

Financial Results for the First Quarter Fiscal Year Ending December 2017 Investor Relations Presentation Materials

ISEKI & CO., LTD.

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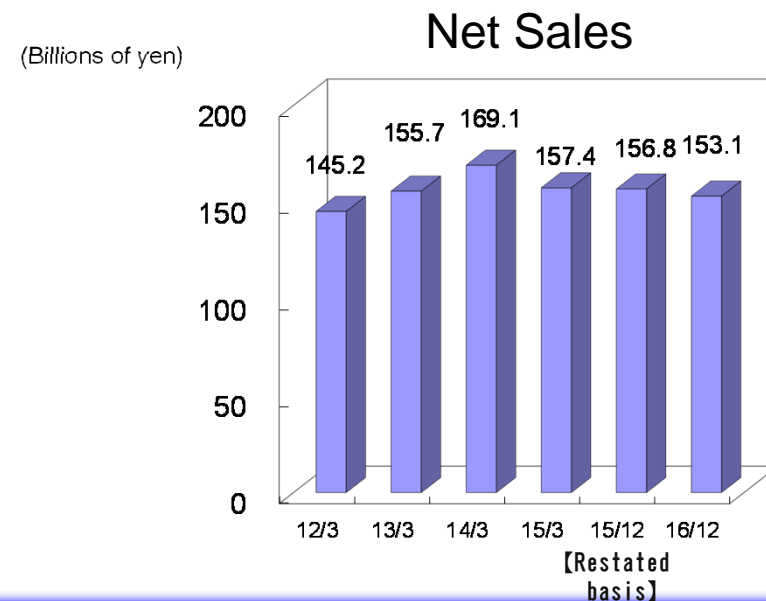


REVOLUTION X SPARK = RESPA

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Ending December, 2017

1. Outline of Financial Results of the First Quarter Fiscal Year Ending December, 2017



*Points of First Quarter Business Performance

- ◆ Sales from the consolidated sales companies showed signs of recovery
 - Contract basis: 107% year on year

- ◆ Manufacturing subsidiary in Indonesia, which had recorded losses since its founding, turned profitable

- ◆ Profitability in an equity-method affiliate in China improved substantially.

Outline of First Quarter Business Performance

(JPY bn,%)

	1Q of FY ended Dec.16		1Q of FY ending Dec.17		y o y change	Diff. (Target/Actual)
	Actual	%	Actual	%		
Net Sales	37.7	100.0	36.7	100.0	(1.0)	(0.1)
(Domestic)	28.2	74.8	28.5	77.7	0.3	(0.3)
(Overseas)	9.5	25.2	8.2	22.3	(1.3)	0.2
Operating Income	(0.4)	(1.1)	(0.3)	(0.8)	0.1	0.5
Ordinary Income	(0.7)	(1.9)	(0.4)	(1.1)	0.3	0.5
Profit (Loss) attributable to owners of parent	(0.6)	(1.6)	(0.6)	(1.6)	-	0.4
Exchange rate	US\$	117.3	113.7		(3.6)	(1.3)
	Euro	128.1	121.5		(6.6)	1.5

Breakdown of Domestic Sales

							(JPY bn.)
			1Q of FY ended Dec.16	1Q of FY ending Dec.17	y o y change		Diff. (Target/ Actual)
			Actual	Actual	Note		
Agricultural Machinery Related	Agricultural Machinery	Cultivating & Mowing Machinery	7.7	7.6	(0.1)	Tractors :(0.1)	(0.1)
		Planting Machinery	2.4	1.9	(0.5)	Rice trans planters:(0.4)	-
		Harvesting & Processing Machinery	3.0	3.0	-		0.1
		Total	13.1	12.5	(0.6)		-
		Farming Implements	4.4	4.7	0.3		-
		Spare parts	2.7	2.7	-		-
		Repair fees	1.0	1.0	-		-
		Total	8.1	8.4	0.3		-
	Total	21.2	20.9	(0.3)		-	
	Construction of Facilities		2.1	2.8	0.7		-
Others		4.9	4.8	(0.1)		(0.3)	
Total		28.2	28.5	0.3		(0.3)	

Breakdown of Overseas Sales

(JPY bn,)

	1Q of FY ended Dec.16	1Q of FY ending Dec.17	y o y change		Diff. (Target/ Actual)
	Actual	Actual		Note	
North America	2.5	1.0	(1.5)	Tractors:(1.4)	0.1
Europe	3.1	1.9	(1.2)	Tractors:(0.6) Lawn mowers:(0.6)	(1.0)
China	1.5	1.7	0.2	Rice trans planters:0.3	0.1
ASEAN	0.7	1.3	0.6	Combine harvesters:0.6	0.6
Others	1.0	1.3	0.3	Tractors:0.2	-
Product Sales Total	8.8	7.2	(1.6)		(0.2)
Parts & Others	0.7	1.0	0.3		0.4
Total	9.5	8.2	(1.3)		0.2

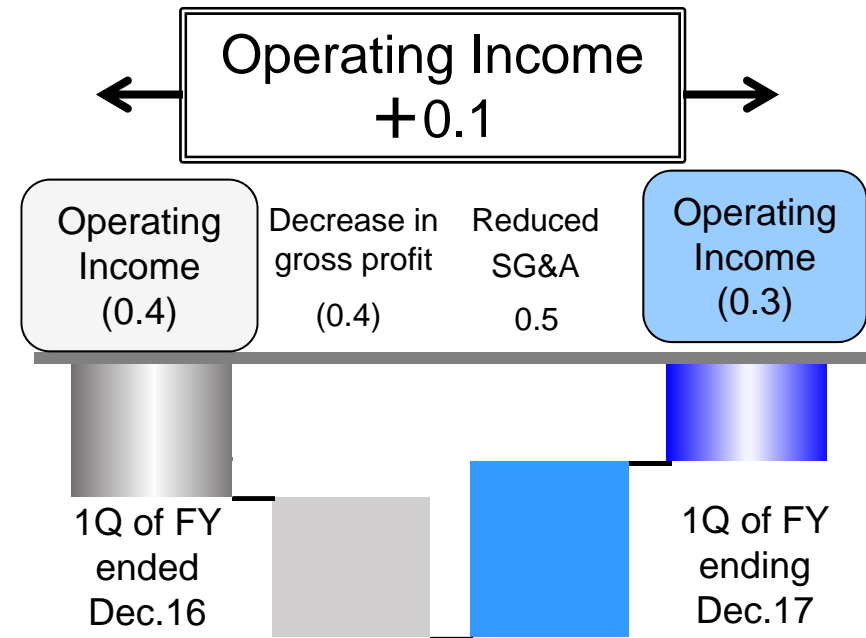
※The subsidiary in France only adopts the end of September as its fiscal year end. (The results from Oct. to Dec. are posted for the 1st quarter.)

Operating Income

(JPY bn, %)

	1Q of FY ended Dec.16 Actual	1Q of FY ending Dec.17 Actual	y o y Change	Diff. (Target/Actual)
Net Sales	37.7	36.7	(1.0)	(0.1)
Gross Profit	10.5	10.1	(0.4)	(0.1)
Gross Profit Margin	27.8%	27.5%	(0.3%)	(0.2%)
S.G&A.Expenses	10.9	10.4	(0.5)	(0.6)
Personnel expenses	6.3	6.1	(0.2)	(0.3)
Other expenses	4.6	4.3	(0.3)	(0.3)
Operating Income	(0.4)	(0.3)	0.1	0.5

【Factors of YoY change(JPYbn,)】



【Effects of forex move(JPYbn,)】

Net sales	Cost of sales	S.G&A. Expenses	Operating Income
(0.2)	0.2	0	0

Ordinary Income and Net Income

(JPY bn,)

	1Q of FY ended Dec.16 <small>Actual</small>	1Q of FY ending Dec.17 <small>Actual</small>	y o y Change	Diff. (Target/A ctual)
Operating Income	(0.4)	(0.3)	0.1	0.5
Balance of Financial Income	(0.2)	(0.2)	-	-
Other Non-operating Income	(0.1)	0.1	0.2	-
Ordinary Income	(0.7)	(0.4)	0.3	0.5
Extraordinary Income	0.4	-	(0.4)	-
Extraordinary Losses	-	-	-	-
Income before Income Taxes	(0.3)	(0.4)	(0.1)	0.5
Taxes, Deferred Taxes	(0.3)	(0.2)	0.1	(0.1)
Profit(Loss) attributable to owners of parent	(0.6)	(0.6)	-	0.4

【 Factors of YoY change(JPYbn,)】

Non-operating Income

Decrease in foreign exchange losses	0.1
Upturn in the share of profit or loss of entities using the equity method	0.1

Extraordinary Income

Lack of gain on sales of investment securities recorded in the prev. FY	(0.4)
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Balance Sheet

(JPY bn.)

	As of Mar.16	As of Mar.17	y o y change		As of Mar.16	As of Mar.17	y o y change
Cash & Deposits	15.2	8.7	(6.5)	Accounts Payables	41.2	44.5	3.3
Accounts Receivables	30.7	33.2	2.5	Interest Bearing Liabilities	80.0	77.1	(2.9)
Inventories	49.3	54.2	4.9	(loans payable)	71.0	69.2	(1.8)
(Merchandise and finished goods)	42.2	46.5	4.3	Other Liabilities	24.4	23.4	(1.0)
Other Current Assets	4.6	4.9	0.3	Total Liabilities	145.6	145.0	(0.6)
Total Current Assets	99.8	101.0	1.2	Net Assets	66.0	65.9	(0.1)
Non-current Assets	98.1	97.4	(0.7)	(Retained earnings)	12.6	13.1	0.5
Investments and other assets	13.7	12.5	(1.2)	(Valuation difference on available-for-sale securities)	1.1	1.1	-
(Investment securities)	6.4	6.1	(0.3)	(Foreign currency translation adjustment)	1.1	0.8	(0.3)
Total Non-current Assets	111.8	109.9	(1.9)	Total Liabilities and Net Assets	211.6	210.9	(0.7)
Total Assets	211.6	210.9	(0.7)				

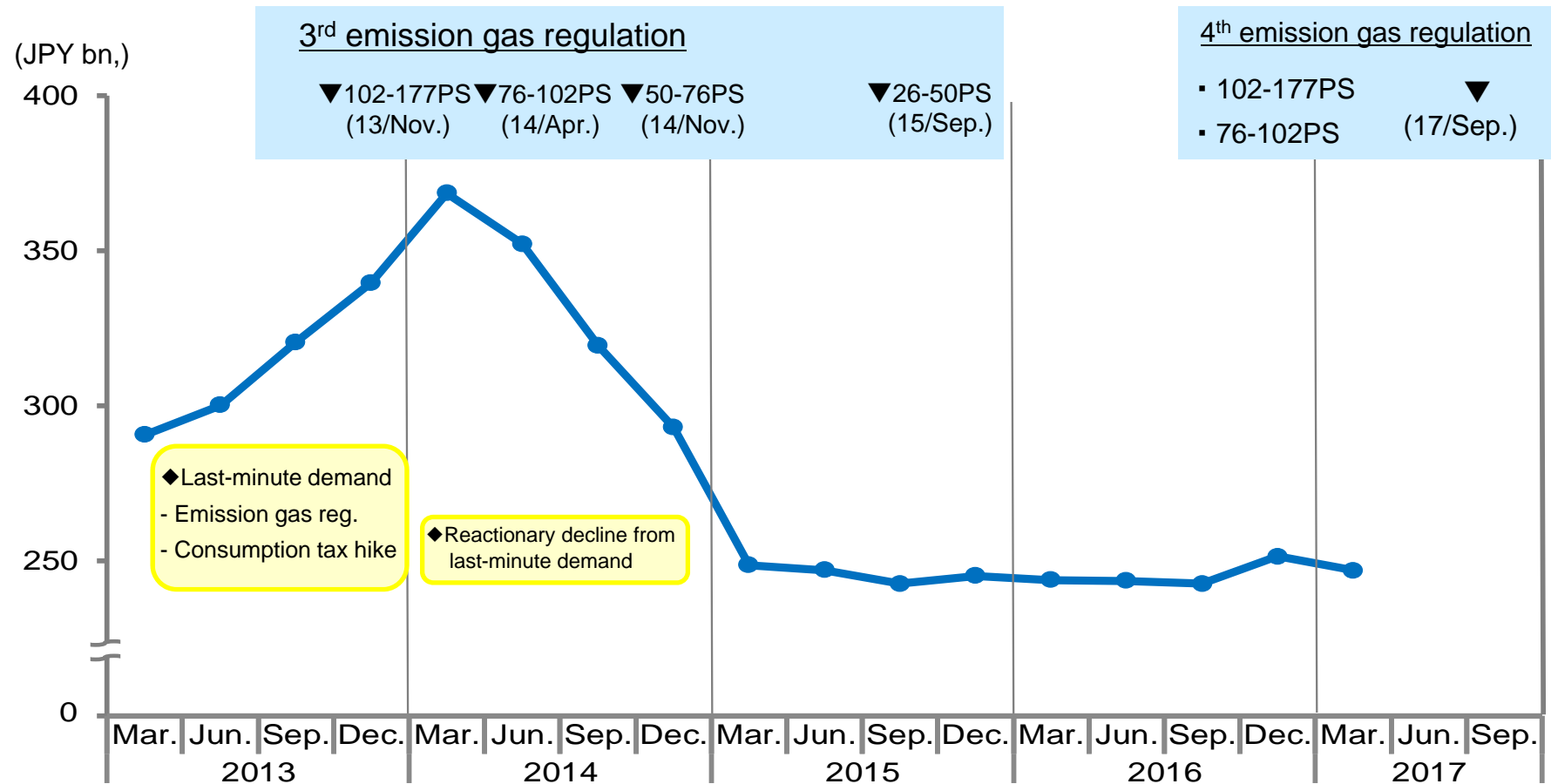
2. Recent Development in Domestic and Overseas Markets



Rice transplanter with straight-travel assist system
(To be released in Dec. 2017)

Trend of Domestic Market

Agricultural machinery demand [Industry shipment] (9 principal machinery, moving annual total)



Industry Shipments and Sales Result

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

(%)

		Mar.14	Mar.15	Mar.16	Mar.17
Industry	Shipment value	127	67	98	101
ISEKI	Sales Value	117	73	107	91

Our Commitments for domestic market

Enhance proposals for growing market

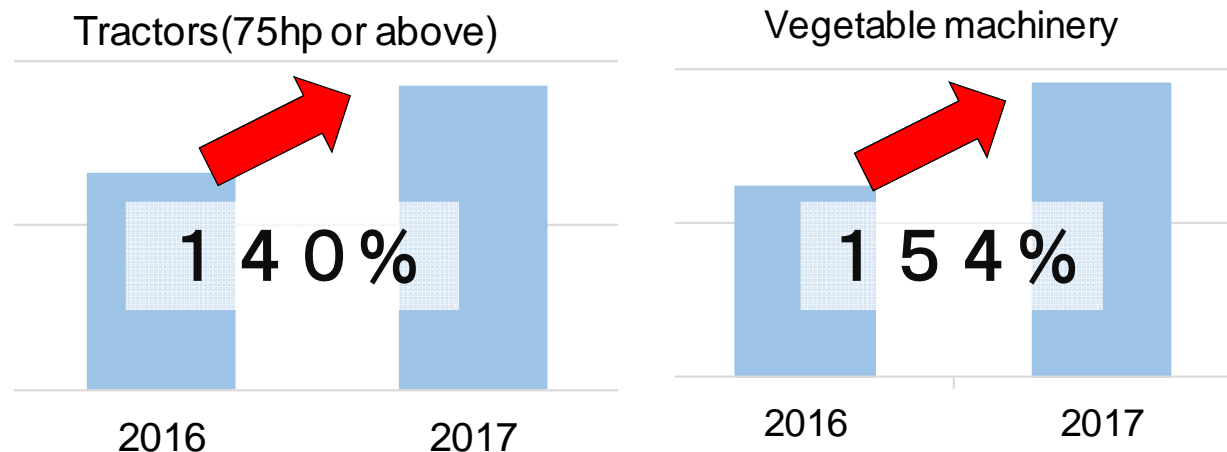
“Changes in agricultural structure”

Large-scale farming

Crop conversion

Advanced technologies

<Growth rate of sales amount of large machinery and vegetable machinery(Jan.-Mar.)>



Our commitments to “new agricultural era”







To realize “dreamful” =profitable farming

1. Launching products with basic features & low-price
2. Reducing production material costs
3. Mechanization of vegetable farming machinery
4. Application of advanced technologies

Launch products / basic features & low price

○ 2-line configuration

<Ex. tractors>

	Basic Line	Std./Premium Line	Price diff.
Large sized	TJX Series ・77 PS 7,128 (thousand yen) 	TJV3 Series ・78 PS 8,791 (thou yen) 	Approx. 1.66 million yen (▲19%)
Mid-sized	NT3 Series ・34 PS 4,157 (thousand yen) 	NTA3 Series ・34 PS 4,707 (thou yen) 	Approx. 0.55 million yen (▲12%)
Small sized	Z15 ・15 PS 1,220 (thousand yen) 	TM5 Series ・16 PS 1,633 (thou yen) 	Approx.0.41 million yen (▲25%)

Tsukuba-Mirai office opened in March

Dream Agricultural
Research Institute
(Yume-Soken)



Advanced agri-business
technologies

Vegetable farming
exhibit space
Recently opened



Vegetable
farming

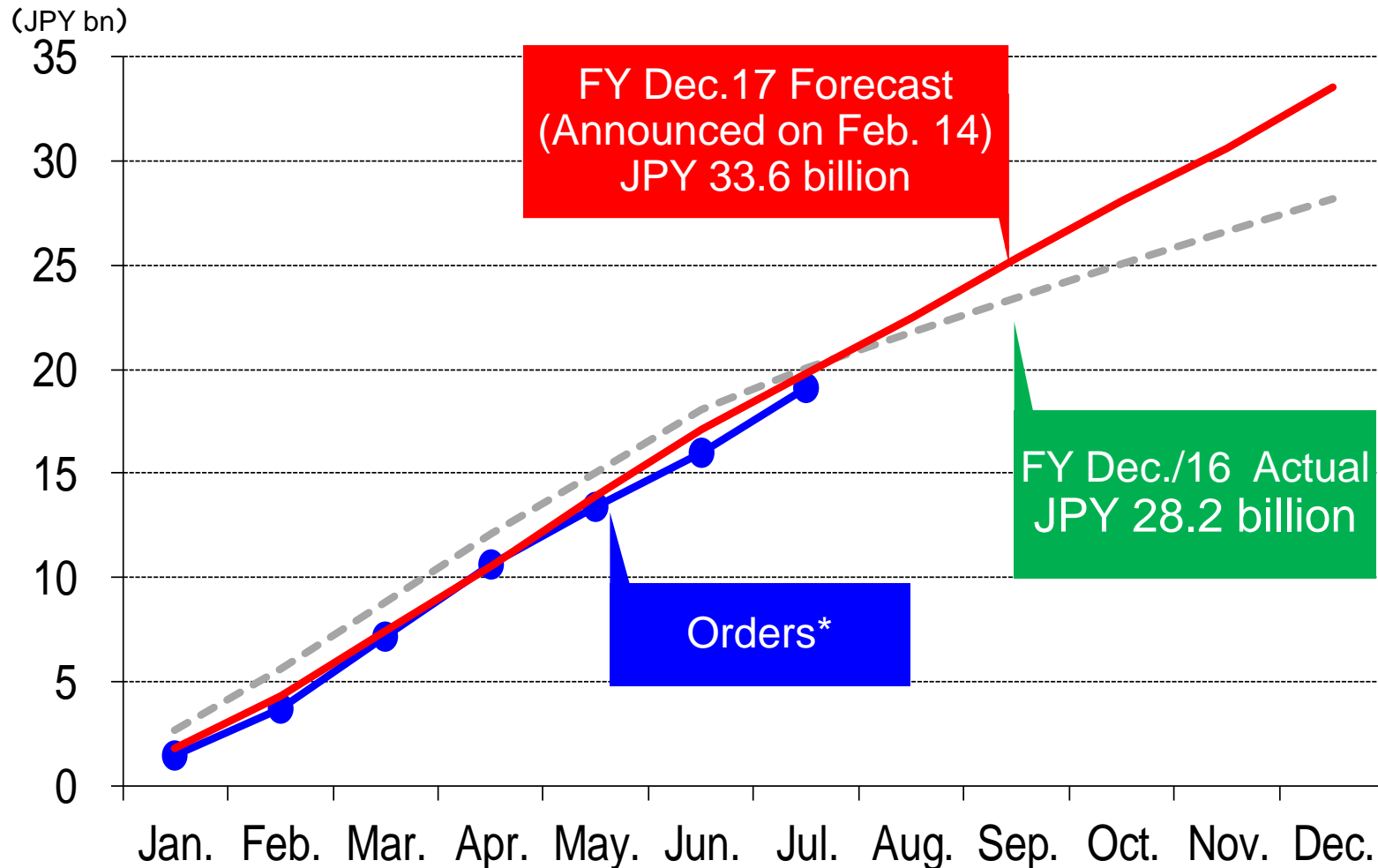
ISEKI Global Training
Center (IGTC)



Technical
services

Propose & Support “New agriculture era”

Recent Market Trend in Overseas



FY Dec.17 Forecast
(Announced on Feb. 14)
JPY 33.6 billion

FY Dec./16 Actual
JPY 28.2 billion

Orders*

※FY ending Dec.17 Orders(Jan.-Jul):The results of "Parts & Others" are not included.

Market Trend (North America)

1. Trend in the market

(Unit: 1000)

Category (PTO HP)	Utility Tractors (PTO 40HP or above, 100HP or below)		Compact Tractors (PTO 40HP or below)			
	USA	Canada	USA	Canada		
Jan-Mar,2016	12	1	13	23	2	25
Jan-Mar,2017	11	1	12	26	2	29
Growth rate	96%	117%	98%	114%	140%	116%



2. Situation of AGCO (OEM partner)

Unit sales (17/ Jan. -Mar.)

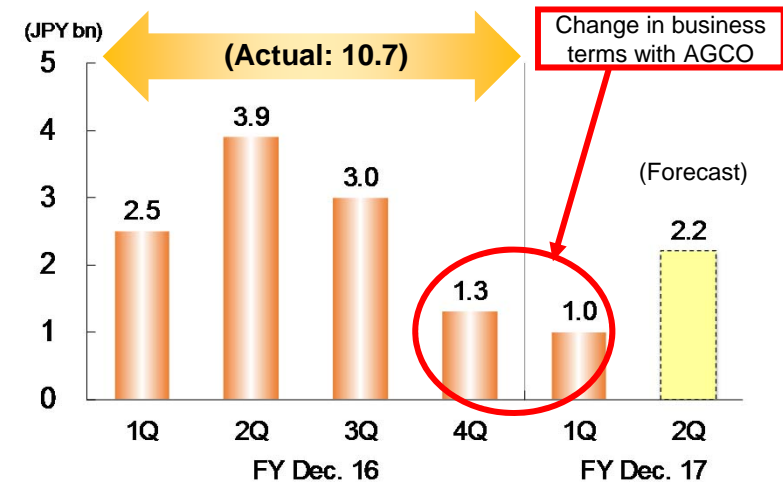
- Utility tractors : higher than last year
- Compact tractors : higher than last year

3. Our situation

Order & shipment (17/ Jan. – Jul.) : lower than the plan

We expect orders to be increased in the 2nd half due to robust sales of compact tractors.

Net Sales in North America
(ISEKI →AGCO)



Market Trend (Europe)

1. Trend in the market

Landscaping market: weather is favorable. Demand for garden products is expected to grow

2. Situation of distributors

➤ Unit sales

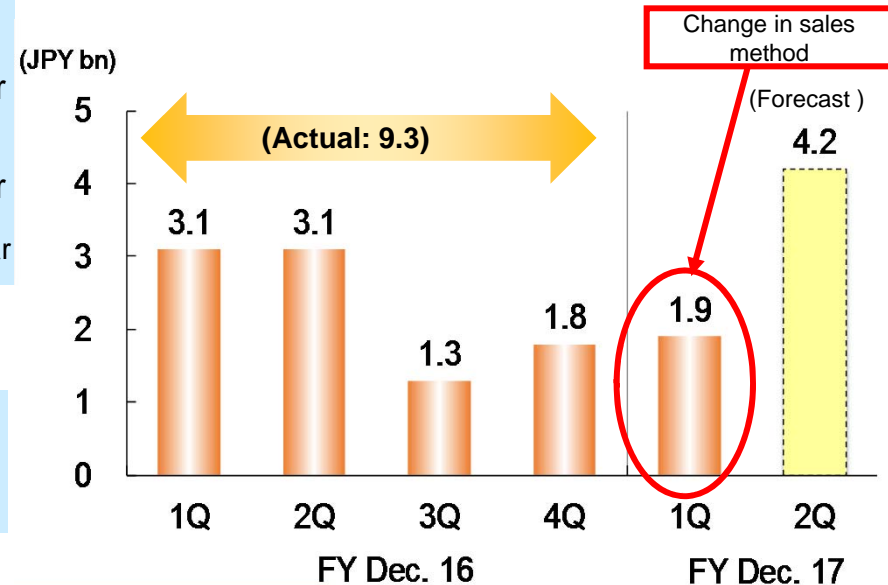
- Distributors (Jan.-Mar.) : higher than last year
- ISEKI France S.A.S. (Jan.-Mar.) : higher than last year
(Consolidated subsidiary) (Oct.-Mar.): in line with the prev. year

3. Our situation

Order & shipment (17/ Jan.-Jul.) : lower than the plan

- Sales in the 1st qtr. declined as the method of recording sales changed in France.
- Sales in distributors remain robust. We expect orders to be increased in the 2nd half.

Net Sales in Europe



*Sales from ISEKI to distributors (Jan.-Mar.) and those from French subsidiary (Oct.-Dec.) are consolidated in the 1st qtr.

Market Trend (ASEAN: Thailand)

1. Trend in the market

Rice price has been sluggish. Situation surrounding farmers remains harsh.

2. Situation of ISEKI (Sales) Thailand

(Mitsubishi Corporation 80%, ISEKI 20% invested)

ASEAN strategy tractors

- Unit sales (17/ Jan.-Mar.): higher than last year

- Acquired dealers are launching sales of ISEKI tractor in the 2nd half.
- We will expand sales of all-purpose combine harvesters which we introduced last year.



Market Trend (ASEAN: Others)

1. Situation by country

■Indonesia

Market trend: government has supported the introduction of agricultural machinery since 2015.

Our situation: the number of orders for all-purpose combine harvesters launched last year remain favorable.

■Vietnam

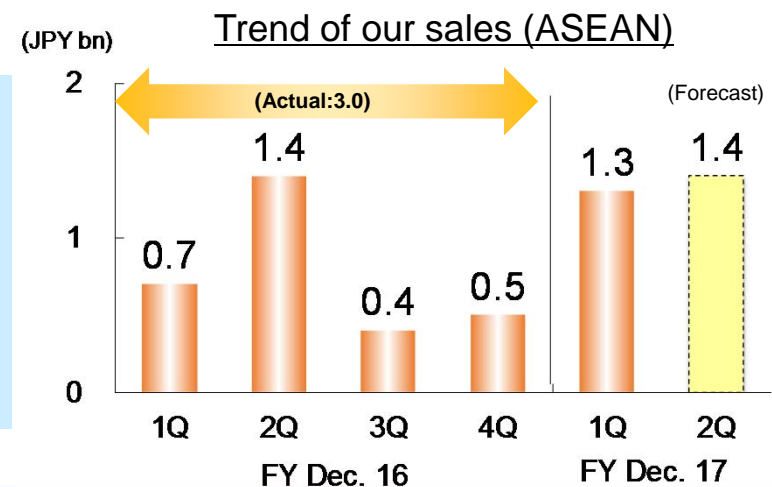
Market trend: demand expected to rise as agricultural machinery prevails in the market.

Our situation: the number of orders for all-purpose combine harvesters exceeded the plan and the previous year.

2. ASEAN summary

Demand expected to grow
ISEKI THAILAND (local subsidiary) starts
operations of spare parts center from the end of
May

➡ Strengthen after-sales services



Market Trend (China)

1. Trend in Chinese Market

Large-scale, high-efficient and advanced machinery have been subsidized more.

■ Government subsidy (Yuan bn)

2012	2013	2014	2015	2016	2017
21.5	21.8	23.8	23.8	23.7	18.6

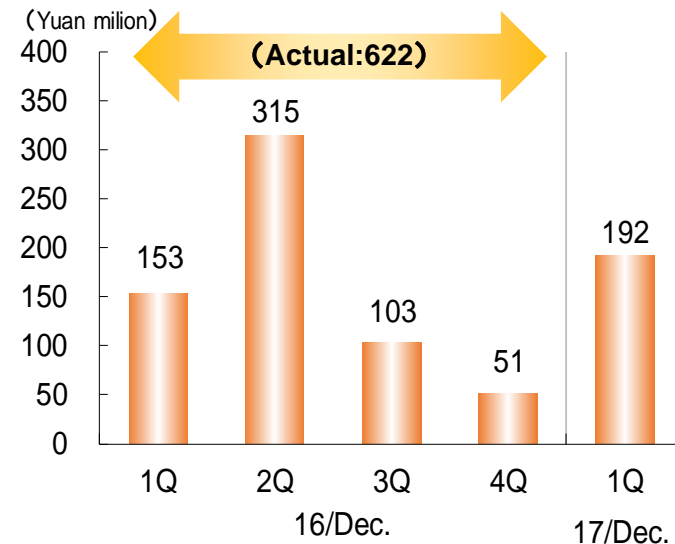
2. Situation of Dongfeng Iseki

Sales of Dongfeng Iseki (17/Jan.-Mar.)

- Rice transplanters (ride-on): higher than last year
- Combine harvesters: higher than last year

* Excluding export to Southeast Asia from China

Trend of sales of Dongfeng Iseki
(Yuan base)



3. Performance Forecast For the Fiscal Year Ending December, 2017



High horsepower tractor for Chinese market
T954

Performance Forecast for FY ending Dec.17

Performance forecast

(JPY bn)

	FY ended Dec.16 Actual		FY ending Dec.17 Forecast		y o y Change	
	2Q	Full year	2Q	Full year	2Q	Full year
Net Sales	81.0	153.1	81.2	161.5	0.2	8.4
Operating Income	1.7	2.5	1.9	3.5	0.2	1.0
Ordinary Income	1.3	1.6	2.2	3.7	0.9	2.1
Profit attributable to owners of parent	0.6	0.9	1.3	2.7	0.7	1.8

*Forex rate assumption:¥115 to the US\$,¥120 to the Euro

Foreign exchange sensitivity (Operating Income)

	FY ending Dec.17
US\$	13
Euro	18

(JPY million)

Notes on the Future Forecast

- The objective of this presentation document is to provide information and never intends to induce any action.
- The document was created by ISEKI with currently available information and it involves potential risks and uncertainties. The forecast may not be consistent with actual results depending on fluctuation of the economic situation and market trends.
- In using this information, investors are expected to depend on their own judgment. ISEKI is not liable for any losses incurred by investment decision made utilizing the business forecast or targets given in this document.



安心を、未来へつなぐ食料自給率1%アップ運動
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ISEKI group is a promotional partner of FOOD ACTION NIPPON.



未来の
 ために、
 いま選ぼう。

ISEKI Group joins the nationwide action called “COOL CHOICE” run by the Ministry of the Environment Government of Japan, which promotes to make “smart choices” for the global warming. As a proposal of “smart choices”, we develop and deliver environmental-friendly products like “eco products”.