

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



PVZ 1

Full-automatic vegetable transplanter

ISEKI & CO., LTD.

Shirou Tomiyasu,
Director & Executive Vice President
August 22, 2017

Awarded

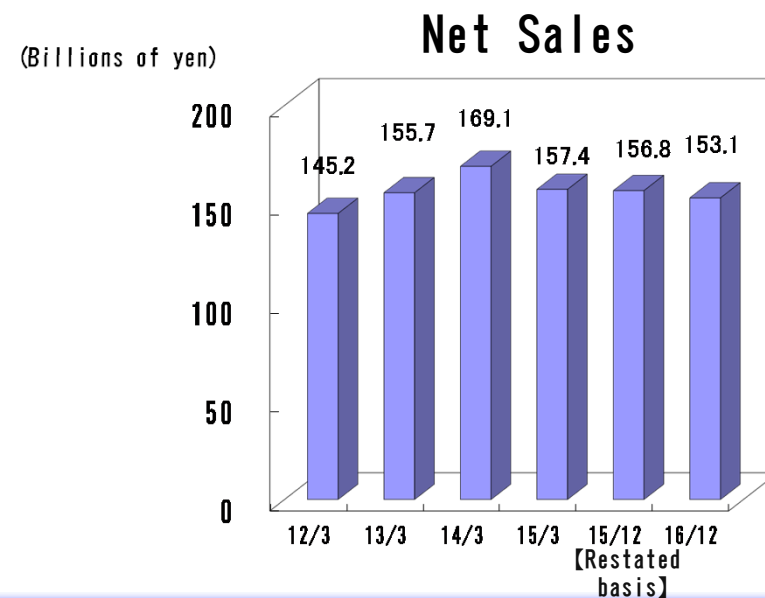
"Development prize in 2017"

The Japanese Society of Agricultural
Machinery and Food Engineers

Index

1. Outline of Financial Results for the Second Quarter
Fiscal Year Ending December, 2017
2. Recent Development in Domestic and Overseas
Markets
3. Performance Forecast for the Fiscal Year
Ending December, 2017

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



*Points of Second Quarter Business Performance

◆ Net sales of domestic agricultural machinery products

Net sales :up 2% y/y, contract basis :up 4% y/y → Recovery trend

Improvements in the revenue-expenditure structure in domestic direct dealers
(Operating income +0.8 billion yen)

◆ Manufacturing subsidiary in Indonesia ensures profits in the 1st half

Improved revenue in the Indonesian business (Operating income +0.6 billion yen)

◆ Equity method affiliate in China returns to profitability

Upturn in the share of profit or loss of entities using equity method(Ordinary income+0.3 billion yen)

Outline of Second Quarter Business Performance

(JPY bn,%)

	2Q of FY ended Dec.16		2Q of FY ending Dec.17		y o y change	Diff. (forecast/ Actual)
	Actual	%	Actual	%		
Net Sales	81.0	100.0	80.2	100.0	(0.8)	(1.0)
(Domestic)	61.3	75.7	62.8	78.3	1.5	(0.2)
(Overseas)	19.7	24.3	17.4	21.7	(2.3)	(0.8)
Operating Income	1.7	2.2	2.8	3.5	1.1	0.9
Ordinary Income	1.3	1.6	3.4	4.2	2.1	1.2
Profit attributable to owners of parent	0.6	0.7	2.2	2.7	1.6	0.9
Exchange rate	US\$	112.7	112.7	-	-	Δ2.3
	Euro	126.2	121.4	Δ4.8		+1.4

Breakdown of Domestic Sales

(JPY bn.)

		2Q of FY ended Dec.16 Actual	2Q of FY ending Dec.17 Actual	y o y change		Diff. (forecast/ Actual)	
					Note		
Agricultural Machinery Related	Agricultural Machinery	Cultivating & Mowing Machinery	15.9	17.0	1.1	Tractors : 0.9	1.1
		Planting Machinery	6.3	5.6	(0.7)	Rice trans planters : (0.6)	(0.3)
		Harvesting & Processing Machinery	6.0	5.5	(0.5)	Combine harvesters : (0.4)	(0.7)
		Total	28.2	28.1	(0.1)		0.1
		Farming Implements	10.6	11.3	0.7		0.4
		Spare parts	6.6	6.8	0.2		0.1
		Repair fees	2.4	2.5	0.1		(0.1)
		Total	19.6	20.6	1.0		0.4
	Total		47.8	48.7	0.9		0.5
	Construction of Facilities		2.8	3.3	0.5		(0.3)
Others		10.7	10.8	0.1		(0.4)	
Total		61.3	62.8	1.5		(0.2)	

Breakdown of Overseas Sales

(JPY bn.)

	2Q of FY ended Dec.16	2Q of FY ending Dec.17	y o y change		Diff. (forecast/ Actual)
	Actual	Actual		Note	
North America	6.4	3.5	(2.9)	Tractors : (2.8)	0.3
Europe	6.2	5.6	(0.6)	Lawn mowers : (0.4)	-
China	2.2	2.6	0.4	Rice trans planters : 0.6	-
ASEAN	2.1	1.8	(0.3)	Tractors : (0.5)	(0.5)
Others	1.2	1.7	0.5	Tractors : 0.3	(0.2)
Product Sales Total	18.1	15.2	(2.9)		(0.4)
Parts & Others	1.6	2.2	0.6		(0.4)
Total	19.7	17.4	(2.3)		(0.8)
Overseas Sales incl. Chinese Businesses	23.7	19.4	(4.3)		

Ratio of overseas net sales **27.8%** **23.6%**

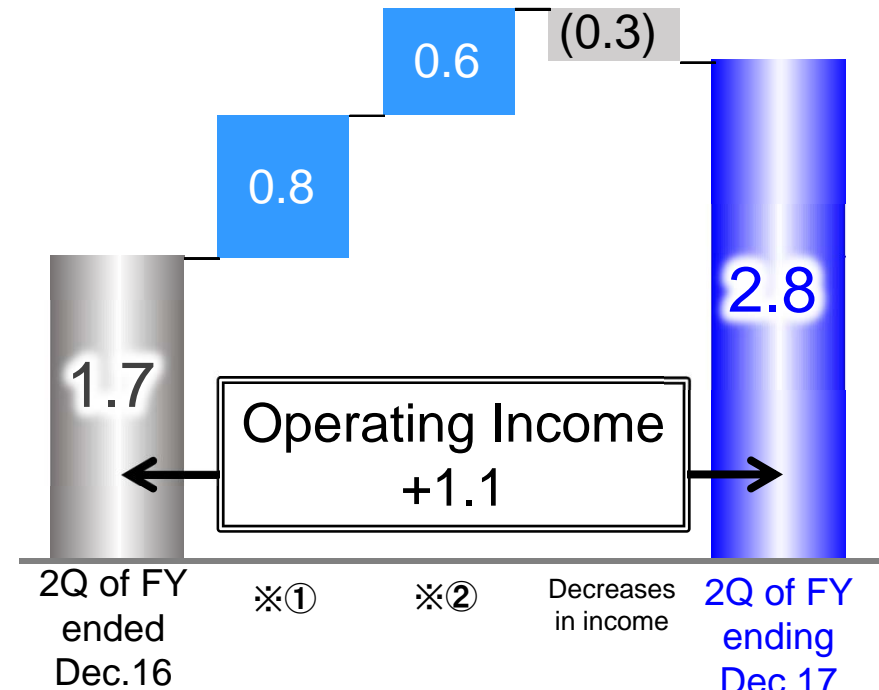
※The subsidiary in France only adopts the end of September as its fiscal year end. (The results from Oct. to Mar. are posted for the 2nd quarter.)

Operating Income

(JPY bn,%)

	2Q of FY ended Dec.16 Actual	2Q of FY ending Dec.17 Actual	y o y change	Diff. (forecast/ Actual)
Net Sales	81.0	80.2	(0.8)	(1.0)
Gross Profit	23.3	23.7	0.4	(0.2)
Gross Profit Margin	28.8%	29.6%	0.8%	0.2%
S.G&A. Expenses	21.6	20.9	(0.7)	(1.1)
Personnel expenses	12.5	12.2	(0.3)	(0.7)
Other expenses	9.1	8.7	(0.4)	(0.4)
Operating Income	1.7	2.8	1.1	0.9

【Factors of YoY change(JPYbn,)】



※① Improvements in the revenue-expenditure structure in domestic direct dealers

※② Improved revenue in the Indonesian business

【Effects of forex move(JPYbn,)】

Net sales	Cost of sales	S.G&A. Expenses	Operating Income
(0.3)	0.4	-	0.1

Domestic - improvements in the revenue-expenditure structure

[Sales of agricultural machinery related (2Q accumulated total)]

(JPY bn)

	2Q of FY ended Dec.15	2Q of FY ended Dec.16	2Q of FY ended Dec.17	y o y change	From 2Q, FY/Dec.15
Agricultural machinery	29.1	28.2	28.1	(0.1)	(1.0)
Farming implements	9.6	10.6	11.3	0.7	1.7
Spare parts	6.3	6.6	6.8	0.2	0.5
Repair fees	2.2	2.4	2.5	0.1	0.3
Agricultural machinery Related total	47.2	47.8	48.7	0.9	1.5

Farming implements
Spare parts/Repair fees
+
Reduction in S.G. & A Expenses

Building an revenue-expenditure structure
that is less affected by market trends

Ordinary Income and Net Income

(JPY bn,)

	2Q of FY ended Dec.16 Actual	2Q of FY ending Dec.17 Actual	y o y Change	Diff. (forecast/ Actual)
Operating Income	1.7	2.8	1.1	0.9
Balance of Financial Income	(0.3)	(0.3)	-	0.1
Other Non-operating Income	(0.1)	0.9	1.0	0.2
Ordinary Income	1.3	3.4	2.1	1.2
Extraordinary Income	1.0	0.0	(1.0)	-
Extraordinary Losses	(1.3)	(0.1)	1.2	-
Income before Income Taxes	1.0	3.3	2.3	1.2
Taxes, Deferred Taxes	(0.4)	(1.1)	(0.7)	(0.3)
Profit attributable to owners of parent	0.6	2.2	1.6	0.9

【 Factors of YoY change(JPYbn,)】

Non-operating Income

Favorable turn in foreign exchange gains / losses	0.5
Upturn in the share of profit or loss of entities using equity method	0.3

Extraordinary Income

Decrease in gain on sales of investment securities	(1.0)
Decrease in loss on disaster	1.2

Balance Sheet

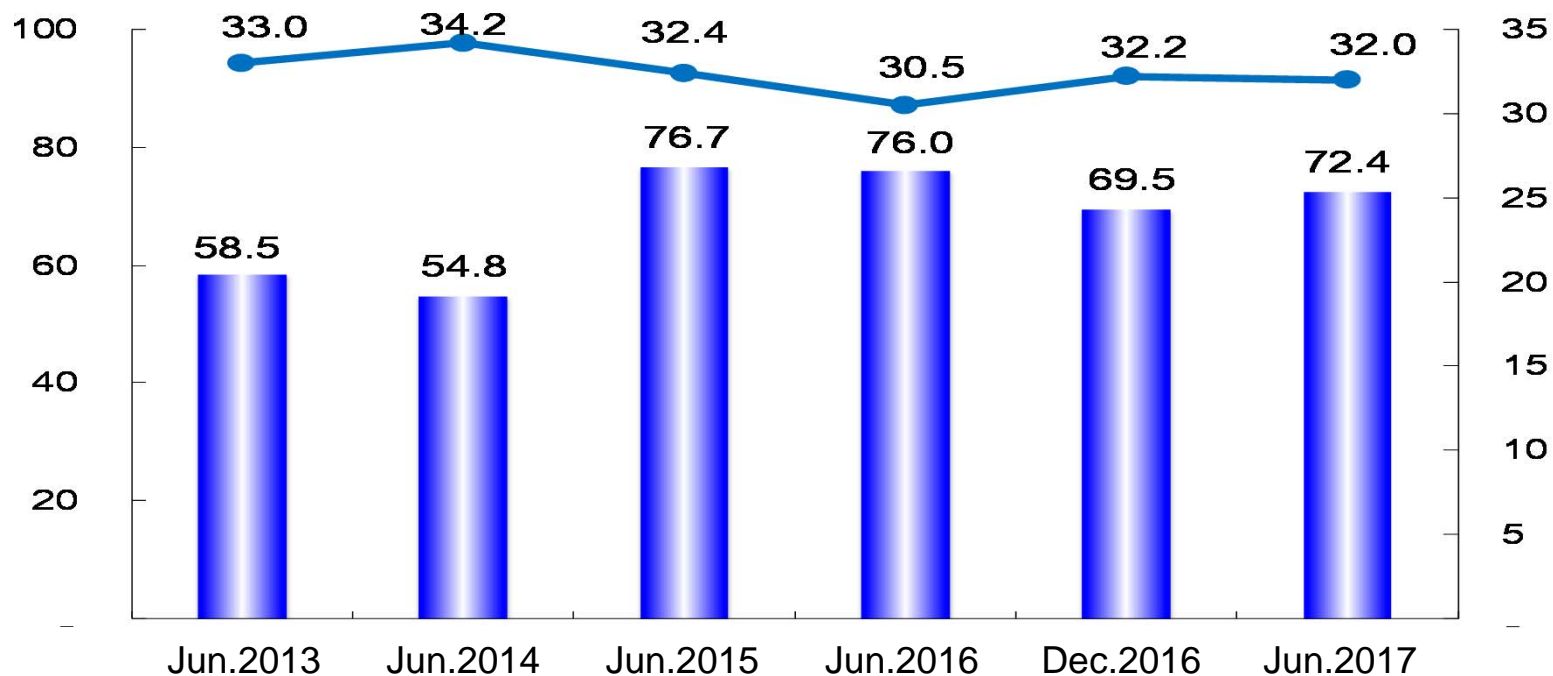
(JPY bn.)

	As of Jun.16	As of Jun.17	y o y change		As of Jun.16	As of Jun.17	y o y change
Cash & Deposits	13.8	6.6	(7.2)	Accounts Payables	42.9	45.6	2.7
Accounts Receivables	34.6	36.6	2.0	Interest Bearing Liabilities	76.0	72.4	(3.6)
Inventories	47.0	54.0	7.0	(loans payable)	67.5	64.8	(2.7)
(Merchandise and finished goods)	39.9	45.7	5.8	Other Liabilities	25.5	23.8	(1.7)
Other Current Assets	4.9	4.1	(0.8)	Total Liabilities	144.4	141.8	(2.6)
Total Current Assets	100.3	101.3	1.0	Net Assets	65.6	69.1	3.5
Non-current Assets	97.9	96.6	(1.3)	(Retained earnings)	13.7	15.9	2.2
Investments and other assets	11.8	13.0	1.2	(Valuation difference on available-for-sale securities)	0.3	1.4	1.1
(Investment securities)	4.9	6.5	1.6	(Foreign currency translation adjustment)	0.5	0.8	0.3
Total Non-current Assets	109.7	109.6	(0.1)	Total Liabilities and Net Assets	210.0	210.9	0.9
Total Assets	210.0	210.9	0.9				

Interest Bearing Liabilities & Equity Ratio

Balance of Interest Bearing Liabilities (JPY bn)

Equity Ratio (%)



loan payable, corporate bond	52.0	46.9	67.6	67.5	61.4	64.8
Lease obligations	6.5	7.9	9.1	8.5	8.1	7.6
Total	58.5	54.8	76.7	76.0	69.5	72.4
D/E Ratio	0.91	0.80	1.09	1.16	1.04	1.05

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

2.Recent Development in Domestic and Overseas Markets

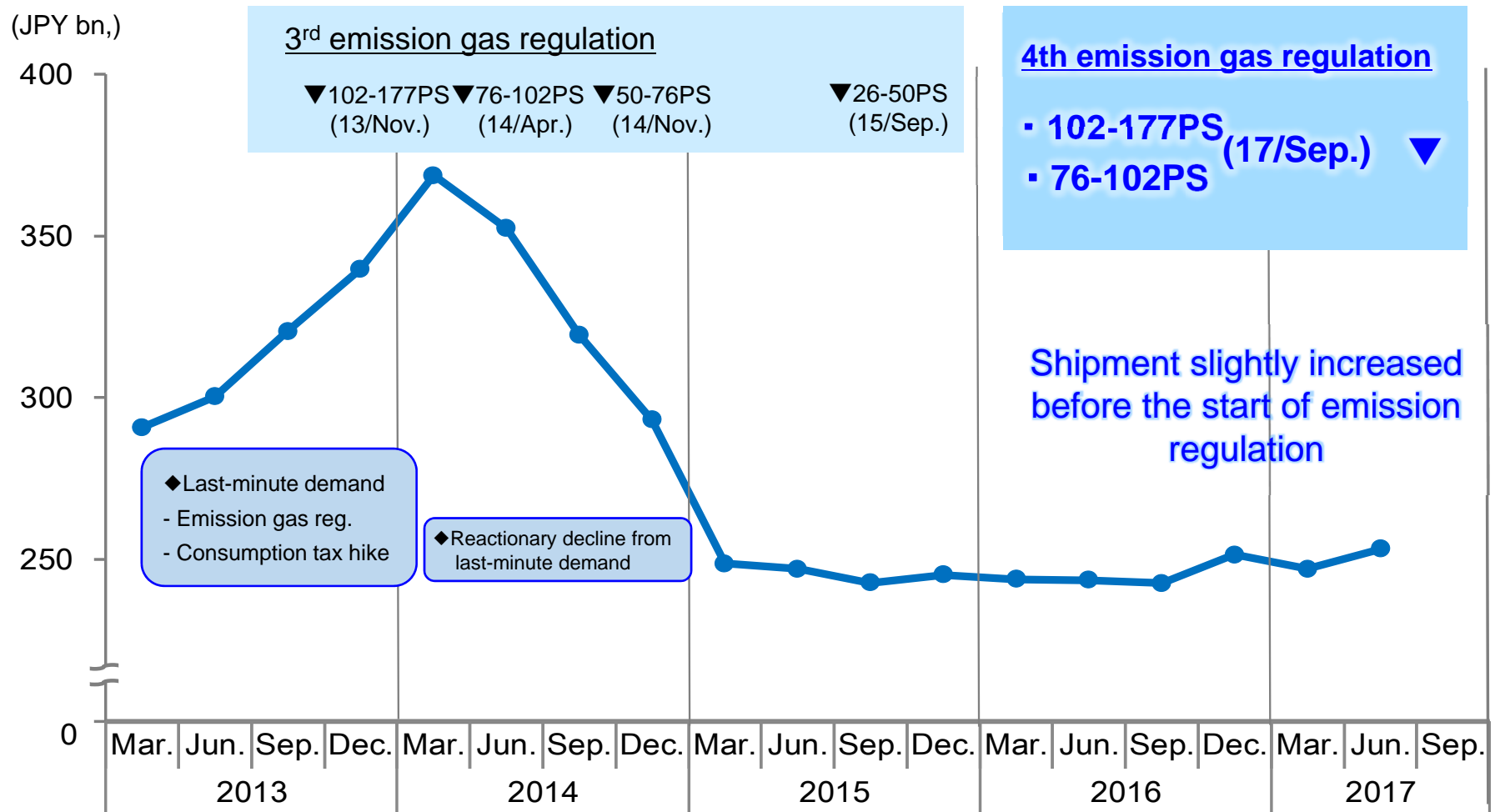


Introduction of Smart rice transplanter for the 2nd time
Rice transplanter with straight-travel assist system
"OPERESTA"

NP80D-Z (To be released in Dec.2017)

Trend of Domestic Market

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

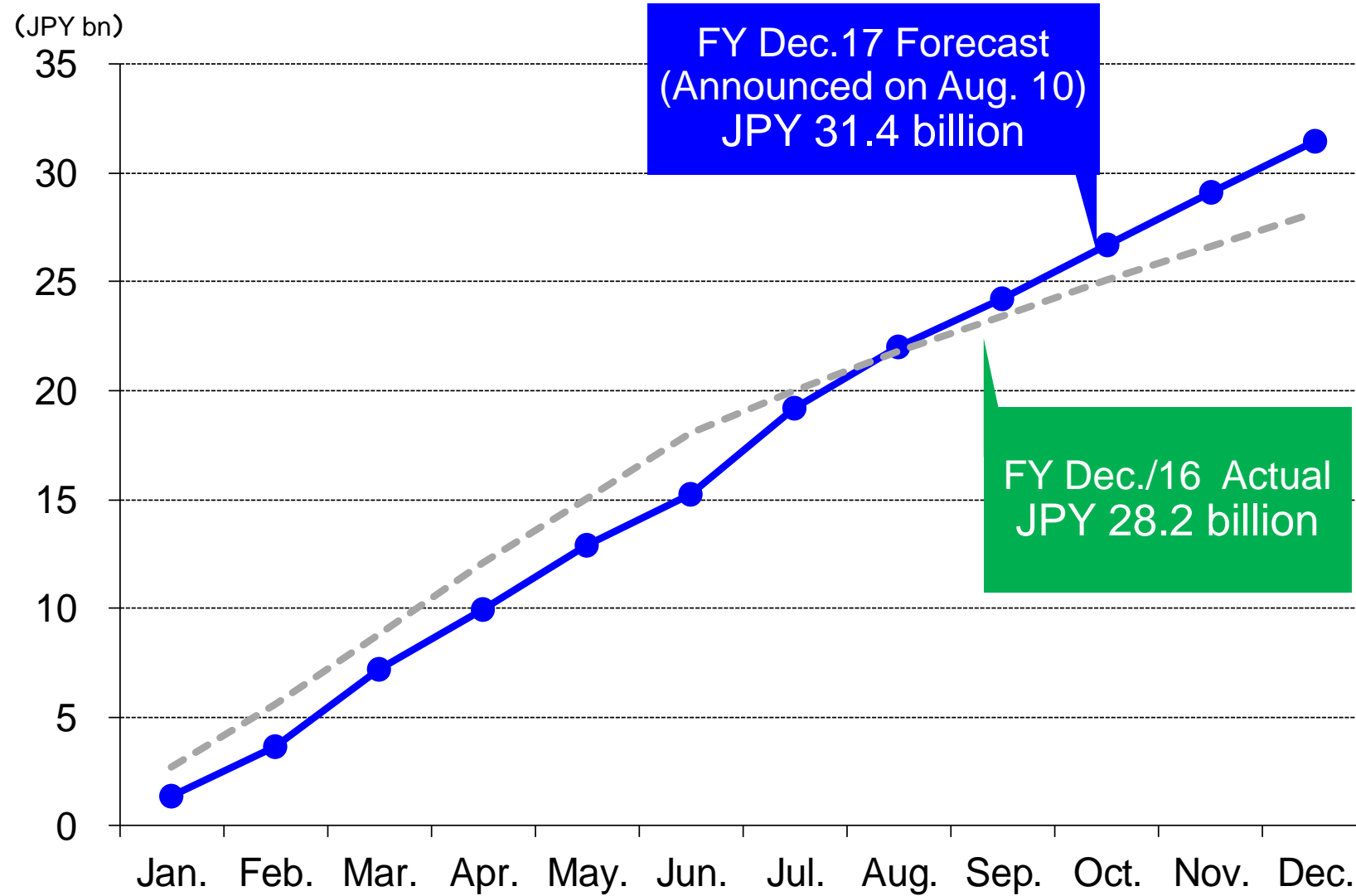


Industry Shipments and Sales Result

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

		Jun.14	Jun.15	Jun.16	Jun.17
Industry	Shipment value	117	70	99	104
ISEKI	Sales Value	107	84	100	94

Recent Market Trend in Overseas



※The results of “Parts & Others” are not included.

Market Trend (North America)

1. Trend in the market

Category (PTO HP)	Utility Tractors (PTO 40HP or above 100HP or below)		Compact Tractors (PTO 40HP or below)			
	USA	Canada		USA	Canada	
Jan-Jun, 2016	28	2	30	70	6	76
Jan-Jun, 2017	27	3	30	79	7	86
Growth rate	99%	115%	100%	112%	127%	113%

(Unit: 1000, %)

Large Farm Tractors (Above 100HP)		
USA	Canada	
10	2	12
8	2	10
86%	98%	88%



2. Situation of AGCO (OEM partner)

Unit sales (17/Jan.-Jun.)

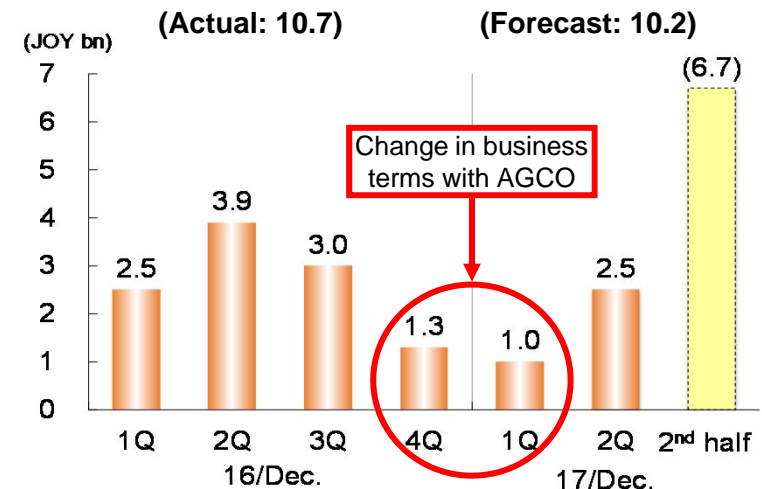
- Utility tractors : higher than last year
- Compact tractors : higher than last year

3. Our situation of sales/orders received

	(JPY bn)		
	1 st half	2 nd half	Total
2016	6.4	4.3	10.7
2017	3.5	(Forecast) 6.7	10.2

Sales of AGCO remains robust.

Net sales in North America (ISEKI to AGCO)



Market Trend (Europe)

1. Trend in European Market

Landscaping market: spring demand favorable due to good weather.

2. Situation of distributors

➤ Unit sales

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

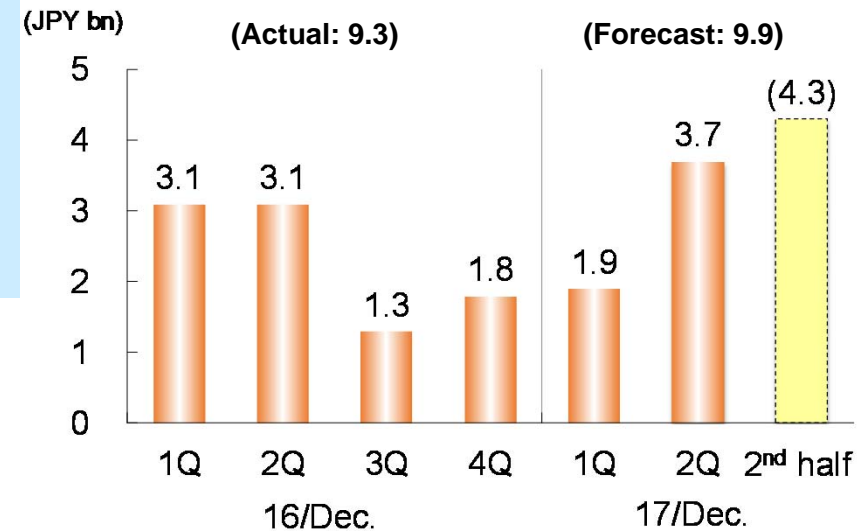
3. Our situation of sales/ orders received

(JPY bn)

	1st half	2nd half	Total
2016	6.2	3.1	9.3
2017	5.6	(Forecast) 4.3	9.9

- Shipment was delayed due to inventory control in France & Germany.
- Sales in our distributors remains robust.

Net Sales in Europe



Market Trend (ASEAN: Thailand)

1. Trend in the market

Rice export from Thailand in 2017 is said to reach all time high, 11 million tons.

➡ Rice price is expected to rise due to a reduction of domestic rice stock.

2. Situation of ISEKI (Sales) Thailand

(Mitsubishi Corporation 80%, ISEKI 20% investment)

ASEAN strategic tractors

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

- Newly acquired dealers launch the sales of tractors in the 2nd half
- Sales in the sales company remains robust. Orders expected to increase also in the 2nd half



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 remains favorable.

■Vietnam, Myanmar and peripheral nations

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

Our situation: the number of orders for tractors & all-purpose combine harvesters increased.

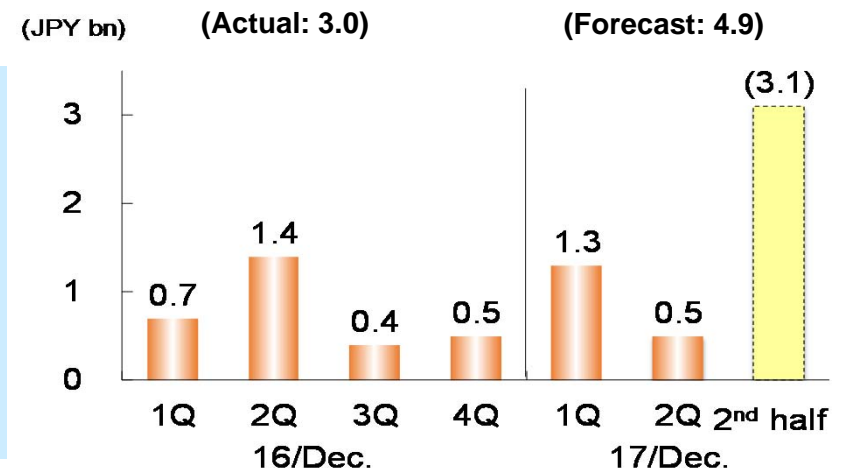
2. ASEAN summary

Demand will be expanded more as the machinery prevails in the market.

Local subsidiary, ISEKI Thailand Co.,LTD, starts the operation of parts center in the end of May

➡ Reinforce after-sales support

Trend of our sales (ASEAN)



Market Trend (Manufacturing subsidiary in Indonesia)

Production volume forecast in PT. ISEKI INDONESIA

		2014 Actual	2015 Actual	2016 Actual	2017 Plan	(Units)	
						2019 Forecast	2021 Forecast
Production volume		1,100	3,900	7,300	8,300	15,000	20,000
Production model	North America	●Economy tractor (small)		●Economy tractor (large)			
	Europe		●Economy tractor				
	ASEAN		●ASEAN strategic tractor				

Current production capacity: **10,000 units/year**

15,000 units /year in 2019 20,000 units/year in 2021

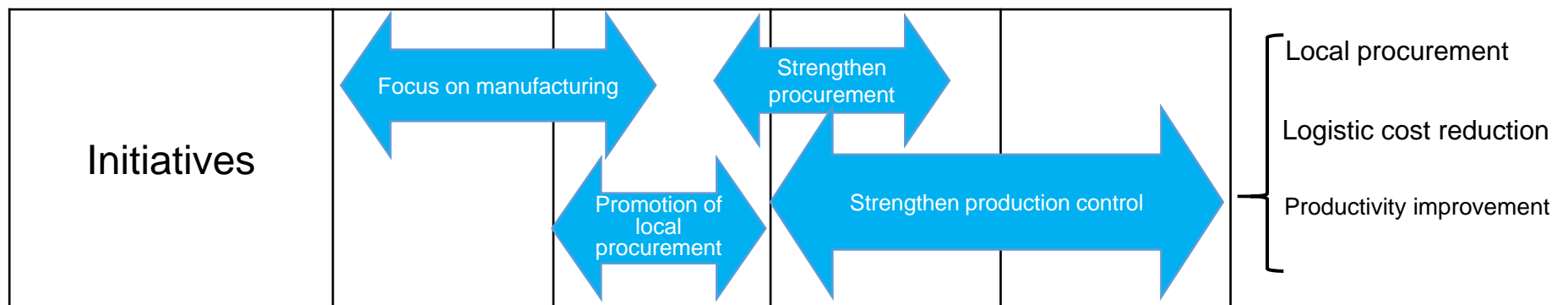
Production increase

Market Trend (Manufacturing subsidiary in Indonesia)

Initiatives in PT. ISEKI INDONESIA and current earnings

(Million dollars)

	2014 Actual	2015 Actual	2016 Actual	2017 Plan	2019 Jan.-Jun.
Net sales	12	37	68	88	37
Operating income	(3)	(3)	(2)	4	1



We will strive to enhance productivity such as optimal procurement of materials and strengthen production control system.

➡ We plan to ensure a single year profit in FY2017.

Market Trend (Manufacturing subsidiary in Indonesia)

- PT. ISEKI INDONESIA increases production volume



[Outline of PT. ISEKI INDONESIA]

Production capacity	Stably 8,000 units (Production capacity 10,000 units)/year
Scale	Premise space: 50,000 cm ² Floor space: 20,000 cm ²

Establishment of a production system to attain 15,000 units per year	Study of a production system to attain 20,000 units per year
<ul style="list-style-type: none"> • Enlargement of the plant (approx.8,200 m²) (To realize effective parts control & product transport ,) • Introduction of double shift system at paint line 	<ul style="list-style-type: none"> • Carrying out a study on reinforcement of paint facilities (Extension of paint lines) • Study on introduction of double shift at assembly line
<p>Investment : approx. JPY 800 million</p>	

Market Trend (China)

1. Trend in Chinese market

Market demand in the spring season remained sluggish due to decreased government subsidy and dropped crop price.

■ Government subsidy

(Yuan bn)

2012	2013	2014	2015	2016	2017
21.5	21.75	23.8	23.8	23.7	18.6

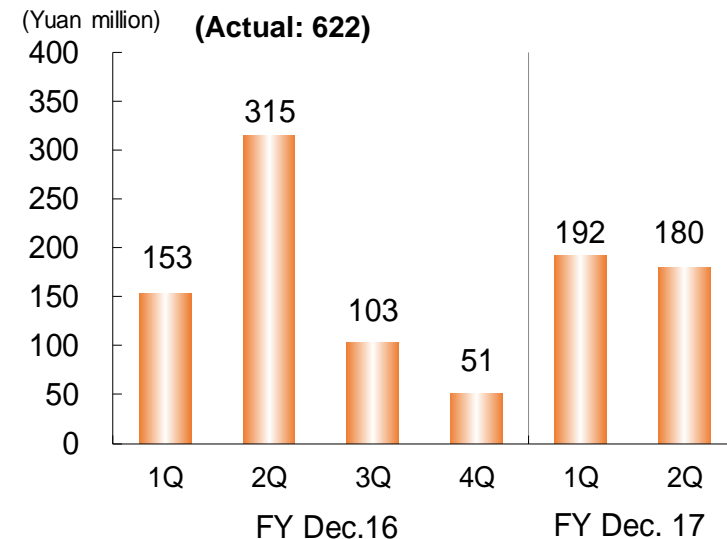
2. Situation of Dongfeng Iseki

Number of units sold by Dongfeng Iseki (Jan.-Jun.)

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

*Excluding export to Southeast Asia from China

Trend of Dongfeng Iseki's sales (local currency base)



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



Utility tractor for North America market
MF4610 high-clearance model

Performance Forecast for FY ending Dec.17

(JPY bn)

		FY ended Dec.16	FY ending Dec.17	y o y Change	(Reference)	
		Actual	Latest forecast		Previous forecast	Diff.(previous / latest forecast)
Net Sales		153.1	160.5	7.4	161.5	(1.0)
(Domestic)		121.0	124.3	3.3	125.3	(1.0)
(Overseas)		32.1	36.2	4.1	36.2	-
Operating Income		2.5	4.0	1.5	3.5	0.5
Ordinary Income		1.6	4.1	2.5	3.7	0.4
Profit attributable to owners of parent		0.9	2.9	2.0	2.7	0.2
Exchange rate						
US\$		108.6	112.0	3.4	115.0	(3.0)
Euro		120.1	128.0	7.9	120.0	8.0
Foreign exchange sensitivity						
US\$		15	13	(2)	13	-
Euro		17	18	1	18	-

※Previous forecast : announced on Feb 14

Breakdown of Domestic Sales

(JPY bn)

		FY ended Dec.16	FY ending Dec.17	y o y Change	(Reference)		
		Actual	Latest forecast		Previous forecast	Diff.(previous / latest forecast)	
Agricultural Machinery Related	Agricultural Machinery	Cultivating & Mowing Machinery	27.6	28.8	1.2	28.2	0.6
		Planting Machinery	9.1	8.7	(0.4)	8.7	-
		Harvesting & Processing Machinery	20.9	19.8	(1.1)	20.4	(0.6)
		Total	57.6	57.3	(0.3)	57.3	-
		Farming Implements	19.0	20.1	1.1	19.6	0.5
		Spare parts	14.4	14.7	0.3	14.7	-
		Repair fees	5.2	5.4	0.2	5.4	-
		Total	38.6	40.2	1.6	39.7	0.5
	Total	96.2	97.5	1.3	97.0	0.5	
	Construction of Facilities	5.1	6.8	1.7	7.5	(0.7)	
Others	19.7	20.0	0.3	20.8	(0.8)		
Total	121.0	124.3	3.3	125.3	(1.0)		

※Previous forecast : announced on Feb 14

Breakdown of Overseas Sales

(JPY bn)

	FY ended Dec.16	FY ending Dec.17	y o y Change	(Reference)	
	Actual	Latest forecast		Previous forecast	Diff.(previous / latest forecast)
North America	10.7	10.2	(0.5)	11.1	(0.9)
Europe	9.3	9.9	0.6	10.4	(0.5)
China	3.2	3.8	0.6	4.2	(0.4)
ASEAN	3.0	4.9	1.9	3.8	1.1
Others	2.0	2.6	0.6	2.4	0.2
Product Sales Total	28.2	31.4	3.2	31.9	(0.5)
Parts & Others	3.9	4.8	0.9	4.3	0.5
Total	32.1	36.2	4.1	36.2	-
Overseas Sales incl. Chinese Businesses	37.0	40.7	3.7	43.7	(3.0)

Ratio of overseas net sales **23.4%** **24.7%** **25.9%**

※ Previous forecast : announced on Feb 14

Note: we adjusted sales breakdown in the above chart as the sales segments of "Product Sales" and "Parts & Others" changed partially.

Forecast for the year-end dividend

- Forecast for the year-end dividend

(yen)

	FY ended Dec.16	FY ending Dec.17	
	Actual	Previous forecast	Latest forecast
Year-end Dividend	1.5	15 - 30	30

※ Previous forecast : Announced on Feb 14

※ The Company has consolidated shares of its common stock (one-for-ten share consolidation), effective July 1, 2017.

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
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 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”.