



# Financial Results for the Second Quarter Fiscal Year Ending December 2015 Investor Relations Presentation Materials

**ISEKI & CO., LTD.**  
Noriyuki Kimura, President  
November 13, 2015



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Ending December, 2015

# Change of Fiscal Year

The fiscal-year (the last day of a fiscal year) changes to the end of December

- As a transitory treatment, results in the following period are consolidated for fiscal 2015;
  - a) Companies that have adopted December 31 as the fiscal year-end (Domestic sales companies, etc.) : 12-month results (From Jan. to Dec. 2015)
  - b) Companies that have adopted March 31 as the fiscal year-end (ISEKI CO., LTD, etc.) : 9-month results (From Apr. to Dec. 2015)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
a) Companies that have adopted Dec.31 as the fiscal year-end <b>Domestic sales companies and others</b>	1Q			2Q			3Q			4Q		
b) Companies that have adopted Mar.31 as the fiscal year-end <b>ISEKI &amp; CO.,LTD and others</b>				1Q			2Q			3Q		
Consolidated Financial results (Accumulated)				1Q a Jan.- Mar. b Apr.- Jun.			2Q a Jan.- Jun. b Apr.- Sep.			Full Year End a Jan.- Dec. b Apr.- Dec.		

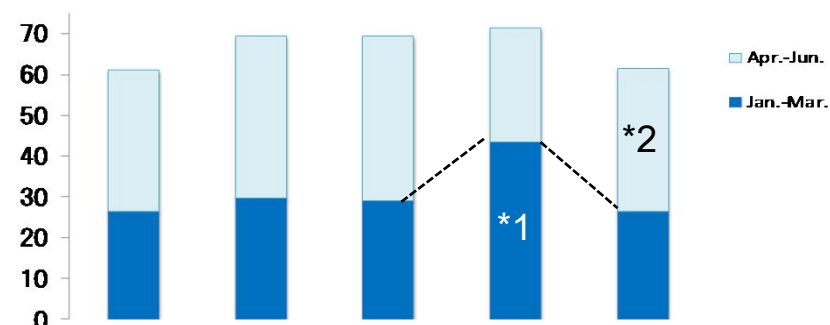
# \* Points of Attention of Our 2nd Quarter financial Results

- ◆ 2<sup>nd</sup> Quarter consolidated period :
  - Companies that have adopted Dec.31 as the fiscal year-end (Domestic sales companies, etc.): Jan.-Jun., 2015
  - Companies that have adopted Mar. 31 as the fiscal year-end (ISEKI & CO., LTD., etc.): Apr.-Sep., 2015
- ◆ Special notes regarding net sales:

## 1. Domestic sales

Sales grew significantly in the period from Jan.-Mar. of the previous year (\*1) .  
 Sales in the period from Apr.- Jun. increased this year (\*2), but wasn't able to offset the decrease in sales from Jan.- Mar.

(JPY bn) Domestic 2nd Quarter Net Sales



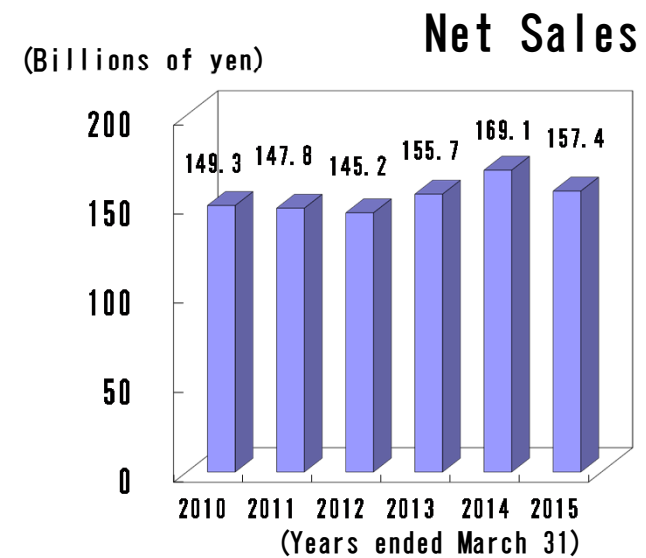
Fiscal year	FY ended Mar. 31 2012	FY ended Mar. 31 2013	FY ended Mar. 31 2014	FY ended Mar. 31 2015	FY ending Dec. 31 2015
Cumulative Sales (JPY bn)	61.1	69.4	69.4	71.4	61.5
Jan.-Mar.	26.4	29.7	29.1	43.5	26.5

## 2. Overseas sales

- Europe: The results of ISEKI France from Jan.to Jun. are newly consolidated.
- China: Chinese subsidiary ,which was consolidated in the 1<sup>st</sup> quarter of the previous year, has been excluded from consolidation.



# Outline of Financial Results of the Second Quarter Fiscal Year Ending December, 2015



# Outline of Second Quarter Business Performance

(JPY bn, %)

Item	2Q of FY ended Mar./15		2Q of FY ending Dec./15		y o y Change	2Q of FY ending Dec./15 forecast*	Diff. (forecast/ actual)
		%		%			
Net Sales	82.4	100.0	77.6	100.0	(4.8)	78.0	(0.4)
(Domestic)	71.4	86.7	61.5	79.3	(9.9)	64.5	(3.0)
(Overseas)	11.0	13.3	16.1	20.7	5.1	13.5	2.6
Operating Income	1.0	1.3	0.9	1.1	(0.1)	1.8	(0.9)
Ordinary Income	1.5	1.8	1.3	1.7	(0.2)	1.7	(0.4)
Profit (loss) attributable to owners of parent	1.3	1.6	(0.7)	(0.9)	(2.0)	0.9	(1.6)

Note: Cumulative total: Jan.-Jun.(Domestic sales companies, ISEKI France, etc.)

Cumulative total: Apr.-Sep.( ISEKI & CO.,Ltd, Domestic manufacturing companies,etc.)

\* Forecast announced on May 14.

# Breakdown of Domestic Sales

(JPY bn, %)

		2Q of FY ended Mar./15	2Q of FY ending Dec./15	y o y change	Note	2Q of FY ending Dec./15 Forecast*	Diff. (forecast/ actual)	
Agriculture Related Business	Agricultural Machinery	Cultivating & Mowing Machinery	19.0	16.7	(2.3)	Tractors: (2.1)	17.2	(0.5)
		Planting Machinery	6.6	6.6	0		7.6	(1.0)
		Harvesting & Processing Machinery	8.9	5.8	(3.1)	Combine harvesters:(2.2) Drying machines:(0.5)	6.5	(0.7)
	Total		34.5	29.1	(5.4)		31.3	(2.2)
	Farming Implements		11.1	9.7	(1.4)		9.4	0.3
	Parts		7.1	6.5	(0.6)		6.9	(0.4)
	Construction of Facilities		4.0	2.4	(1.6)	Large facilities: (1.4)	2.6	(0.2)
	Other Agriculture Related		14.7	13.8	(0.9)		14.3	(0.5)
	Total		71.4	61.5	(9.9)		64.5	(3.0)

\* Forecast announced on May 14.

# Breakdown of Overseas Sales

(JPY bn)

	2Q of FY ended Mar./15	2Q of FY ending Dec./15	y o y Change	Note	2Q of FY ending Dec./15 Forecast*	Diff. (forecast/ actual)
North America	4.7	5.9	1.2	Tractors: +1.2	4.8	1.1
Europe*	3.8	6.8	3.0	Tractors: +0.5 Lawn mowers: +2.3	5.5	1.3
China*	0.7	0.2	(0.5)	Rice transplanters: (0.5)	0.6	(0.4)
Asia except China	0.3	1.3	1.0	Tractors: +0.5 Rice transplanters: +0.5	0.8	0.5
Oceania	0.4	0.4	0		0.3	0.1
Products Total	9.9	14.6	4.7		12.0	2.6
Parts & Others	1.1	1.5	0.4		1.5	0
<b>Total</b>	<b>11.0</b>	<b>16.1</b>	<b>5.1</b>		<b>13.5</b>	<b>2.6</b>

Chinese Business (Dongfeng Iseki)	2.6	6.5	3.9
Overseas Sales including Chinese Business	13.6	22.6	9.0

Ratio                      16.0%                      26.9%

\* Forecast announced on May 14.

Note: Europe: The results of ISEKI France from Jan.to Jun. are included.

China : The results of the local subsidiary has been excluded due to elimination from consolidation.



# Gross Profit and Operating Income

(JPY bn, %)

Item	2Q of FY ended Mar./15		2Q of FY ending Dec./15		y o y change	2Q of FY ending Dec./15 Forecast*	Diff. (forecast/ actual)
		%		%			
Net Sales	82.4	100.0	77.6	100.0	(4.8)	78.0	(0.4)
Gross Profit	23.5	28.6	23.0	29.6	(0.5)	24.3	(1.3)
S. G. & A. Expenses	22.5	27.3	22.1	28.5	(0.4)	22.5	(0.4)
Operating Income	1.0	1.3	0.9	1.1	(0.1)	1.8	(0.9)

\* Forecast announced on May 14.

## [Change in Operating Income]

*Comparison with the same period of the previous year	• Decrease in gross profit resulting from lower sales	: (1.4)	} Gross Profit (0.5)
	• Others (decreased personnel expenses +1.0, increased facility expenses, etc. (0.1))	: +0.9	
	• Decreased S.G.&A. expenses (decreased personnel expenses +0.6, etc.)	: +0.4	
	Change in Operating income	(0.1)	
*Comparison with the forecast	• Cost reduction in expenses (against the annual plan of a 2.6 billion)	: 1.8	
	• Decrease in gross profits a result of decreased sales of agricultural machinery in Japan (Apr.-Sep.)	: (0.9)	

# Ordinary Income and Net Income

(JPY bn, %)

	2Q of FY ended Mar./15	2Q of FY ending Dec./15	y o y Change	2Q of FY ending Dec./15 Forecast*	Diff. (forecast/ actual)
Operating Income	1.0	0.9	(0.1)	1.8	(0.9)
Net Financial Income	(0.3)	(0.4)	(0.1)	(0.4)	0
Other Non-operating Income	0.8	0.8	0	0.3	0.5
Ordinary Income	1.5	1.3	(0.2)	1.7	(0.4)
Extraordinary Income	1.4	0.2	(1.2)	0.1	0.1
Extraordinary Losses	(0.2)	(0.1)	0.1	(0.2)	0.1
Income before Income Taxes	2.7	1.4	(1.3)	1.6	(0.2)
Income Taxes	(1.4)	(2.1)	(0.7)	(0.7)	(1.4)
Profit (loss) attributable to owners of parent	1.3	(0.7)	(2.0)	0.9	(1.6)

\* Forecast announced on May 14.

## [Factors of year-on year change]

[Extraordinary Income]	<ul style="list-style-type: none"> <li>• Gain on sale of investment securities : +0.2</li> <li>• Absence of a gain on change in equity (Chinese subsidiary) : (0.6)</li> <li>• Absence of a negative goodwill (French distributing subsidiary) : (0.8)</li> </ul>
[Income Taxes]	<ul style="list-style-type: none"> <li>• Reversal of deferred tax assets (1.4), etc. : (0.7)</li> </ul>

# Balance Sheet

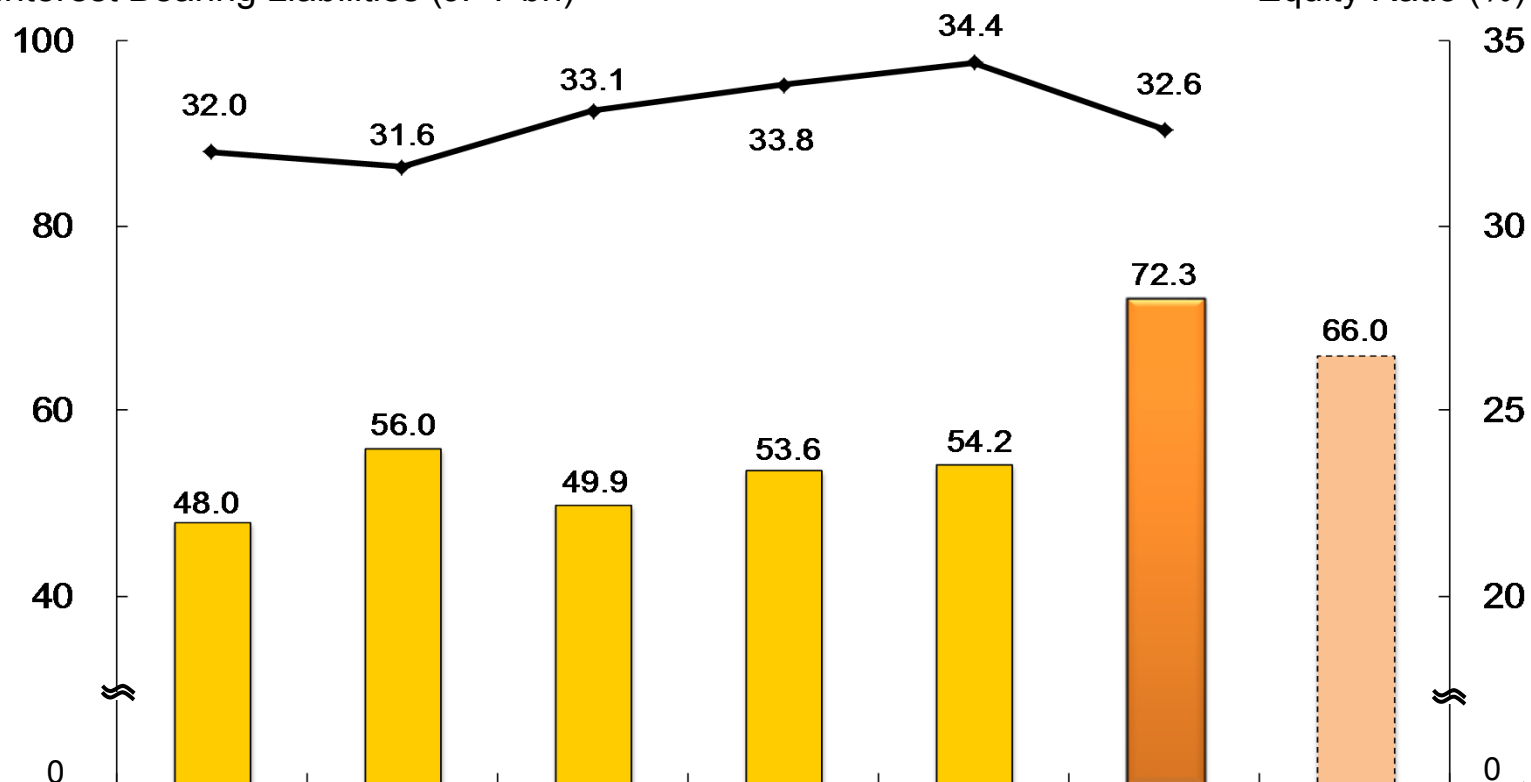
(JPY bn, %)

Item	As of Sep./14	As of Sep./15	Change	As of Mar./15
Cash/Deposits	7.9	7.7	(0.2)	6.6
Accounts Receivables	29.7	32.9	3.2	30.4
Inventories	45.1	48.8	3.7	47.7
(Product Inventory)	40.0	41.9	1.9	42.6
Other Current Assets	4.4	3.5	(0.9)	7.1
Noncurrent Assets	108.3	114.2	5.9	112.3
<b>Total Assets</b>	<b>195.4</b>	<b>207.1</b>	<b>11.7</b>	<b>204.1</b>
Accounts Payables	43.3	39.6	(3.7)	38.7
Debts/Bonds	46.2	63.1	16.9	57.6
Other Liabilities	36.9	35.3	(1.6)	36.7
<b>(Total Liabilities)</b>	<b>126.4</b>	<b>138.0</b>	<b>11.6</b>	<b>133.0</b>
Net Assets	69.0	69.1	0.1	71.1
(Retained Earnings)	17.3	14.2	(3.1)	15.7
<b>Total Liabilities and Net Assets</b>	<b>195.4</b>	<b>207.1</b>	<b>11.7</b>	<b>204.1</b>

# Interest Bearing Liabilities & Equity Ratio

Balance of Interest Bearing Liabilities (JPY bn)

Equity Ratio (%)



	Sep./10	Sep./11	Sep./12	Sep./13	Sep./14	Sep./15	Dec./15 Forecast
D/E Ratio	0.87	1.00	0.83	0.81	0.79	1.05	Below 1.00

Note: D/E Ratio= Interest bearing liabilities(incl. Lease liabilities) / Net assets



## 2. Recent Development in Domestic and Overseas Markets



ISEKI Tractor for “Nougyou-Jyoshi”  
“Shiropuchi Z15”  
15.8HP



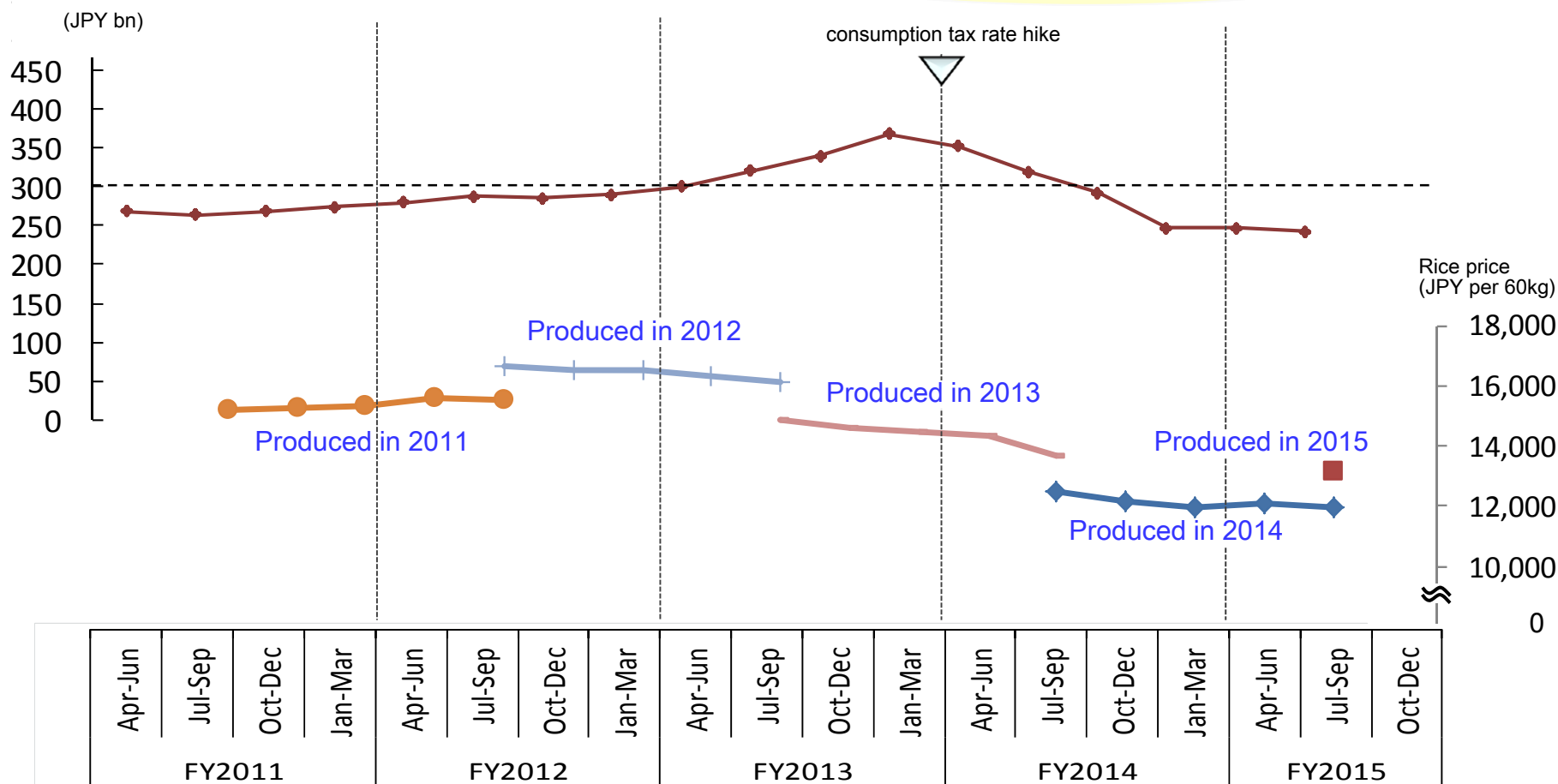
# Trends in Domestic Agricultural Machinery Market

**Demand for Agricultural Machinery  
[Industry shipment]**

( 9 principal products, Moving annual total )

**Off-road vehicle exhaust emission regulation in Japan (3<sup>rd</sup> phase)**

102-117PS 76-102PS 50-76PS 26-50PS



Note: The above chart partially includes our estimation.

Source: Shipment Statistics from JFMMA

# Industry Shipments and Our Sales Result

Growth rate of 9 principal products(year-on year)

( % )

		Sep./12	Sep./13	Sep./14	Mar./15	Jun./15	Sep./15
Industry	Shipment value	109	111	100	68	70	76
ISEKI	Sales value	105	105	97	73	84	89

# Our Business Development in Japan

## Large-scale farming



*Refurbishment / establishment of large maintenance & service facilities*



*Reinforcement of large agricultural machinery lineup*

*Research & development of advanced technologies and Smart agricultural machinery*



# Our Business Development in Japan

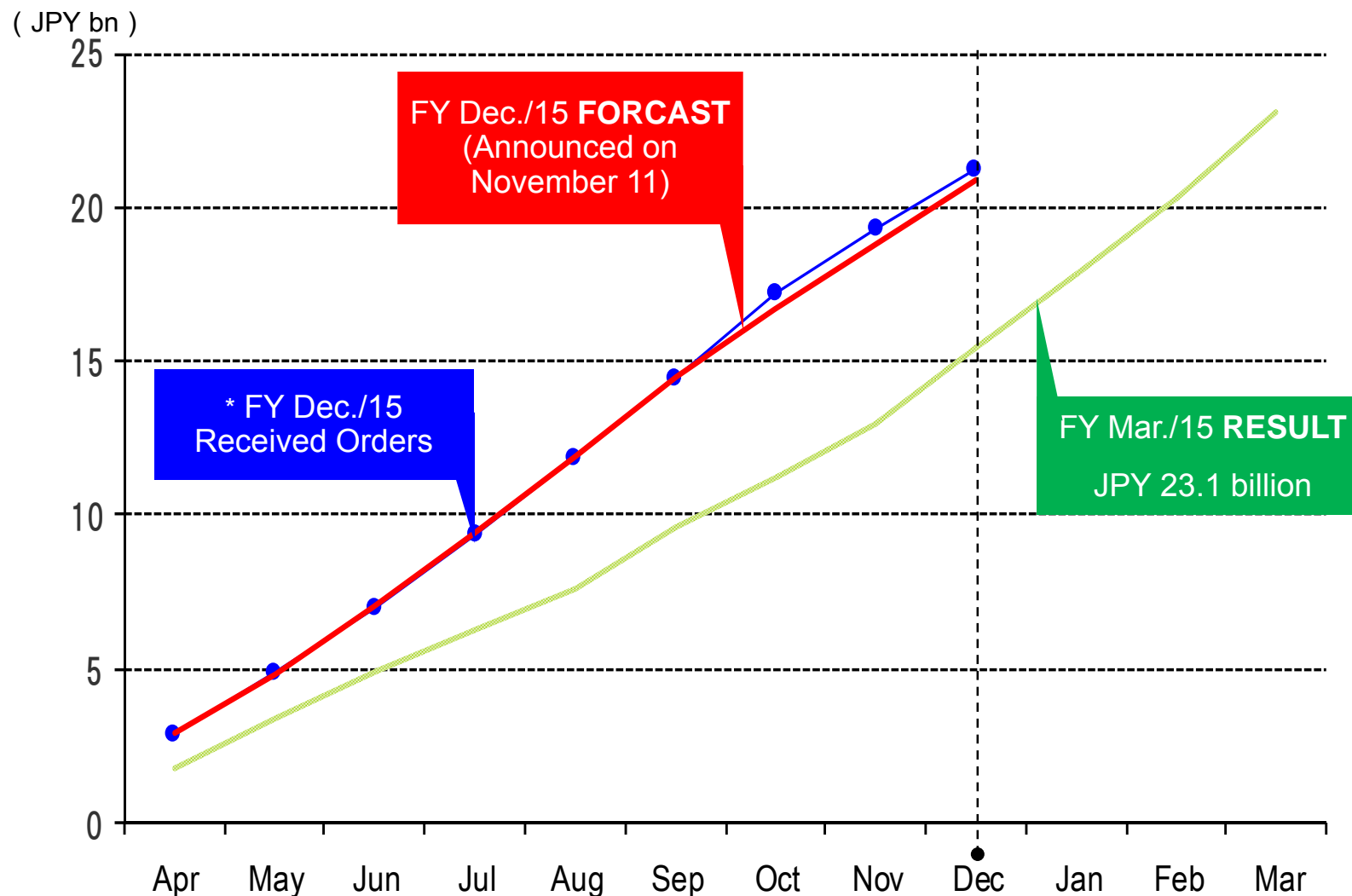
## Conversion to other crops



*Carrying out training programs for fostering human resources to support the prospective farmers*

*Establishment of “Dream Agricultural Research Institute” as a strategic base to research, demonstrate, disseminate advanced agricultural technologies and techniques*

# Recent Market Trend in Overseas



\* Note: Shipment result (from Apr.- Sep) + received orders (from Oct.-Dec)  
The results of "Parts & Others" are not included.

# Market Trend (North America)

## 1. Market in North America

Unit: 1,000

Category (PTO hp)	Compact Tractors (40hp or below)			Utility Tractors (40hp or above, 100hp or below)		
	USA	Canada		USA	Canada	
Jan.-Sep.,2014	88	10	99	45	5	50
Jan.-Sep.,2015	94	10	104	45	4	49
Growth rate	107%	93%	105%	100%	87%	99%

Source: Association of Equipment Manufacturers statistics

Figures have been rounded and non-adjusted.

## 2. Our situation

Annual sales (Forecast): Up from last year

Unit sales(Jan.-Sep.)[OEM partner] :

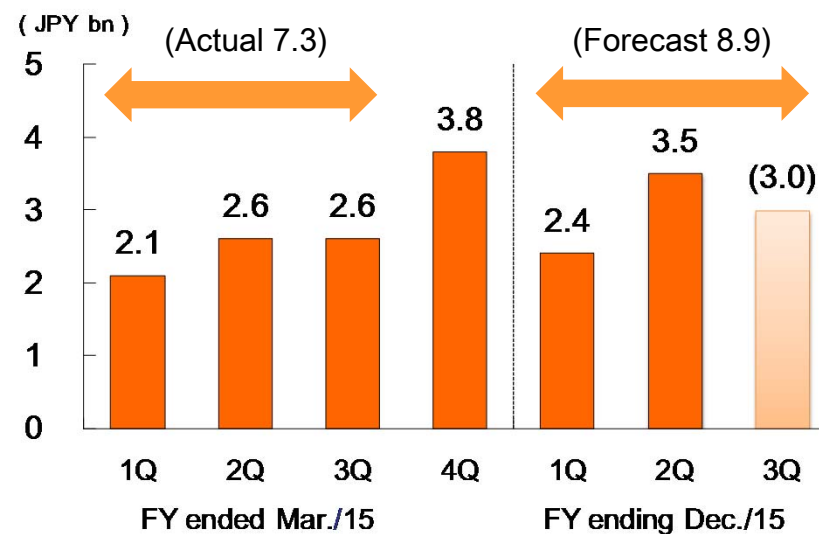
Compact: Up from last year

Utility: Down from last year

(Our utility tractor line: Up from last year)

*Compact (economy) and utility tractor doing well in sales*

Net sales in North America



# Market Trend (Europe)

## 1. Trend in European market

While there is concern for the sluggishness of the Chinese economy, economy in Europe as a whole follows modest recovery trend.

## 2. Our situation

Annual sales (Forecast): Up from last year

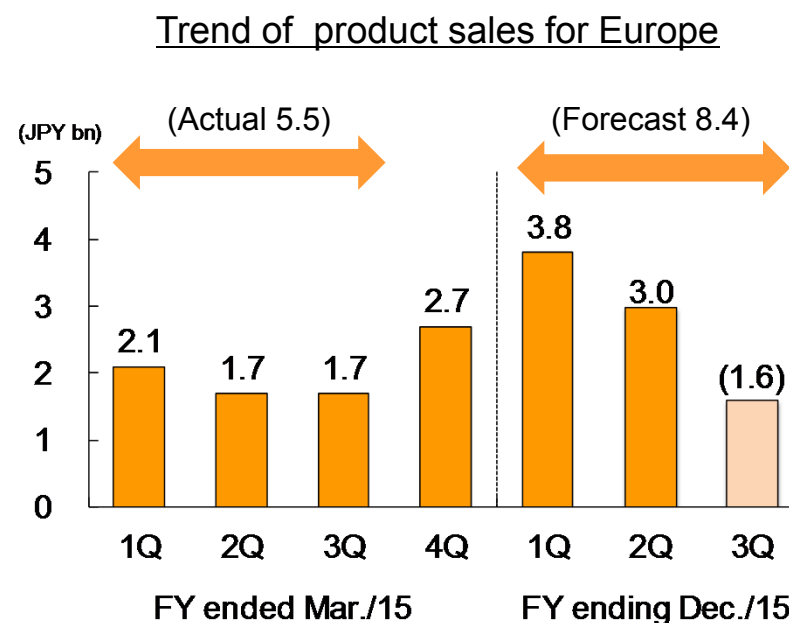
Unit sales (Jan.-Sep.) [Distributors]  
: Up from last year

*Effect of launching new products and 90<sup>th</sup> anniversary campaign*

ISEKI France:

Sales are expected to exceed the previous year.

*Promote sales expansion by positioning ISEKI France as the core of distribution network in Europe.*



# Market Trend (China)

## 1. Trend in Chinese Market

### ■ Central government subsidy

(billion of yuan)

2008	2009	2010	2011	2012	2013	2014	2015
4.0	13.0	15.5	17.5	21.5	21.75	17.0	1st period 21.0
						23.8	Annual 23.8+α (Forecast)

## 2. Our Situation

### Chinese business (forecast):

Significantly exceeding the previous year.

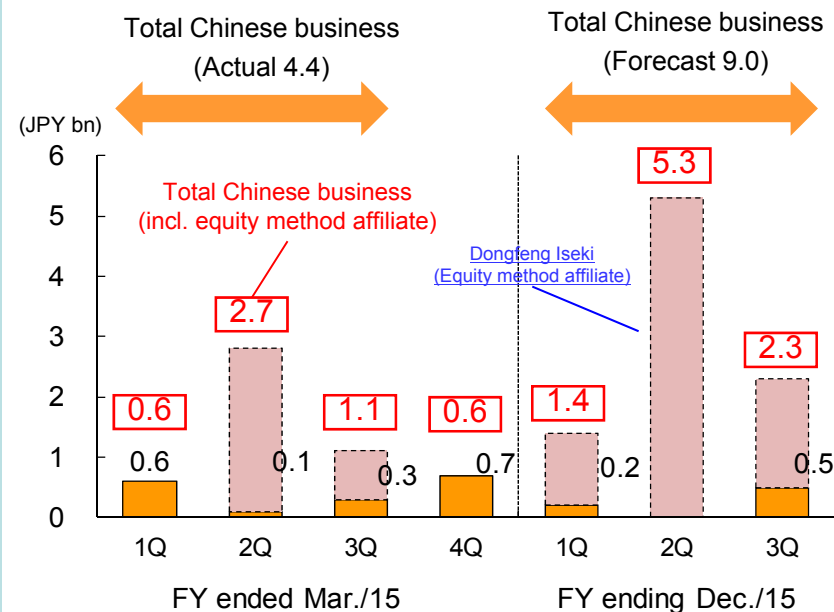
\*Incl. the sales of Dongfeng Iseki (equity method company)

### Unit Sales of Dongfeng ISEKI(Jan.-Sep.) :

- Rice transplanters (walk-behind/ride-on):  
Up from last year
- Combine harvesters (self-threshing /all-purpose):  
Up from last year
- High-clearance multi-purpose vehicles:  
Up from last year

\*Excl. export to Southeast Asian countries from China

### Trend of ISEKI's sales in China



# Market Trends (ASEAN)

## 1. Market Trends (ASEAN)

Thailand: Demand declined due to drought along with the stagnant economy.

## 2. Our situation

- Thailand: Changed from direct sales to sales by distributors as a 2<sup>nd</sup> stage  
 Full-fledged sales by distributors started from September.  
*Try to acquire further orders by reinforcing line-up.*

- Indonesia:

Sales: Promoted in an agricultural machinery diffusion policy by the Indonesian government

Production: Expanded production models and volume.

*As scheduled, turning a profit in 2017 by increasing production and expanding local procurement.*



# Performance Forecast For the Fiscal Year Ending December, 2015



New Compact Tractor for Domestic Market  
“GEAS NTA3 Series” (25- 60PS)



# Performance Forecast for FY ending Dec./15

## - Consolidated period -

### 1. Consolidated period

- Full year end : As a transitory treatment,  
the results will be consolidated into 9 months

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
a) Companies that have adopted Dec.31 as the fiscal year-end <b>Domestic sales companies and others</b>	1Q			2Q			3Q			4Q			Twelve months ( Jan.-Dec.)
b) Companies that have adopted Mar.31 as the fiscal year-end <b>ISEKI &amp; CO.,LTD and others</b>				1Q			2Q			3Q			Nine months ( Apr.-Dec.)
Consolidated Financial results (Accumulated)				1Q a Jan.- Mar. b Apr.- Jun.			2Q a Jan.- Jun. b Apr.- Sep.			Full Year End a Jan.- Dec. b Apr.- Dec.			

### 2. Comparison with the previous term

In order to make year-on year comparison, the results for the fiscal year ended Mar./15 will be restated on the comparable period basis.



# Performance Forecast for FY ending Dec./15

## 1. Performance Forecast

(JPY bn)

Item	FY ended Mar./15 Restated (Apr. – Dec.)	FY ending Dec./15		Change from	
		Previous forecast* (Apr. – Dec.)	Latest forecast* (Apr. – Dec.)	the same period last year	Previous forecast
Net Sales	145.7	152.0	148.5	2.8	(3.5)
(Domestic)	129.0	131.5	125.6	(3.4)	(5.9)
(Overseas)	16.7	20.5	22.9	6.2	2.4
Operating Income	(0.3)	3.9	1.0	1.3	(2.9)
Ordinary Income	1.0	3.7	0.7	(0.3)	(3.0)
Profit (loss) attributable to owners of parent		2.1	(1.8)		(3.9)

\* Company forex rate: ¥120 to the US\$ (changed from ¥115), ¥133 to the Euro (changed from ¥130)

\* Previous forecast: Announced on May 14. Latest forecast: Announced on November 11.

## 2. Year-End Dividend Forecast

	Mar./15	Dec./15 (plan)
Year-End Dividend	3.0	1.5

# Breakdown of Domestic Sales

(JPY bn)

	FY ended Mar./15 Restated (Apr. – Dec.)	FY ending Dec./15		Change from	
		Previous forecast* (Apr. – Dec.)	Latest forecast* (Apr. – Dec.)	the same period last year	Previous forecast
Cultivating & Mowing Machinery	31.0	32.0	30.5	(0.5)	(1.5)
Planting Machinery	9.6	10.3	9.8	0.2	(0.5)
Harvesting & Processing Machinery	23.9	23.8	23.2	(0.7)	(0.6)
<b>Agricultural Machinery Total</b>	<b>64.5</b>	<b>66.1</b>	<b>63.5</b>	<b>(1.0)</b>	<b>(2.6)</b>
Farming implements	18.1	18.5	17.6	(0.5)	(0.9)
Parts	14.2	14.3	13.9	(0.3)	(0.4)
Construction of Facilities	6.2	5.9	4.7	(1.5)	(1.2)
Other Agriculture Related	26.0	26.7	25.9	(0.1)	(0.8)
<b>Total</b>	<b>129.0</b>	<b>131.5</b>	<b>125.6</b>	<b>(3.4)</b>	<b>(5.9)</b>

\*Previous forecast: Announced on May 14. Latest forecast: Announced on November 11.

Note: Domestic sales companies: 12-month (Jan. to Dec.) results included.

Previous March settlement companies: 9-month (Apr. –Dec.) results included.

# Breakdown of Overseas Sales

(JPY bn)

	FY ended Mar./15 Restated (Apr. – Dec.)	FY ending Dec./15		Change from	
		Previous forecast* (Apr. – Dec.)	Latest forecast* (Apr. – Dec.)	the same period last year	previous forecast
North America	7.3	7.3	8.9	1.6	1.6
Europe	5.5	7.8	8.4	2.9	0.6
China	1.0	1.9	0.7	(0.3)	(1.2)
Asia except China	0.7	1.1	2.2	1.5	1.1
Oceania	0.6	0.4	0.7	0.1	0.3
<b>Products Total</b>	<b>15.1</b>	<b>18.5</b>	<b>20.9</b>	<b>5.8</b>	<b>2.4</b>
Parts & Others	1.6	2.0	2.0	0.4	0.0
<b>Total</b>	<b>16.7</b>	<b>20.5</b>	<b>22.9</b>	<b>6.2</b>	<b>2.4</b>
Chinese business (Dongfeng Iseki Machinery)	3.4	7.5	8.3	4.9	0.8
Overseas sales including Chinese business	20.1	28.0	31.2	11.1	3.2

Company forex rate: ¥120 to the US\$ (changed from ¥115), ¥133 to the Euro (changed from ¥130)

\*Previous forecast: Announced on May 14. Latest forecast: Announced on November 11.

# Performance Forecast for FY ending Dec./15

(JPY bn)

Item	FY ended Mar./15 Restated (Apr. – Dec.)	FY ending Dec./15		Change from	
		Previous forecast* (Apr. – Dec.)	Latest forecast* (Apr. – Dec.)	the same period last year	previous forecast
Net Sales	145.7	152.0	148.5	2.8	(3.5)
Gross Income	41.2	45.7	42.0	0.8	(3.7)
Operating Income	(0.3)	3.9	1.0	1.3	(2.9)
Ordinary Income	1.0	3.7	0.7	(0.3)	(3.0)
Profit (loss) attributable to owners of parent		2.1	(1.8)		(3.9)

\*Previous forecast: Announced on May 14. Latest forecast: Announced on November 11

## [Operating income: change from the previous forecast]

- Decrease in gross profit as a result of decreased sales of agricultural machinery in Japan : (1.4)
  - Others (Deteriorated profitability due to change in the product mix., etc.) : (1.6)
  - Cost reduction, etc. : 0.1
- 
- (2.9)

# Notes on the Future Forecast

- The objective of this presentation document is to provide information, and it is not intended to invite any action.
- The document has been prepared by ISEKI based on currently available information and it involves potential risks and uncertainties. The forecast may not be consistent with actual results depending on fluctuation of the economic situation and market trends.
- In using this information, investors are expected to depend on their own judgment. ISEKI is not liable for any losses incurred by investment decision made utilizing the business forecast or targets given in this document.



Increase food self sufficiency ratio 1% campaign which leads to relief in the future

**FOOD ACTION NIPPON**

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