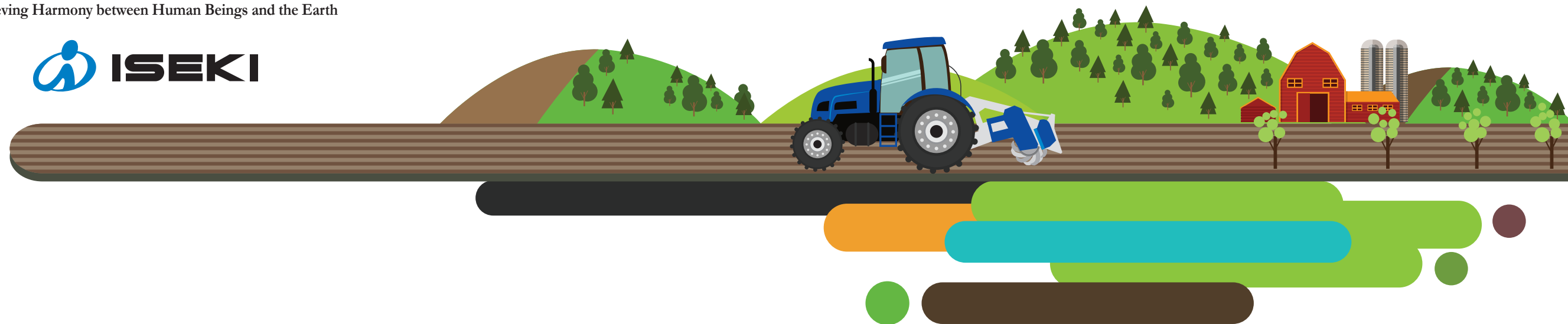


Achieving Harmony between Human Beings and the Earth



Contact about this ISEKI report

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Issued in July 2019



As a promotional partner, ISEKI Group passes down the significance of food production through delivering agricultural machinery.



ISEKI Group supports the nationwide action "COOL CHOICE" for global warming countermeasures.

# We strive to contribute to the creation of a prosperous and sustainable society.

A dream awaited by all the people on earth. ISEKI Group is in pursuit of food production that secures our daily lives. The growth of agriculture is a top-priority issue that holds the key to global food problems. To realize a sustainable growth of agriculture in the future, ISEKI Group will contribute to the development of agriculture around the world.



**Akio Kikuchi**  
Representative Director,  
Chairman & Executive Officer

**Shirou Tomiyasu,**  
Representative Director,  
President & Executive Officer

## Editing policy

### Editing policy

This report presents both financial and non-financial information to introduce initiatives for improvement of the corporate value of ISEKI Group to a wide range of stakeholders including shareholders and investors in an easy-to-understand manner.

### Covered period

From January 2018 through December 2018  
Part of this report includes information in and after January 2019.

### Scope

As a general rule, this report covers the activities of ISEKI & Co., Ltd. and ISEKI Group's associated companies in Japan and overseas. Notes will be added in this report when the range of activities and/or data is limited in certain part hereof.

### Referenced guidelines

- ▶ International Integrated Reporting Council (IIRC): "The International Integrated Reporting Framework"
- ▶ GRI\*: "Sustainability Reporting Guidelines 4th Edition"
- ▶ Ministry of the Environment: "Environmental Reporting Guidelines (2012 Edition)" and "Guide to Descriptions in Environmental Reports (3rd Edition)"

\* GRI is an international organization established with the objective of the creation and dissemination of international guidelines regarding sustainability reporting by corporations.

### Information included in this report

▶ Information presented on the company website  
Various information that cannot be included in this report is presented in the "About ISEKI" section of the company's website.

#### ● "About ISEKI"

- Information covered ... <https://www.iseki.co.jp/about/>
- Company Information : Company outline, main locations, R&D activities
- Investor Information : Shareholder information, financial results, IR briefing materials
- CSR & Environment : Environmental site reports, environmental, social and governance (ESG) data

▶ Note on forward-looking statements  
Forward-looking statements contained in this report were prepared based on information available at the time of the preparation and involve potential risks and uncertainties. Actual results may differ from those expressed by the statements due to changes in economic conditions and market trends.

## contents

Message.....	1
<b>Value creation of ISEKI Group</b>	
Message from our President.....	3
Priority issues (materiality).....	5
Value creation story.....	7
Three strengths.....	9
<b>Business development at ISEKI Group</b>	
Domestic business.....	13
Overseas business.....	17
Development and production.....	21
<b>Initiatives that support value creation</b>	
ISEKI Group's stakeholders.....	25
<b>Environment</b>	
ISEKI Group environmental management.....	26
Environmental management.....	27
<b>Governance</b>	
Corporate governance.....	28
Risk management.....	30
Compliance.....	32
<b>Financial data</b>	
Financial and non-financial highlights.....	34
Consolidated Balance Sheets.....	36
Consolidated Statements of Income.....	38
Consolidated Statement of Cash Flows.....	39
<b>Company information</b>	
Company information.....	40



## We strive to contribute to the creation of a prosperous and sustainable society.

Shirou Tomiyasu  
Representative Director,  
President & Executive Officer



Since its establishment in 1926, with the passion of our founder Kunisaburo Iseki, “free farmers from exhausting labor” as the cornerstone, ISEKI Group has been striving to contribute to the modernization of Japan’s agricultural industry as an integrated manufacturer specializing in agricultural machinery. Over this period, we have consistently pursued efficiency and laborsaving advances in agriculture and have continued to provide products to the market by pioneering the development of a significant amount of revolutionary agricultural machinery and facilities.

In light of the increase in the global population, food issues, food self-sufficiency, land conservation, and global environmental issues, the role agriculture plays is significant, and consequently, we believe that the social mission of an agricultural machinery manufacturer is becoming increasingly important.

To contribute to agriculture both in Japan and throughout the world, ISEKI will continue its business activities under the basic business philosophy to “provide products that satisfy customers.”

We believe that such activities will lead us to make contributions to the “Sustainable Development Goals (SDGs)” adopted by the United Nations Summit with the targets to be achieved by 2030.

We are committed to making ongoing efforts to further enhance our corporate value with the aim of “contributing to the creation of a prosperous and sustainable society,” while working on solving various types of social issues in cooperation with our stakeholders.

### Management Philosophy

#### <Spirit of ISEKI – Passion of founder –>

#### “I want to free farmers from exhausting labor”

Agriculture was hard work, done by hand and with the help of animal power. To change this, Kunisaburo Iseki, the founder, realized laborsaving through mechanization and endeavored to further develop agriculture.

“We produce good machinery that customers highly praise,” Kunisaburo used to say. He devoted himself to provide products that made customers happy. The founder’s passion has been inherited in an unbroken line until today as “Iseki’s spirit.”

#### <Company Motto>

Our management philosophy is to provide:

1. Products that satisfy customers;
  2. A stable workplace to the employees;
  3. Appropriate dividend to the shareholders;
- and thereby we will fulfil our social mission.

#### <ISEKI Group Code of Ethical Behavior>

In order for ISEKI Group to fulfill its responsibility as a member of society and achieve development together with society, ISEKI Group has established the “ISEKI Group Code of Ethical Behavior,” which is comprised of the common sense and basic <Fundamental principles> to be observed by all of its members, as well as the more specific <Code of conduct>, both of which serve as the basis for its day-to-day activities.

#### <Fundamental principles>

1. To comply with laws and regulations
2. To respect basic human rights
3. To respect social common sense
4. To disclose information properly to fulfill social accountability
5. To make efforts for environmental preservation

## We aim to resolve social issues through our business while enhancing corporate value.

### Contributing to sustainable agriculture in Japan and around the World

#### Support from both hard and soft aspects for the growth and development of Japan’s sustainable agriculture

Japan has been facing various issues including a decline in the agricultural workforce, an aging population, an increase in deserted farmland, etc.

For the sustainable growth and development of Japan’s agriculture, ISEKI Group provides support from both hard and soft aspects. It offers not only improved agricultural efficiency and productivity, the utilization of ICT and robotic technologies, as well as energy-saving, low-cost, and environmentally-friendly products, but also research, verification, dissemination, support, etc., of advanced farm business technologies. ISEKI Group also makes group-wide efforts toward dietary and agricultural education in an attempt to improve food self-sufficiency.

#### Contributing to global needs to increase food production and efficient food production

The total world population in 2050 is expected to reach 9.7 billion people, so there is a need to significantly increase food productivity. To cope with the recent global needs to increase food production, ISEKI Group will contribute to efficient food production by improving productivity and saving labor through the use of agricultural machinery. In addition, our products are used not only in agriculture but also in landscaping such as lawn mowing, cleaning, and snow removal on roads, mainly in Europe and America, and are well-received in over 100 countries and regions. Identifying Europe, North America, China, and ASEAN as four core markets, ISEKI Group is actively ascertaining the various needs in these countries and regions to provide products accordingly.

### Contributing to the development of a recycling-oriented society

#### Introduced an environmental management system on a group-wide basis

With respect to environmental issues such as climate change, ISEKI Group has positioned a contribution to the development of a recycling-oriented society as one of the management issues of the highest priority and introduced an Environmental Management System (EMS) on a group-wide basis, covering overseas offices as well.

In addition to our domestic and overseas manufacturing bases, non-manufacturing bases such as sales companies are involved in environmental conservation activities in tune with their business activities and local characteristics.

#### Promoting the development and spread of products that reduce environmental impacts (eco-products)

ISEKI Group has established tangible environmental targets and the promotion and management system since the initial product development phase in an effort for environmental preservation.

To convey the results of these approaches in an easy-to-understand manner to all stakeholders and promote the dissemination of eco-products, ISEKI Group has set environmentally-friendly design standards, and we are promoting the implementation of an “eco-product certification system.” Under this system, based on the evaluation results, environmental labels are used only for products that meet our own standards.

### Human resource development

#### Commitment to human resource development and diversity promotion

ISEKI Group believes that what contributes to the solution of various issues is people. We realize that “human resource development” is essential for us. ISEKI Group has promoted not only the improvement and succession of skills and techniques indispensable at development and production sites and the development of human resources who are capable of offering comprehensive farm business proposals to our customers or working actively in global fields, but also diversity in the utilization of a wide range of human resources.

#### Engaging in activities to promote the active roles of women and children

In terms of human resource development, we actively engage in activities aimed at the active roles of women in society and the

development of children. ISEKI Group is also committed to providing learning opportunities including workshops for female farmers who play an important role in agricultural and regional activities as well as food and agricultural events and craft events for children who will bear the future.

### Establishing a firm position in domestic and world market

#### Demonstrating ISEKI’s strengths and working on sustained improvement of corporate value

ISEKI & Co., Ltd. is going to mark the 100th anniversary of its foundation in 2025.

It has upheld the Mid-term Vision of establishing a firm position as an integrated manufacturer specializing in agricultural machinery also in the global market by the 100th anniversary of its foundation. ISEKI is committed to developing products that can compete in the global market and offering proposals while demonstrating its strengths. Through such group-wide efforts, ISEKI aims to strengthen its responses to structural changes in the domestic agricultural industry, expand its overseas businesses and strengthen its organization and governance on a group-wide basis, which will lead to the sustained improvement of corporate value.

### Mid-term Management Plan – Henkaku (Change) –

#### Opening up a new future through creating new value with the essence of ISEKI

In 2016, ISEKI has formulated the “Mid-term Management Plan” covering a five-year period (2016-2020) as its significant step toward the target vision to be achieved in 10 years. In 2018, ISEKI has reviewed the strategies for the three years up to 2020 so that the path will surely lead us to the realization of the plan. In light of the changes in the market environment and other factors since the formulation, the time limit to achieve the numerical targets was reset to 2022. ISEKI is going to implement five basic strategies under the Mid-term Management Plan with “Henkaku (Change)” as the keyword.

ISEKI strives to open up a new future through CSR activities promoted and strengthened mainly by the company’s executives to meet the demands of society and create value with the essence of ISEKI utilizing our own strengths.

### 2020 Mid-term Management Plan [2018-2020]

#### Corporate philosophy

We are contributing to agriculture both in Japan and throughout the world by  
“providing products that satisfy customers”

#### Mid-term Vision

2025 marks the 100th anniversary of ISEKI Group  
“To establish a firm position both in domestic and world market”

#### Basic strategies

Keyword **“Henkaku (Change)”**

–Ensuring management transparency–  
–Commitment to earnings–

#### Five basic strategies

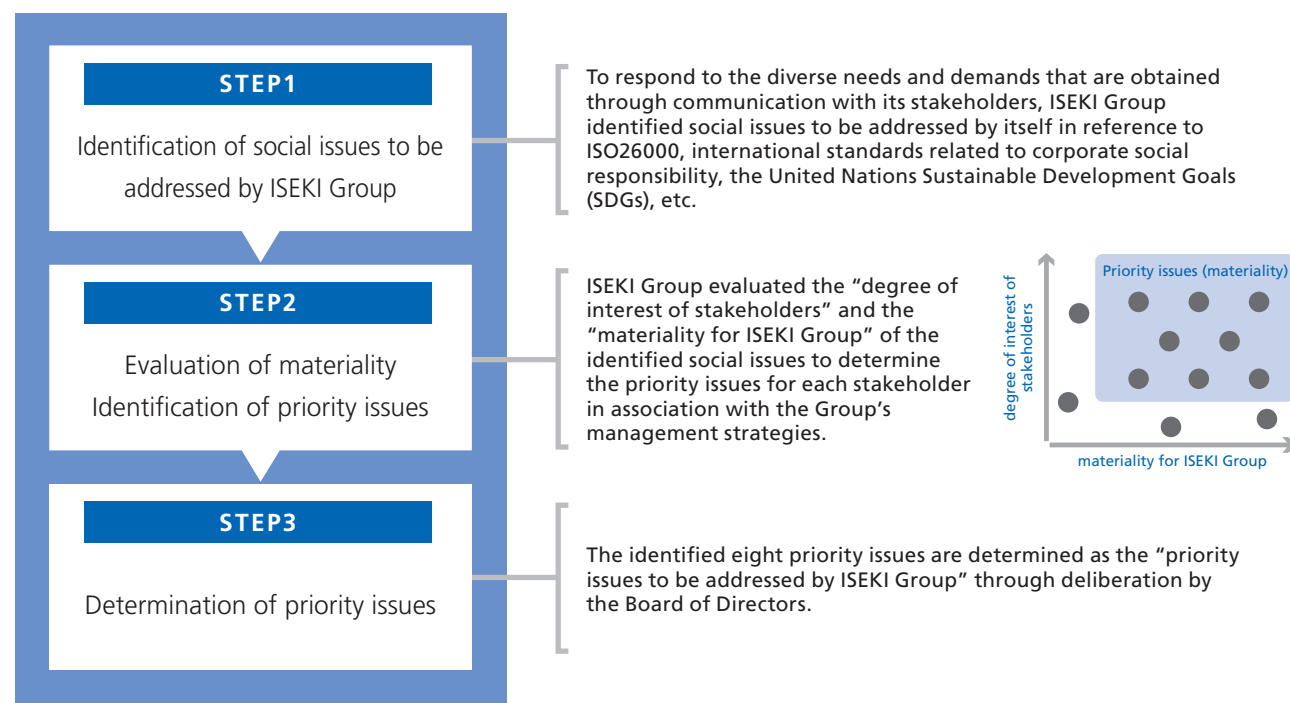
- 1 Strengthen responsiveness to drastic changes in agriculture in Japan
- 2 Expand overseas businesses
- 3 Strengthen profitability by optimizing development & production
- 4 Make active capital investment for growth
- 5 Enhance corporate value by reinforcing personnel & corporate governance

# Priority issues (materiality) of ISEKI Group

In order to achieve sustainable growth and increase corporate value, ISEKI Group has identified priority issues that link social issues to be addressed and management strategies together. We will endeavor to fulfill our social responsibility through CSR activities that focus on stakeholder communication.

## Process for making decisions on priority issues

ISEKI Group has identified social issues to be addressed by itself, evaluated them from the perspectives of the “degree of interest of stakeholders” and the “materiality for ISEKI Group” to determine the priority issues, and thereby determined the “priority issues to be addressed by ISEKI Group” as part of its CSR activities.



In September 2015, the United Nations Summit formulated the “Sustainable Development Goals (SDGs)” comprised of 17 goals and 169 targets to be addressed in a joint effort by the whole world to attain a sustainable society. ISEKI Group is committed to contributing to the demands of global society through its business activities.



### Sustainable Development Goals (SDGs)

These refer to the “Sustainable Development Goals” laid out in the 2030 Agenda for Sustainable Development which was adopted at the United Nations Sustainable Development Summit in 2015.

The SDGs are common global targets for all developed and developing nations to realize a society that balances the three dimensions of economy, society, and environment by 2030, and consist of 17 goals and 169 associated targets.

## Priority issues to be addressed by ISEKI Group

The “materiality for stakeholders” and the “materiality for ISEKI Group” are evaluated and eight items with particularly high materiality are positioned as priority issues. The CSR-promotion departments have established initiatives and targets (KPIs) for the promotion of CSR that are linked with the Mid-term Management Plan and business plans. In addition, the relationship between the priority issues and the 17 SDGs is summarized as shown in the figure below. ISEKI Group will help satisfy the demands of global society through its business activities.

Stakeholders, etc.	Priority issues	Related key SDGs
Customers	Provision of products and services that satisfy customers	1 NO POVERTY, 2 ZERO HUNGER, 5 GENDER EQUALITY, 7 AFFORDABLE AND CLEAN ENERGY, 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
	Provision of high-quality and safe products and services	12 RESPONSIBLE CONSUMPTION AND PRODUCTION, 15 LIFE ON LAND, 17 PARTNERSHIPS FOR THE GOALS
Employees	Improvement of employee satisfaction (ES)	5 GENDER EQUALITY, 8 DECENT WORK AND ECONOMIC GROWTH
Suppliers	Fair and equitable trade	12 RESPONSIBLE CONSUMPTION AND PRODUCTION, 17 PARTNERSHIPS FOR THE GOALS
Local community	Contribution to society and the local community	2 ZERO HUNGER, 4 QUALITY EDUCATION, 11 SUSTAINABLE CITIES AND COMMUNITIES, 15 LIFE ON LAND
Environment	Environmental preservation that allows for the creation of a sustainable society	6 CLEAN WATER AND SANITATION, 12 RESPONSIBLE CONSUMPTION AND PRODUCTION, 13 CLIMATE ACTION, 15 LIFE ON LAND
Shareholders and investors	Improvement of corporate governance	16 PEACE, JUSTICE AND STRONG INSTITUTIONS
Management	Thorough implementation of compliance	16 PEACE, JUSTICE AND STRONG INSTITUTIONS

For the details of initiatives and targets in CSR activities, please refer to our website.

## System for promoting CSR

The “Corporate Social Responsibility Committee” is in place to discuss CSR-related topics at ISEKI Group. The committee is chaired by the director in charge of the Corporate Planning Department, a CSR-promotion department, and is comprised of the members of the Directors’ Operation Committee for deliberation and the department heads of CSR-promotion departments for promotion, and promotes management activities based on the PDCA cycle.

Meetings of the Corporate Social Responsibility Committee are held twice a year to deliberate matters including the vision and strategies related to CSR management, review of priority issues to be addressed by ISEKI Group, and initiatives to promote CSR, and manages the progress of such matters. Upon deliberation, the Committee submits important matters to the Directors’ Operation Committee and the Board of Directors for their decision.

In terms of CSR promotion activities, departments in charge manage the implementation and progress of major initiatives, while relevant meeting bodies report to the company’s executives and conduct evaluation.

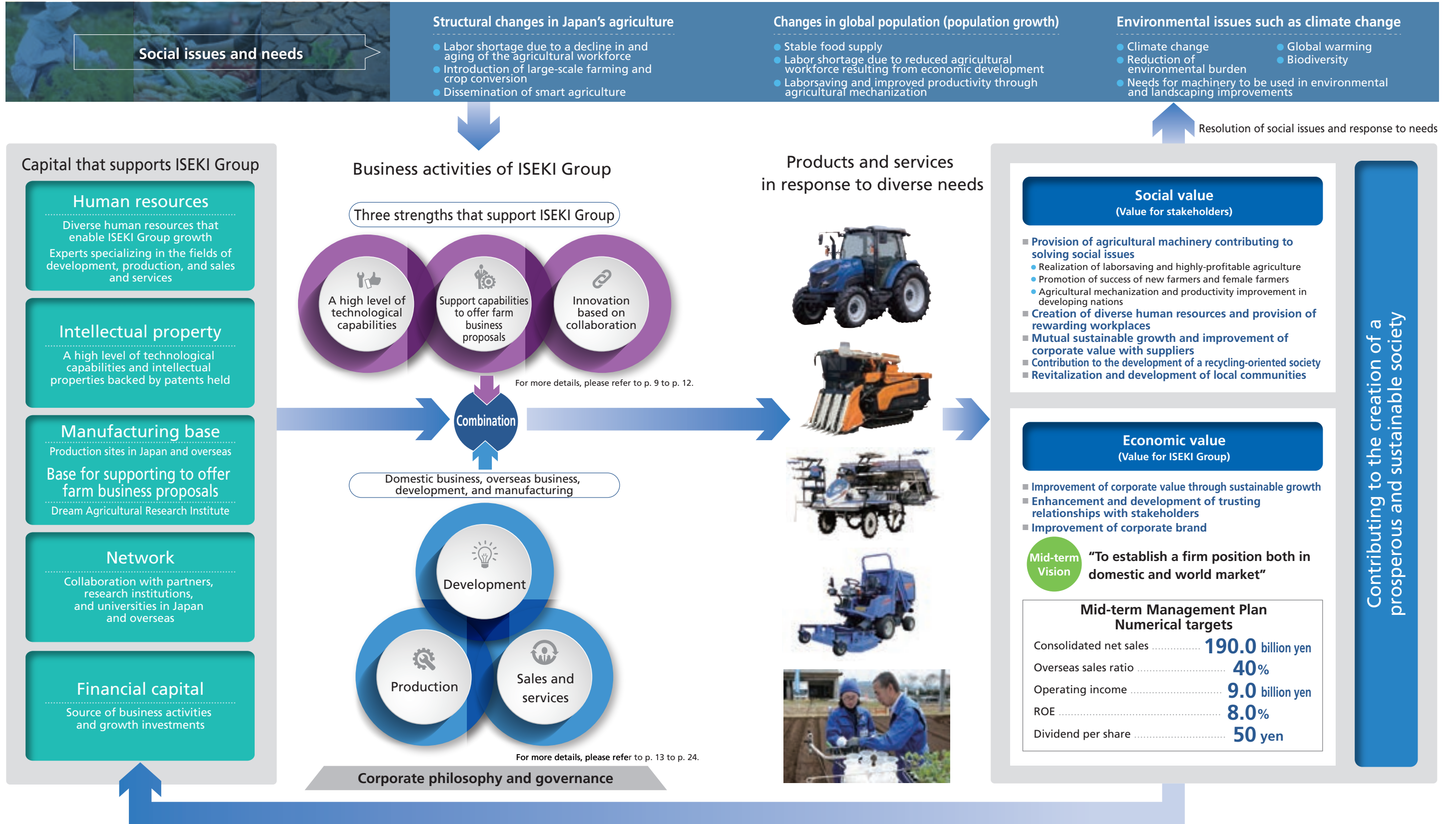
### Major meeting bodies

Corporate Social Responsibility Committee	Activities in general	Public Relations Liaison Committee
	Customers (products)	Product Planning Committee Advanced Technology Strategic Committee Quality Improvement Committee
	Employees	Human Resources Committee
	Environment	Environmental Planning Group Meeting
	Compliance	Management Supervisory Committee



# Value creation by ISEKI Group by utilizing our unique strengths

The ISEKI Group has been engaging in business activities that are founded on its corporate philosophy and governance and combine our unique strengths with development, production, and sales and services that leverage the capital supporting us, such as human resources and intellectual property. In doing so, we have been providing customers with products and services that meet a variety of needs, thereby creating social and economic value. By continuing this cycle of value creation, we strive to contribute to solving social issues in agriculture and other areas, while achieving sustainable growth and enhancing corporate value, and ultimately contributing to the creation of a prosperous and sustainable society.



# Three strengths that support ISEKI Group

Three strengths that support ISEKI Group's value creation are "a high level of technological capabilities," "support capabilities to offer farm business proposals," and "innovation based on collaboration." Through business activities that combine these strengths cultivated over the years, we will continue to generate economic value as well as social value.

Strength  
**01**

Strength  
**02**

Strength  
**03**

## A high level of technological capabilities

Since its foundation in 1926, ISEKI Group has been developing groundbreaking agricultural machinery ahead of the rest of the world and has brought innovation to agriculture and society. ISEKI's high level of technological capabilities is backed by patents we hold.

For more details, please refer to p. 10 (p. 24 for patents). ▶

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## Support capabilities to offer farm business proposals

We offer comprehensive farm business proposals and support from both hard (agricultural machinery) and soft (production management and advanced farm business technologies) aspects, an initiative unique to an integrated manufacturer specializing in agricultural machinery. In addition, we are committed to developing experts on a group-wide basis to further strengthen our support capabilities to offer farm business proposals.

For more details, please refer to p. 11 (p. 16 for human resource development). ▶

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## Innovation based on collaboration

We work together with partners in each field and each region in Japan and overseas to accelerate the development and provision of groundbreaking products and services and global operations.

For more details, please refer to p. 12. ▶

Creation of social value

Creation of economic value

Strength

01

## A high level of technological capabilities

With the philosophy of our founder, "free farmers from exhausting labor," ISEKI Group has consistently pursued efficiency and laborsaving advances in agriculture and have developed a significant amount of revolutionary agricultural machinery and facilities with ISEKI's unique technologies that meet the changes and needs of agriculture and social issues.

Agricultural mechanization supported post-war Japan's food shortage and rapid economic growth

ISEKI agricultural machinery that contributes to efficiency improvement and laborsaving

1926

Established with fully-automated rice hullers

"Iseki Farm Implement Trading Co." was established and a fully-automated rice huller was produced as the first product.



1963

Technology collaboration with Porsche-Diesel

Pioneered technology collaboration with a foreign-made tractor in the agricultural machinery industry. Porsche's superior design concept was employed in our tractors for many years.



1966

Development of world's first auto-threshing combine harvesters

Enabled the process from reaping to threshing to finish 16 times faster. Popularity was achieved due to its high efficiency, small-size and light weight, and reasonable price, with production unable to satisfy the high demand.



1971

Development of two-wheel rice transplanters equipped with backward-tilting seedling tanks

After much trial and error, succeeded in developing two-wheel rice transplanters equipped with backward-tilting seedling tanks that used a plastic float. Birth of Sanae, a synonym for rice transplanters.



1978

Development of ride-on rice transplanters

Led the industry in developing ride-on rice transplanters with producers troubled by manpower shortage and ISEKI coming together. It became the Japanese rice transplanter standard.



1986

A rotary-type transplanting rod that has changed the times

Developed a rotary-type transplanting rod that could plant two seedlings per rotation from the conventional crank-type (one transplanting rod per row). Work efficiency doubled.



Technologies supporting changes in Japanese agriculture that result from labor shortages due to a decline in and aging of the agricultural workforce, and the introduction of large-scale farming

ISEKI's agricultural machinery contributing to significant labor-saving and highly profitable agriculture

1988

Birth of Naueru System for the mechanization of vegetable farming

Developed our original "Naueru Pot Seeding" vegetable seedling that mainly used paper pots and nursery soil and the "Naueru PV101" fully-automated vegetable transplanter for planting the seedlings.



2009

Development of the industry's fastest auto-threshing combine harvesters

Developed the industry's fastest combine harvester capable of six-row reaping with a maximum working speed of 2.0m/s. Also developed the industry's first combine harvester capable of seven-row reaping.



2015

Development of industry's first plant growth diagnosis device

Measures the photosynthetic abilities of plants and visualizes the conditions of plants invisible to the human eye. Contributes to optimal control and growing by preventing disease.



2016

Development of industry's first variable fertilizing rice transplanter

Groundbreaking rice transplanter that adjusts to the appropriate amount of fertilizer while rice planting. Contributes to lower fertilizer costs and reduced plant lodging.



2018

Development of manned monitoring-based robot tractors

Realized significant labor saving in farming. This type of agricultural machinery was the first big step toward the future of agriculture.



2018

Development of industry's first walking-type daikon radish harvester

Industry's first harvester that contributes to reducing the burden of pulling up daikon radish by hand.



Introducing to the world technologies developed in Japan over the years



Strength

02

## Support capabilities to offer farm business proposals

ISEKI works to help producers attain agriculture full of dreams (i.e., profitable agriculture) by providing wide-ranging farm business proposals and supports from both hard (agricultural machinery) and soft (production management and advanced farm business technologies) aspects, with the Dream Agricultural Research Institute acting as a strategic hub.

### Dream Agricultural Research Institute

The Dream Agricultural Research Institute works on initiatives for the research, verification, and dissemination of smart agriculture that utilizes advanced technologies and advanced farm business technologies by strengthening collaboration with national and local governments, research institutions, universities, JA, corporations, etc. We are reinforcing the Group-wide development of human resources who can undertake comprehensive farm business proposals and support that cover not only agricultural machinery but also production management and advanced farm business technologies, and are working to further improve our support capabilities to offer farm business proposals.

In addition, the Dream Agricultural Research Institute accepts inspections by agriculture-related parties including producers, sending out various types of information by making proposals and holding seminars tailored to customer needs at the exhibition hall and demonstration field.

**Number of visitors for inspection**  
**Approximately 8,500** (in total as of June 2019)



External view



Exhibition hall

### A wide variety of activities aimed at research, verification, and dissemination

With the aim of addressing various needs, the institution supports customers' farm management by providing methods and know-how of using agricultural machinery for crop conversion on rice paddies.

- Research and verification concerning cultivation technologies in collaboration with local governments, research institutions, universities, companies, etc.
- Fostering the dissemination of smart agriculture
- Utilization of rice paddies (conversion into soybean, barley or vegetable farming)
- Support aimed for obtaining GAP certification
- Proposing cultivation technologies to entrants from other industries and new entrants
- Support for cultivating regions' traditional crops
- Support for restoring deserted farmland and regional revitalization in collaboration with local governments, etc.
- Working on a project to support female farmers in Japan ("YUMÉARU NOGYOJOSHI OEN" project)



Support aimed at obtaining GAP certification



Research and verification in rice paddy cultivation

Strength

03

## Innovation based on collaboration

ISEKI Group develops and provides innovative products and services in collaboration with national and local governments, private-sector companies, research institutions, and universities, as part of its business activities. In addition, we are accelerating our global expansion by exploring new markets through collaboration with leading strategic partners in each region.

### Collaboration with national and local governments and private-sector companies

#### Initiatives to realize smart agriculture combining innovative technologies

ISEKI Group engages in various activities in collaboration with local governments and private-sector companies. As one of these activities, ISEKI Co., Ltd. and ISEKI Kanto Koshinetsu are participating in the "Smart Agriculture Inter-Business Cooperation Demonstration Project" by Niigata City, and are working toward realizing smart agriculture combining innovative technologies.

For more details, please refer to p. 16. ▶

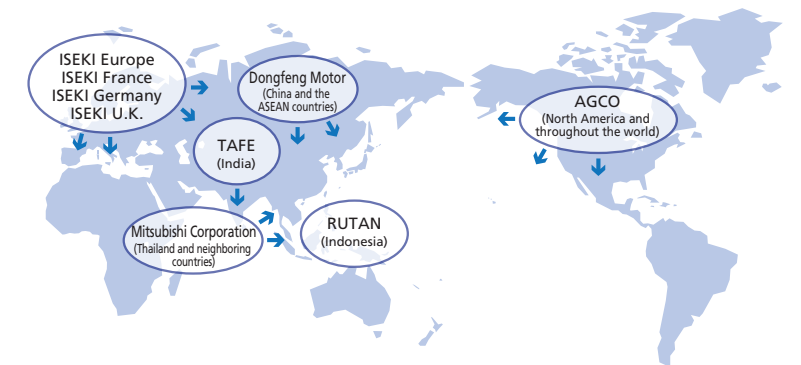
During the field visit of the G20 Niigata Agriculture Ministers' Meeting held in May 2019, guests were introduced to Japan's leading smart agriculture using smart agricultural machinery and agricultural ICT equipment, which Niigata City has been working on in partnership with various companies. As part of the event, we introduced our variable fertilizing rice transplanter with a straight-travel assisting function and demonstrated manned monitoring-based robot tractors.



Field visit of the G20 Niigata Agriculture Ministers' Meeting

### Collaboration with strategic partners

In our overseas businesses, we ensure the market-in approach in each overseas market through collaboration with major strategic partners, as well as the existing community-based network in each region, and provide products that meet diverse needs.



### Joint development with research institutions and universities

ISEKI Group engages in joint research and development of agricultural machinery through collaboration with testing research institutions, universities, and national and local governments in order to speed up technology development and improve efficiency.

#### Products developed by joint research

##### Plant growth diagnosis device

The industry's first plant growth diagnosis device jointly researched and developed by Ehime University and ISEKI & Co., Ltd. By measuring and digitalizing the growth state of plants without any contact, the device enables labor-saving and early detection and prevention of crop diseases, contributing to stable cultivation.





# Domestic business

## Message from the General Division Manager of the Business Division

### We will support new-age agriculture to attain a farming industry full of dreams (i.e., profitable agriculture).



**Yukio Nawata,**  
Director & Managing Corporate Officer,  
General Division Manager of the Business  
Division

Agriculture in Japan has been facing the rapid advancement of structural changes, such as the introduction of large-scale farming due to the consolidation of farmland, conversion into field crop and vegetable farming, the entrance of corporations into the agricultural industry, the expansion of the market size due to the sixth sector industrialization, etc., owing to the structural reform that aims to transform agriculture into a growth industry. Meanwhile, the labor shortage in agricultural fields due to the decline in and aging of the agricultural workforce is becoming serious in farm management, raising a need to address these issues. Furthermore, in solving these issues, there are growing expectations for smart agriculture that aims to further improve productivity by utilizing advanced technologies such as robotic technology and ICT.

We are strengthening responses to changes in the market from both hard and soft aspects, with a basic strategy of "strengthening responsiveness to drastic changes in agriculture in Japan."

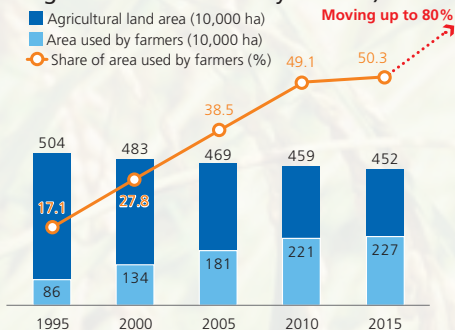
In hard aspects, ISEKI Group has launched variable fertilizing rice transplanters and straight-travel assisting rice transplanters to the market ahead of industry peers. We have also linked our smart agricultural machinery with other companies' farm business management software and carried out trial sales of manned monitoring-based robot tractors. We will continue to quickly respond to the smart agricultural machinery market. We will also further expand our lineup of low-priced simple machinery and vegetable farming machinery to meet market needs.

In soft aspects, we are developing human resources who can respond to market needs, mainly through the Dream Agricultural Research Institute and ISEKI Global Training Center, both of which research and verify advanced farm business technologies and support dissemination of the technologies to users. Toward a new era of agriculture, we will strengthen support capabilities to offer farm business proposals that are the strengths of ISEKI Group.

We will continuously contribute to attaining customers' farming full of dreams by proposing "laborsaving and highly-profitable agriculture" as the "Supporter for the farming industry full of dreams."

### Social issues and needs

- A decline in and aging of the agricultural workforce (60% of the total are 65 years or older)
- Introduction of large-scale farming (increasing share of area used by farmers)



Source: the "Survey on Community-based Farm Cooperatives" and "Statistics on Cultivated Land and Planted Area," published by the Ministry of Agriculture, Forestry and Fisheries

- Reforms across the agriculture, forestry, and fisheries industry and KPIs for realization of smart agriculture, forestry, and fisheries

<b>2025</b>	Almost every farmer practices agriculture by using data
<b>2023</b>	80% of the entire agricultural land area is utilized by farmers (as of the end of FY2013: 48.7%)
<b>2023</b>	40% reduction in rice production cost for farmers compared with 2011 (production in FY2011: ¥16,001/60kg)
<b>2019</b>	Accomplish export amount of ¥1 trillion of agriculture, forestry and fisheries products/foods (¥449.7 billion in 2012)

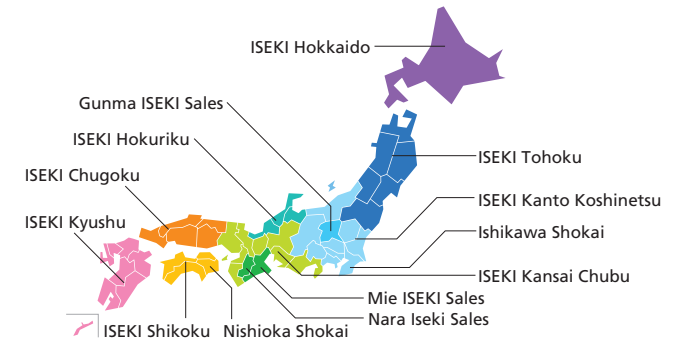
Source: "Future Investment Strategy 2018"

### Developing sales and service systems into wider areas

#### ● Reorganization of sales company structure

Agriculture is a business rooted in local communities. As such, ISEKI Group runs a wide-area sales network across the country.

In addition to improving management efficiency, we are building a sales and service system that enhances our ability to address changes in the market environment and diversifying needs by making effective use of management resources held by our sales companies. We reorganized our sales companies on January 1, 2019, to create ISEKI Kanto Koshinetsu and ISEKI Kansai Chubu.



#### ● Building a stable revenue base

To strengthen profitability, we are overhauling our revenue and cost structure by expanding the sales of implements, parts, second-hand machinery, repair fees, and other agricultural machinery-related products in particular, and building a stable

revenue base immune to market trends. In 2018, representatives selected from sales companies across the country participated in the first Service Skills Contest with the objective of further improving service capabilities.



The first Service Skills Contest



Compete for accuracy, speed, and attention to details in tractor inspection and maintenance

#### ● Establishment and improvement of large maintenance and service facilities

To cope with the introduction of large-scale farming, ISEKI Group has been establishing and improving sales offices centered on large maintenance and service facilities nationwide

as well as relocating personnel. By doing so, ISEKI Group has been developing its sales and service systems into wider areas to achieve greater efficiency.



Ogaki Office, Gifu Branch, ISEKI Kansai Chubu



Okitama Chuo Office, ISEKI Tohoku



### Products tailored to a wide variety of needs

#### ● Products that support large-scale farming

To save labor, reduce costs, and improve quality, we provide smart agricultural machinery that uses advanced technologies such as ICT and robot technology, and farm business software

that can centrally manage information obtained from these agricultural machines. We visualize information on agriculture and support producers' strategic farm management.



TJW series tractors  
(Automatic steering ready model)



NP series rice transplanters  
(Variable fertilizing model with straight-travel assist)



HJ series combine harvesters  
(Yield combine model)

In addition, as a proposal for an integrated system of smart agriculture in the rice paddy cultivation machinery system, we started handling growth management and diagnostic products from our new ICT partners (vegetalia, inc., SEKISUI CHEMICAL CO., LTD., SkymatiX, Inc., Kokusai Kogyo Co., Ltd.).

		Smart agriculture based on rice cultivation calendar																				
		April			May			June			July			August			September			October		
		Beginning	Middle	End	Beginning	Middle	End	Beginning	Middle	End	Beginning	Middle	End	Beginning	Middle	End	Beginning	Middle	End	Beginning	Middle	End
Timing	Transplanting	Sowing			Transplanting			Tillering stage			Young panicle formation stage			Booting stage			Ripening stage			Harvesting stage		
	Work	Tilling rice paddies, Soil puddling, Fertilizing			Rice transplanting			Water management, topdressing, weeding, pest control			Topdressing			Heading stage, Grain-filling stage			Moisture value, Protein content ratio, Harvesting efficiency improvement			Drying/hulling, Reaping		
		ISEKI smart agricultural machinery			NEW! Growth management "Paddy Watch" and "Mimawari-kun"			NEW! Growth diagnosis "Iroha" and "Appare"			NEW! Growth diagnosis "Iroha" and "Appare"			NEW! Growth diagnosis "Iroha" and "Appare"			NEW! Growth diagnosis "Iroha" and "Appare"			ISEKI smart agricultural machinery		

#### ● Products that support small- and medium-sized farming

We are developing products tailored to a variety of needs for small- and medium-sized farming.

Conventional daikon radish harvesters were large and expensive, which made it difficult for small and medium-sized farmers to use. Against this backdrop, we released the industry's first walking-type daikon radish harvester. The compact, easy-to-operate and low-price harvester is dedicated to the most labor-intensive work in harvesting daikon radishes: pulling up daikon radishes and cutting their stems and leaves.



Daikon radish harvester VHD102-S



Received "2018 Development Award" of the Japanese Society of Agricultural Machinery and Food Engineers

#### ● Products tailored to the vegetable farming market

The vegetable farming market is expanding, and as a result, demand for vegetable farming machinery is increasing. We seek to further expand sales of our core vegetable transplanters in particular, with our extensive lineup of the fully-automated

vegetable transplanter PVZ1, popular for its high efficiency, the highly versatile walking-type semi-automated vegetable transplanter PVH100/200 and riding-type two-row transplanter PVHR200, and four-row transplanter PVHR4.



Fully-automated vegetable transplanter PVZ1



Received "2017 Development Award" of the Japanese Society of Agricultural Machinery and Food Engineers



Riding-type semi-automated two-row transplanter PVHR200



### Human resource development

We are committed to developing experts on a group-wide basis to further strengthen our support capabilities to offer farm business proposals.

#### ● Strengthening of farm business proposal capabilities

- ▶ ALL JAPAN training (smart agriculture, use of large-sized machinery)
- ▶ Support Proposal Results Presentations (farm business proposals)

#### ● Strengthening of technical service capabilities

- ▶ Various training programs provided by the ISEKI Global Training Center (technical services)



### Development in communities in collaboration with national and local governments and private-sector companies (operation of branches of the Dream Agricultural Research Institute)

ISEKI has been working on initiatives for community-based research, development and verification as well as farm business proposal and dissemination activities attuned to customers' farm management based on the knowledge and technologies acquired through various training programs at sales subsidiaries across Japan, in collaboration with local governments, research institutions, universities, JA, corporations, producers, etc.

#### ● Initiatives concerning data-based wetland rice cultivation and management

ISEKI Co., Ltd and ISEKI Kanto Koshinetsu Co., Ltd. are participating in the "Smart Agriculture Inter-business Cooperation Demonstration Project" at Niigata City that has received designation as a National Strategic Special Zone. Under the project, the participating corporations are combining their respective innovative technologies and making efforts to achieve further laborsaving, lower costs and higher quality of rice farming by consolidating and centrally managing information obtained using ISEKI's smart agricultural machinery and participating corporations' remote sensing systems (drones and artificial satellites) in the farm business management software.



#### ● Initiatives aimed at the mechanization of sesame seed cultivation

The mechanization of sesame seed cultivation is difficult, which has made the import percentage of sesame seeds high. In response to this, ISEKI Co., Ltd and Mie ISEKI Sales Co., Ltd. are working to mechanize sesame seed cultivation in collaboration with the National Agriculture and Food Research Organization, Mie Prefecture Agricultural Research Institute and sesame seed processors and manufacturers to support sesame seed production in Japan and field development for production of sesame seeds.



#### ● Efforts to improve work efficiency and quality through an integrated system of smart agricultural machinery

In partnership with Tottori Prefecture, Tottori University, and corporations, we are taking part in an initiative to utilize smart agricultural machinery for rice paddy cultivation management in hilly and mountainous areas.



\* This initiative is undertaken with the support of the "special scheme project on vitalizing management entities of agriculture, forestry and fisheries" of the Bio-oriented Technology Research Advancement Institution of the National Agriculture and Food Research Organization.



# Overseas business

## Message from the General Division Manager, Overseas Business Division

### We will further accelerate the development of business on a global scale to solve various issues facing the global market.



**Yoshiyuki Toyota,**  
Director & Executive Vice President,  
General Division Manager,  
Overseas Business Division

It is predicted that the world population will continue to increase, particularly in developing countries such as Asia and Africa, to reach 9.7 billion in 2050, and efficient food production and supply is a pressing issue. I believe that the role that agricultural machinery manufacturers play will become even more important.

With "expanding overseas business" as a basic strategy, ISEKI Group positions North America, Europe, China, and ASEAN markets as the four pillars and will raise the overseas sales ratio target for the Group, including equity-method affiliates, to 40%.

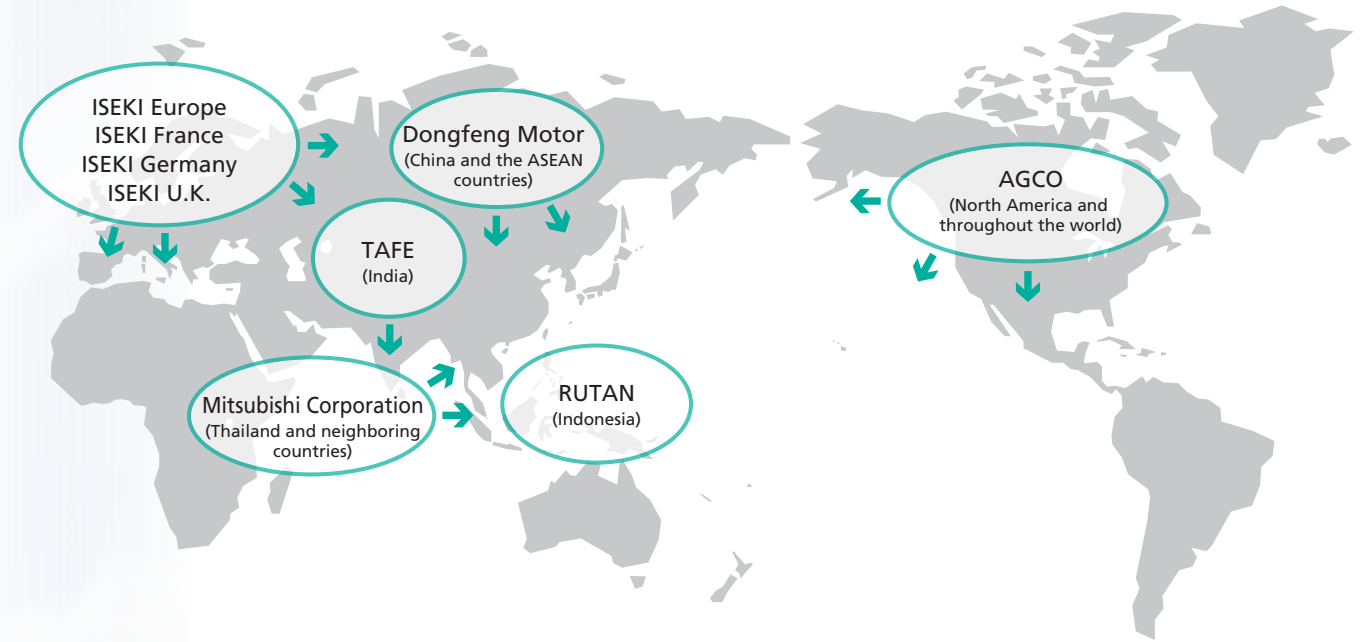
In the North American market, we will further expand sales through stronger collaboration with our OEM partner AGCO Corporation and launching of products that meet customer needs. In the European market, in addition to strengthening partnerships with existing sales agencies, we will focus on increasing sales and market share by centering our business development efforts on ISEKI France S.A.S., building the ISEKI brand and the product lineup, and reinforcing service and support systems. In the Chinese market, we will work together with Dongfeng ISEKI Agricultural Machinery Co., Ltd. to enhance product competitiveness by accurately assessing market needs and to strengthen local procurement capabilities. In the Thai market within ASEAN, we have been building the ISEKI brand through sales at IST Farm Machinery Co., Ltd. since 2013. In 2016, ISEKI (THAILAND) Co., Ltd. was established in an effort to further bolster our product sales and service capabilities throughout the ASEAN region, developing a sales and service system as a result. In India, the world's largest tractor market, we will also further accelerate business development by further strengthening collaborations with strategic partners, such as signing a technical and business tie-up agreement with a major agricultural machinery manufacturer.

By ensuring the market-in approach in each market, we also plan to develop and provide products and services that take advantage of regional characteristics and enhance the development of human resources to support the effort.

We will step up our efforts to expand our overseas businesses and solve social issues facing each region so that we can establish a firm position as an agricultural machinery manufacturer in the global market.

## Strengthening of collaboration with strategic partners

In addition to the existing community network, we will strengthen collaboration with strategic partners.



## Initiatives in each region

### ● ASEAN

In the Southeast Asia region, while remarkable economic rise has been made in recent years, the agricultural workforce is declining following industrialization, and an increase in food production has become a social issue.

IST Farm Machinery Co., Ltd., a sales subsidiary and joint venture with Mitsubishi Corporation has been working on sales of products that meet the needs of customers who want to improve agricultural productivity.

In addition, ISEKI (THAILAND) Co., Ltd., which was

established in 2016 as a local subsidiary, is engaged in the development, procurement, and sales of tractor implements that are suitable for the environment where they are used. A parts center has also been established to build a system for providing swift after-sales services. Going forward, ISEKI will further strengthen collaboration with strategic partners and push forward with not only the business expansion in Thailand but also strengthening initiatives for the neighboring countries including Myanmar.

### Technical and business tie-up with India-based TAFE

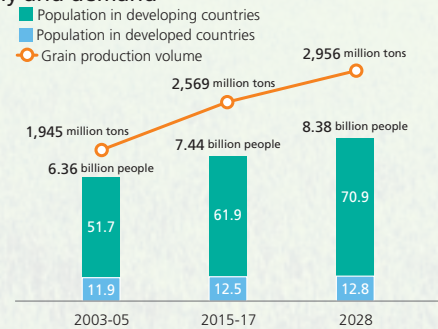
In November 2018, having identified India, the world's largest tractor market, as an important market in our global strategy, ISEKI Group concluded a technical and business tie-up agreement with TAFE, India's second-largest agricultural machinery manufacturer. We will step up our ability to respond to market needs through TAFE's sales of our products and mutual supply of products and parts.

### Key points of the technical and business tie-up

- Sales of ISEKI agricultural machinery through TAFE's sales network in India
- Production and sales of medium-sized tractors in the Indian subcontinent by TAFE with technical licenses from ISEKI
- Mutual supply of machinery and parts

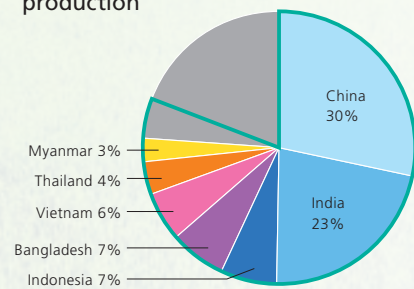
## Social issues and needs

### ● Forecast for global population and food supply and demand



Source: "World Food Supply and Demand Trends and Projections in the Medium- and Long-Term" published by the Policy Research Institute, Ministry of Agriculture, Forestry and Fisheries

### ● Global rice production volume Asia accounts for about 85% of the total production



Source: "World Agricultural Supply and Demand Estimates" (March-08 Report) published by USDA



● **China**

China has a population of approximately 1.4 billion, and an increase in food production is one of the challenges facing the country. In recent years, the scale of farming has become larger on the back of the bigger scale of agricultural management bodies and the consolidation of farmland, and there is an increasing need for large-sized agricultural machinery and products equipped with advanced technologies.

As a foothold for business development in China, ISEKI established an office for the production and sales of rice transplanters and combine harvesters in Changzhou, Jiangsu Province in 2003, and a joint venture with the Dongfeng Motor Group in Hubei Province in 2011. The companies were consolidated and commenced its operation as Dongfeng ISEKI Agricultural Machinery Co., Ltd. in 2014.

At Dongfeng ISEKI, a new factory was established in Xiangyang, Hubei Province with an eye toward further business expansion. The factory is engaged in the manufacture of products such as tractors, combine harvesters, and rice transplanters that support large-scale farming. Going forward, we will work together with Dongfeng ISEKI to expand our business operations in both production and sales.

● **Europe**

Europe is an area in the world where particularly high environmental awareness is observed. To preserve the beautiful landscape of Europe, our products have played active roles for many years in the field of landscaping, such as lawn mowing in parks as well as cleaning and snow removal on roads.

ISEKI Group's operations in Europe date back to the 1960s. ISEKI established N.V. ISEKI Europe S.A. in Belgium in 1971. Since then, we have endeavored to expand sales of our products and to spread and popularize the ISEKI brand throughout Europe. We established ISEKI France S.A.S. in 2014 as a core base in the European market. ISEKI France has set up a parts depot center for the purpose of supplying parts throughout Europe and has been stepping up after-sales services. We will continue to further bolster partnerships between ISEKI France and sales agencies in each country, and focus on expanding sales and market share in the European market.

● **North America**

ISEKI provides tractors via the agricultural machinery manufacturer AGCO Corporation which has a broad sales network in the U.S., etc., on an OEM basis. The products have been well-received by a wide variety of users ranging from general consumers to professional customers. Going forward, ISEKI intends to further strengthen the collaboration with AGCO Corporation as a strategic partner, and provide high-quality products not only in North America but also in Central and South America.

Utilization of advanced technologies

We provide rice transplanters equipped with advanced technologies such as variable fertilizing function and straight-travel assisting function to meet the growing needs of China, where large-scale farming is increasing.



Introduction of mowers into the market of landscaping machinery for professional users

ISEKI has commenced delivering high-output front mowers with high efficiency (SF200 series) for professional users in the landscaping market. They have won high evaluations from our customers.

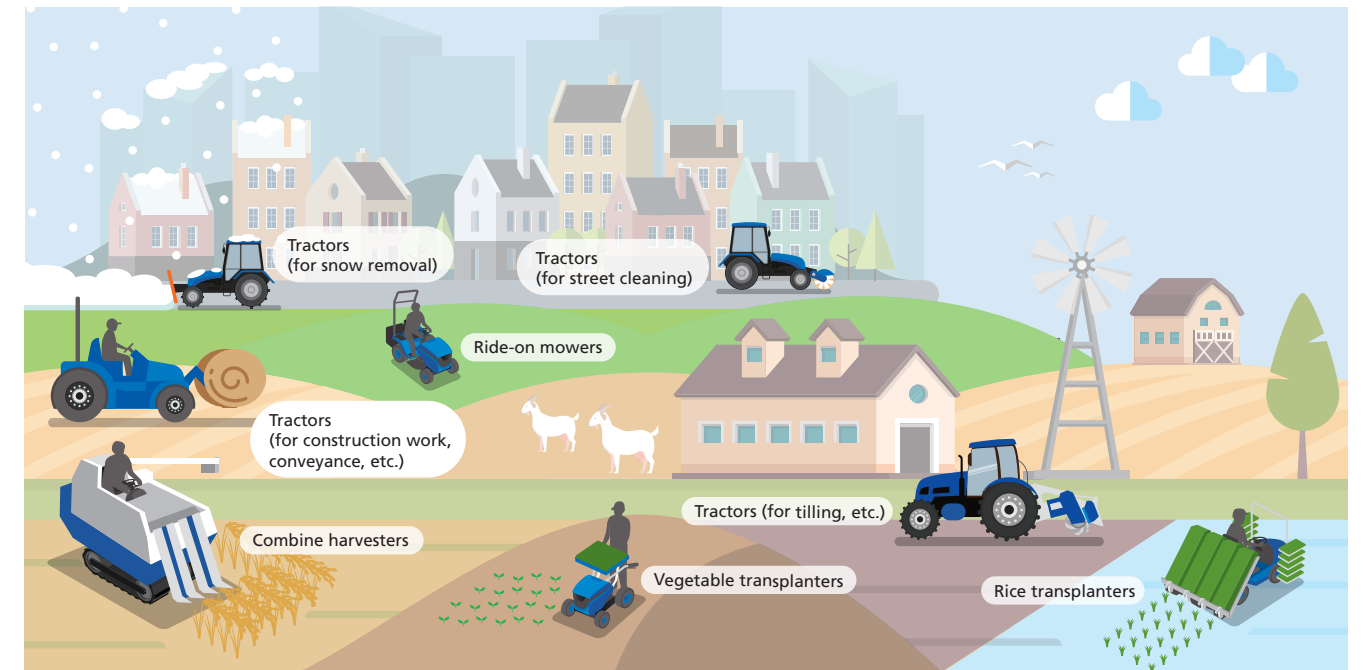


Received the AGCO's Partner of the Year Award

ISEKI received the AGCO's Partner of the Year Award in June 2018 in recognition of its product quality and performance at a ceremony for commending excellent suppliers held by AGCO.



Our products are used for agriculture and landscape maintenance in more than 100 countries and regions around the world.



Service and support activities

● **Improvement of service systems**

ISEKI Group is committed to strengthening service and support systems for providing prompt after-sales services to customers through means such as building the Parts Depot Center for European countries and the local subsidiary ISEKI (THAILAND) Co., Ltd. for ASEAN countries.



● **New product operation inspection**

We visit customers who have purchased our new products and conduct product operation inspections. In addition to investigating whether the purchased products are operating without problems, we directly listen to opinions and requests from our counterparties and customers with the aim of using them to develop better products.



● **Improvement of the ability of sales agencies to provide services**

ISEKI Group supports the improvement of the ability of sales agencies to provide services by holding workshops locally regarding services and technical workshops at the ISEKI Global Training Center (IGTC) in Japan for the overseas sales agencies.





# Development and production

## Message from the General Division Manager, Development & Production Division

### We will implement our product strategy that addresses structural changes in Japanese agriculture and needs of the global market.



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

We aim to accurately identify market changes and issues and leverage our technological capabilities to create products that satisfy customers. At the same time, with “strengthening profitability by optimizing development and production” as one of our basic strategies, we carry out research and development and production activities that emphasize “profitability improvement,” “enhancement of manufacturing systems,” and “intellectual property strategies.”

With regard to “profitability improvement,” we are stepping up efforts to improve productivity through thorough streamlining, such as speedier development and lower costs in the R&D department through standardizing and unifying designs, improving site operations in the production department, and improving indirect operations. In addition, the Global Strategic Products Project Management Department has been established to lead efforts to improve the profitability of overseas products. Furthermore, ISEKI Group as a whole will implement revenue structure reforms.

In terms of “enhancement of manufacturing systems,” we focus on human resource development that is indispensable for manufacturing. In addition to training young designers and production site leaders in Japan and overseas, we hold technology research presentations every year to share R&D achievements and invention information and improve skills on a group-wide basis. Furthermore, in research and development, we quickly respond to a wide variety of needs by determining product strategy and R&D direction based on regional needs and market trends, and optimally investing human capital, manufacturing capital, and financial capital. Since our founding, we have been engaging in R&D activities with the provision of products that satisfy customers as one of the values in our corporate philosophy and with the motto of providing affordable products that customers can use with satisfaction in a timely manner. In order to meet customer needs, we will continue to actively develop products that take into consideration energy-saving and low-cost agriculture, safe work, and environmental conservation, based on our thorough research.

In production, we have established a global production system that leverages the features of each of the four factories in Japan and three overseas factories. In particular, the Indonesian factory increased its production capacity to 15,000 units a year in order to respond to the rapidly growing ASEAN market.

As for “intellectual property strategies,” we are developing products that lead to new value creation. With the aim of further demonstrating the creativity and technological capabilities of ISEKI Group as a whole, we engage in education on intellectual property and creation techniques and generate advanced technologies and high-quality inventions.

Looking ahead to the 100th anniversary of ISEKI Group’s foundation in 2025 and beyond, we will combine our technological strengths and implement a product strategy that addresses structural changes in Japanese agriculture and the needs of the global market.

#### Social issues and needs

- Laborsaving and lower costs
- Simple specifications and low prices
- High efficiency and durability
- Increase in the size of agricultural machinery
- Field crop and vegetable farming machinery
- Utilization of advanced technologies and application of robotic technologies
- High quality
- Environmental consideration

## Research and development and production system that support manufacturing

To provide “products that satisfy customers,” through the development, production and sales of such products, ISEKI Group has been enhancing its competitive edges in terms of the functionality, performance, quality, cost and service of our products and has been creating a variety of innovative products and value that contribute to efficiency and productivity improvement in agriculture.

We are building a research and development system and a global production system to support such manufacturing.

### ● Starting point of manufacturing

ISEKI sets “satisfaction,” “safety,” “security” and “environment” as the starting point of manufacturing and promotes research and development based on these points.



### ● Research and development system

The development, production and marketing departments work together to demonstrate their overall capabilities and promote research and development. ISEKI determines the direction for the product strategy and research and development based on the needs and market trends in each region and carries out planning and proposals that promptly meet the needs of domestic and overseas customers.

ISEKI collaborates with test and research institutions, universities, etc., to promote joint research and development with the aim of achieving swift and efficient technology development.

Joint research in FY2018	
Research institutions:	Universities:
17 themes	2 themes

### ● Development of high-quality and low-cost products

ISEKI works to produce high-quality and low-cost products based on manufacturing technologies cultivated over many years.

A system for proposing improvements targeting quality improvement, cost reduction and man-hour reduction has been put in place under which active improvement activities are conducted including 57,000 proposals made in FY2017. Value engineering (VE) activities that allow for cost cutting through improvements in products designing and manufacturing methods, parts procurement methods, etc., are also conducted to manufacture products at a lower cost.

### ● Product development to accelerate overseas expansion

In our overseas operations, we are dedicated to developing products that meet local needs, such as responding to low-price needs in the compact tractor market for North America and Europe and introducing products in the ASEAN region and China using rice cultivation technology accumulated in Japan. At the end of 2018, we also signed a technical and business tie-up agreement with TAFE, the second largest agricultural machinery manufacturer in India, which is the world’s largest tractor market.

### ● Global production system

ISEKI Group seeks to build a global production system in order to offer products in a timely manner to each market. PT. ISEKI INDONESIA is a production base for strategic machinery for North America, Europe, and the ASEAN region, and produces tractors that meet low-price needs. The company is working to further expand its business operations by increasing production capacity while stepping up efforts to improve profitability, such as optimizing suppliers and improving site operations. Dongfeng ISEKI Agricultural Machinery Co., Ltd. (Xiangyang and Changzhou) produces rice transplanters, high-horsepower tractors, combine harvesters, etc., as the export base for China and the ASEAN region.





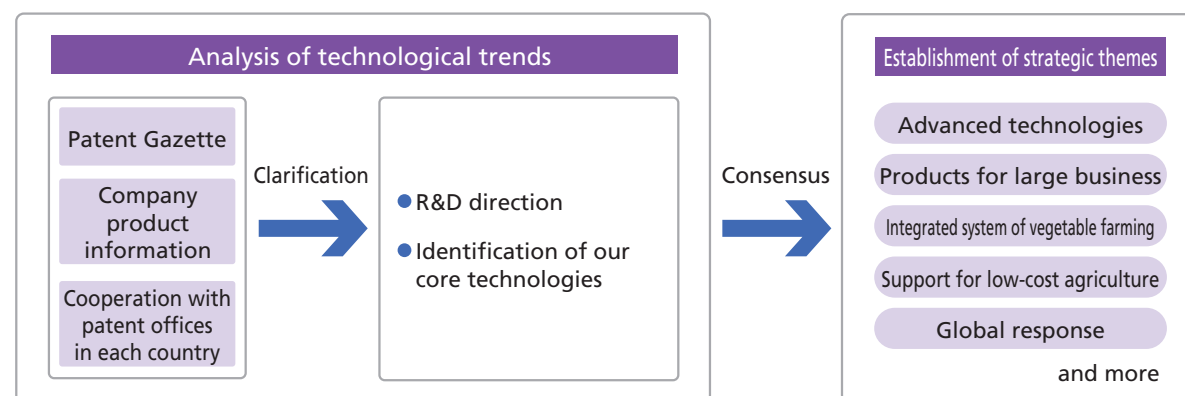
## Intellectual property strategies that support innovation

In terms of the activities to create core technologies for agricultural machinery and related products and intellectual outcomes such as the inventions and creations obtained through such activities, ISEKI works on business activities that place importance on intellectual property, where rights in relation to such activities and intellectual outcomes are strategically registered and utilized and thereby result in the value creation.

### ● Invention creation and patent strategy

Strategic themes are set by company-wide consensus based on analysis results of technological trends. Through creation activities based on the strategic themes, we are building a

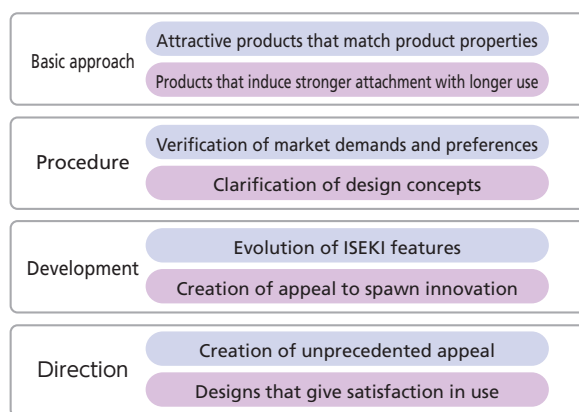
patent network and enhancing the superiority of product development. In addition, we aim to swiftly acquire and accumulate effective rights overseas as we expand globally.



### ● Design and trademark strategy

We accumulate attractive designs and easy-to-remember product marketing names as design rights and trademark rights to differentiate our products from those of other companies,

strengthening product design protection and improving our brand value.



### ● Education on intellectual property and transfer of creation techniques

ISEKI Group proactively undertakes education on intellectual property and creativity so as to invigorate creativity on a group-wide basis and demonstrate its technological capabilities to the fullest extent. Level-specific education on intellectual property according to the number of years of experience has enabled the creation of advanced technologies and high-quality inventions. In addition, there are invention-creation activities led by experienced engineers, which are aimed at improving creativity and motivation of young engineers.

We have also set up training facilities, each specializing in "development" and "production," to strengthen human resource development.

For more details, please refer to p. 29. ▶



### ● Mutual study within the Group

#### Holding of technology research presentations

With the objective of developing products that contribute to the changing market environment in Japan and overseas, ISEKI holds "technology research presentations" annually as an opportunity to share and discuss the outcomes of research and development and invention information. The event took place for the 29th time in 2019. We conducted repeated discussions including the company's executives with the aim of raising the level of such matters on a group-wide basis. In addition, ISEKI Group invites external experts to present lectures on relevant themes in the pursuit of technological studies and knowledge improvement.



### ● Proof of ISEKI Group's technological capabilities

Our proactive efforts to develop, launch and commercialize new technologies are exemplified by the high number of patent application registrations in Japan per specialty field, awards received in recognition of the inventions, and high patent allowance rates. ISEKI endeavors to differentiate its products from those of competitors by taking advantage of its "strengths" underpinned by intellectual property.

#### Number of patent application registrations in Japan per specialty field

**No. 2** in the "other special machinery sector"

Year	2000-2006	2007-2014	2016-2017	2018
Category	Number of laid-open patent applications per specialty field		Number of patent application registrations per specialty field	
Specialty field	Agriculture and fishery	Other special machinery	Other special machinery	
Rank	No. 1			No. 2

The Patent Administration Annual Report has previously published the number of laid-open patent applications in Japan per specialty field (the results for the year before the previous one); however, starting from the 2017 edition, the results of the number of patent application registrations in Japan per specialty field for the previous year (2016) are being published.

#### Number of awards received

**219**

- National Awards for Inventions 18 (including 2 special awards)
  - Regional Awards for Inventions 201 (including 35 special awards)
- (Cumulative total as of December 2018)

#### Patent allowance rate

**No. 2** in "all industries"

Year	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Patent allowance rate (%)	84.6	83.7	90.4	89.3	85.8	88.5	91.8	91.8	94.7	97.0	99.2	97.5	100	98.1	96.4
Rank	No. 1							No. 2		No. 1				No. 2	

#### ISEKI Group publishes Intellectual Property Reports

##### (Main contents)

- R&D Strategy
- Situation of Intellectual Property / Awards and Recognition
- Intellectual Property Strategy
- Information on Legal Actions Related to Intellectual Property
- System for R&D, Education, and Intellectual Property
- Contribution of Intellectual Property to Business

Intellectual Property Reports can be found on our website. <http://www.iseki.co.jp/company/intellectual/>



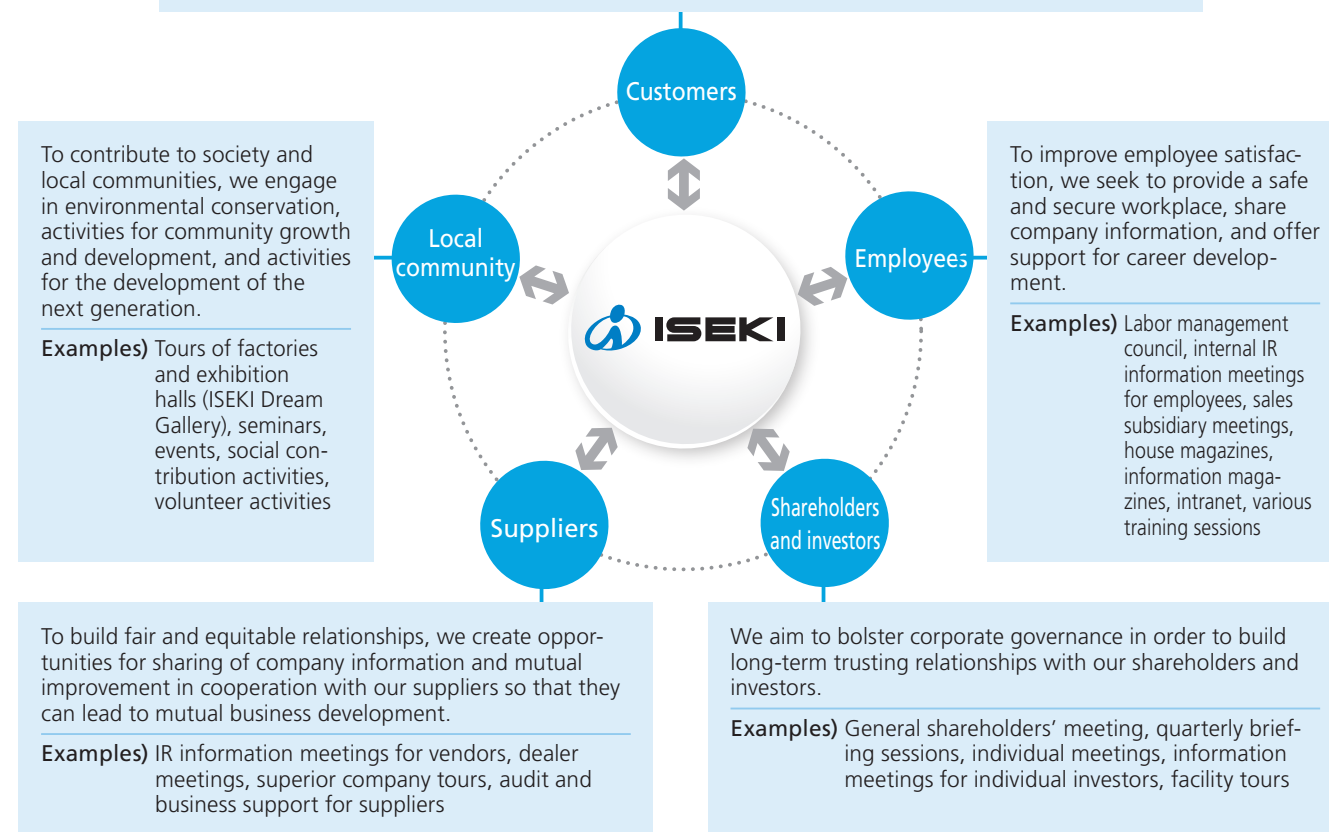
# ISEKI Group's stakeholders

## Stakeholder engagement

ISEKI Group strives to build a strong relationship of trust with stakeholders through responsible and proactive dialogue. Opinions and requests received through various dialogue will be compiled by departments in charge to be reported to the company's executives through monthly Public Relations Liaison Committee meetings, etc., and appropriately reflected in our business activities.

To provide high-quality and safe products and services that satisfy our customers, ISEKI Group extends farm business proposals and support, including cultivation techniques, as well as support for the application and safe use of agricultural machinery. We also strive to understand the true needs of customers through dialogue and use this dialogue to improve product development.

**Examples)** Direct dialogue with sales and maintenance staff, user exchange meetings, training, seminars, exhibitions, demonstrations, proposal, and support of farm business technologies, market research



## Information disclosure in a timely and appropriate manner

With regard to information disclosure, it is our basic policy to appropriately disclose information described in ISEKI Group Code of Ethical Behavior and fulfill our social accountability. We aim to promptly and accurately disclose information required from inside or outside of the Group in recognition of the importance of social accountability and thereby endeavor to become a company with transparency.

To win fair evaluation from all our stakeholders, including shareholders, investors, customers, suppliers, local communities, and employees, and to ensure management transparency, we strive for fair, equitable, timely, and appropriate disclosure of management related information based on the purpose and meaning of fair disclosure rules.

Initiatives for information disclosure	
Reports and information magazines	<ul style="list-style-type: none"> <li>▶ Securities Reports</li> <li>▶ Business Reports</li> <li>▶ Corporate Governance Reports</li> <li>▶ ISEKI Reports</li> <li>▶ Intellectual Property Reports</li> <li>▶ Farm business information magazines</li> <li>▶ Product brochures and product videos</li> <li>▶ House magazines, information magazines, etc.</li> </ul>
Websites	<ul style="list-style-type: none"> <li>▶ Timely Disclosure (TDnet)</li> <li>▶ Corporate websites</li> <li>▶ Farm business information site, etc.</li> </ul>

\* The reports and information magazines, etc., are posted on the website (some of those materials are only available in Japanese).

# ISEKI Group environmental management



## Message from the officer in charge of the environment

# We strive to contribute to the realization of a sustainable society.



Seiji Senba,  
Managing Corporate Officer,  
Deputy Chief Operation Officer,  
Development & Production Division,  
Assigned to Environmental Control Section

In light of the increasingly severe environmental problems facing the world in recent years, including climate change due to global warming and frequent extreme weather events, the importance of addressing such issues facing society has increased for companies.

Guided by its "Basic Environmental Policy" and "Environmental Conduct Guidelines," ISEKI Group has designated environmental protection as one of its business priorities. It has been pursuing its business activities in terms of provision of products and services and other corporate activities in such a way as to enable the creation of a sustainable society.

In order to reduce our environmental burden, we have established an environmental management system (EMS) on a group-wide basis to set specific environmental targets for all business activities, ranging from the early stage of product development and production to product distribution and sales and services, while adopting the Plan-Do-Check-Action (PDCA) cycle. We have set ourselves the goal of a 26% reduction in CO<sub>2</sub> emission volumes by 2030 as a mid- and long-term environmental target. We are also proactively upgrading and modifying facilities and carry out continuous MFCA\* at our manufacturing plants.

In product development, we are taking measures to provide environmentally friendly products through the promotion of environmentally friendly design and implementation of an "eco-product certification system." In 2019, we set ourselves the mid- and long-term environmental target of increasing our ratio of designated eco-products to all sales in Japan to at least 50% by 2030. We also aim to expand our range of products and services that contribute to resolution of issues facing society in the food and agricultural domains.

Likewise, through the "ISEKI Group Green Supply Guidelines," we seek the understanding and cooperation of all of our transaction partners in promoting environmental protection activities and reducing (harmful) chemical substance content in parts procured, so as to ensure supplies of products that are more environmentally aware. This helps reduce the environmental burden across the entire supply chain. We are also taking measures to improve the recycling rate at our sales subsidiaries, through the establishment of waste-product recycling systems.

We will continue to work on environmental management on a group-wide basis and contribute to the realization of a sustainable society.

Mid- and long-term targets

**Reductions in CO<sub>2</sub> emission volumes in production activities**

2030: **26% reduction**  
(compared with the FY2013 results)

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**Eco-product Increasing the sales ratio in Japan**

2020: **37%**  
2030: **50% or more**

\* Abbreviation for Material Flow Cost Accounting, a management accounting model. In 2011, it became the ISO14051 international environmental management standard. It includes methods and activities that evaluate the economic value of "negative products" (waste products, etc.), and through the "visualization" process brings elements constituting waste to light. By reducing such waste, it achieves the environmentally and economically beneficial goals of saving resources while cutting costs.



# Environmental management

## Basic Environmental Policy

ISEKI Group is committed to contributing to the realization of a sustainable society through business activities that aim to achieve harmony among nature, society and corporations.

- 1 Maintain environmental management system and its functional applications
- 2 Reducing elements of our business activities and products which may be causing stress on the environment
- 3 Compliance with environmental laws, regulations, and standards
- 4 Environmental education and information disclosure

## Environmental Conduct Guidelines

- 1 Development activities considering the environment  
Recycling and reduction of noise, vibration, fuel consumption, emission gas, and environmental stress substances
- 2 Environment-friendly manufacturing activities  
Prevention of (air, water, noise, and vibration) pollution, energy-saving, resource-saving, and green procurement
- 3 Office activities considering the environment  
Energy-saving, resource-saving, and recycling
- 4 Distribution and logistics considering the environment  
Improvement of transportation (packing material, more efficient transportation, modal shift), disposal
- 5 Development of biodiversity  
Products/services, business activities, supply chain
- 6 Environmental education and information disclosure  
Environmental education to be offered to employees, participation in social activities and information disclosure

## System for promoting environmental management

ISEKI Group promotes environmental management on a group-wide basis and works on environmental management centered around a Plan-Do-Check-Action (PDCA) cycle by establishing an intragroup system for promoting environmental management.

The Directors' Operation Committee chaired by the President deliberates and decides upon action plans and targets for the environment based on the Basic Environmental Policy. The Committee receives progress reports from the Environmental Planning Group Meeting and gives advice on evaluation and improvement measures. It reports on progress to the Directors' Operation Committee, and upon receipt of the review results from the Committee, horizontally implements them at the offices. Chief Managers and Environment Control Managers who promote environmental control activities are put in place in each office to strengthen promotion activities for

environmental management. Furthermore, EMS certification (ISO14001 and EA21) has been acquired at manufacturing bases in Japan and overseas and at non-production bases including sales subsidiaries.

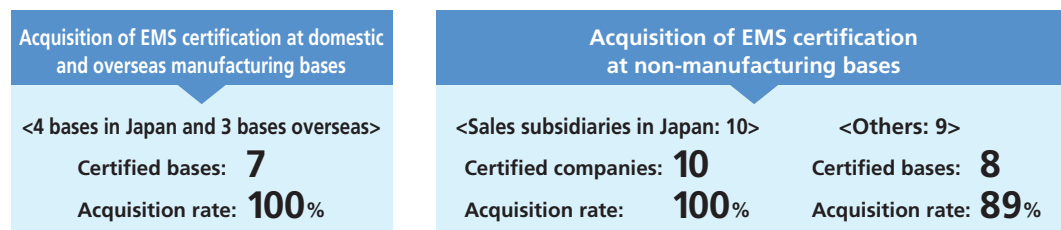
In 2017, ISEKI Group launched the Corporate Social Responsibility Committee. It shares with Committee members tasked with review and promotion activities alignment with business plans and materiality evaluation with regard to results and issues reported to the Environmental Planning Group Meeting. In this way, ISEKI Group has put in place a mutually supportive framework for resolution of issues.

In FY2018, the Environmental Planning Group Meeting held four meetings, made reports/escalations to the Directors' Operation Committee and the Public Relations Liaison Committee four times, and made reports to the Corporate Social Responsibility Committee twice.



## Acquisition of environment-related certifications

ISEKI Group has acquired EMS certification (ISO14001 and EA21) at manufacturing bases in Japan and overseas and non-manufacturing bases, including sales subsidiaries, and carries out environmental preservation activities in line with their respective business activities and regional characteristics.



For more details, please refer to our website.

# Governance for sustainable and sound growth

As an integrated manufacturer specializing in agricultural machinery, ISEKI Group has contributed to the modernization of farming in Japan for more than 90 years since its founding. Looking ahead, we consider it our social mission to contribute to agriculture in Japan and overseas. As a company with a high level of lasting public trust, we need to continue our sustainable and sound growth to realize this mission.

Having designated establishment of internal group controls as a priority management policy, the company has compiled a basic internal control policy and is establishing an internal control system, with modifications made as and when necessary. Under the leadership of the director in charge of compliance, we ensure continuous compliance training centered on a cross-organizational compliance team, while remaining committed to preventing misconduct and scandals from occurring by promoting awareness of compliance among each of our employees.

At the same time, we believe it is important to maintain good relations with stakeholders including shareholders, customers, suppliers, local communities and employees, to respond to severe change in the recent business environment and ensure sustainable growth and improvement in corporate value over the medium and long term. To further improve standards of corporate governance, we have launched various initiatives based on our Corporate Governance Code compiled in 2015.

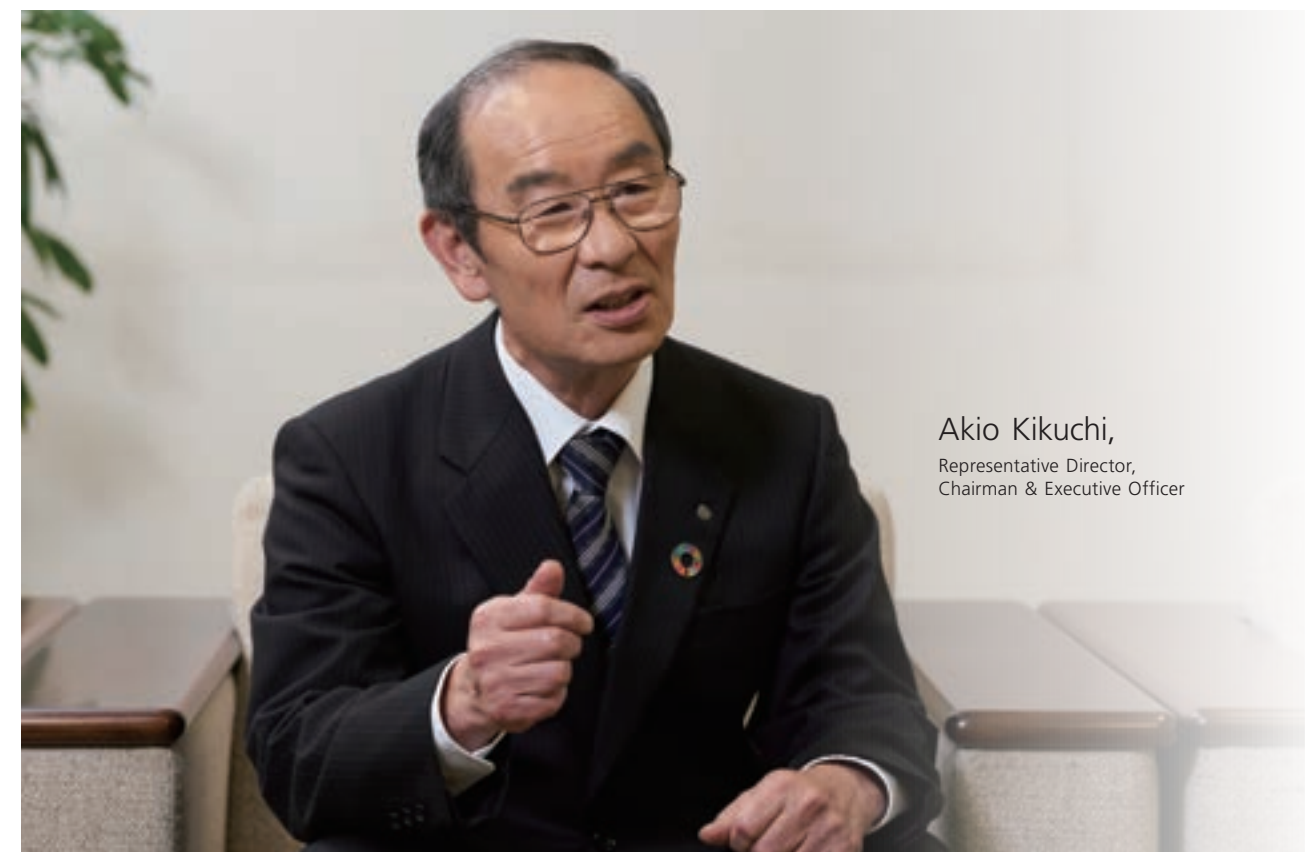
One such exemplary initiative is the appointment of Outside Directors. This measure was taken to further deepen the

"visualization" of management from an external perspective. In 2016, we decided to switch to a system with two Outside Directors, who bring an objective perspective to management through their participation and are tasked with strengthening the management supervisory functions and ensuring transparency.

Another example is the compilation and announcement of the Mid-term Management Plan. This move is designed to improve standards of information disclosure relating to management strategy and planning. With regard to the Mid-term Management Plan from 2016 and its basic strategy, we are committed to fostering understanding of what the company aims to do, through quarterly briefing sessions for investors and at general shareholders' meetings.

Still another is ensuring, at the behest of shareholders, greater transparency in the process of selection of candidates for Directors. In 2018, we established a Nomination Advisory Committee, chiefly comprising Independent Outside Directors. As a consultative body to the Board of Directors, it discusses Directors' appointment and dismissal proposals that go before the general shareholders' meeting. Other core tasks include the discussion of appointment and dismissal of Representative Directors and reporting the results to the Board of Directors.

Going forward, we plan to take further steps to develop our corporate governance system to ensure sustainable growth, including the consolidation and improvement of a system of internal controls.



Akio Kikuchi,  
Representative Director,  
Chairman & Executive Officer

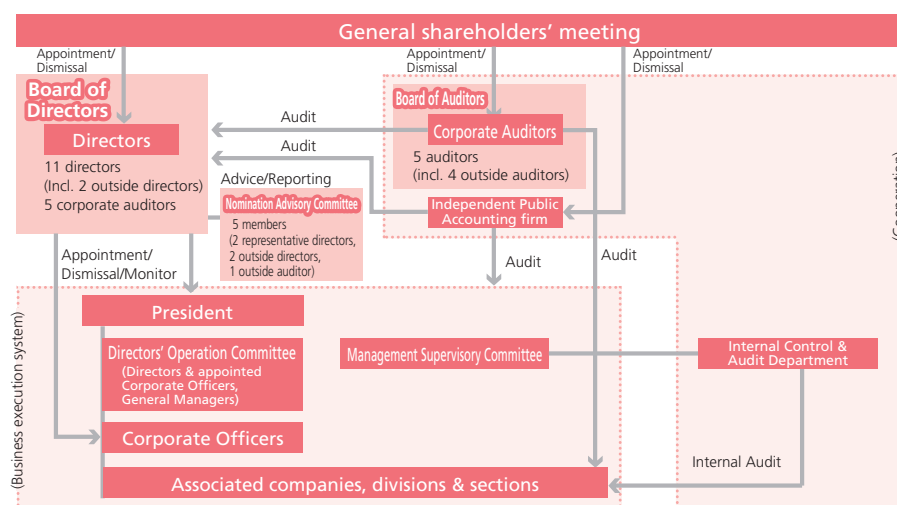


# Corporate governance

## Fundamental concept

The main purpose of our management system is to respond swiftly and accurately to changes in the management environment and to maintain fair management. In addition, achieving stable growth and improvement in corporate value over the medium and long term is our top priority of management. To maintain positive relations with our stakeholders, including shareholders, customers, suppliers, local communities, and employees, we are endeavoring to expand and improve our corporate governance. We acknowledge the importance of establishing an internal control system that provides stakeholders with important information in a timely and appropriate manner and of reinforcing corporate governance on a group-wide basis. Based on that recognition, we plan to establish administrative rules for group companies and a reporting structure to maintain fair business practices and share information.

## Corporate governance system



### Governance system: Key points (As of March 31, 2019)

Organizational form	Company with a Board of Auditors
Number of Directors	11
Chairperson of the Board of Directors	Chairman
Number of Outside Directors	2
Term of office of Directors	1 year
Number of Corporate Auditors	5
Number of Outside Corporate Auditors	4
Number of Board of Directors meetings held*	18
Number of Independent Directors/Auditors	3

\* Results between January 2018 and December 2018

### ● Board of Directors/ Directors' Operation Committee

Meetings are held once or more per month to make decisions on basic matters in relation to management as well as matters set forth in laws, regulations and the articles of association. Regarding the business execution, the corporate officers fulfill their duties smoothly as the persons responsible for the various operations. In addition, to manage businesses in a sound manner, Directors' Operation Committee meetings are held at least twice a month in order to share the latest information and discuss and report on how the business should be operated, the existence of risks, and how to prevent and avoid them.

### ● Board of Auditors

Corporate Auditors attend the Board of Directors and Management Supervisory Committee meetings. They independently formulate audit policy and audit the operations and assets of our offices and subsidiaries in cooperation with the Internal Audit Department and accounting auditors. Moreover, they strictly check the important agenda at the Directors' Operation Committee meetings and the status of operation execution by Directors to monitor management status and ensure the effectiveness of our corporate governance.

### ● Nomination Advisory Committee

In order to further strengthen corporate governance mechanisms, we established the Nomination Advisory Committee in December 2018 as a consultative body to the Board of Directors. The Committee discusses Directors' appointment and dismissal proposals that go before the general shareholders' meeting as well as the selection and dismissal of Representative Directors. To be more independent, objective, transparent and accountable, the Committee is chaired by an Independent Outside Director, and the majority of Committee members are outside corporate officers.

### ● Management Supervisory Committee

We hold the Management Supervisory Committee once a month with the chairman of the Board of Directors as the head, all the directors as members and all the auditors as observers to check if compliance is penetrated thoroughly into the Group, as well as to check the measures and their status to establish and maintain internal control system.

### ● Outside Directors and Outside Auditors

Two Outside Directors are appointed to introduce external perspectives into management, further strengthen the supervisory function on business execution and further improve the transparency. In addition, the Board of Auditors is set up with five Corporate Auditors including four Outside Auditors to enhance and reinforce the auditing system and strengthen the monitoring of management.

### ● Information disclosure with transparency

With the aim of ensuring information disclosure with transparency, ISEKI has established a system for disclosing material information to stakeholders in a timely and appropriate manner in ways such as ensuring appropriate business operations and sharing information by creating group-wide management regulations and building a reporting system.

## Appointment/dismissal of Directors and Corporate Auditors

### ● Policies and procedures

The nomination of candidates for Directors is subject to comprehensive review in terms of ability, knowledge, and experience in their specialist fields, as well as whether or not candidates have a full understanding of the company's business and the ability to ensure rapid decision-making.

For the nomination of candidates for Corporate Auditors, we undertake an overall review in terms of their knowledge and experience in finance, accounting, and their specialized fields, as well as whether or not they have an understanding of the full range of the company's business.

Nomination of candidates for Outside Directors and Outside Corporate Auditors is subject to comprehensive review in terms of conditions of independence laid down in the Companies Act and the independence standards set by the Tokyo Stock Exchange, as well as whether or not the candidate is able to strengthen the monitoring function of the management team through his or her wealth of past career knowledge and experience. Based on the above policies, the results of deliberation and discussion by Representative Directors are presented to a Board of Directors meeting attended by Independent Outside Directors, and then a resolution is made.

However, in cases where it is deemed necessary to dismiss a Director or Corporate Auditor due to significant damage to corporate value they are recognized to have caused, a resolution is passed at a Board of Directors meeting attended by Independent Outside Directors for a proposal for a general shareholders' meeting regarding the dismissal of such persons.

### ● Establishment of the Nomination Advisory Committee

Looking ahead, submission of proposals for the general shareholders' meetings relating to the appointment and dismissal of Directors, as well as the selection and dismissal of Representative Directors, will be resolved at the Board of Directors meetings following a report by the Nomination Advisory Committee, which mainly comprises Independent Outside Directors and serves as an consultative body to the Board of Directors.

#### Nomination Advisory Committee

Date of establishment	December 1, 2018
Composition	2 Representative Directors, 2 Independent Outside Directors, and 1 Independent Outside Corporate Auditor
Chairperson	Independent Outside Director
Main roles and powers	(1) Matters related to appointment/dismissal of Directors (matters to be resolved at the general shareholders' meeting) (2) Matters related to appointment/dismissal of Representative Directors (3) Matters related to succession plans for Representative Directors (4) Compilation and modification of basic policy and standards, etc. for the above deliberations

## Evaluation of the effectiveness of the Board of Directors

### ● Evaluation of the effectiveness of the Board of Directors

To further facilitate the roles of the Board of Directors, the company launched a self-appraisal and analysis program for individual senior officers in 2017. The effectiveness evaluations for FY2017 and FY2018 were done through a third-party organization using methods for canvassing personalized opinions, such as individual questionnaires and individual interviews for all Directors and Corporate Auditors.

In FY2018, we obtained generally positive evaluations from outside officers' feedback and monitoring, based on the questionnaire answers, and were able to confirm the overall effectiveness of the Board of Directors.

At the same time, opinions were also shared on further strengthening the roles of the Board of Directors and invigorating discussions, including narrowing down topics to enrich discussion at the Board of Directors meetings and approaches to nomination of corporate officers through the Nomination Advisory Committee.

Looking ahead, we plan to respond by implementing the PDCA cycle continuously based on this evaluation of the effectiveness of the company's Board of Directors, so as to ensure prompt responses after ample discussion of issues and further strengthen the roles of the Board of Directors.

# Risk management

## Fundamental concept

Turning to risk management, ISEKI Group is committed to putting in place management standards, regulations and monitoring and response mechanisms to pre-empt risk facing group operations and to minimize losses when a risk event materializes. The Group risk management regulations defines factors potentially leading to physical, economic and reputational losses and disadvantages as risks. We aim to prevent risk from materializing and minimize losses when it does, ensuring smooth business operations, soundness of assets and maintenance of corporate credit.

## Risk management system

The Risk Management Control Committee under the Directors' Operation Committee periodically identifies risks, re-evaluates the extent of possible damage and frequency of occurrence of

the identified risks in individual business processes, and discusses countermeasures.



### Business and other risks

Latent risks and uncertainties which could affect ISEKI Group's future financial performance are exemplified as below. We recognize the possibility of the occurrence of such risks and uncertainties, and will strive to avoid their occurrence and take proper measures should they occur.

- |   |  |
|---|--|
| 1 Changes in economic conditions and the environment of agriculture                           | 8 Government regulations on environmental issues, etc., and occurrence of related difficulties |
| 2 Exchange rate fluctuations  | 9 Risks derived from international businesses  |
| 3 A price hike of raw materials, difficulty in procurement, and confusion in the supply chain | 10 Risks of legal violation  |
| 4 Dependency on specific customers or suppliers   | 11 Risks of natural disasters and accidents  |
| 5 Competition with other companies  | 12 Business alliances, joint ventures and strategic investment with other companies            |
| 6 Serious defects in products and services  | 13 Debt  |
| 7 Stock market fluctuations   |  |

### List of officers

(As of March 26, 2019)

#### Directors

Akio Kikuchi	Representative Director, Chairman & Executive Officer	
Shirou Tomiyasu	Representative Director, President & Executive Officer	In charge of Corporate Planning Department, Investor Relations Section, Financial Department
Yoshiyuki Toyoda	Director & Executive Vice President	General Division Manager, Overseas Business Division In charge of Overseas Business Division, deputy in charge of Products Planning Department
Osamu Hyodo	Director & Senior Corporate Officer	General Division Manager, Development & Production Division In charge of Development & Production Division, Global Strategic Products Project Management Department, and Purchasing Department, deputy in charge of Matsuyama General Affairs Department
Shinji Arata	Director & Managing Corporate Officer	Deputy Division Manager, Business Division (in charge of systems) In charge of General Affairs Department, Matsuyama General Affairs Department, Kumamoto General Affairs Department, Niigata General Affairs Department, and Tsukubamirai General Affairs Department
Takafumi Kanayama	Director & Managing Corporate Officer	In charge of Internal Control & Audit Department and Compliance
Yukio Nawata	Director & Managing Corporate Officer	General Division Manager, Business Division In charge of Business Division, Technical Support Department, ISEKI Global Training Center (IGTC), AGRI – Business Solution Department, and Tsukubamirai Office, deputy in charge of Products Planning Department
Masayuki Fukami	Director & Managing Corporate Officer	In charge of Personnel Department Deputy in charge of Corporate Planning Department, Investor Relations Section, and Compliance
Shuichi Jinno	Director & Corporate Officer	In charge of IT Planning Department Deputy in charge of Financial Department
Atsushi Iwasaki	Outside Director (Independent Director)	
Shoji Tanaka	Outside Director (Independent Director)	

#### Corporate Auditors

Seigo Kimoto	Outside Corporate Auditor
Yoshiki Kawano	Outside Corporate Auditor
Masato Machida	Corporate Auditor
Yasuhide Motokawa	Outside Corporate Auditor
Mami Taira	Outside Corporate Auditor (Independent Auditor)

## Compliance

### Fundamental concept

In order to raise compliance-focused management to a higher level, ISEKI Group works to make the importance of compliance thoroughly understood and enforced by each and every employee with the aim of raising compliance awareness.

### System for promoting compliance

To prevent misconduct and scandals from occurring by promoting the penetration of knowledge and the awareness of compliance among each of the Group members, the compliance team established as an intragroup organization promotes compliance initiatives under the leadership of the Director in charge of compliance.

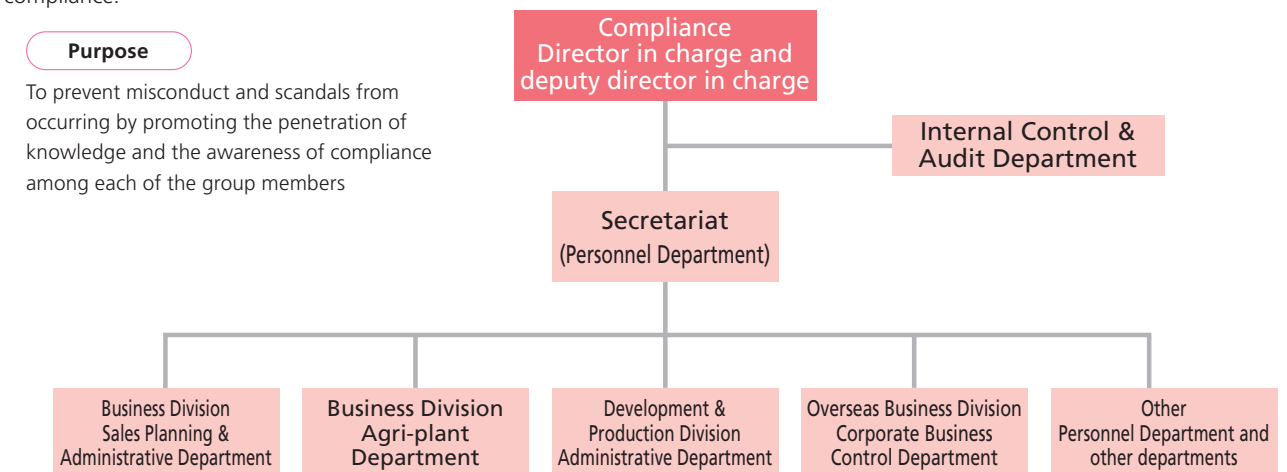
The Personnel Department handles overall management of compliance activities across the whole ISEKI Group, and organizes companywide events, training sessions based on the

educational system, and awareness activities. Management of compliance training and awareness activities at individual departments of group companies is carried out by the supervising unit of the departments.

The internal control & audit department conducts compliance status checks and works to raise employees' compliance awareness.

### System for promoting compliance

The Compliance team established as an intragroup organization promotes compliance under the leadership of the director in charge of compliance.



#### Activity content

To carry out compliance-related training and educational activities systematically

#### <Activities for penetration and education on compliance>

##### • Distribution of the pamphlet "ISEKI Group Code of Ethical Behavior"

The company has distributed the "ISEKI Group Code of Ethical Behavior" to all employees of the Group and works to ensure a thorough understanding of this pamphlet, so as to ensure that business activities meet corporate ethical requirements.

##### • Issuance of "Compliance News"

As a means to provide information regarding compliance, the company issues the quarterly "Compliance News" bulletin to raise compliance awareness among employees. With a focus on priority compliance initiatives, it contains information such as messages from the management team and examples of practical measures undertaken by employees.

#### <Training activities>

The company carries out a wide range of education and training programs concerning compliance themes in the day-to-day conduct of business affairs, especially on points warranting special attention.

##### • Incorporation into company-wide events and educational training programs

Sales subsidiary president meetings, manager meetings, executive training, newly-appointed manager training, newly-hired employee training

##### • Individual training programs

Sales subsidiary employee meetings of sales departments, facility personnel training of facility departments, specialized employee training of development departments



### Training: Case studies

#### Case study 1

To ensure rigorous compliance, measures to prevent scandals are discussed and shared on a group-wide basis at Group manager meetings. In 2018, the emphasis was on ensuring a full understanding of the work style reform laws that came into effect in April 2019, to avoid violation.

Training was also carried out at individual Group companies to ensure all employees fully understood compliance matters.

#### Case study 2

To reaffirm the importance of compliance, a training session was organized in the three prefectures of Ehime, Kumamoto, and Niigata for management-level staff in our manufacturing companies in Japan (front-line management and supervision) and workshops of Development & Production Division. Participants of the session held group discussions, in addition to hearing compliance lectures. 97% of the participants said that they had a good or acceptable understanding of the content of the training program in a questionnaire surveyed after the training session.



#### Establishment of whistle-blower system (Ethical Hotline)

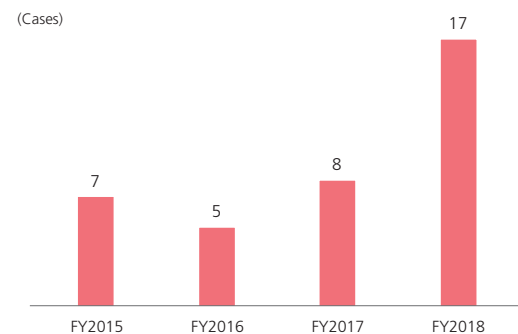
ISEKI Group has set up a group-wide whistle-blower system (Ethical Hotline) for the use of all employees, retirees and suppliers. The aim is to establish an open corporate culture and enable pre-emptive detection of problems within the company. In the system, telephones, e-mail, and other communication methods may be used in the event of detection of conduct in violation of laws and regulations, the company Code of Ethical Behavior or the company regulations on employment, or other rules. To protect the human rights of whistle-blowers and keep them anonymous, the system makes available three convenient channels of communication: the staff workplace organization, the Personnel Department and an external channel involving an outside law office.

In FY2018, the system handled 17 cases of consultation and whistle-blower reports.

#### Channels for reporting

	Channel	Method of consultation
Staff workplace	Consultation and reporting to a line manager within specific staff hierarchies	
Personnel Department channel	Personnel Department	Telephone, e-mail, regular mail
External channel	(External) Law office of the company's consultant lawyer	Regular mail

#### Number of whistle-blowing cases



#### Initiatives for fair trade

ISEKI works to prevent the recurrence of any event that would result in a cease and desist order, etc., under the Anti-Monopoly Act by steadily implementing measures therefor which have been formulated in response to the receipt of such orders, etc., in relation to facility construction.

#### Initiatives for protecting personal information

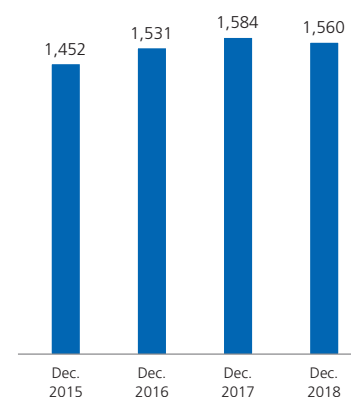
The Privacy Policy concerning the handling of personal information is formulated and internal regulations concerning the management of personal information are created and maintained. ISEKI Group works to appropriately protect personal information by carrying out activities for even further awareness and education on such protection for employees.

## Financial and non-financial highlights

### Financial highlights

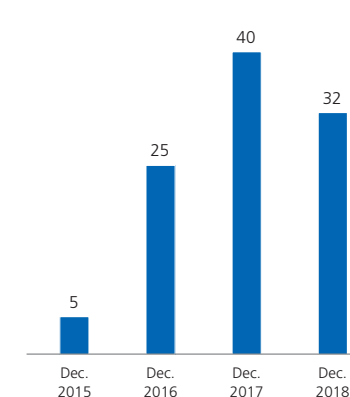
#### Net sales

(100 million yen)



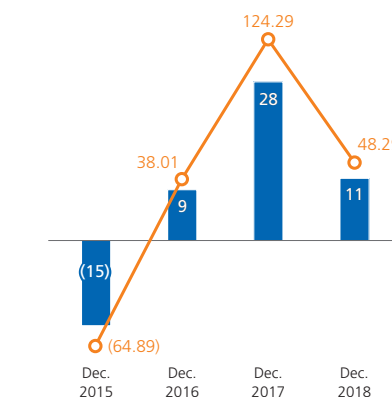
#### Operating income

(100 million yen)



#### Profit attributable to owners of parent

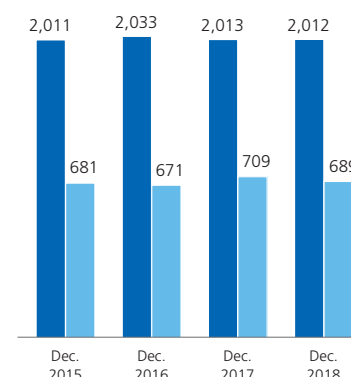
■ Profit attributable to owners of parent (100 million yen)  
○ Profit (loss) per share (yen)



#### Total assets / Net assets

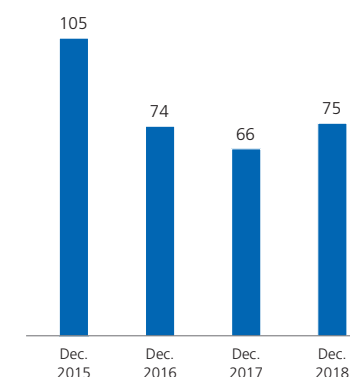
(100 million yen)

■ Total assets ■ Net assets



#### Capital investment

(100 million yen)



(Fiscal year ended December 31, 2018)

Overseas sales ratio  
(including equity-method affiliates in China)

23.2%

Dividend per share  
30 yen

ROE (return on equity)  
1.6%

### Review of performance for the year ended December 2018

#### Breakdown of sales

(100 million yen)

	Results for FY2017	Results for FY2018	YoY change
Agricultural machinery	571	566	(5)
Farming implements	197	202	+5
Spare parts	147	148	+1
Repair fees	54	56	+2
Total agricultural machinery related	969	972	+3
Construction of facilities	66	57	(9)
Others	196	199	+3
Total domestic sales	1,231	1,228	(3)
North America	91	108	+17
Europe	107	109	+2
China	38	10	(28)
ASEAN	48	39	(9)
Other areas	27	18	(9)
Total product sales	311	284	(27)
Others	42	48	+6
Total overseas sales	353	332	(21)
Total sales	1,584	1,560	(24)

#### <Domestic sales (¥122.8 billion)>

Despite a slight increase in overall sales of agricultural machinery year on year due to an increase in sales of the newly released rice transplanters and implements, revenue from domestic sales was down year on year by ¥300 million, due partly to a reduction in facility-construction projects.

#### <Overseas sales (¥33.2 billion)>

Overseas sales were down ¥2,100 million overall year on year. Despite increased revenue in North America following the tapering off of the negative impact of the previous year's changes in business terms (with an OEM partner) and a buoyant performance in Europe by local marketing units on the back of newly introduced products, revenue fell in the growth engines of China and ASEAN on lower shipments of semi-finished rice transplanters to China, where the market has cooled, and on reduced shipments of tractors to ASEAN, due to inventory adjustment in local markets amid intensified competition in the Thai market.

#### <Operating income (¥3.2 billion)>

Operating income was down ¥800 million year on year, due partly to an increase in selling, general and administrative expenses, despite the partial offsetting of revenue falls by improvements in the revenue-expenditure structure at direct dealers in Japan and improved revenue at the Indonesian business.

#### <Profit attributable to owners of parent (¥1.1 billion)>

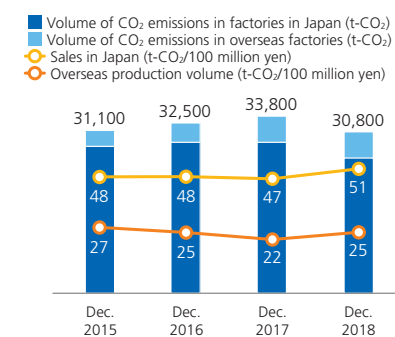
Profit attributable to owners of parent declined ¥1,700 million year on year, due to deterioration in share of profit or loss of entities using equity method and in foreign exchange gains or losses.



## Non-financial highlights

CO<sub>2</sub> emission volumeVolume of energy-generated CO<sub>2</sub> emissions, sales ratio, and per-production volume in factories

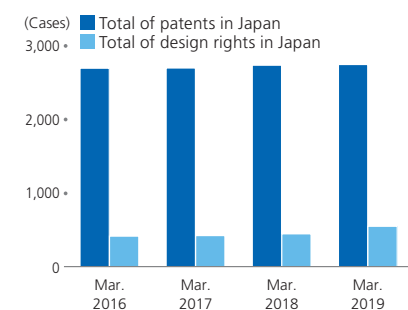
We are working to reduce CO<sub>2</sub> emission volumes in our business activities as part of corporate activities to make possible a sustainable society.



## Patents held (in Japan)

## Totals of patent and design rights

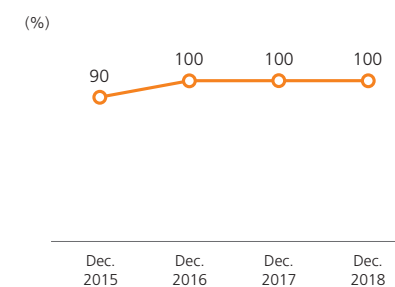
The company has over 2,700 patents, thanks to its acquisition and accumulation of validated claims, and is also increasing its total of design rights every year.



## Promotion of active participation by females

## Rates of return to work following childcare leave

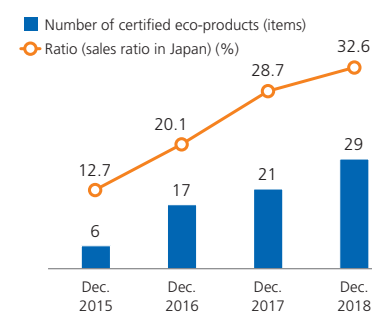
As part of measures to create workplace environments easy to balance work and childcare, we have established various work-life balance support mechanisms including childcare leave.



## Eco-products

## Number and ratio of certified eco-products

The company is promoting the provision of environmentally-friendly products through implementation of the "eco-product certification system" based on independently developed evaluation standards. Such products accounted for 32.6% of sales in Japan in FY2018.



## Acquisition of environment-related certifications

## Acquisition rate of environmental management system (EMS) certification

ISEKI Group has acquired EMS certification at manufacturing bases in Japan and overseas and non-manufacturing bases, including sales subsidiaries, and carries out environmental preservation activities in line with their respective business activities and regional characteristics.

Domestic and overseas manufacturing bases  
7/7 bases 100%

Non-manufacturing bases  
18/19 bases 95%

## Human resource development

## Number of trainees at specialized training facilities

ISEKI Group works to realize manufacturing that is trusted by customers and the provision of innovative products and services through specialized training programs in the three fields: "development," "production" and "sales and services."

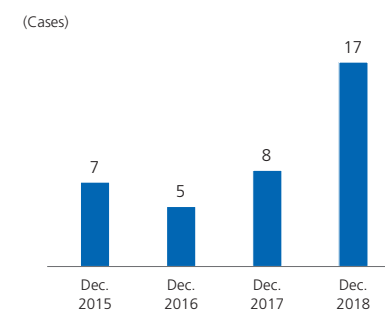
(FY2018) 1,625



## Whistle-blower system

## Number of whistle-blowing cases

ISEKI Group has set up a group-wide whistle-blower system in order to establish an open corporate culture.



Outside Directors  
2/11 persons

Outside Corporate Auditors  
4/5 persons

Of which, Independent Directors/Auditors  
3 persons

## Consolidated Balance Sheets

(Millions of yen)

	As of December 31, 2017	As of December 31, 2018
<b>Assets</b>		
Current assets		
Cash and deposits	7,981	7,475
Notes and accounts receivable – trade	25,113	23,327
Merchandise and finished goods	45,410	46,495
Work in process	6,728	6,046
Raw materials and supplies	1,267	1,177
Deferred tax assets	1,233	1,057
Other	4,076	7,320
Allowance for doubtful accounts	(60)	(51)
<b>Total current assets</b>	<b>91,751</b>	<b>92,849</b>
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	24,343	25,378
Machinery, equipment and vehicles, net	9,898	9,257
Tools, furniture and fixtures, net	2,634	2,854
Land	50,773	50,873
Leased assets, net	6,398	6,001
Construction in progress	1,514	2,446
Other, net	30	29
<b>Total property, plant and equipment</b>	<b>95,592</b>	<b>96,842</b>
Intangible assets	1,025	1,082
Investments and other assets		
Investment securities	7,146	5,817
Long-term loans receivable	42	33
Deferred tax assets	557	912
Net defined benefit asset	773	587
Other	4,616	3,270
Allowance for doubtful accounts	(158)	(146)
<b>Total investments and other assets</b>	<b>12,978</b>	<b>10,474</b>
<b>Total non-current assets</b>	<b>109,596</b>	<b>108,398</b>
<b>Total assets</b>	<b>201,348</b>	<b>201,248</b>



(Millions of yen)

	As of December 31, 2017	As of December 31, 2018
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable – trade	26,532	23,803
Electronically recorded obligations – operating	14,140	15,933
Short-term loans payable	27,216	31,475
Current portion of long-term loans payable	8,004	11,401
Lease obligations	2,194	2,337
Accrued consumption taxes	989	434
Income taxes payable	894	368
Deferred tax liabilities	1	2
Accrued expenses	4,611	4,240
Provision for bonuses	446	482
Provision for loss on construction contracts	391	—
Other	4,220	5,117
Total current liabilities	89,644	95,595
Non-current liabilities		
Long-term loans payable	24,354	20,571
Lease obligations	4,566	4,009
Deferred tax liabilities	476	115
Deferred tax liabilities for land revaluation	5,780	5,780
Provision for directors' retirement benefits	122	132
Net defined benefit liability	3,312	4,063
Asset retirement obligations	315	322
Other	1,859	1,696
Total non-current liabilities	40,787	36,692
Total liabilities	130,432	132,288
<b>Net assets</b>		
Shareholders' equity		
Capital stock	23,344	23,344
Capital surplus	13,453	13,452
Retained earnings	16,519	16,932
Treasury shares	(986)	(983)
Total shareholders' equity	52,330	52,746
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,818	418
Deferred gains or losses on hedges	(16)	(0)
Revaluation reserve for land	12,670	12,670
Foreign currency translation adjustment	1,115	864
Remeasurements of defined benefit plans	1,244	501
Total accumulated other comprehensive income	16,833	14,454
Subscription rights to shares	80	78
Non-controlling interests	1,671	1,681
Total net assets	70,916	68,959
Total liabilities and net assets	201,348	201,248

(Millions of yen)

	Fiscal year ended December 31, 2017	Fiscal year ended December 31, 2018
Net sales	158,382	155,955
Cost of sales	112,175	110,009
Gross profit	46,206	45,945
Selling, general and administrative expenses		
Advertising expense	806	908
Packing and transportation expenses	3,454	3,437
Directors' compensations, salaries and allowances	17,627	17,650
Bonuses	2,685	2,801
Retirement benefit expenses	654	765
Provision for bonuses	321	333
Provision for directors' retirement benefits	28	31
Depreciation	2,074	2,072
Other	14,600	14,764
Total selling, general and administrative expenses	42,252	42,765
Operating income	3,953	3,179
Non-operating income		
Interest income	139	133
Dividend income	164	145
Foreign exchange gains	132	—
Subsidy income	356	—
Subsidies received	83	47
Rent income	170	171
Technical support fee	—	499
Gain on sales of scraps	90	138
Other	479	751
Total non-operating income	1,617	1,887
Non-operating expenses		
Interest expenses	593	669
Sales discounts	93	88
Foreign exchange losses	—	151
Share of loss of entities accounted for using equity method	219	1,083
Other	414	445
Total non-operating expenses	1,320	2,438
Ordinary income	4,250	2,629
Extraordinary income		
Gain on sales of non-current assets	36	79
Gain on sales of investment securities	0	52
Subsidy income	457	—
Gain on step acquisitions	—	16
Total extraordinary income	493	148
Extraordinary losses		
Loss on sales and retirement of non-current assets	189	252
Impairment loss	258	133
Loss on valuation of investment securities	30	160
Penalty	427	—
Other	—	1
Total extraordinary losses	905	548
Income before income taxes	3,838	2,229
Income taxes - current	1,194	756
Income taxes - deferred	(200)	346
Total income taxes	993	1,102
Profit	2,844	1,126
Profit attributable to non-controlling interests	37	35
Profit attributable to owners of parent	2,807	1,090

## Consolidated Statement of Cash Flows

(Millions of yen)

	Fiscal year ended December 31, 2017	Fiscal year ended December 31, 2018
Cash flows from operating activities		
Income before income taxes	3,838	2,229
Depreciation	7,005	6,727
Impairment loss	258	133
Loss on disaster	—	2
Subsidy income	(813)	—
Increase (decrease) in net defined benefit liability	(1,195)	752
Loss (gain) on sales of investment securities	(0)	(52)
Interest and dividend income	(303)	(278)
Interest expenses	593	669
Foreign exchange losses (gains)	95	41
Loss (gain) on sales of property, plant and equipment and intangible assets	152	172
Surcharges	427	—
Penalty	—	(16)
Decrease (increase) in notes and accounts receivable – trade	(142)	1,807
Decrease (increase) in inventories	(3,805)	(297)
Increase (decrease) in notes and accounts payable – trade	(1,900)	(1,028)
Other, net	860	(1,340)
Subtotal	5,071	9,521
Interest and dividend income received	312	269
Interest expenses paid	(593)	(665)
Proceeds from subsidy income	440	373
Payments for loss on disaster	(545)	—
Surcharges paid	(315)	—
Penalty paid	—	(427)
Income taxes paid	(1,061)	(1,455)
Net cash provided by (used in) operating activities	3,308	7,616
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	(5,646)	(6,849)
Proceeds from sales of property, plant and equipment and intangible assets	390	438
Purchase of investment securities	(0)	(940)
Proceeds from sales of investment securities	0	77
Decrease (increase) in loans receivable	11	(2,783)
Decrease (increase) in time deposits	(158)	98
Other, net	130	15
Net cash provided by (used in) investing activities	(5,273)	(9,944)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	2,582	4,313
Proceeds from long-term loans payable	5,058	8,122
Repayments of long-term loans payable	(9,384)	(8,506)
Proceeds from sales and leasebacks	420	979
Repayments of lease obligations	(2,618)	(2,254)
Purchase of treasury shares	(7)	(0)
Cash dividends paid	(341)	(678)
Dividends paid to non-controlling interests	(3)	(4)
Other, net	0	0
Net cash provided by (used in) financing activities	(4,294)	1,970
Effect of exchange rate change on cash and cash equivalents	146	(51)
Net increase (decrease) in cash and cash equivalents	(6,113)	(408)
Cash and cash equivalents at beginning of period	13,909	7,795
Cash and cash equivalents at end of period	7,795	7,387

## Corporate information

## Company profile

Company name:	ISEKI & CO., LTD.
Head office:	700 Umaki-cho, Matsuyama-shi, Ehime-ken, 799-2692 JAPAN
Tokyo headquarters:	5-3-14, Nishi-Nippori, Arakawa-ku, Tokyo, 116-8541 JAPAN
Foundation:	August 1926
Paid-in capital:	23,344 million yen
Number of employees:	Consolidated: 5,650 (Development and Production Section: 1,800; Sales Section: 3,460; and Other Sections: 390) Non-Consolidated: 729
Details of business:	ISEKI Group develops its business activities centered around the development, production and sales of agricultural machinery related to rice farming, vegetable farming, etc. ISEKI and its associated companies that engage in agriculture-related businesses are associated with one of the following three sections: "Development and Production Section," "Sales Section" and "Other Sections." <ul style="list-style-type: none"> <li>● Development and Production Section The development and design of agricultural machinery are mainly conducted by ISEKI &amp; Co., Ltd., while the production of agricultural machinery and parts processing related thereto are conducted by associated companies.</li> <li>● Sales Section In Japan, ISEKI Group conducts sales activities mainly through its sales subsidiaries across the country. In overseas countries, ISEKI Group conducts sales activities through its associated companies, local sales agencies, etc.</li> </ul>

## Status of shares

Total number of authorized shares	69,000,000 shares
Shares issued and outstanding	22,589,994 shares (excluding treasury stock 394,999 shares)
Number of shares per trading unit	100 shares
Number of shareholders	19,945

## Major shareholders (top 10)

Name of major shareholder	Number of shares held (shares)	Shareholding ratio (%)
Mizuho Bank, Ltd	1,070,800	4.74
Japan Trustee Services Bank, Ltd. (Trust Account)	985,000	4.36
The Norinchukin Bank	868,785	3.84
Sumitomo Mitsui Trust Bank, Limited	800,000	3.54
The Master Trust Bank of Japan, Ltd. (Trust Account)	774,300	3.42
Iseki <i>kabushiki hoyukai</i> (Company's Stockholding Co-op.)	638,223	2.82
The Iyo Bank, Ltd.	580,042	2.56
Iseki <i>eigyo-hansya group syain mochikabukai</i> (Business-selling Group Holdings)	460,500	2.03
Sompo Japan Nipponkoa Insurance Inc.	434,500	1.92
Japan Trustee Services Bank, Ltd. (Trust Account 5)	391,300	1.73

(Note) Treasury stock

A total of 394,999 shares of treasury shares are excluded from the above list of major shareholders. Shareholding ratios are calculated after the deduction of treasury shares.

## Number of shares held by type of shareholder (reference)

	Number of shares held (shares)	Shareholding ratio (%)
Shares issued and outstanding / 22,589,994 shares (excluding treasury shares 394,999 shares)		
Individual shareholders and other	7,954,522	35.21
Financial institutions	8,333,312	36.89
Other Japanese companies	3,864,674	17.11
Foreign companies and individuals	2,200,731	9.74
Securities companies	236,755	1.05

## Evaluation by third parties

## DBJ Environmental Rating – highest rating 13 times in a row –

In April 2019, ISEKI received the highest rating as one of the "Companies doing environment-friendly business activities progressively," 13 times in a row, by the Development Bank of Japan Inc., in receiving loans under the DBJ Environmentally Rated Loan Program.

Points that are highly evaluated in the rating for this year

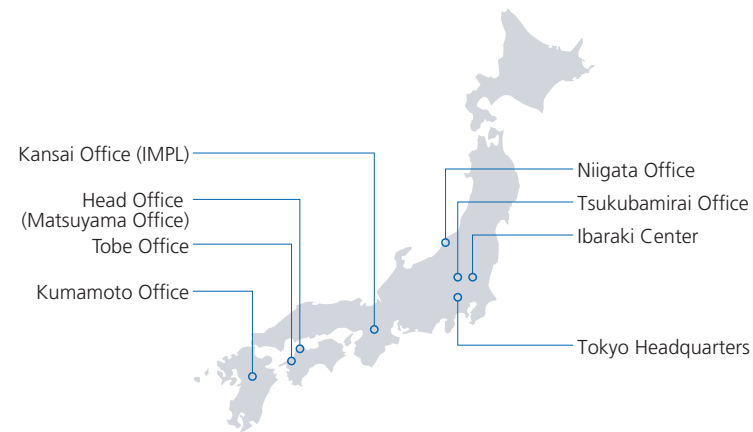
- That ISEKI discloses the business-activity-based value creation process while staying in line with trends in information disclosure.
- That ISEKI is committed to more sophisticated initiatives to establish sustainable supply chains
- That ISEKI continues support for agricultural workers in Japan and overseas through the provision of new solutions





## Offices in Japan and overseas

### Major offices in Japan



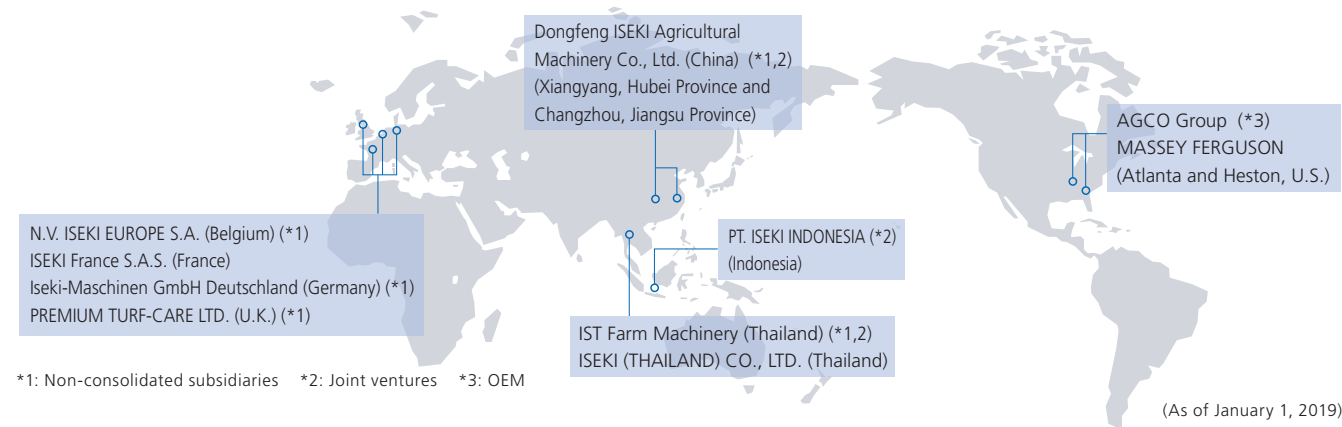
### Sales subsidiaries

ISEKI Hokkaido Co., Ltd.	ISEKI Kansai Chubu Co., Ltd.
ISEKI Tohoku Co., Ltd.	Mie ISEKI Sales Co., Ltd.
ISEKI Kanto Koshinetsu Co., Ltd.	ISEKI Chugoku Co., Ltd.
Gunma ISEKI Sales Co., Ltd.	ISEKI Shikoku Co., Ltd.
ISEKI Hokuriku Co., Ltd.	ISEKI Kyushu Co., Ltd.

### Associated companies

ISEKI-Matsuyama MFG. Co., Ltd.	ISEKI Matsuyama Factory K.K.
ISEKI-Kumamoto MFG. Co., Ltd.	ISEKI AGRI Co., Ltd.
ISEKI-Niigata MFG. Co., Ltd.	ISEKI Logistics Co., Ltd.
ISEKI-Shigenobu MFG. Co., Ltd.	ISEKI TLS Co., Ltd.
	Kita-Nihon Shodo K.K.

### Major overseas offices and business partners



## Major products

<p><b>Cultivating and mowing machinery</b></p> <p>Tractors, tillers, high-clearance multipurpose vehicles and mowers</p>  <p>Tractors</p>  <p>Mowers</p>	<p><b>Planting machinery</b></p> <p>Rice transplanters and vegetable transplanters</p>  <p>Rice transplanters</p>  <p>Vegetable transplanters</p>	<p><b>Harvesting and processing machinery</b></p> <p>Combine harvesters, binders, harvesters, rice hullers, dryers, rice graders and vegetable harvesting and processing machinery</p>  <p>Combine harvesters</p>  <p>Rice hullers</p>	<p><b>Implements, spare parts and repair fees</b></p>  <p>In-ridge partial fertilizer (implements)</p> <p><b>Other agriculture-related business</b></p> <p>Agricultural facilities and materials</p>  <p>Hydroponics facilities</p>	<p><b>Net sales composition ratio by product</b> (Fiscal year ended December 31, 2018)</p>  <p>Net sales 156.0 billion yen</p> <ul style="list-style-type: none"> <li>Cultivating and mowing machinery: 53.3 billion yen (34.2%)</li> <li>Planting machinery: 11.1 billion yen (7.1%)</li> <li>Harvesting and processing machinery: 20.6 billion yen (13.2%)</li> <li>Implements, spare parts and repair fees: 43.4 billion yen (27.8%)</li> <li>Other agriculture-related business: 27.6 billion yen (17.7%)</li> </ul>
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