

Financial Results Briefing for the Fiscal Year Ended December 31, 2017

The third collaboration with “Nougyou-Jyoshi(Female farmers) Project”

PUCHIMOWER
フチモア



ISEKI & CO., LTD.
Shirou Tomiyasu,
Director &
Vice President Executive Officer
February 15, 2018

Contents

1. Overview of Financial Results for the Fiscal Year Ended December 31, 2017
2. Recent Development in Domestic and Overseas Markets
3. Financial Results Forecast for the Fiscal Year Ending December 31, 2018

Note:

- Unless otherwise noted, “Difference (forecast/results)” in this presentation is the comparison (increase or decrease) with the forecast announced on August 10, 2017 (breakdown of sales is after the revision on November 13).

1. Overview of Financial Results for the Fiscal Year Ended December 31, 2017

Financial Results Highlights

January – December (YoY)

<p>Domestic dealers</p>	<p><u>Slight increase YoY in sales of agricultural machinery. Significant revenue improvement.</u></p> <ul style="list-style-type: none"> □ Sales of agricultural machinery: 101% □ Effects from improvements in the revenue-expenditure structure in direct dealers: operating income +¥0.7 billion
<p>Manufacturing subsidiary in Indonesia (PT ISEKI INDONESIA)</p>	<p><u>A return to profitability for the company. Significant improvement in overall business.</u></p> <ul style="list-style-type: none"> □ Revenue of Indonesia business improved: operating income +¥1.1 billion (Consolidated basis including Indonesia business of the parent and plants in Japan)
<p>Equity-method affiliate in China (Dongfeng Iseki)</p>	<p><u>Improvement in share of profit or loss of entities using equity method.</u></p> <ul style="list-style-type: none"> □ Improvement in share of profit or loss of entities using equity method: ordinary income +¥0.9 billion

Overview of Consolidated Financial Results

(JPY bn, %)

	FY2016/12		FY2017/12		YoY	Difference (forecast/ results)
	Results	%	Results	%	Change	
Net sales	153.1	100.0	158.4	100.0	5.3	(2.1)
(Domestic)	121.0	79.1	123.1	77.7	2.1	(2.4)
(Overseas)	32.1	20.9	35.3	22.3	3.2	0.3
Operating income	2.5	1.6	4.0	2.5	1.5	±0.0
Ordinary income	1.6	1.1	4.2	2.7	2.6	0.1
Profit attributable to owners of parent	0.9	0.6	2.8	1.8	1.9	(0.1)
Exchange rate	US\$	108.6	112.1		3.5	0.1
	Euro	120.1	126.8		6.7	1.8

Breakdown of Domestic Sales

(JPY bn)

		FY2016/12	FY2017/12	Change	YoY	Difference (forecast/ results)	
		Results	Results		Note		
Agricultural machinery related	Agricultural machinery	Cultivating & mowing machinery	27.6	28.2	0.6	Tractors: 0.6	(1.2)
		Planting machinery	9.1	8.5	(0.6)	Rice transplanters: (0.3)	0.4
		Harvesting & processing machinery	20.9	20.4	(0.5)	Rice huskers: (0.4)	(0.6)
		Total	57.6	57.1	(0.5)		(1.4)
		Farming implements	19.0	19.7	0.7		(0.1)
		Spare parts	14.4	14.7	0.3		(0.3)
		Repair fees	5.2	5.4	0.2		(0.1)
	Total		38.6	39.8	1.2		(0.5)
	Total		96.2	96.9	0.7		(1.9)
	Construction of facilities		5.1	6.6	1.5		0.1
Other		19.7	19.6	(0.1)		(0.6)	
Total		121.0	123.1	2.1		(2.4)	

Farming implements, spare parts and repair fees offset decline in agricultural machinery sales

Breakdown of Overseas Sales

• For the French subsidiary only, the results from October to September are consolidated as its closing date falls in September.

(JPY bn)

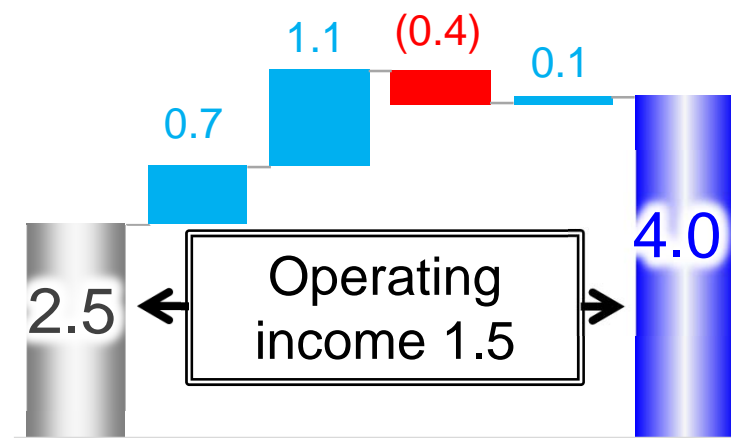
	FY2016/12 Results	FY2017/12 Results	Change	YoY	Difference (forecast/ results)
				Note	
North America	10.7	9.1	(1.6)	Tractors: (1.4)	(0.3)
Europe	9.3	10.7	1.4	Tractors: 0.7 Lawn mowers: 0.6	0.2
China	3.2	3.8	0.6	Tractors: (0.9) Rice transplanters: 1.3	±0.0
ASEAN	3.0	4.8	1.8	Tractors: 1.1 Combine harvesters: 1.1	0.3
Other	2.0	2.7	0.7	Tractors: 0.7	0.3
Product sales total	28.2	31.1	2.9		0.5
Parts & other	3.9	4.2	0.3		(0.2)
Total	32.1	35.3	3.2		0.3
Overseas sales incl. Chinese business	37.0	38.7	1.7		0.7
Overseas net sales ratio	23.4%	23.9%	0.5%		0.7%

Revenue increased in all regions except for North America (for special reasons)

Operating Income

	FY2016/12	FY2017/12	YoY	(JPY bn, %)
	Results	Results	Change	Difference (forecast/results)
Net sales	153.1	158.4	5.3	(2.1)
Gross profit	44.9	46.2	1.3	(0.8)
Gross profit margin	29.3%	29.2%	(0.1%)	(0.1%)
SG&A expenses	42.4	42.2	(0.2)	(0.8)
Personnel expenses	25.0	24.9	(0.1)	(0.4)
Other expenses	17.4	17.3	(0.1)	(0.4)
Operating income	2.5	4.0	1.5	±0.0

[Breakdown of YoY change (JPY bn)]



FY2016/12 *1 *2 Provision for loss on construction contracts Other Forex, etc. FY2017/12

- *1 Effect of improvements in revenue-expenditure structure of domestic direct dealers
- *2 Effect of improvements in revenue of Indonesian business

[Effect of forex fluctuations (JPY bn)]

Net sales	Cost of sales	SG&A expenses	Operating income
1.6	(1.0)	(0.3)	0.3

YoY Change: Improvements in revenue-expenditure structure in Japan and improvements in performance of Indonesian business contributed

Difference (forecast/results): In line with targets despite unexpected provision for loss on construction contracts

Ordinary Income and Profit

	FY2016/12	FY2017/12	YoY								
	Results	Results	Change	(JPY bn)	Difference in non-operating income (YoY)						
				Difference (forecast/results)							
Operating income	2.5	4.0	1.5	±0.0	Share of profit or loss of entities using equity method +¥0.9 billion						
Balance of financial income	(0.7)	(0.7)	±0.0	±0.0	Foreign exchange gains or losses +¥0.3 billion						
Other non-operating income	(0.2)	0.9	1.1	0.1	[Share of profits or loss using equity method]						
Ordinary income	1.6	4.2	2.6	0.1	(JPY bn)						
Extraordinary income	1.2	0.5	(0.7)	±0.0	<table border="1"> <thead> <tr> <th>FY2016/12</th> <th>FY2017/12</th> <th>Diff</th> </tr> </thead> <tbody> <tr> <td>(1.1)</td> <td>(0.2)</td> <td>0.9</td> </tr> </tbody> </table>	FY2016/12	FY2017/12	Diff	(1.1)	(0.2)	0.9
FY2016/12	FY2017/12	Diff									
(1.1)	(0.2)	0.9									
Extraordinary losses	(1.7)	(0.9)	0.8	(0.6)	Difference in extraordinary income or losses (YoY)						
Income before income taxes	1.1	3.8	2.7	(0.5)	Gain on sales of investment securities (decrease) -¥1.1 billion						
Income taxes - deferred	(0.2)	(1.0)	(0.8)	0.4	Loss on disaster (decrease) +¥1.1 billion						
Profit attributable to owners of parent	0.9	2.8	1.9	(0.1)	Disaster subsidy (increase) +¥0.5 billion						
					Penalty (increase) -¥0.4 billion						

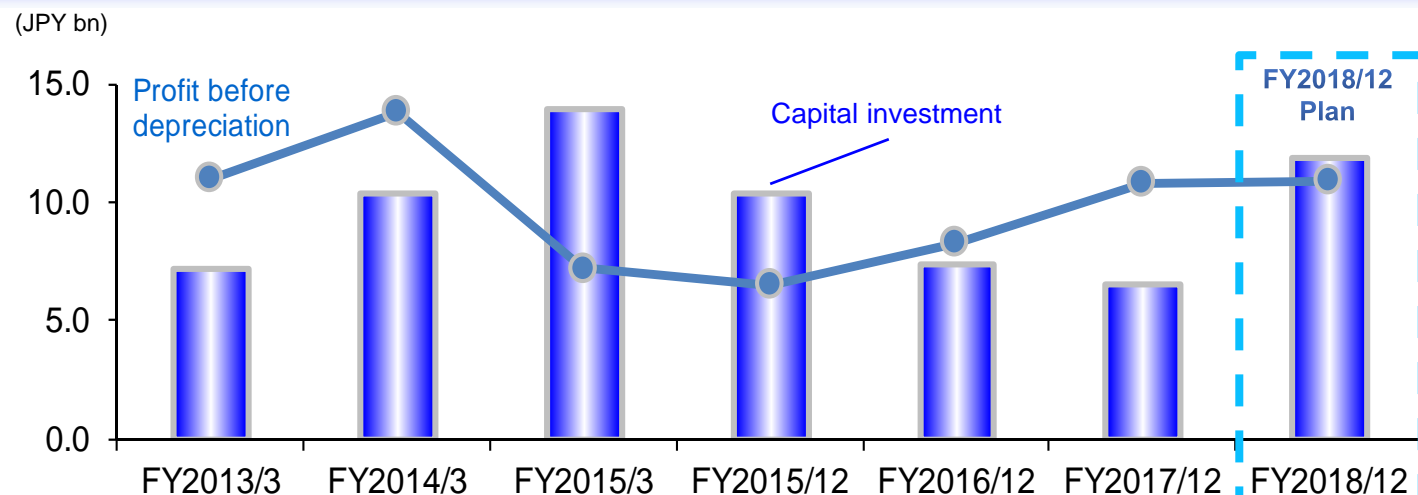
Despite upturn in share of profit or loss of entities using equity method (Dongfeng Iseki), deficit remains

Balance Sheet (Consolidated)

(JPY bn)

	As of Dec. 31, 2016	As of Dec. 31, 2017	Differ- ence		As of Dec. 31, 2016	As of Dec. 31, 2017	Differ- ence
Cash and deposits	13.9	8.0	(5.9)	Accounts payable	42.4	40.7	(1.7)
Accounts receivable	24.9	25.1	0.2	Interest-bearing liabilities	69.5	66.3	(3.2)
Inventories	49.3	53.4	4.1	(Loans payable)	(61.4)	(59.6)	(-1.8)
(Merchandise and finished goods)	(42.0)	(45.4)	(+3.4)	Other liabilities	24.3	23.4	(0.9)
Other current assets	4.8	5.2	0.4	Total liabilities	136.2	130.4	(5.8)
Total current assets	92.9	91.7	(1.2)	Net assets	67.1	70.9	3.8
Non-current assets	97.5	96.6	(0.9)	(Retained earnings)	(14.0)	(16.5)	(+2.5)
Investments and other assets	12.9	13.0	0.1	(Valuation difference on available-for-sale securities)	(1.2)	(1.8)	(+0.6)
(Investment securities)	(6.3)	(7.1)	(+0.8)	(Foreign currency translation adjustment)	(0.8)	(1.1)	(+0.3)
Total non-current assets	110.4	109.6	(0.8)	Total liabilities and net assets	203.3	201.3	(2.0)
Total assets	203.3	201.3	(2.0)				

Trend of Capital Investment



*1: Property, plant and equipment after delivery

A. Capital investment *1	7.2	10.4	14.0	10.4	7.4	6.6	11.9
B. Profit before depreciation	11.0	13.8	7.2	6.5	8.3	10.8	10.9
B - A	3.8	3.4	(6.8)	(3.9)	0.9	4.2	(1.0)

Major capital investments in FY2017/12

Sales offices in Japan, etc.

(JPY bn)

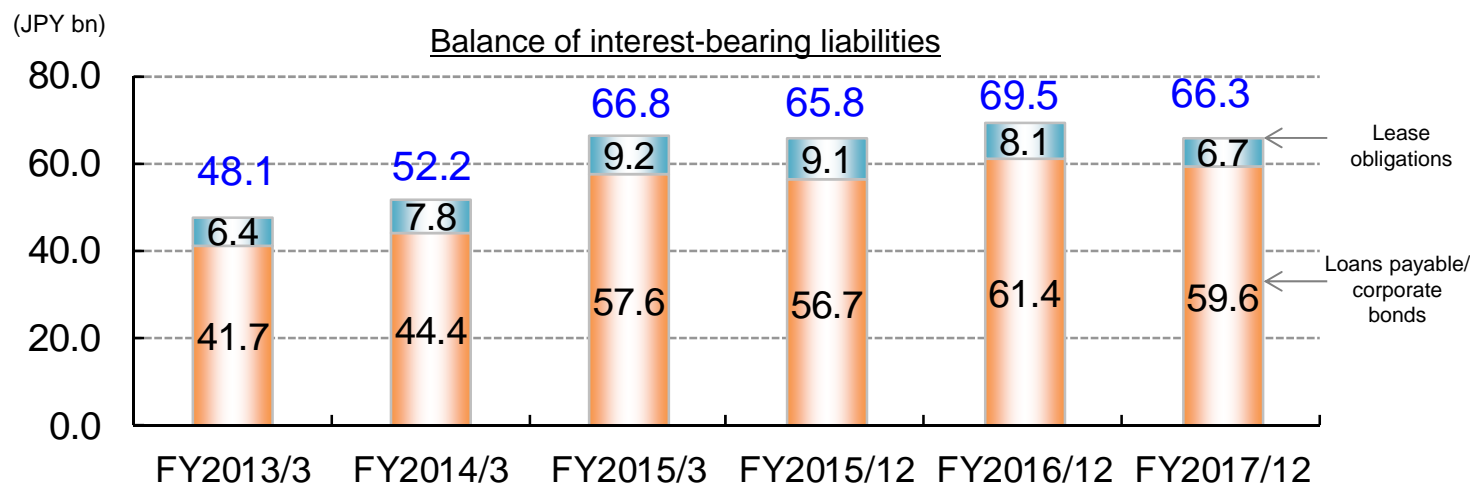
1.3

Production facilities (new machinery, enhancement in productivity, efficiency, etc.)

2.0

Interest-bearing Liabilities and Dividends

1. Interest-bearing liabilities



D/E ratio (x)	0.76	0.76	0.94	0.97	1.04	0.94
Equity ratio (%)	34.3%	34.0%	34.0%	33.0%	32.2%	34.4
Interest-bearing liabilities (JPY bn)	48.1	52.2	66.8	65.8	69.5	66.3
Net assets (JPY bn)	62.9	68.7	71.1	68.1	67.1	70.9

2. Dividends

(JPY)

	FY2015/12	FY2016/12	FY2017/12 Plan
Year-end dividend	1.5	1.5	30

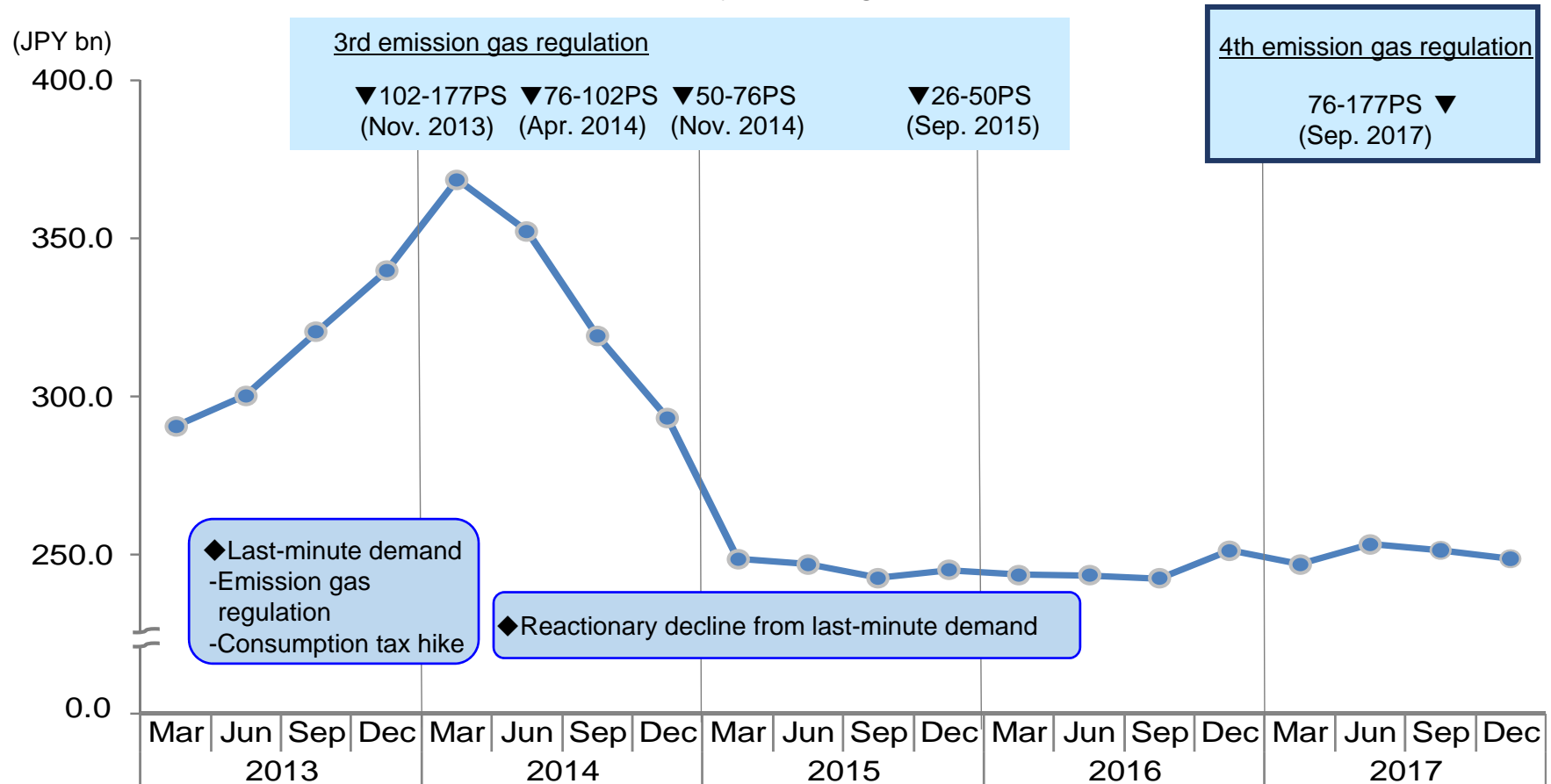
*Effective July 1, 2017, the Company has consolidated shares of its common stock (one-for-ten share consolidation).

2. Recent Development in Domestic and Overseas Markets

Trend in Domestic Market

Agricultural machinery demand (shipments in the industry)

(9 principal machinery, moving annual total)



Demand is basically held up, despite the rush in shipments ahead of emission regulations

Domestic Agricultural Machinery Shipments and ISEKI's Performance

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

*ISEKI estimates
(%)

		FY2014/12	FY2015/12	FY2016/12	FY2017/12
Industry	(Amount of shipment)	86	84	103	99
ISEKI	(Sales amount)	92	94	90	102

Our sales rose slightly while demand was flat

Japan: Topics

Trials of smart agricultural machinery, in partnership of Iseki-Shinetsu Co., Ltd. with Niigata City

■ Demonstration using ICT agricultural machinery in the National Strategic Special Zone

ICT combine harvester (with volume sensor)



ICT rice transplanters (variable fertilizing and multi-purpose rice transplanters)



Rice field after variable fertilization



Rice field without variable fertilization



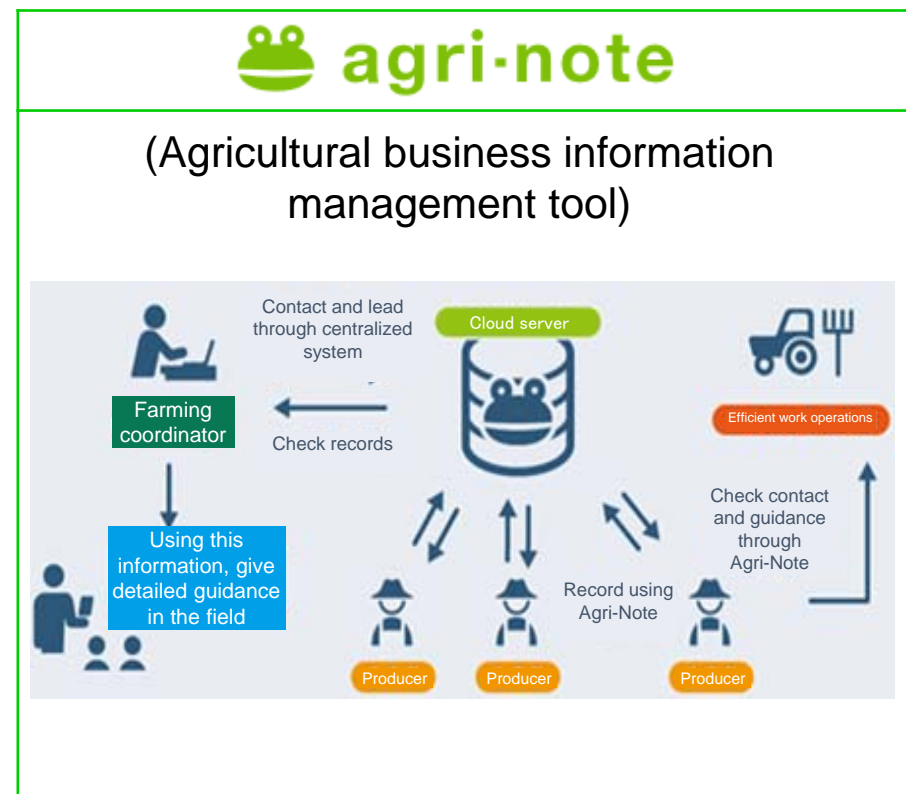
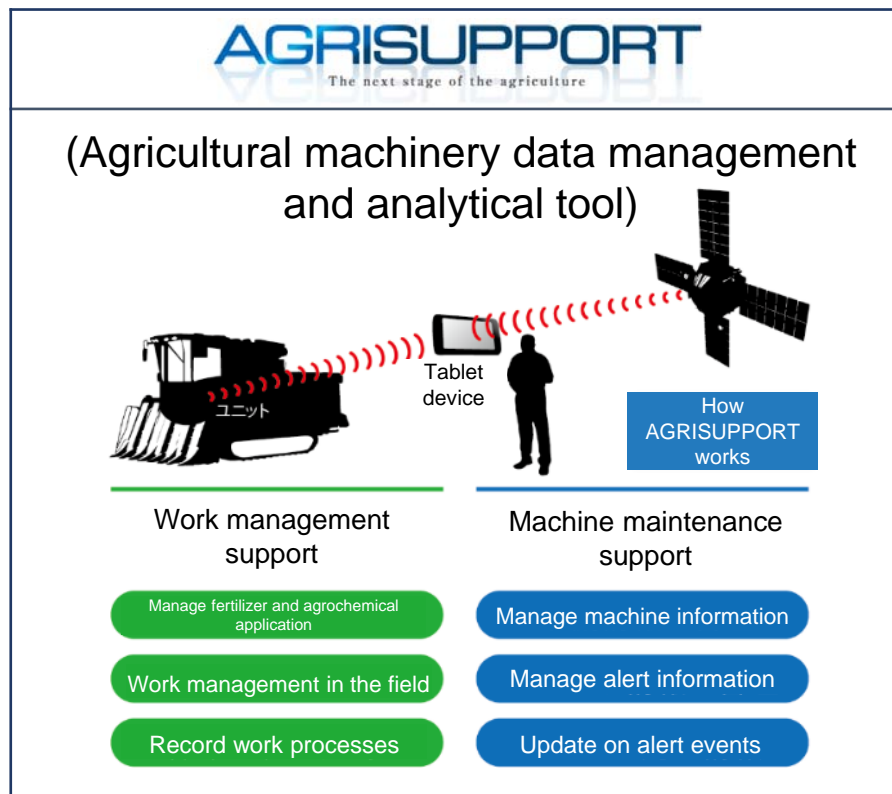
- Variable fertilization rice transplanters : Improve work efficiency and ensure stable quality by reducing plant lodging
- Combine harvesters with volume sensor : Improve efficiency by electronically recording harvest volume data to streamline operational planning after harvest and fertilizer design schedules for following year

⇒ Combining the new rice transplanters and combine harvesters contributes to energy-saving and low-cost farming

Japan: Topics (Strengthening agricultural ICT services)

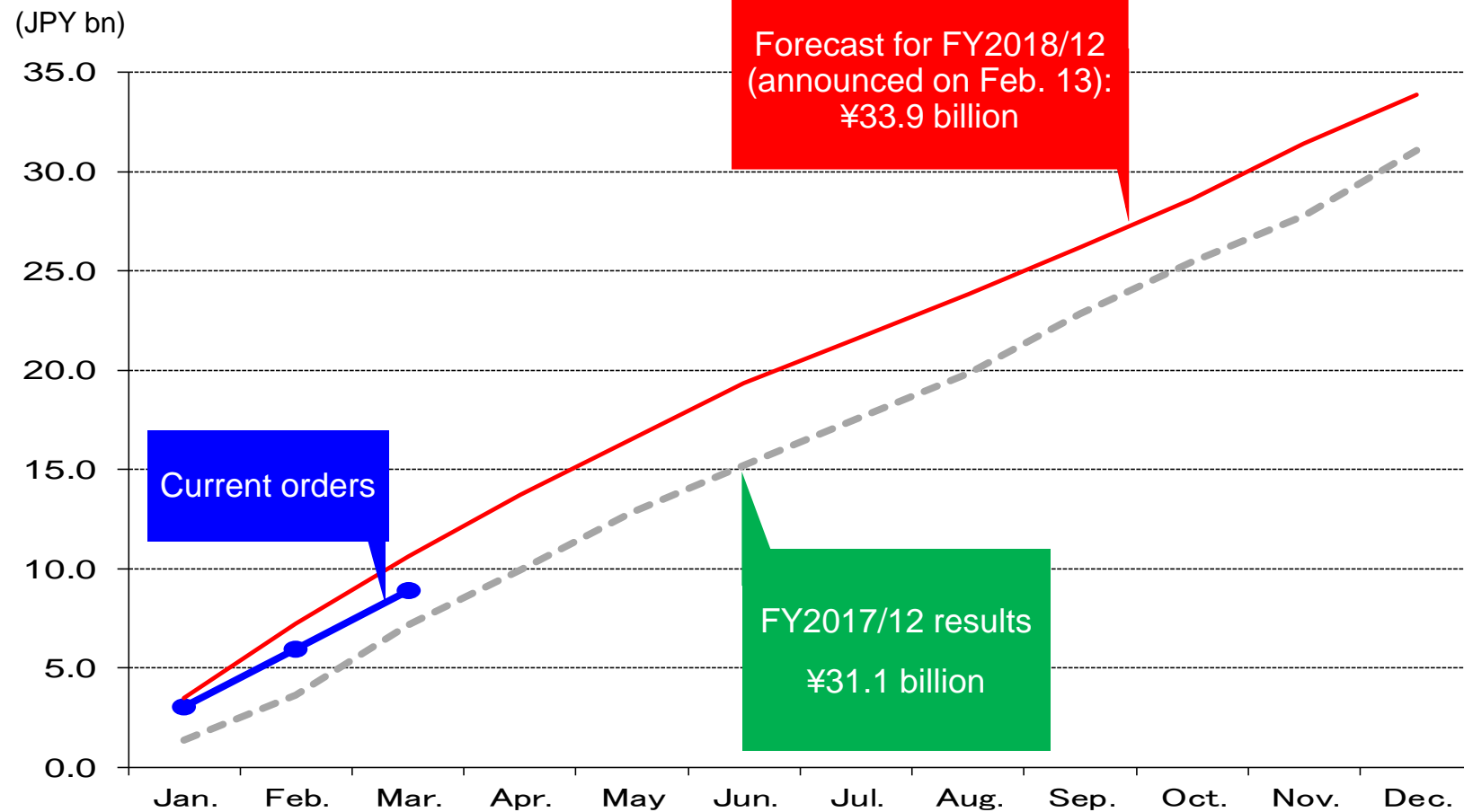
Partnership of AGRISUPPORT (ISEKI & CO., LTD) and agri-note (Water Cell inc.)

(Announced on February 14, 2018)



To be launched in spring 2018. Supports agriculture by visualizing work processes

Recent Trends in Overseas Product Sales



* Based on finished products. Not including spare parts and others.

Sales fell slightly short of target in Jan.-Mar.

Market Trend (North America)

1. Trend in the market

(1000 units, %)

PTO horsepower	Utility tractors (40-100HP)		63	Compact tractors (40HP and lower)		145	Large class tractors (100PS and above)	
	USA	Canada		USA	Canada		USA	Canada
Jan.-Dec. 2016	57	6	63	133	12	145	19	4
Jan.-Dec. 2017	57	7	64	144	14	158	17	4
Difference (%)	100%	112%	101%	108%	120%	109%	92%	105%



(Source: AEM Statistics)

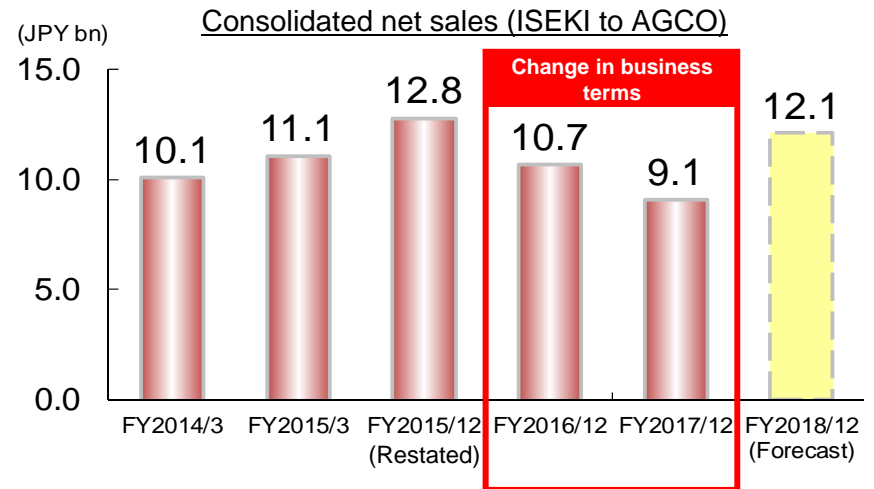
2. Situation of AGCO (OEM partner)

Unit sales (Jan.-Dec. 2017)

- Utility tractors : higher than last year
- Compact tractors : higher than last year

3. Our situation for sales and orders

Order & shipment : higher than last year



Revenue down in FY2017/12 due to change in business terms
Revenue increase targeted in FY2018/12 mainly in compact tractors

Market Trend (Europe)

1. Trend in the market

“The general business climate index of the agricultural machinery industry in Europe keeps on a very good level”(Cited from CEMA report released on January 2017)

On the other hand, weather is a major factor in the town-planning market, to which we will continue to pay close attention

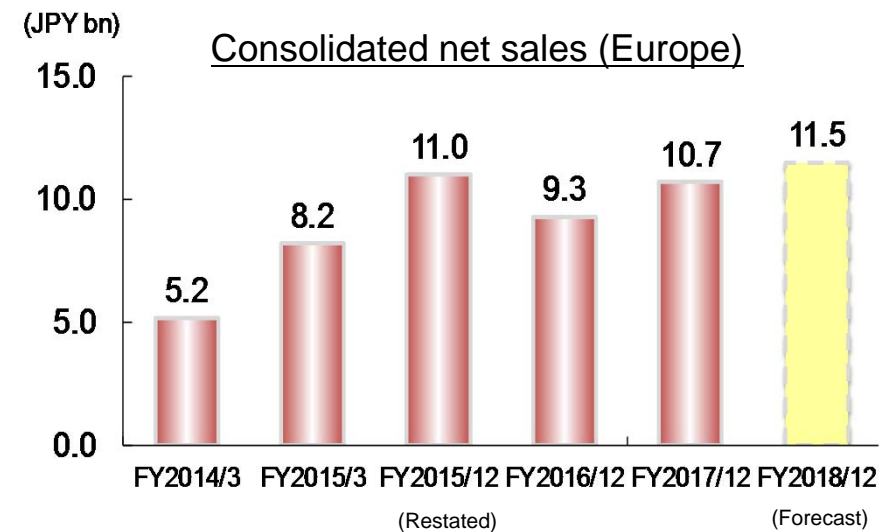
2. Situation of distributors

➤ Unit sales (Jan.-Dec. 2017)

- ・Distributors : higher than last year
- ・ISEKI France S.A.S. : higher than last year
(Consolidated subsidiary)

3. Current sales and orders at ISEKI

Order & Shipment (Jan.-Mar. 2018) : higher than last year



Continue to promote sales centered on ISEKI France S.A.S.
 Full-scale sales of products in compliance with emission regulations and new mower products

Market Trend (ASEAN: Thailand)

1. Trend in the market

Rice prices are currently rising. Demand is also expected to increase in the future owing to higher rice prices

2. Situation of ISEKI (Sales) Thailand

(Investment 80% by Mitsubishi Corporation, 20% by ISEKI)

Tractors strategically marketed in ASEAN

- Number of units shipped in 2017: higher than last year

Building network among local dealers, and expanding business domains to neighboring countries of Thailand



Market Trend (ASEAN: Others)

■ Indonesia

Market trend: Support for adoption of agricultural machinery through ongoing governmental mechanization drive since 2015

Our situation: Aims to win orders mainly in tractors and general combine harvesters

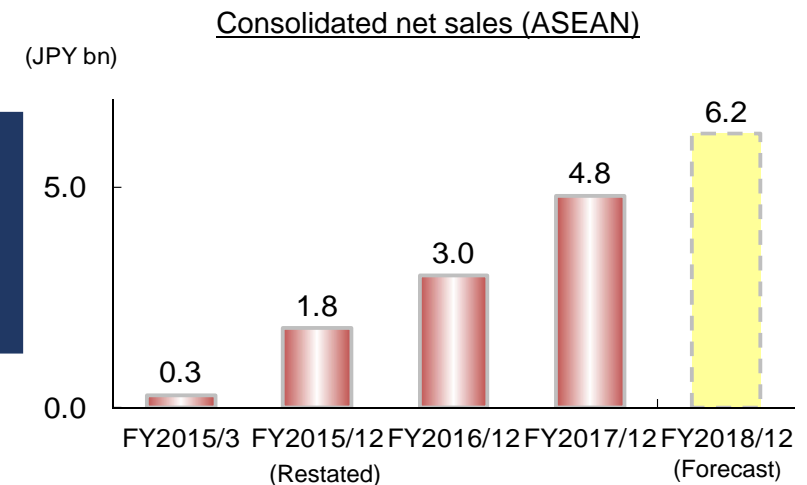
■ Others (Myanmar, etc.)

Market trend: Demand expected through progress in mechanization

Our situation: Aims to expand business domains with ISEKI SALES (THAILAND) and AGCO

■ ASEAN in summary

Demand growth from progress in mechanization
Target YoY revenue growth centered on Thailand



Improved Revenue in Indonesia Business

PT. ISEKI INDONESIA

(Units, JPY bn)

	2014 Results	2015 Results	2016 Results	2017 Results	2018 Target
Production volume	1,100	3,900	7,300	8,400	12,000
Net sales	1.4	4.5	7.9	9.6	11.5
Operating income	(0.3)	(0.4)	(0.3)	0.3	0.3*

*A ¥0.2-billion unit price revision is planned in 2018, in partnership with the parent company. The real operating income target is ¥0.5 billion.

<Planning increased production for PT. ISEKI INDONESIA>

Current production capacity
10,000 units/year



2019: 15,000 units/year

2021: 20,000 units/year

Progress in line with the plan for increased production

Trends in Overseas Markets (China)

1. Trend in Chinese Market

■ National government subsidy

(RMB bn)

2012	2013	2014	2015	2016	2017	2018
21.5	21.75	23.8	23.8	23.7	18.6	Not disclosed

(As of February 15, 2018)

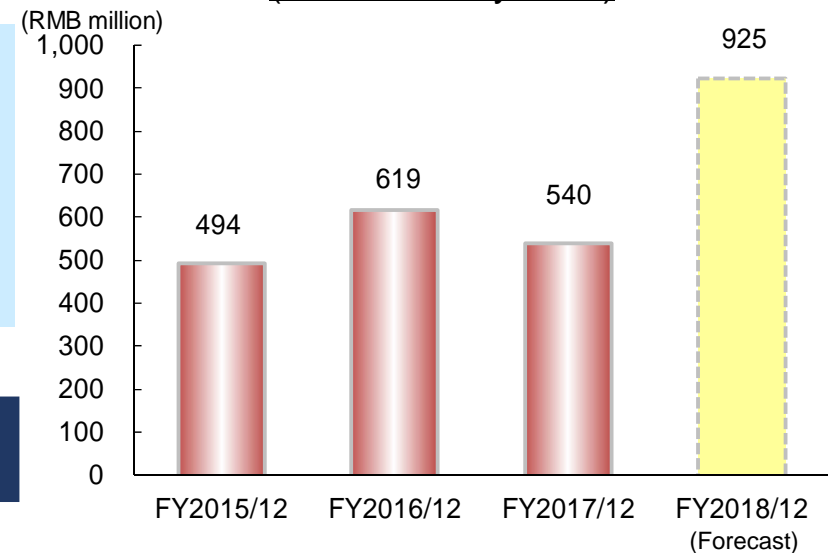
2. Situation of Dongfeng Iseki

Unit sales of Dongfeng Iseki (Jan.-Dec. 2017)

- Ride-on type rice transplanters: lower than last year
- Combine harvesters : higher than last year

Advance orders robust

Net sales of Dongfeng Iseki (local currency base)



3. Financial Results Forecast for the Fiscal Year Ending December 31, 2018

Financial Results Forecast for FY2018/12

(JPY bn)

		FY2016/12		FY2017/12		FY2018/8		YoY
		Actual	%	Actual	%	Forecast *	%	Change
Net sales		153.1	100.0	158.4	100.0	164.5	100.0	6.1
(Domestic)		121.0	79.1	123.1	77.7	126.2	76.7	3.1
(Overseas)		32.1	20.9	35.3	22.3	38.3	23.3	3.0
Operating income		2.5	1.6	4.0	2.5	4.5	2.7	0.5
Ordinary income		1.6	1.1	4.2	2.7	4.3	2.6	0.1
Profit attributable to owners of parent		0.9	0.6	2.8	1.8	3.2	1.9	0.4
Exchange rate	US\$	108.6		112.1		110		(2.1)
	Euro	120.1		126.8		130		3.2
Foreign exchange sensitivity <small>(Operating income base, JPY million)</small>	US\$					9		
	Euro					18		

*Forecast: Announced on February 13, 2018

Forecast of Operating Income and the Year-End Dividend

1. Operating income

(JPY bn, %)

	FY2016/12	FY2017/12	FY2018/12	YoY
	Results	Results	Forecast*	Change
Net sales	153.1	158.4	164.5	6.1
Gross profit	44.9	46.2	48.4	2.2
Gross profit margin	29.3%	29.2%	29.4%	0.2%
SG&A expenses	42.4	42.2	43.9	1.7
Personnel expenses	25.0	24.9	25.9	1.0
Other expenses	17.4	17.3	18.0	0.7
Operating income	2.5	4.0	4.5	0.5

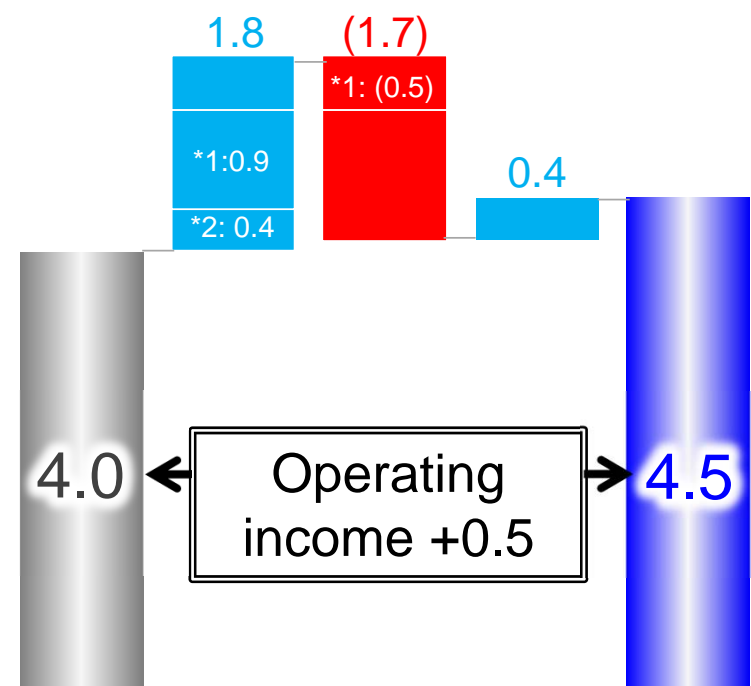
2. Dividend forecast

(JPY)

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

*Forecast: Announced on February 13, 2018

[Breakdown of YoY change (JPY bn)]



FY2017/12 Increase in gross profit through rise in sales Higher SG&A expenses Other FY2018/12

*1 Improvements in revenue-expenditure structure of domestic dealers: 0.4 (Gross profit 0.9, SG&A (0.5))

*2 Improvements in revenue of Indonesian business: 0.4

(Reference) Breakdown of Domestic Sales

(JPY bn)

		FY2016/12	FY2017/12	FY2018/12	YoY	
		Results	Results	Forecast *	Change	
Agricultural machinery related	Agricultural machinery	Cultivating & mowing machinery	27.6	28.2	29.7	1.5
		Planting machinery	9.1	8.5	8.6	0.1
		Harvesting & processing machinery	20.9	20.4	20.3	(0.1)
		Total	57.6	57.1	58.6	1.5
		Farming implements	19.0	19.7	20.7	1.0
		Spare parts	14.4	14.7	14.9	0.2
		Repair fees	5.2	5.4	5.5	0.1
		Total	38.6	39.8	41.1	1.3
	Total		96.2	96.9	99.7	2.8
	Construction of facilities		5.1	6.6	7.0	0.4
Others		19.7	19.6	19.5	(0.1)	
Total		121.0	123.1	126.2	3.1	

*Forecast: Announced on February 13, 2018

(Reference) Breakdown of Overseas Sales

(JPY bn)

	FY2016/12	FY2017/12	FY2018/12	YoY
	Results	Results	Forecast *	Change
North America	10.7	9.1	12.1	3.0
Europe	9.3	10.7	11.5	0.8
China	3.2	3.8	1.9	(1.9)
ASEAN	3.0	4.8	6.2	1.4
Other	2.0	2.7	2.2	(0.5)
Product sales total	28.2	31.1	33.9	2.8
Parts & other	3.9	4.2	4.4	0.2
Total	32.1	35.3	38.3	3.0
Overseas sales incl. Chinese business	37.0	38.7	49.1	10.4
Overseas net sales ratio	23.4%	23.9%	28.0%	4.1%

*Forecast: Announced on February 13, 2018

Notes on Forward-looking Statements

- The objective of this presentation document is to provide information and not intended to induce any action.
- This document is prepared by ISEKI based on currently available information. It involves potential risks and uncertainties, and may differ from actual results due to changes in the economic situation and market trends.
- When using this information, investors are requested to make their decisions based on their own judgment. ISEKI will not be liable for any losses or damages incurred by investment decision made using the financial results forecast or targets provided in this document.



安心を、未来へつなぐ食料自給率1%アップ運動
FOOD ACTION NIPPON

ISEKI Group is a promotional partner of FOOD ACTION NIPPON.



未来の
 ために、
 いま選ぼう。

ISEKI Group joins the nationwide action called “COOL CHOICE” run by the Ministry of the Environment, the Government of Japan. The action promotes “smart choice” for the global warming, and as a proposal, we develop and deliver environmental-friendly products including “Eco Products.”