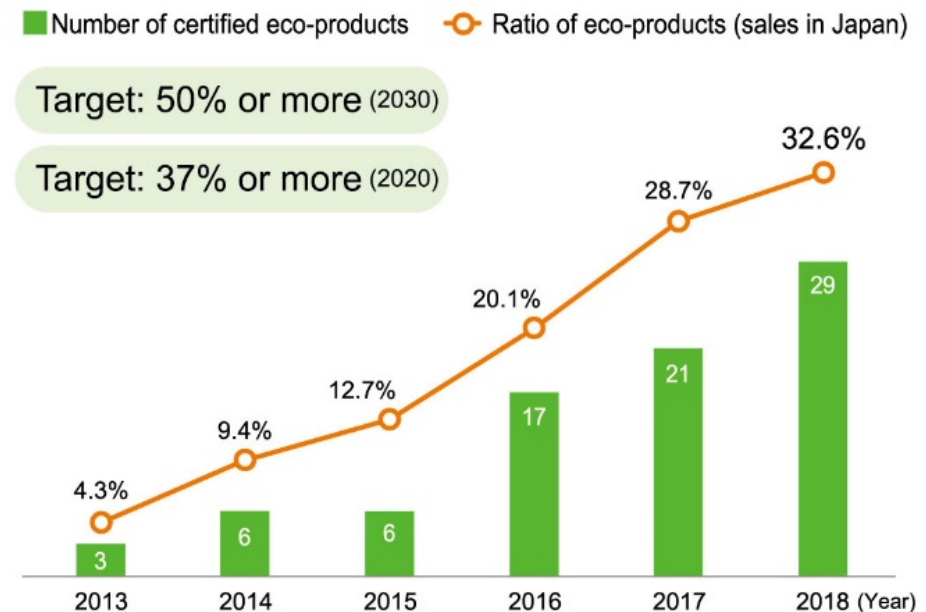
(2) Corporate governance

- Having a third-party institution evaluate the effectiveness of the Board of Directors
- Setting up a nomination advisory committee

(3) Strengthen CSR initiatives

- Promoting environmentally-friendly products (eco-products)

Number and ratio of certified eco-products (sales ratio in Japan)



*Eco-products: environmentally-friendly products that have passed our independently developed evaluation standards (inhouse certification)

Henkaku (Change)



Ensuring management transparency
Commitment to earnings
Improving operational efficiency

≡Mid-term vision≡

2025 marks 100th anniversary of ISEKI Group

To establish a firm position both in domestic and world market

≡New executive team≡

Director & Senior Corporate Officer,
General Division Manager,
Development & Production Division

Director & Corporate Officer,
General Division Manager,
Overseas Business Division

Hajime Odagiri

Kazuya Tani

To take office upon the Ordinary General Meeting of Shareholders and Board of Directors meeting planned on March 27, 2020

Toward the
100th anniversary

New Mid-term Plan
(2021-2025)

Formulated by
the new executive team

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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ISEKI group is a promotional partner of FOOD ACTION NIPPON.



未来の
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”.