

Financial Results for the First Quarter Fiscal Year Ending December 2018 Investor Relations Presentation Materials

ISEKI & CO., LTD.
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1. Outline of Financial Results for the First Quarter
Fiscal Year Ending December, 2018
2. Recent Development in Domestic and Overseas
Markets
3. Performance Forecast for the Fiscal Year
Ending December, 2018
4. TOPIX –Our efforts to promote agribusiness–

1. Outline of Financial Results for the First Quarter Fiscal Year Ending December, 2018

*The First Quarter Financial Results Highlights



January – March (Y o Y)

Domestic dealers

Expect a recovery in sales of agricultural machinery from April.
The effects from revenue – expenditure structural reform have continued.

- Sales of agricultural machinery : (Jan.-Mar.) 96% (Jan.-Apr.) 101%
- Effects from revenue-expenditure structural reform in direct dealers:
operating income +¥0.1 billion

Manufacturing subsidiary in Indonesia (PT ISEKI INDONESIA)

The company continues making a profit.
Overall business remained in line with the previous year due to machine model MIX.

- Revenue of Indonesia business improved: operating Income ±¥0.0 billion
(Consolidated basis including Indonesia business of the parent and plants in Japan)

Equity-method affiliate in China (Dongfeng Iseki)

Announcement of subsidy delayed.
Deteriorated share of profit or loss of equities using equity method.

- Share of profit or loss of equities using equity method: Ordinary income -¥0.2 billion

Outline of First Quarter Business Performance

(JPY bn,%)

	1Q of FY ended Dec.17		1Q of FY ending Dec.18		y o y change	Diff. (Target/Actual)
	Actual	%	Actual	%		
Net Sales	36.7	100.0	36.8	100.0	0.1	(5.0)
(Domestic)	28.5	77.8	28.4	77.1	(0.1)	(2.3)
(Overseas)	8.2	22.2	8.4	22.9	0.2	(2.7)
Operating Income	(0.3)	(0.7)	(0.6)	(1.6)	(0.3)	(0.3)
Ordinary Income	(0.4)	(1.0)	(0.9)	(2.5)	(0.5)	(0.4)
Profit (Loss) attributable to owners of parent	(0.6)	(1.7)	(0.3)	(0.9)	0.3	(0.1)
Exchange rate	US\$	113.7	110.1		(3.6)	0.1
	Euro	121.5	134.3		12.8	4.3

Domestic Sales

» While demand for agricultural machinery remained relatively weak, sales of rice transplanters increased due to the launch of new products. (Y o Y basis)

		1Q of FY ended Dec.17	1Q of FY ending Dec.18	y o y change		Diff. (Target/ Actual)	
		Actual	Actual	Note			
Agricultural Machinery Related	Agricultural Machinery	Cultivating & Mowing Machinery	7.6	7.2	(0.4)	Tractors : (0.2)	(0.7)
		Planting Machinery	1.9	2.2	0.3	Straight-travel assisted rice transplanted effect Rice trans planters: 0.2	0.1
		Harvesting & Processing Machinery	3.0	2.8	(0.2)	Combine harvesters:(0.1)	(0.5)
		Total	12.5	12.2	(0.3)		(1.1)
		Farming Implements	4.7	4.9	0.2		(0.2)
		Spare parts	2.7	2.7	-		(0.1)
		Repair fees	1.0	1.0	-		(0.1)
	Total	8.4	8.6	0.2		(0.4)	
	Total	20.9	20.8	(0.1)		(1.5)	
	Construction of Facilities	2.8	2.7	(0.1)		(0.6)	
Others	4.8	4.9	0.1		(0.2)		
Total	28.5	28.4	(0.1)		(2.3)		

(JPY bn.)

Overseas Sales

» Revenue remained in line with the previous year due to inventory adjustment in China and decreased shipment to Indonesia, in spite of increased revenue in North America and Europe. (Y o Y basis)

※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.)

(JPY bn.)

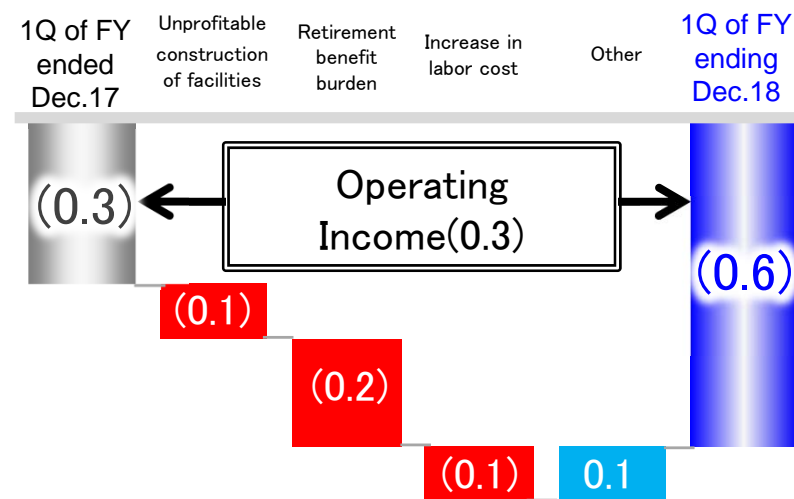
	1Q of FY ended Dec.17	1Q of FY ending Dec.18	y o y Change		Diff. (Target/ Actual)
	Actual	Actual		Note	
North America	1.0	2.5	1.5	Disappearance of the effects of partial changes in business terms with OEM partner Tractors: 1.4	(1.4)
Europe	1.9	2.5	0.6	Effects of launching new products Tractors: 0.4	(1.2)
China	1.7	0.7	(1.0)	Local inventory adjustment Rice trans planters: (0.8)	-
ASEAN	1.3	1.0	(0.3)	Tractors: 0.2 Combine harvesters: (0.6)	0.1
Others	1.3	0.9	(0.4)	Tractors: (0.3)	(0.1)
Product Sales Total	7.2	7.6	0.4		(2.6)
Parts & Others	1.0	0.8	(0.2)		(0.1)
Total	8.2	8.4	0.2		(2.7)

Operating Income

» Operating income decreased partly due to temporary factors such as unprofitable construction of facilities (Y o Y basis)

	1Q of FY ended Dec.17 Actual	1Q of FY ending Dec.18 Actual	y o y Change	(JPY bn, %) Diff. (Target/ Actual)
Net Sales	36.7	36.8	0.1	(5.0)
Gross Profit	10.1	9.9	(0.2)	(0.7)
Gross Profit Margin	27.5%	27.0%	(0.5%)	1.6%
S.G&A.Expenses	10.4	10.5	0.1	(0.4)
Personnel expenses	6.1	6.2	0.1	(0.1)
Other expenses	4.3	4.3	-	(0.3)
Operating Income	(0.3)	(0.6)	(0.3)	(0.3)

【Factors of YoY change(JPYbn,)】



【Effects of forex move(JPYbn,)】

Net sales	Cost of sales	S.G&A. Expenses	Operating Income
0.1	(0.1)	-	0

Ordinary Income, Quarterly Net Income

» Ordinary income decreased due to a worsening in foreign exchange gains or losses and share of profit or loss of equities using equity method. However, (Y o Y basis) quarterly net income increased by the application of consolidated taxation system.

(JPY bn,)

	1Q of FY ended Dec.17 Actual	1Q of FY ending Dec.18 Actual	y o y Change	Diff. (Target/Actual)
Operating Income	(0.3)	(0.6)	(0.3)	(0.3)
Balance of Financial Income	(0.2)	(0.2)	-	-
Other Non-operating Income	0.1	(0.1)	(0.2)	(0.1)
Ordinary Income	(0.4)	(0.9)	(0.5)	(0.4)
Extraordinary Income	-	-	-	-
Extraordinary Losses	-	-	-	0.1
Income before Income Taxes	(0.4)	(0.9)	(0.5)	(0.3)
Taxes, Deferred Taxes	(0.2)	0.6	0.8	0.2
Profit(Loss) attributable to owners of parent	(0.6)	(0.3)	0.3	(0.1)

Non-operating Income(Y o Y)

Share of profit or loss of entities using equity method	-¥0.2 billion
Foreign exchange gains or losses	-¥0.1 billion

※tax expenses reduced due to the application of consolidated taxation system

Balance Sheet (Consolidated)

» Inventory assets increased due to inventory adjustment by AGCO in North America. (Compared with the same period last year)

(JPY bn,)

	As of Mar.17	As of Mar.18	y o y change		As of Mar.17	As of Mar.18	y o y change
Cash & Deposits	8.7	8.4	(0.3)	Accounts Payables	44.5	44.5	-
Accounts Receivables	33.2	32.3	(0.9)	Interest Bearing Liabilities	77.1	74.9	(2.2)
Inventories	54.2	56.5	2.3	(loans payable)	69.2	68.3	(0.9)
(Merchandise and finished goods)	46.5	48.9	2.4	Other Liabilities	23.4	21.9	(1.5)
Other Current Assets	4.9	4.5	(0.4)	Total Liabilities	145.0	141.3	(3.7)
Total Current Assets	101.0	101.7	0.7	Net Assets	65.9	69.1	3.2
Non-current Assets	97.4	96.7	(0.7)	(Retained earnings)	13.1	15.5	2.4
Investments and other assets	12.5	12.0	(0.5)	(Valuation difference on available-for-sale securities)	1.1	1.2	0.1
(Investment securities)	6.1	6.3	0.2	(Foreign currency translation adjustment)	0.8	1.0	0.2
Total Non-current Assets	109.9	108.7	(1.2)	Total Liabilities and Net Assets	210.9	210.4	(0.5)
Total Assets	210.9	210.4	(0.5)				

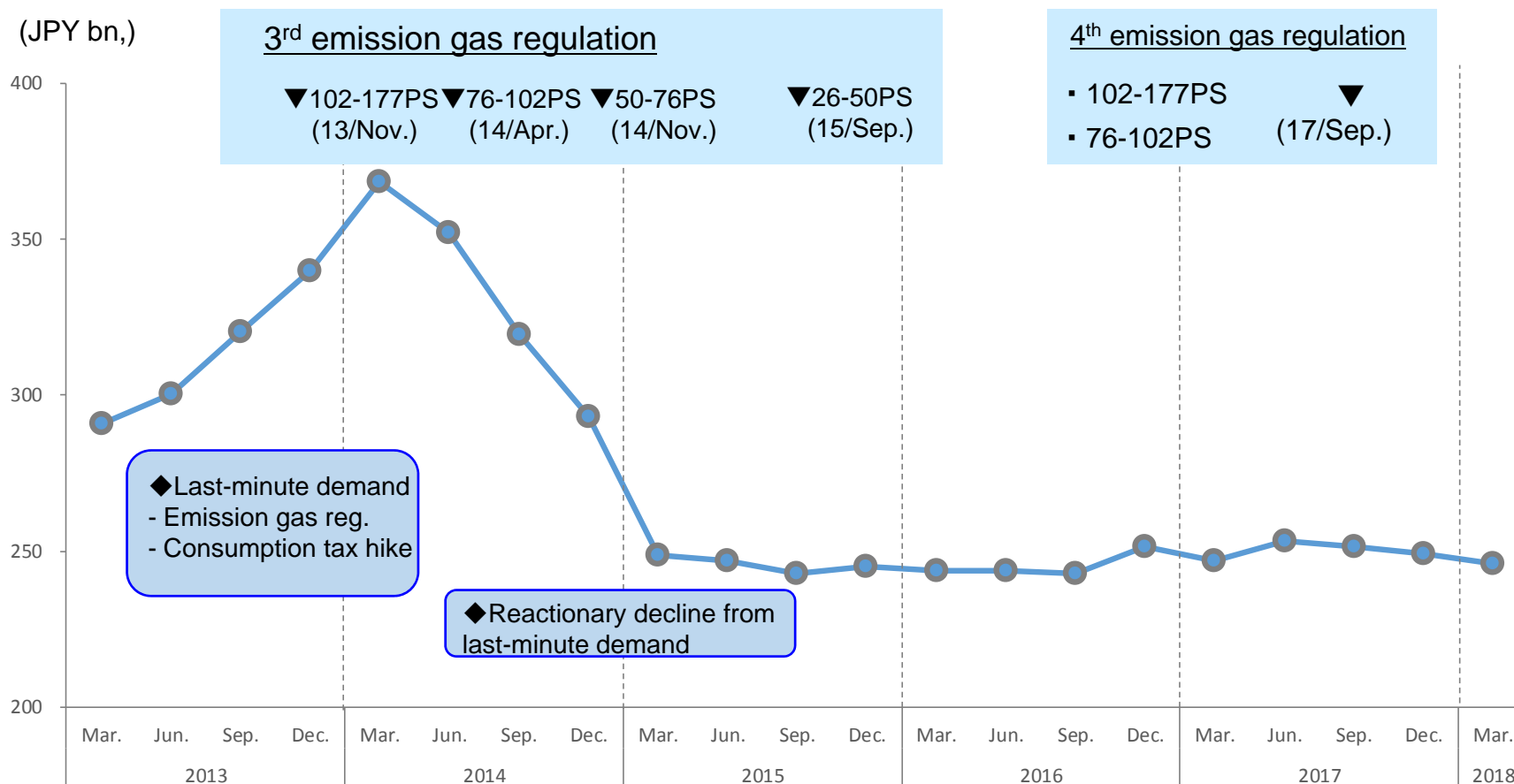
2. Recent Development in Domestic and Overseas Markets

Trend of Domestic Market

» Demand remains flat

Agricultural machinery demand [Industry shipment]

(9 principal machinery, moving annual total)



Domestic Agricultural Machinery Shipments and ISEKI's Performance



» Demand remained in line with the previous year.

Sales by sales companies have been on a recovery track since April.

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

*ISEKI estimates (%)

		FY2015/3	FY2016/3	FY2017/3	FY2018/3
Industry	(Amount of shipment)	67	98	101	100
ISEKI	(Sales amount)	73	107	91	101

Domestic sales companies State of sales of agricultural machinery (YoY growth rate)

(%)

	Jan.- Mar.	Apr.	Jan.-Apr.
Sales amount	96	115	101

* Sales indicate sales amount of agricultural machinery by 12 sales companies as converted into quoted values.

Domestic Product Appeal Reinforcement

- » Straight-travel assisted rice transplanter is in good demand.
We promote further sales expansion during the demand season.

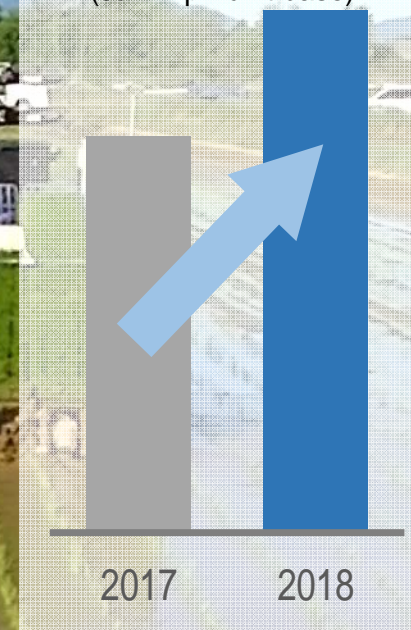
Straight-travel assisted rice transplanter (Sales started in December, 2017)



Our new rice transplanter helps straight-travelling based on the location information from GPS, enabling simple and clean planting even for inexperienced operators.



Sales of 8-row planting riding - rice transplanter NP 80 (Jan.-Apr. unit base)



Domestic Reinforced promotion of dry field/ vegetable farming markets

» Onion transplanter (Hokkaido-model) launched in this spring has been reputed well.

Z” *in pursuit of high precision and high efficiency*

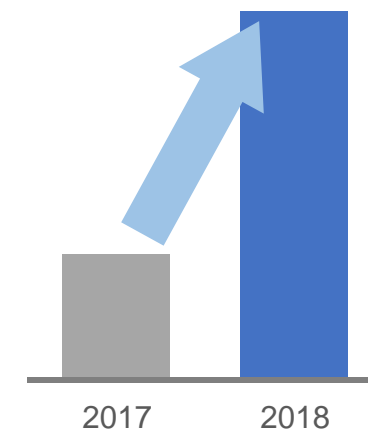
● High-efficiency operation of max. 1.5ha/day at planting speed 0.5-0.8m/second.



Our onion transplanter realizes high-precision/high-efficiency planting!
New model “PVT4-Z” has been acclaimed by the customers in main
production areas in Hokkaido!!



Onion transplanter
(Jan.-Apr. unit base, Hokkaido)



Domestic Reinforcement of international competitiveness of agriculture

» National Strategy Special Zone Niigata-city
 Participation to “Smart Agriculture Inter-business Cooperation Demonstration Project”

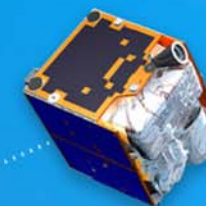
Drone

Leaf color analysis service
 “IROHA”

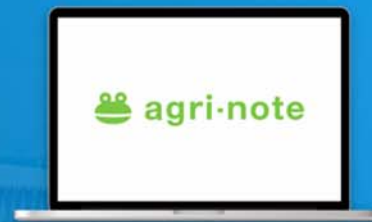


Satellite

Precision agriculture .examined from the sky
 Cloud type agri-business support system
 “APPARE”



Agri-business support system



Agriculture depends on accumulated memories
 agri-note



Sensor

• Field Server



ICT agricultural machinery

ISEKI Agri-support

Realization of Smart Agriculture combining state-of-the-art technologies

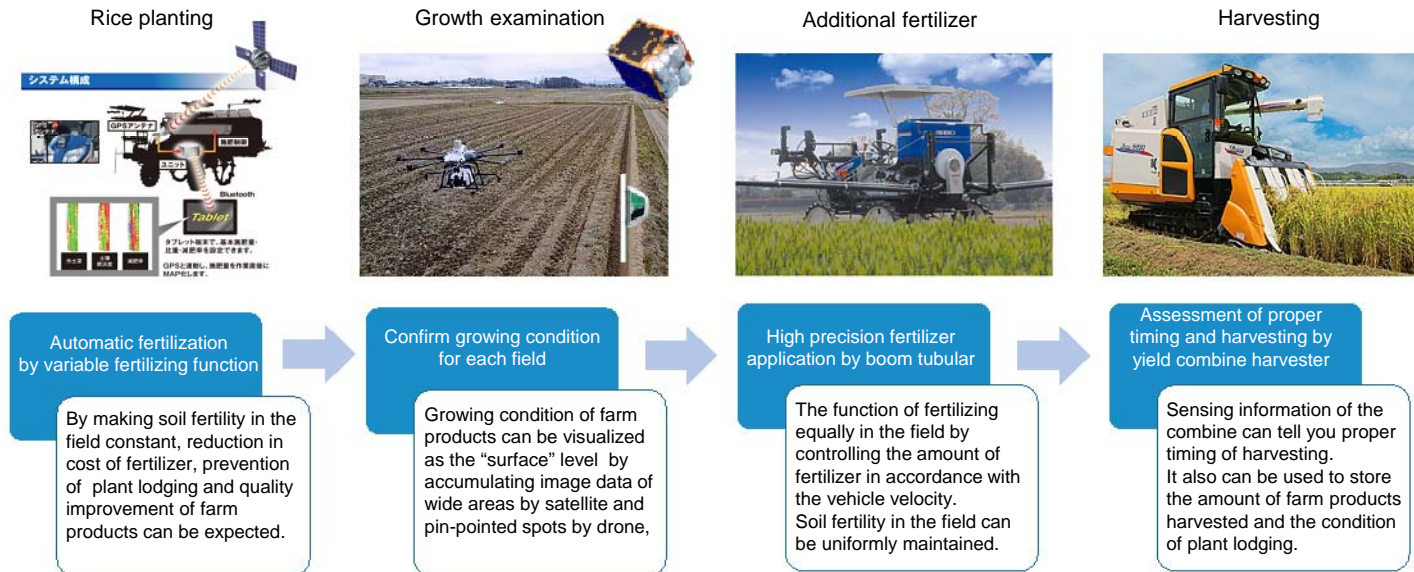
Smart Agriculture

Domestic Reinforcement of global competitiveness of agriculture

» National Strategy Special Zone Niigata-city
 Participation to “Smart Agriculture Inter-business Cooperation Demonstration Project”

■ Project outline

The project is to implement quantitative evaluation for labor saving, cost reduction and quality enhancement by centralizing or integrating data of innovative technologies from each company

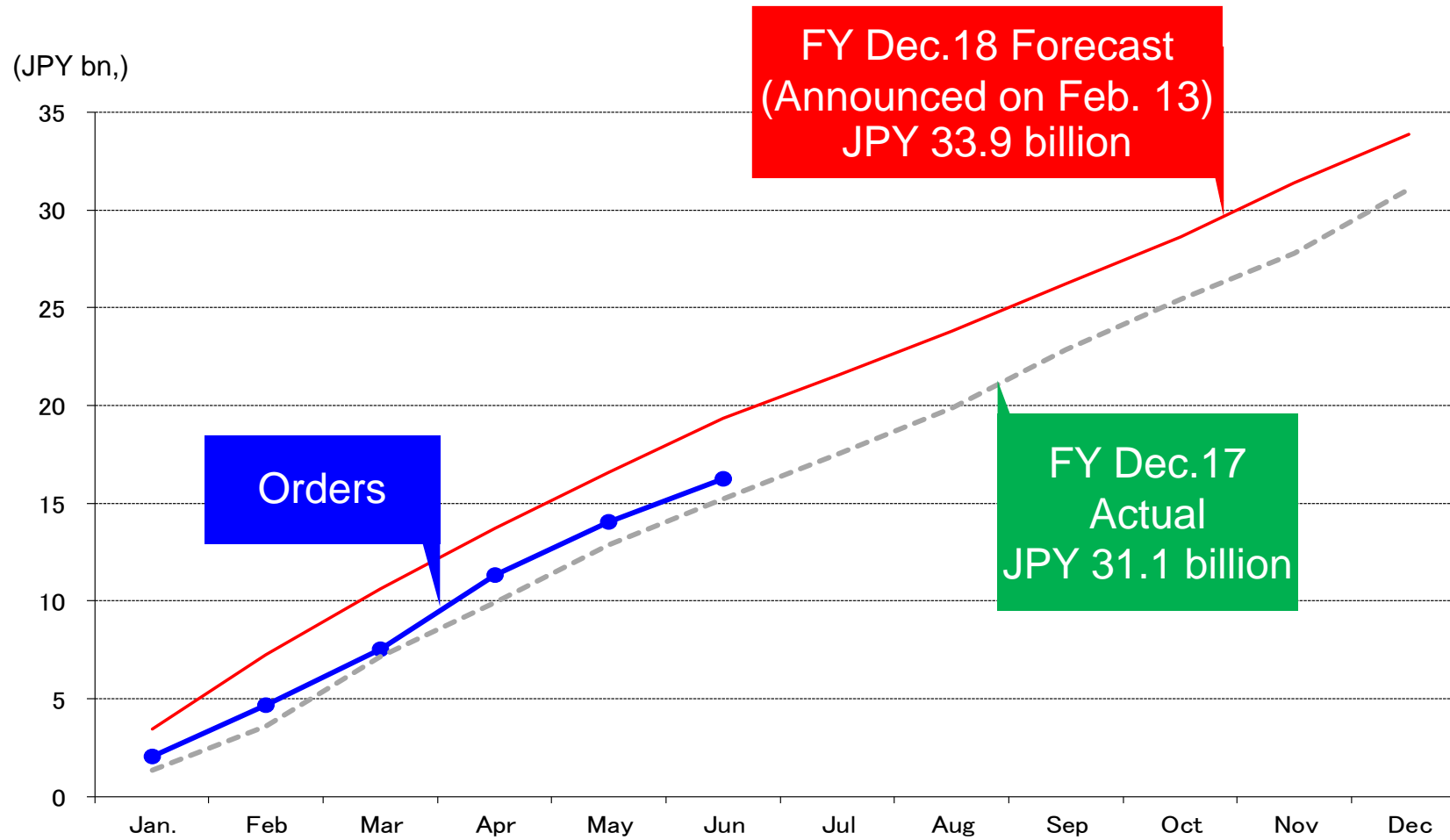


Visualization by agri-business control system “Agri-note”.

To enhance global competitiveness of Japanese agriculture

Recent Market Trend in Overseas

» Promote further order intake



※The results of "Parts & Others" are not included.

Market Trend (North America)

» Sales by AGCO are stronger than the market trend.

1. Trend in the market

(1000 units, %)

PTO horsepower	Utility tractors (40-100HP)		Compact tractors (40HP and lower)			Large class tractors (100PS and above)			
	USA	Canada	USA	Canada		USA	Canada		
Jan.-Mar.2017	12	1	13	26	2	28	4	1	5
Jan.-Mar. 2018	12	1	13	26	2	29	4	1	4
Differences (%)	100%	104%	100%	101%	104%	101%	95%	113%	98%



(Source: AEM Statistics)

2. Situation of AGCO (OEM partner)

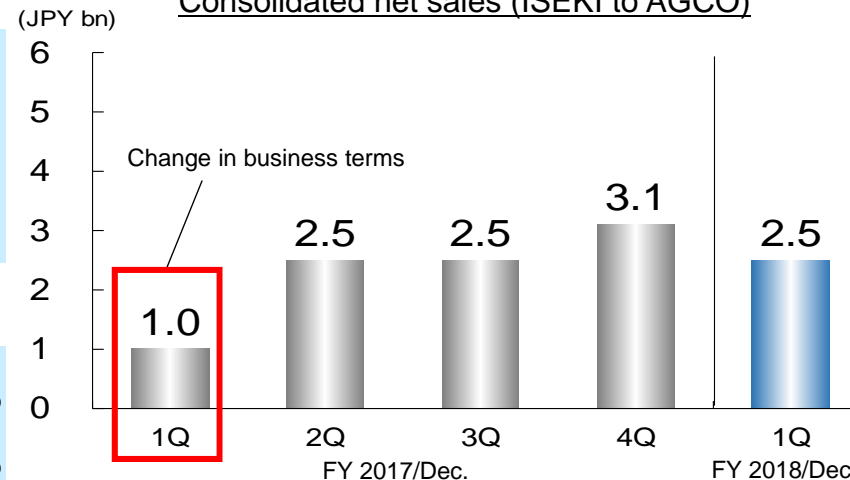
Unit sales (Jan.-Mar.2018)

- Utility tractors : YoY 115%
- Compact tractors : YoY 120%

3. Our situation for sales and orders

Order & shipment : YoY 207%
 (Jan.-Mar. 2018): : VS. Jan.-Mar.16 108%

(JPY bn) Consolidated net sales (ISEKI to AGCO)



Market Trend (Europe)

» Promote sales expansion through reinforced product appeal

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 March 19, 2018)

With respect to landscaping market, while start-up of spring products was delayed due to unseasonable weather, it shows a recovery trend from April.

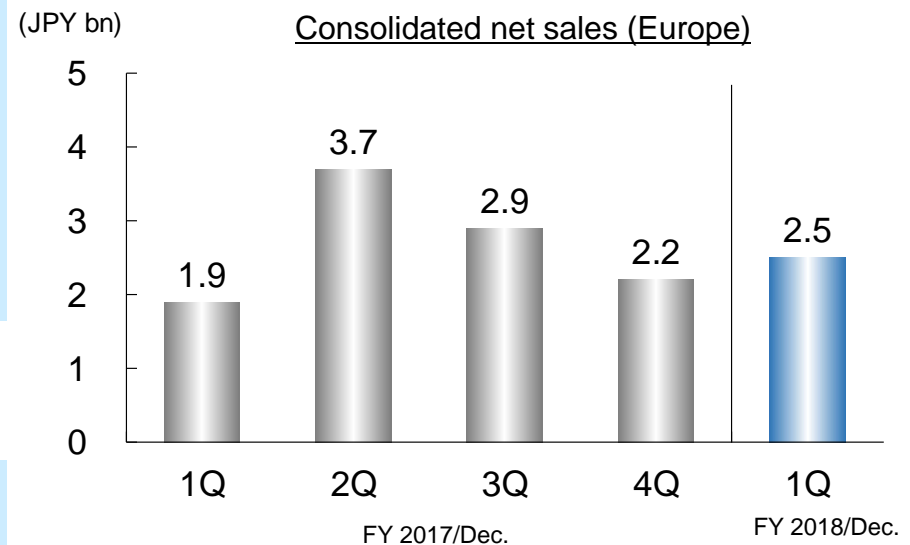
2. Situation of distributors

➤ Unit sales (Jan.-Mar.2018)

- Distributors (Unit sold base) : YoY 86%
- ISEKI France S.A.S. (Consolidated subsidiary, amount base) : YoY 106%

3. Current sales and orders at ISEKI

Order & Shipment (Jan.-Jun.2018) : YoY 126%



Market Trend (Europe: UK)

» Investment in a new distributor to promote further sales expansion

New distributor “PREMIUM TURF-CARE LIMITED”

*Investment by ISEKI: 44.5%

The United Kingdom is the major market that follows France and Germany.
Promote increased share by reinforced marketing/ expansion of dealer network



Opening ceremony in April 2018



Market Trend (ASEAN: Thailand)

» Although our order intake goes below the plan due to inventory adjustment at the local distributor, their sales remained active.

1. Trend in the market

Rice price is rising for now. Market demand is expected to rise thanks to rice price hike in light of decreased amount of rice inventory in Thailand.

2. Situation of the local distributor “IST Farm Machinery” (Investment 80% by Mitsubishi Corporation, 20% by ISEKI) (Changed its corporate name from Iseki Sales (Thailand))

Number of units sold (ASEAN strategy tractor, Jan.-Mar.): YoY 125%

3. Current sales and orders at ISEKI

Order & Shipment (Jan.-Jun.2018) : YoY 72%



Market Trend (ASEAN: Others)

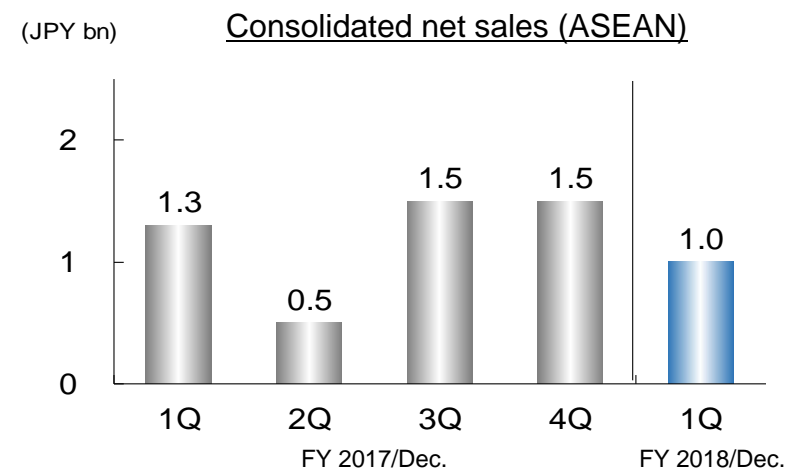
- Tender in Indonesia: While combine harvesters decreased, tractors and rice transplanters increased.

■ Indonesia

- Market trend
Promotion of mechanization by government initiative that has been started since 2015 (Government tender)
- Our situation
Models for the tender vary each fiscal year. While the number of combine harvesters decreased, tractors and rice transplanters increased from the previous year.

■ Others (Myanmar, etc.)

- Market trend
Market demand is expected to rise as mechanization proceeds.
- Our situation
Aims to expand business domains with IST Farm Machinery and AGCO



Improved Revenue in Indonesia Business



» Kept profitability as planned. Upgrade the systems to increase the production.

PT. ISEKI INDONESIA

(Units, JPY bn)

	2014 Results	2015 Results	2016 Results	2017 Results	2018 Target	2018 Jan.-Mar.
Production Volume	1,100	3,900	7,300	8,400	12,000	2,700
Net sales	1.4	4.5	7.9	9.6	11.5	2.6
Operating income	(0.3)	(0.4)	(0.3)	0.3	0.3*	0.1

* 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 unit

Trends in Overseas Markets (China)

» There is a mood of holding off purchases in the market due to delayed announcement of subsidy and decreased price of rice and wheat while the total amount of subsidy remained in the same level as the previous year.

1. Trend in Chinese Market

■ National government subsidy

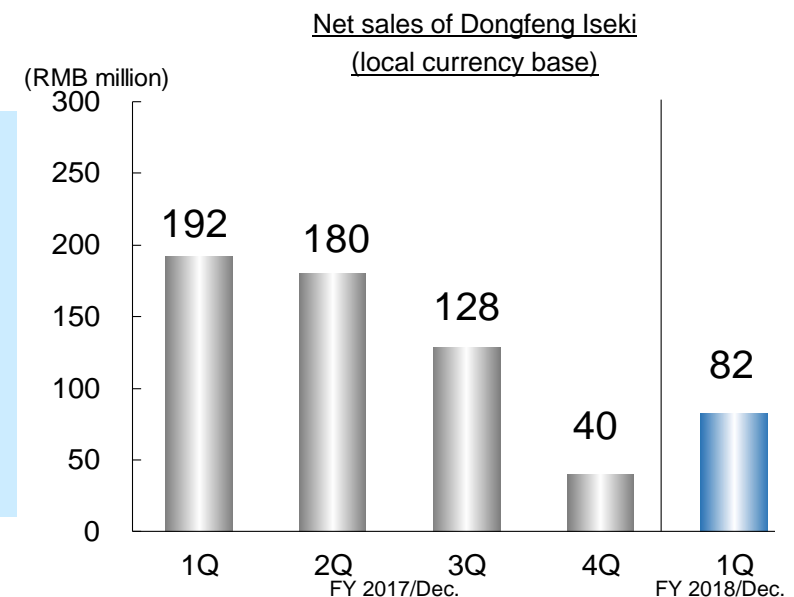
(RMB bn)

2012	2013	2014	2015	2016	2017	2018
21.5	21.75	23.8	23.8	23.7	18.6	18.6

2. Situation of Dongfeng Iseki

Unit sales of Dongfeng Iseki (Jan.-Mar. 2018)

- As for domestic sales in China, the sales of rice transplanters decreased due to the effect of delayed announcement of distribution of subsidy.
- As for export to ASEAN, combine harvesters shipped to Indonesia decreased.



3. Performance Forecast For the Fiscal Year Ending December, 2018

Performance Forecast for FY ending Dec.18

» No change from initial forecast

Performance forecast

(単位:億円)

	FY ended Dec.17 Actual		FY ending Dec.18 Forecast		y o y Change	
	2Q	Full year	2Q	Full year	2Q	Full year
Net Sales	80.2	158.4	86.0	164.5	5.8	6.1
Operating Income	2.8	4.0	2.0	4.5	(0.8)	0.5
Ordinary Income	3.4	4.2	1.8	4.3	(1.6)	0.1
Profit attributable to owners of parent	2.2	2.8	1.6	3.2	(0.6)	0.4

※Forex rate assumption : ¥110 to the US\$, ¥130 to the Euro

Foreign exchange sensitivity (Operating Income)

	FY ending Dec.18	(JPY million)
US\$	13	
Euro	18	

4. TOPIX

– Our efforts to promote agribusiness –

Support for local revitalization through partnerships with governments

- ① Wakayama Pref. “*Hata-gombo*” (a kind of burdock) cultivation
2011~ (Revival of the local traditional crop)



● Introduction of tractors and burdock harvesting machines

- ② Ishikawa Pref. “*Noto-dainagon*” (a kind of adzuki beans) cultivation
2013~ (Technical proposal of prolific cultivation technique of adzuki beans)



● Introduction of low-crop type combine harvesters

- ③ Mie Pref. Mechanized cultivation of sesame
2016~ (Support for expansion of producing areas of sesame)



● Introduction of soybean combine harvesters, riding tillers, vegetable transplanters, flat-type drying machines 2 units, molding machines and seeders.

- ④ Ibaraki Pref. Mechanized cultivation of buckwheat
2016~ (Local revitalization by local product buckwheat)



● Introduction of working implements for riding tillers

Support for companies entering different industries

① Nankai Farm (Kanagawa Pref.) 2011~

“Recycling business of consumables of copying machines” “Consumers’ Cooperative”

●Rice, soybeans, vegetables



●Introduction of tractors, combine harvesters, onion transplanters

② Agurinku (Yamaguchi Pref.) 2012~

“Consumers’ Cooperative”

●Rice, wheat, fruit tree



●Tractors, rice transplanters, drying machines

③ JR Kyushu Farm Itoshima Farm (Fukuoka Pref.) 2016~

“Public transport”

●Open field vegetables (carrot, cabbage, Japanese white radish, etc.)



Abandoned fields of cultivation covered with weeds



Weeding work



Soil disinfection using solar heat as a countermeasure for soil disease



●Introduction of tractors, working implements for tractors, vegetable transplanters, tillers, etc.

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”.