

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

ISEKI & CO., LTD.
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December, 2018
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1. Outline of Financial Results for the Third Quarter Fiscal Year Ending December, 2018

*The Third Quarter Financial Results Highlights

January – September (Y o Y)

Domestic dealers

Sales of agricultural machinery decreased year-on-year.
Effects from revenue – expenditure structural reform continued.

- Sales of agricultural machinery : (Jan.-Sep.) 97%
- Effects from revenue-expenditure structural reform in direct dealers:
operating income +¥0.2 billion

Manufacturing subsidiary in Indonesia (PT ISEKI INDONESIA)

As the company, revenue and expenses were balanced due to declined sales in ASEAN segment
Overall business also remained in line with the previous year

- Revenue of Indonesia business improved: operating Income ±¥0 billion
(Consolidated basis including Indonesia business of the parent and plants in Japan)

Equity-method affiliate in China (Dong Feng China)

Market remained depressed. Deteriorated share of profit or loss of equities using equity method.

- Share of profit or loss of equities using equity method: Effect on ordinary income -¥1.1 billion

Outline of Third Quarter Business Performance

Due to transition of fiscal year 9 month period results December 2015 are adjusted to 12 month period

(JPY bn,%)

	3Q of FY ended ※ Dec.15	3Q of FY ended Dec.16	3Q of FY ended Dec.17		3Q of FY ending Dec.18		y o y change
	Actual	Actual	Actual	%	Actual	%	
Net Sales	117.7	118.4	120.5	100.0	119.2	100.0	(1.3)
(Domestic)	93.0	91.9	94.3	78.3	93.9	78.8	(0.4)
(Overseas)	24.7	26.5	26.2	21.7	25.3	21.2	(0.9)
Operating Income	1.1	2.8	4.6	3.8	3.6	3.0	(1.0)
Ordinary Income	0.9	1.6	5.4	4.5	2.8	2.3	(2.6)
Profit (Loss) attributable to owners of parent		0.7	3.3	2.8	2.2	1.8	(1.1)
Exchange rate	US\$	119.9	109.6	112.0	109.4		(2.6)
	Euro	135.8	122.9	123.7	131.5		7.8

Domestic Sales

» While demand for agricultural machinery remained weak, sales were compensated by revenue from farming implements, spare parts & repair fees.

Due to transition of fiscal year 9 month period results December 2015 are adjusted to 12 month period

(JPY bn)

		3Q of FY ended Dec.15	3Q of FY ended Dec.16	3Q of FY ended Dec.17	3Q of FY ending Dec.18	y o y change		
		※ Actual	Actual	Actual	Actual	Note		
Agricultural Machinery Related	Agricultural Machinery	Cultivating & Mowing Machinery	22.7	21.3	22.5	21.1	(1.4)	Tractors: (1.2)
		Planting Machinery	7.8	7.4	6.6	7.4	0.8	Rice trans planters: 0.6
		Harvesting & Processing Machinery	14.2	14.3	13.9	13.8	(0.1)	
		Total	44.7	43.0	43.0	42.3	(0.7)	
		Farming Implements	13.8	14.9	15.5	16.0	0.5	
		Spare parts	10.5	10.9	11.2	11.3	0.1	
		Repair fees	3.6	3.9	4.1	4.2	0.1	
		Total	27.9	29.7	30.8	31.5	0.7	
		Total	72.6	72.7	73.8	73.8	0.0	
		Construction of Facilities	4.6	4.3	5.6	5.0	(0.6)	
	Others	15.8	14.9	14.9	15.1	0.2		
	Total	93.0	91.9	94.3	93.9	(0.4)		

Overseas Sales

» Sales decreased due to local inventory adjustment in China and ASEAN

Due to transition of fiscal year 9 month period results December 2015 are adjusted to 12 month period

(JPY bn)

	3Q of FY ended ※ Dec.15	3Q of FY ended Dec.16	3Q of FY ended Dec.17	3Q of FY ending Dec.18	y o y change	Note
	Actual	Actual	Actual	Actual		
North America	9.6	9.4	6.0	8.3	2.3	Disappearance of the effects of partial changes in business terms with OEM partner Tractors : 2.1
Europe	9.3	7.5	8.5	8.4	(0.1)	
China	1.0	2.4	3.0	1.0	(2.0)	Local inventory adjustment Rice trans planters : (1.6)
ASEAN	1.0	2.5	3.3	2.5	(0.8)	Combine harvesters : (1.0)
Others	1.4	1.6	2.1	1.4	(0.7)	
Product Sales Total	22.3	23.4	22.9	21.6	(1.3)	
Parts & Others	2.4	3.1	3.3	3.7	0.4	
Total	24.7	26.5	26.2	25.3	(0.9)	
Overseas Sales incl. Chinese Businesses	31.2	30.9	29.3	29.1	(0.2)	

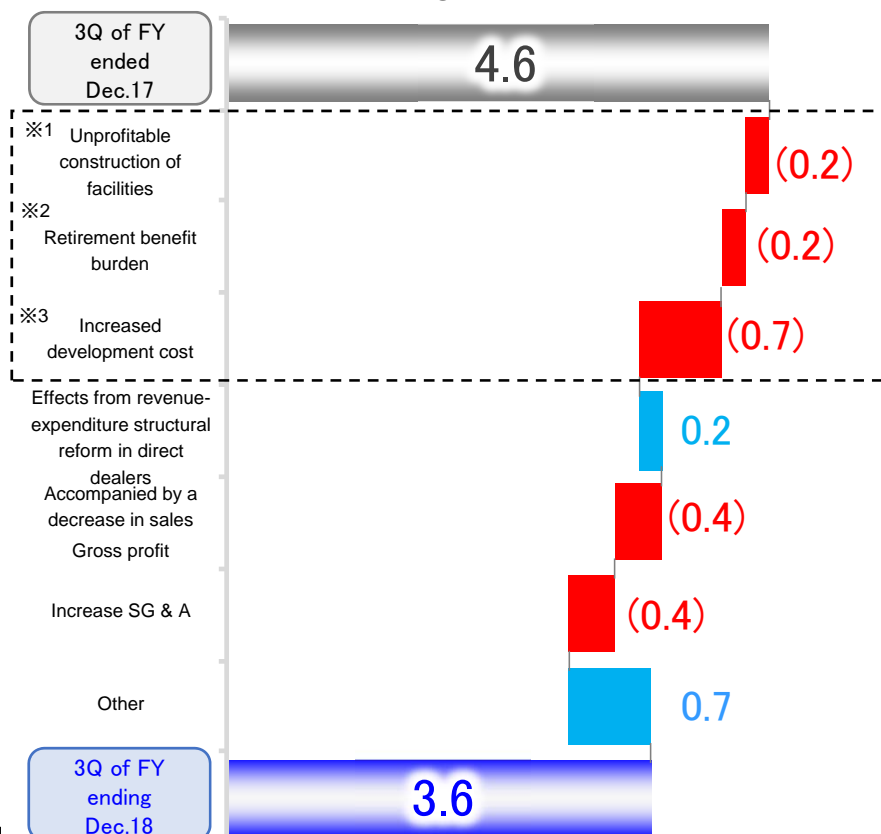
Ratio of overseas net sales 25.1% 25.2% 23.7% 23.6% (0.1%)

Operating Income

» Operating income decreased because of temporary factors such as unprofitable construction of facilities and expenses resulting from the application of the principle of calculating retirement benefits upon the merger of subsidiaries, as well as increased development costs, in addition to a decrease in gross margin due to decreased revenue.

(JPY bn,%) **【Factors of YoY change(JPYbn,)】**

	3Q of FY ended Dec.17 Actual	3Q of FY ending Dec.18 Actual	y o y Change
Net Sales	120.5	119.2	(1.3)
Gross Profit	36.0	35.4	(0.6)
Gross Profit Margin	29.9%	29.7%	(0.2%)
S.G&A.Expenses	31.4	31.8	0.4
Personnel expenses	18.4	18.7	0.3
Other Expenses	13.0	13.1	0.1
Operating Income	4.6	3.6	(1.0)



【Effects of forex move(JPYbn,)】

Net sales	Cost of sales	S.G&A. Expenses	Operating Income
0.0	(0.1)	0.0	(0.1)

- ※1: Unprofitable construction of facilities leads to worsening gross profit.
- ※2: Temporary resulting from the application of the principle of calculating retirement benefits upon the merger of subsidiaries.
- ※3: Increased development cost for products comply with the emission gas regulation, Stage 4

Ordinary Income, Quarterly Net Income

» Ordinary income decreased due to deteriorated share of profit or loss of equities using equity method as a result of a market slow down.

(JPY bn)

	3Q of FY ended Dec.17 Actual	3Q of FY ending Dec.18 Actual	y o y Change
Operating Income	4.6	3.6	(1.0)
Balance of Financial Income	(0.5)	(0.6)	(0.1)
Other Non-operating Income	1.3	(0.2)	(1.5)
Ordinary Income	5.4	2.8	(2.6)
Extraordinary Income	0.1	0.1	0.0
Extraordinary Losses	(0.6)	(0.1)	0.5
Income before Income Taxes	4.9	2.8	(2.1)
Taxes, Deferred Taxes	(1.6)	(0.6)	1.0
Profit(Loss) attributable to owners of parent	3.3	2.2	(1.1)

Non-operating Income(Y o Y)

Foreign exchange gains or losses	-¥0.1 billion
Share of profit or loss of entities using equity method	-¥1.1 billion
Other ※1	-¥0.3 billion

※1 : disappearance of subsidy income recorded in the same period of the previous fiscal year.

[Share of profits or loss using equity method] (JPY bn)

3Q of FY ended Dec.17	3Q of FY ending Dec.18	y o y Change
0.4	(0.7)	(1.1)

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

Balance Sheet (Consolidated)

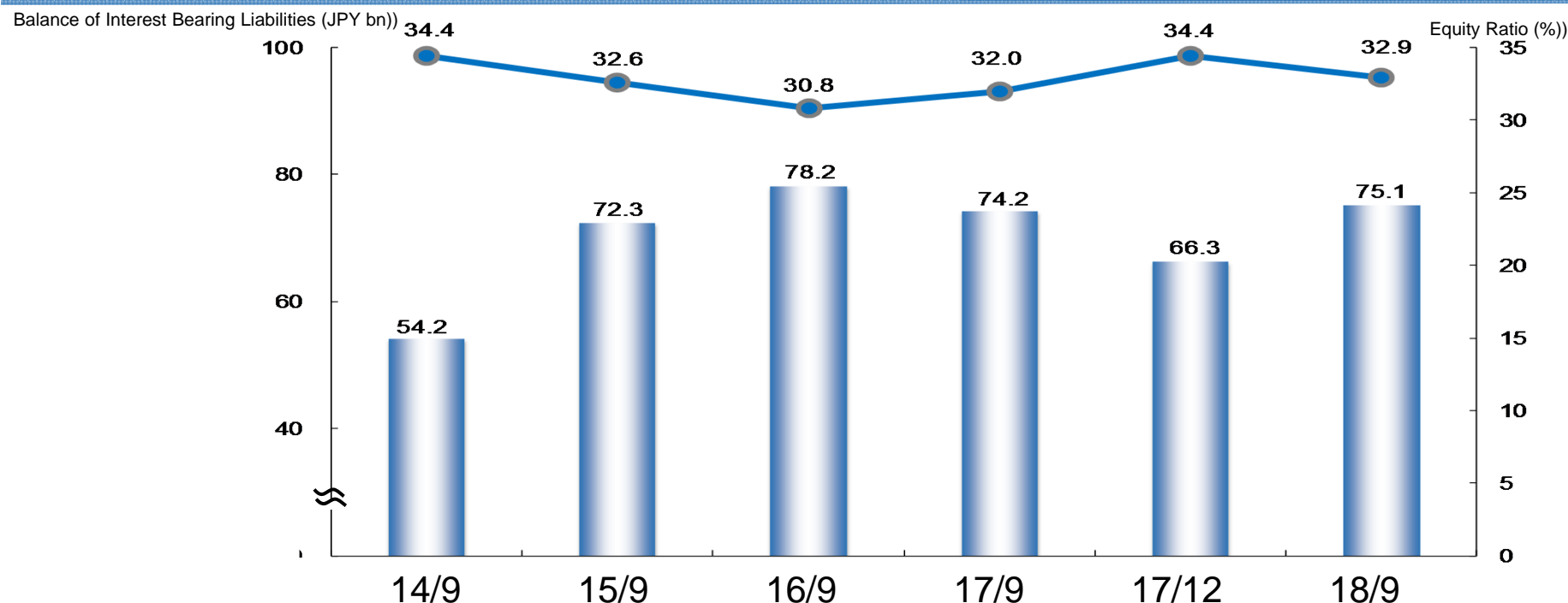
» Notes and accounts payable-trade decreased owing to production volume decrease

(JPY bn,)

	As of Sep.17	As of Sep.18	y o y change		As of Sep.17	As of Sep.18	y o y change
Cash & Deposits	8.5	7.8	(0.7)	Accounts Payables	46.4	42.8	(3.6)
Accounts Receivables	36.8	36.0	(0.8)	Interest Bearing Liabilities	74.2	75.1	0.9
Inventories	55.3	54.5	(0.8)	(loans payable)	67.1	68.8	1.7
(Merchandise and finished goods)	47.6	46.6	(1.0)	Other Liabilities	23.8	22.2	(1.6)
Other Current Assets	4.8	4.4	(0.4)	Total Liabilities	144.4	140.1	(4.3)
Total Current Assets	105.4	102.7	(2.7)	Net Assets	70.5	71.4	0.9
Non-current Assets	96.2	97.9	1.7	(Retained earnings)	17.0	18.1	1.1
Investments and other assets	13.3	10.9	(2.4)	(Valuation difference on available-for-sale securities)	1.5	1.1	(0.4)
(Investment securities)	6.6	6.0	(0.6)	(Foreign currency translation adjustment)	1.0	0.9	(0.1)
Total Non-current Assets	109.5	108.8	(0.7)	Total Liabilities and Net Assets	214.9	211.5	(3.4)
Total Assets	214.9	211.5	(3.4)				

Self-equity ratio/ Interest bearing liabilities

» Balance of Interest bearing liabilities and D/E ratio stayed in the same level Y o Y



loan payable, corporate bond	46.2	63.1	69.7	67.1	59.6	68.8
Lease obligations	8.0	9.2	8.5	7.1	6.7	6.3
Total	54.2	72.3	78.2	74.2	66.3	75.1
D/E Ratio	0.79	1.05	1.19	1.05	0.94	1.05

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

2. Recent Development in Domestic and Overseas Markets

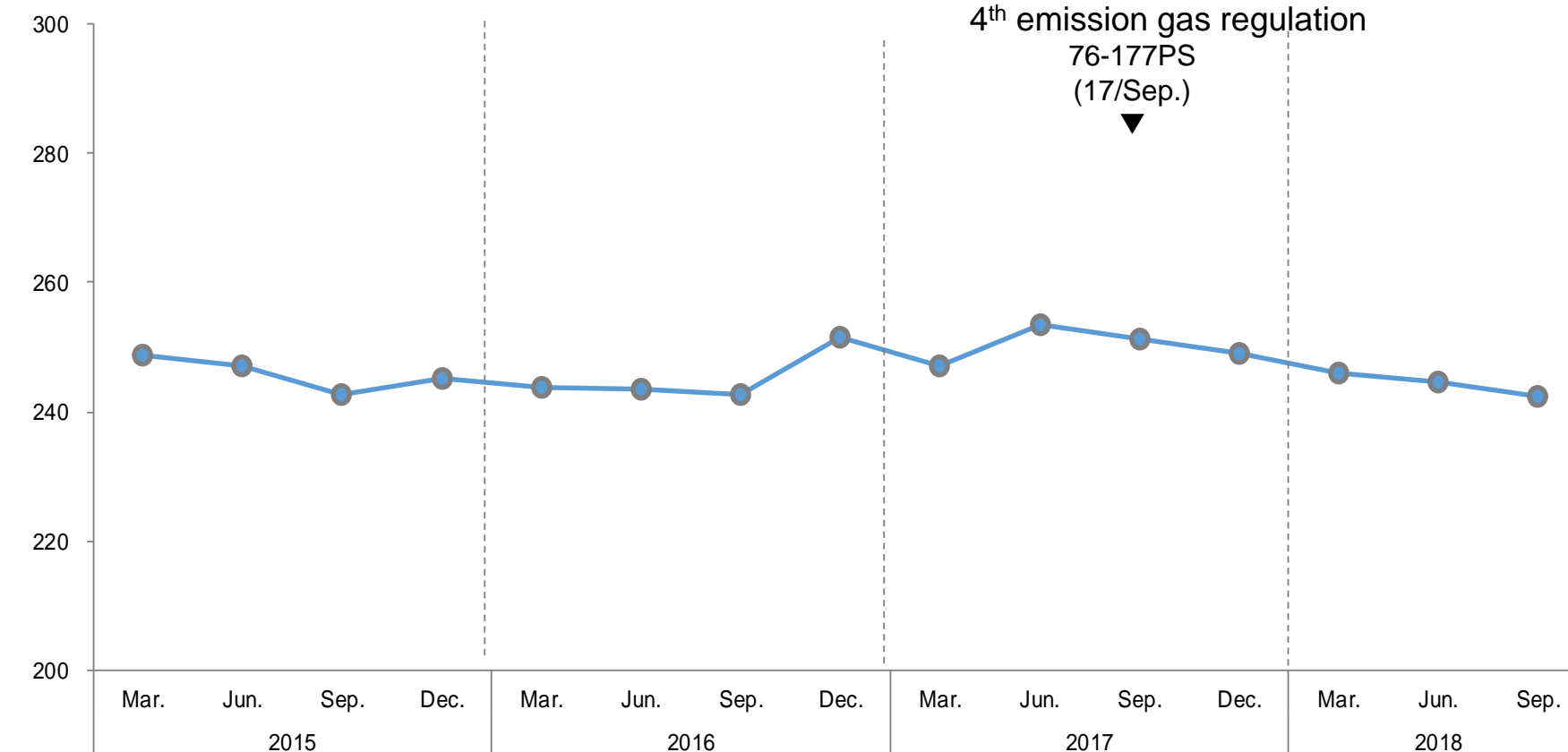
Trend of Domestic Market

» Market demand remains flat but bearish

Agricultural machinery demand [Industry shipment]

(9 principal machinery, moving annual total)

(JPY bn.)



*Source: Japan Agricultural Machinery Manufacturers Association

Domestic Agricultural Machinery Shipments and ISEKI's Performance



» Actual sales of our 9 models (moving year total) were the same as the previous year

YoY growth rate for 9 principal machinery categories (moving annual total) *ISEKI estimates (%)

		FY2015/9	FY2016/9	FY2017/9	FY2018/9
Industry	(Amount of shipment)	76%	100%	104%	96%
ISEKI	(Sales amount)	89%	98%	96%	98%

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

	Jan.- Mar.	Apr.- Jun.	Jul.- Sep.	Apr.- Sep.	Oct.
Sales amount	96%	101%	94%	97%	104%

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

Future Investment Strategy 2018

- Transformation to “Society 5.0”, “Data-driven society”-

Agricultural Sector: Reforms extending to entire agriculture, forestry and fisheries industries and realization of smart agriculture, forestry and fisheries industries

◆ State of major progresses of KPI

2025	<u>Almost every bearer farmer practices agriculture by using data</u>
2023	80% of the entire agricultural land area is utilized by bearers ⇒55.2% at the end of 2017
2023	40% reduction in rice production cost for bearers compared with 2011 ⇒32% in 2016
2019	Accomplish export amount of 1 trillion yen of agriculture, forestry and fisheries products/ foods ⇒807.1 billion yen in 2017

*Source: Extract from Future Investment Strategy 2018

Trend in Domestic Market

- » Powerful promotion toward realization of smart agriculture, forestry and fishery industries
 - ⇒ Request for budgetary appropriation for demonstration projects of smart agricultural machinery (5.0 billion yen)

Outline of demonstration projects for acceleration of smart agricultural machinery

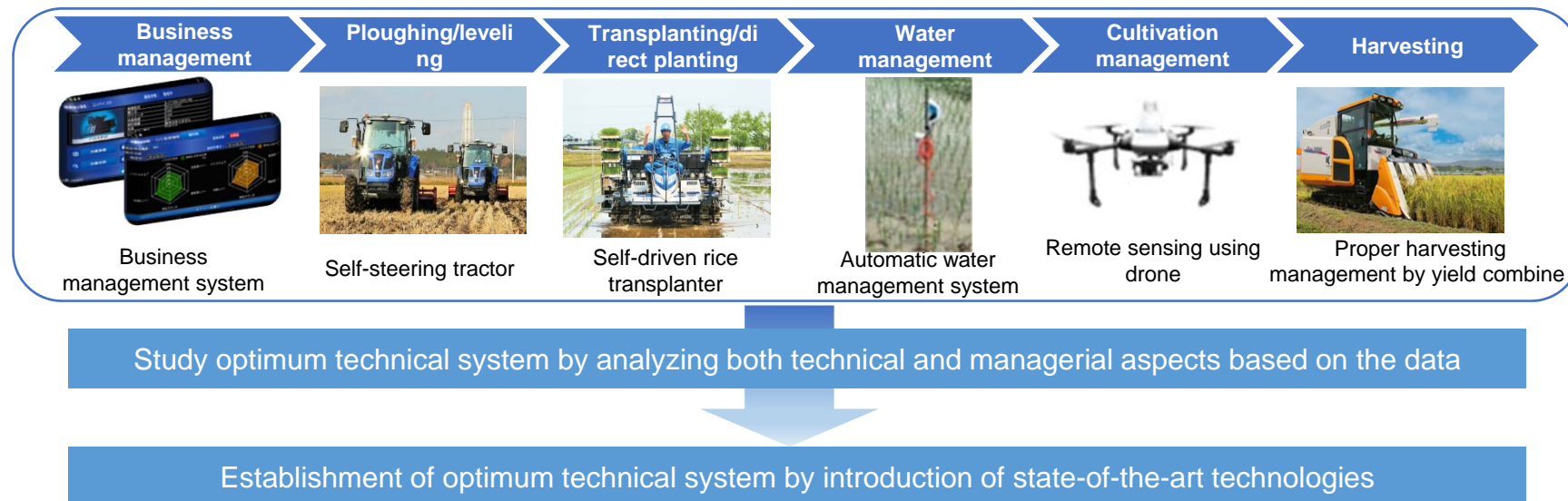
<Points of counter measures>

In order to advance societal implementation of “smart agriculture”, provide support to engagements to **construct state-of-the-art technologies systematically from production to shipment, conduct experimental studies in consistent manner** and to establish optimum technical system.

<Policy target>

Almost every bearer farmer practices agriculture by using data (by 2025)

<Project image> Example of a smart demonstration farm of large scale paddy field operation



*Source: Reedited for our use the outline of the request for agriculture, forestry and fishery budgetary appropriation for FY 2019

Domestic Our Engagement

» ISEKI ICT SOLUTION

Provide solution to agricultural issues by integrating state-of-the-art technologies



Easy to understand proposal of lineup of ISEKI's smart agriculture

ISEKI SENSING TECHNOLOGY

- Sensing state of growth of crops by using sensors, etc. (Highly accurate precision agriculture)

ISEKI DREAM PILOT (Auto-steering)

- Assist operational steering according to positional information (labor saving, high precision operation)

ISEKI AGRI MANAGEMENT SYSTEM

- Visualize by coordinating various data for uniform management (High precision business management, agri-business management)

By accumulating information visually, support enhanced productivity of agriculture

Domestic Our engagement

» Propose <integrated system fully using data> from tillage until drying preparation
Our engagement in open innovation matches to the project

Support Japanese agriculture



ISEKI smart agricultural machinery paddy field integrated system

Ploughing/leveling

Transplanting/direct planting

Cultivation management

Harvesting

After harvesting

ICT SOLUTION
ISEKI SENSING TECHNOLOGY
FEEL THE AGRI

High accuracy precision agriculture

First-rank rice
Enhanced quality

Tractor traveling assist

Other companies:
Guidance system

Robot tractor
(Developing)

★Manned monitored type
Scheduled sales in
December, 2018



Variable fertilizing rice transplanter



Robot rice transplanter
(Developing)

Straight-travel assisted rice transplanter



Speed sensitive fertilizing multi purpose vehicle

Other companies: Water temperature sensor data
Drone/satellite image



Smart fertilizing
(Developing)

Travel assisted multi-purpose vehicle

Yield combine



Robot combine
(Developing)

Mail transmission of operational status



Smart yield management
(Developing)

<(Example) Operational data by yield combine>

Operation record			
Operator	Yoshizaki	Operation hours	14:00-15:30
Machine	HJ6123 Yield combine	Measurement	At harvesting

ICT SOLUTION
ISEKI DREAM PILOT
FEEL THE AGRI

Labor saving/
High precision operation

ICT SOLUTION
ISEKI AGRIMANAGEMENT SYSTEM
FEEL THE AGRI

Agri-business Management

Agri-business management system



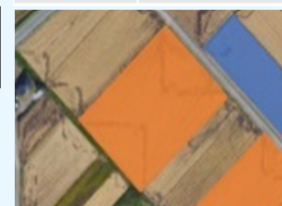
SMART FARMERS SUPPORT

Sensing data of other companies



agri-note

Send data from each maker to agri-note



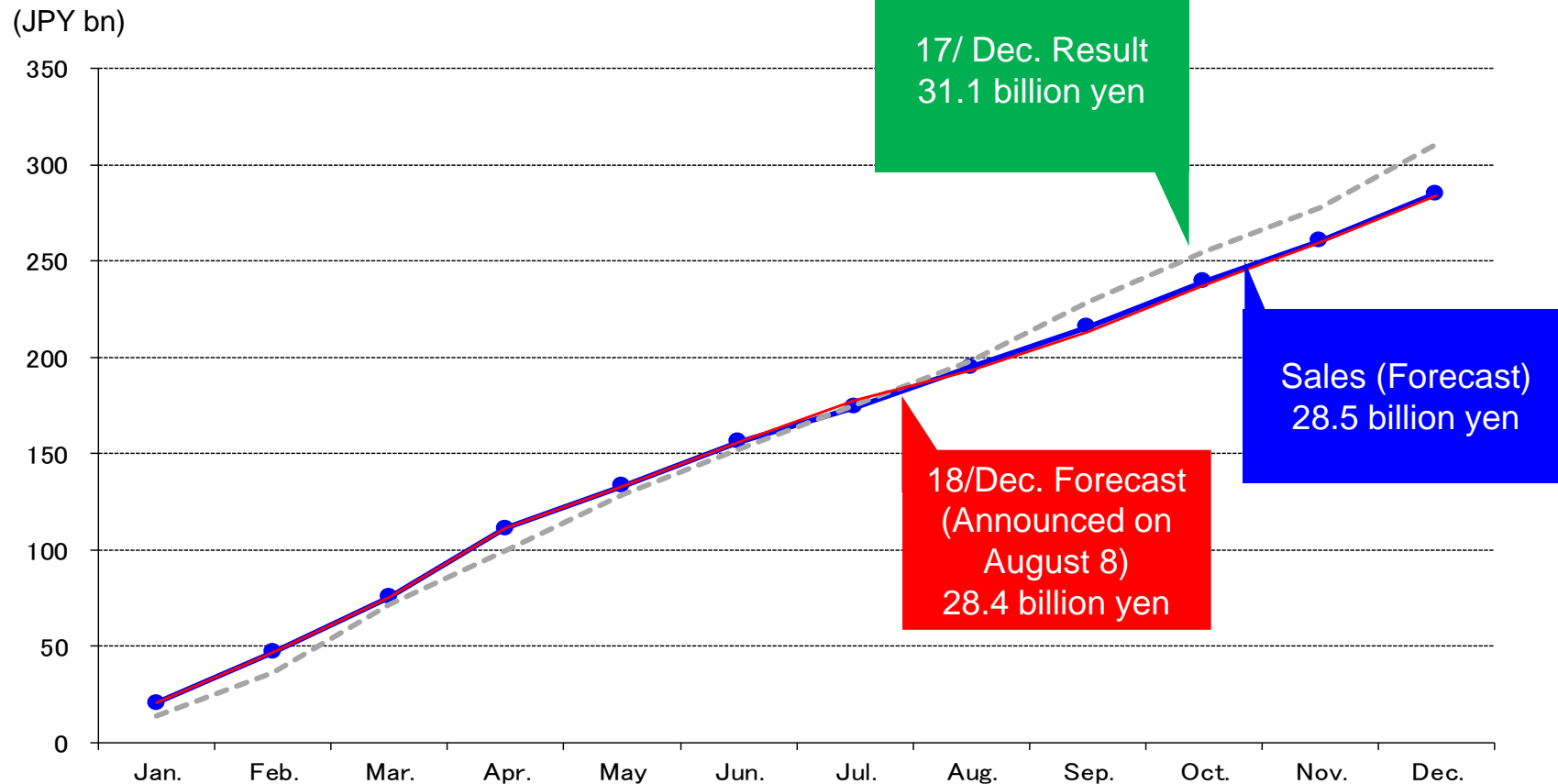
Harvesting result

Harvested weight	2675kg (590kg/10a)
Dried weight	2499kg (540kg/10a)
Average moisture	21.7%

Sales of robot tractor (manned monitored type) are scheduled in December, 2018

Latest trends of product sales in overseas

» Sales were less than the previous year due to local inventory adjustment in North America, ASEAN and China



*Product base, excluding "parts, others"

Market Trend (North America)

» Sales by AGCO outperformed the market. Promote further sales expansion by reinforced product competitiveness

1. Trend in the market

(1000 units, %)

Category (PTO HP)	Compact tractors (40HP and lower)		Utility tractors (40HP - 100HP)		Large class tractors (100PS and above)	
	USA	Canada	USA	Canada	USA	Canada
Jan.-Sep.2017	112	10	122	44	4	48
Jan.-Sep. 2018	122	11	133	44	4	48
Differences (%)	110%	104%	109%	101%	100%	101%

(Source: AEM Statistics)

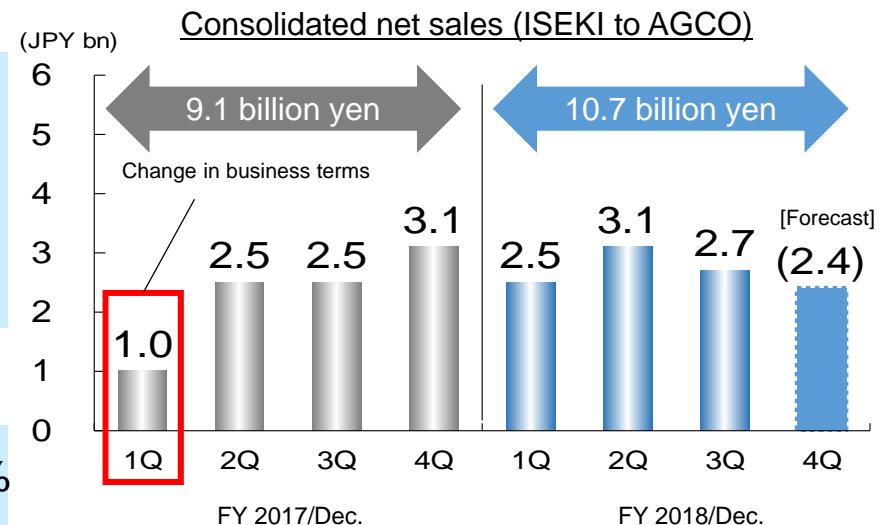
2. Situation of AGCO (OEM partner)

Unit sales (Jan.-Sep.2018)

- Compact tractors : YoY 118%
- Utility tractors : YoY 116%

3. Our situation for sales and orders

Order & shipment (Jan.-Dec. 2018) : YoY 129%



Market Trend (Europe)

» Our sales are expected to exceed the previous year as a result of reinforced product competitiveness and sales promotion efforts

1. Trend in the market

Demand in landscaping market has been affected by delayed start-up of spring season due to low temperature as well as unfavorable lawn growth condition.

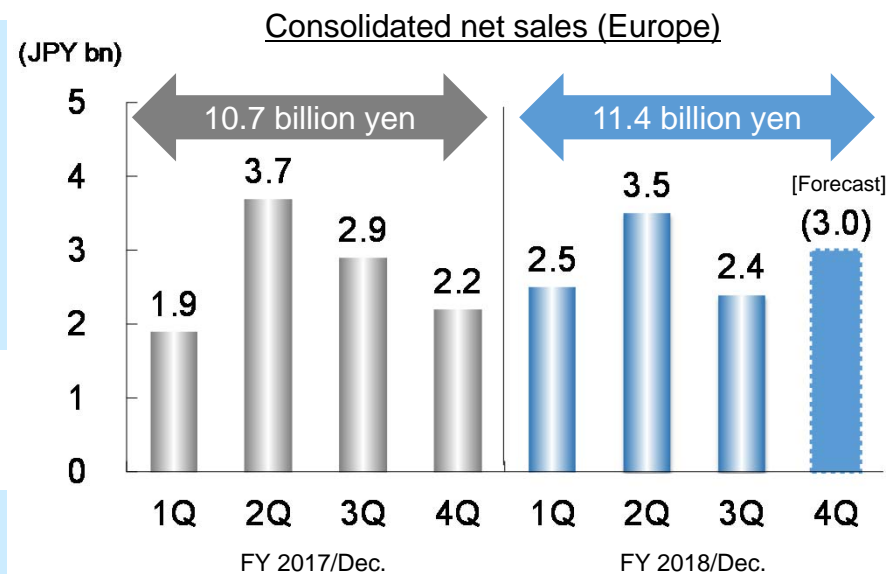
2. Situation of distributors

➤ Unit sales (Jan.-Sep.2018)

- Distributors : YoY 96%
(Unit sold base)
- ISEKI France S.A.S. : YoY 104%
(Consolidated subsidiary, amount base)

3. Current sales and orders at ISEKI

Order & Shipment (Jan.-Dec.2018) : YoY 128%



Market Trend (ASEAN: Thailand)

» Sales competition in the market has been intensified

1. Trend in the market

While farm product price remains stable, economic condition in farmers their purchasing motivation is sluggish.

2. Situation of the local distributor “IST Farm Machinery” (Investment 80% by Mitsubishi Corporation, 20% by ISEKI)

Number of units sold (ASEAN strategy tractor, Jan.-Sep.): YoY 82%

3. Current sales and orders at ISEKI

Order & Shipment (Jan.-Dec.2018) : YoY 71%



Market Trend (ASEAN: Others)

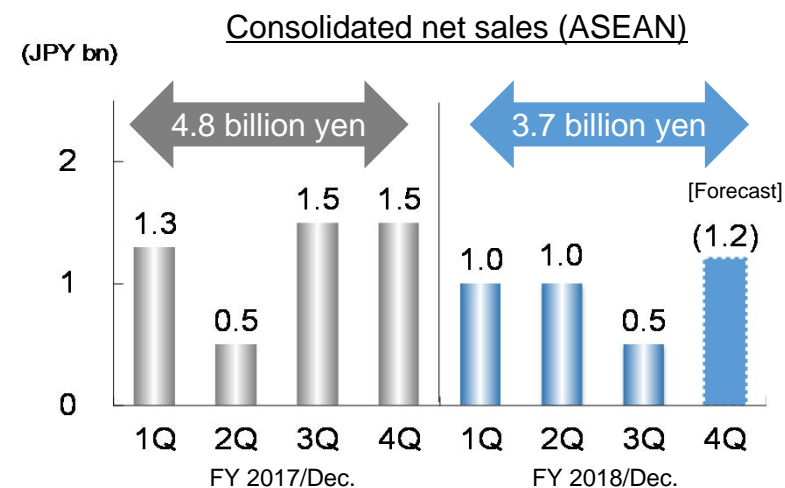
» We assume a partial shift in the tender in Indonesia from paddy field farming to dry field farming. We try to acquire orders by introducing machinery suitable for dry field farming.

■ Indonesia

- Market trend
Promotion of mechanization by government initiative from 2015 (Government tender)
- Our situation
Machine models for the tender vary each fiscal year. Tractors and walk-behind rice transplanters increased from the previous year.
In anticipation of the market expansion, we started establishment of a supply system of repair parts in ISEKI Thailand .

■ Others (Myanmar, etc.)

- Market trend
Demand is expected to increase in the progress of mechanization
- Our situation
Sales of combine harvesters in Myanmar have grown steadily.
Try to expand business with IST Farm Machinery and AGCO encompassing regional extension to Cambodia and Laos, etc.



PT. ISEKI INDONESIA (Manufacturing subsidiary)

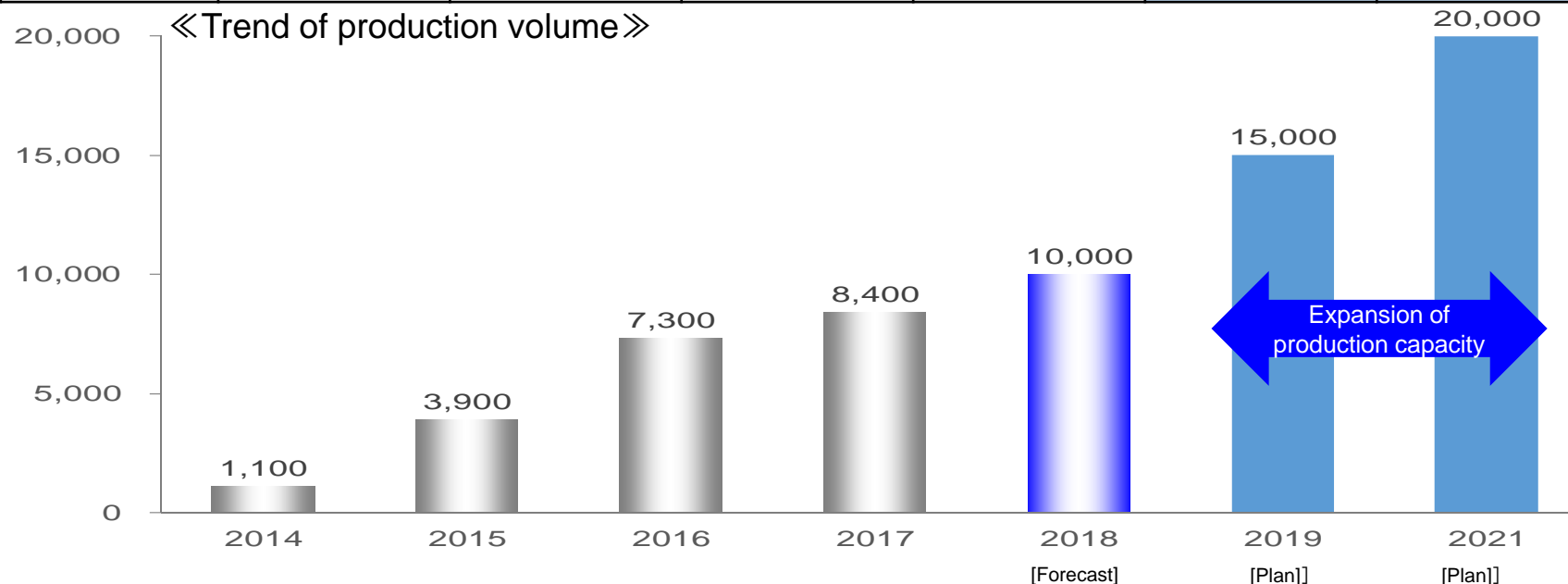


» Consolidated the systems for increased production.
We promote further reinforcement to make profit in overseas business.

*2018 includes

(Units, JPY bn)

	2014 Results	2015 Results	2016 Results	2017 Results	2018	
					Annual forecast	Jan. – Sep.
Production Volume	1,100	3,900	7,300	8,400	10,000	7,100
Operating income	(0.3)	(0.4)	(0.3)	0.3	0.1	0.0



Market trend (China)

» Basic trends remained inactive due to the effects of delayed announcement of distribution of subsidy by Chinese government (behind by 2 months from ordinary years) as well as low price of rice and wheat.

1. National government subsidy

(Yuan bn)

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

2. Trends in agricultural machinery industry Jan.-June. 2018 (Y o Y, Units)

(%)

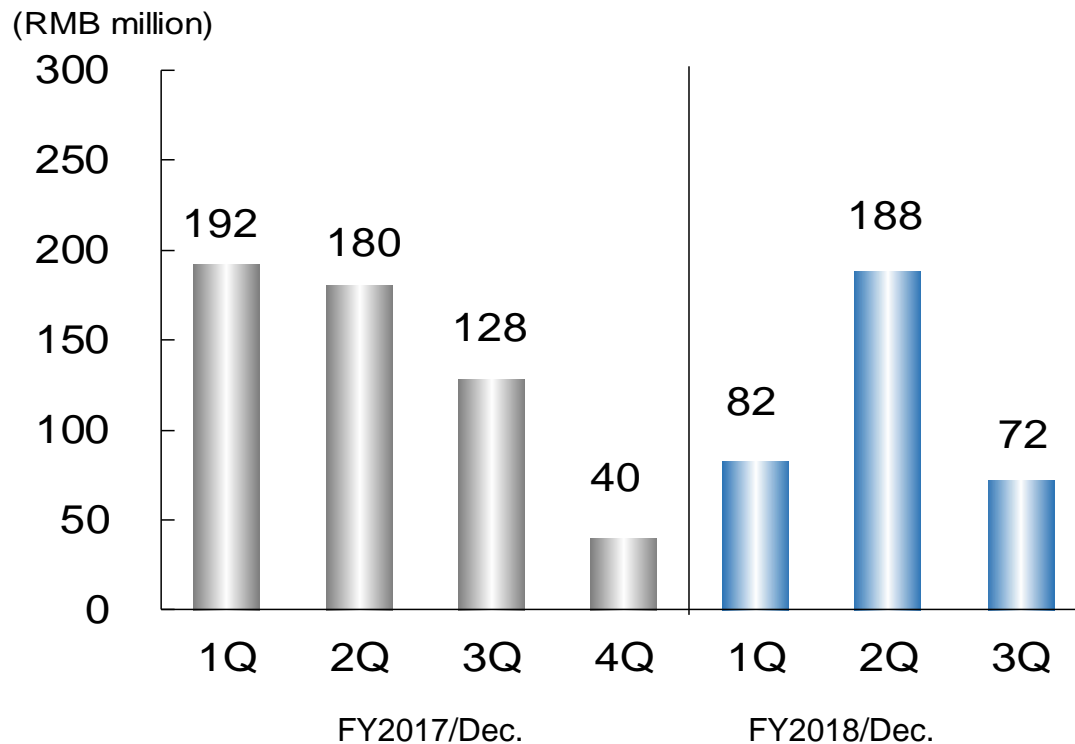
	* Industry	Dongfeng Iseki
Rice transplanter (Walk-behind, Ride-on)	(33%)	(23%)
Combine harvester (General- purpose, Self-threshing)	(26%)	+ 62%
Tractor (70-110hp)	(23%)	+ 65%

* (Source) China Agricultural Machinery Industry Association

» Intensified sales competition in the midst of sluggish market.

1. Situation of Dongfeng Iseki

■ Net sales of Dongfeng Iseki (local currency base)



■ Sales situation of Dongfeng Iseki (Jan.-Sep. 2018)

- In domestic sales in China, sales of rice transplanters decreased.
- In terms of export to ASEAN, combine harvesters directed to Indonesia decreased.

Reinforcement of a organization in Dongfeng Iseki Agricultural machinery



Reinforce a development, manufacturing, sales,
after sales service systems together with Dongfeng
Group



Personnel refreshment

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

» Operating income: Gross profit decreased due to declined sales
 Ordinary income :Deteriorated share of profit or loss of equities using equity method

< Consolidated business forecast >

(JPY bn)

	FY ended Dec.17	FY ending Dec.18	FY ending Dec.18	Diff.	
	Actual	Previous forecast	Latest forecast	y o y	previous / latest forecast
Net Sales	158.4	158.0	155.0	(3.4)	(3.0)
(Domestic)	123.1	125.2	121.9	(1.2)	(3.3)
(Overseas)	35.3	32.8	33.1	(2.2)	0.3
Operating Income	4.0	4.5	3.2	(0.8)	(1.3)
Ordinary Income	4.2	4.3	2.6	(1.6)	(1.7)
Profit attributable to owners of parent	2.8	3.2	1.4	(1.4)	(1.8)

※Previous forecast: announced on Aug8 Latest forecast: announced on Nov12

▪ The assumed foreign exchange rates for the fiscal year:¥110 per U.S. dollar(unchanged),¥130 per euro(unchanged)

< Dividend forecast >

	FY ended Dec.17 Actual	FY ending Dec.18 forecast (announced on Feb13)
Year-end Dividend(yen)	30	30

Forecast of domestic sales

» Reflecting a decrease in sales of agricultural machinery and construction of facilities

※Previous forecast : announced on Aug8 Latest forecast : announced on Nov12

(JPY bn.)

		FY ended Dec.17	FY ending Dec.18	FY ending Dec.18	Diff.		
					Actual	Previous forecast	Latest forecast
Agricultural Machinery Related	Agricultural Machinery	Cultivating & Mowing Machinery	28.2	28.4	26.4	(1.8)	(2.0)
		Planting Machinery	8.5	9.1	9.2	0.7	0.1
		Harvesting & Processing Machinery	20.4	20.5	20.3	(0.1)	(0.2)
		Total	57.1	58.0	55.9	(1.2)	(2.1)
		Farming Implements	19.7	21.2	20.5	0.8	(0.7)
		Spare parts	14.7	14.9	14.9	0.2	0.0
		Repair fees	5.4	5.5	5.6	0.2	0.1
		Total	39.8	41.6	41.0	1.2	(0.6)
		Total	96.9	99.6	96.9	0.0	(2.7)
		Construction of Facilities	6.6	6.2	5.4	(1.2)	(0.8)
	Others	19.6	19.4	19.6	0.0	0.2	
	Total	123.1	125.2	121.9	(1.2)	(3.3)	

Forecast of overseas sales

» Almost in line with the previous forecast

※Previous forecast: announced on Aug8 Latest forecast: announced on Nov12

(JPY bn.)

	FY ended Dec.17	FY ending Dec.18	FY ending Dec.18	Diff.	
	Actual	Previous forecast	Latest forecast	y o y	previous / latest forecast
North America	9.1	10.7	10.7	1.6	0.0
Europe	10.7	11.1	11.4	0.7	0.3
China	3.8	1.1	1.0	(2.8)	(0.1)
ASEAN	4.8	3.9	3.7	(1.1)	(0.2)
Others	2.7	1.6	1.7	(1.0)	0.1
Product Sales Total	31.1	28.4	28.5	(2.6)	0.1
Parts & Others	4.2	4.4	4.6	0.4	0.2
Total	35.3	32.8	33.1	(2.2)	0.3

4. Topics

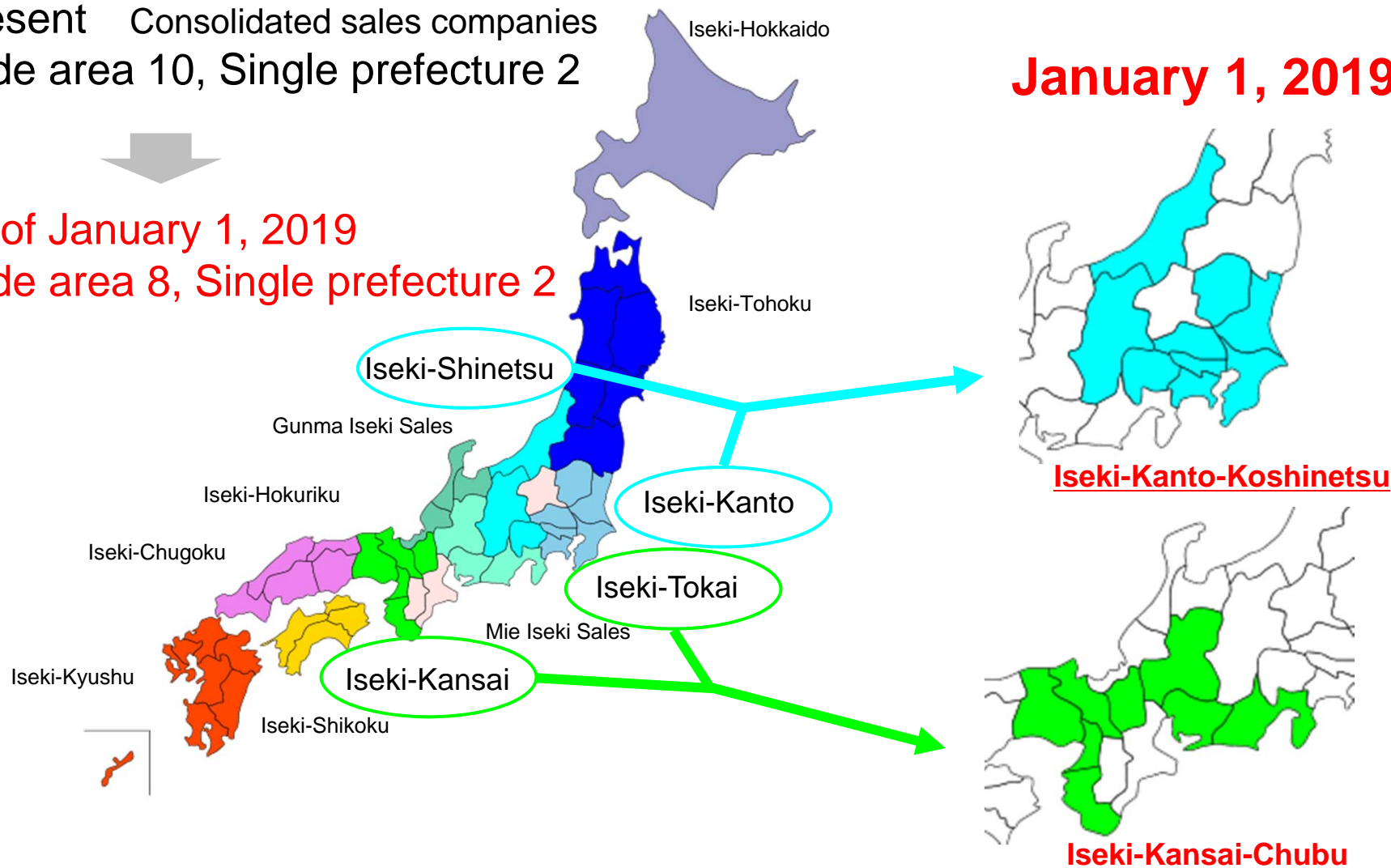
Reinforced responses to domestic agriculture

» Expansion of sales/service system <Block Strategy>

Present Consolidated sales companies
Wide area 10, Single prefecture 2

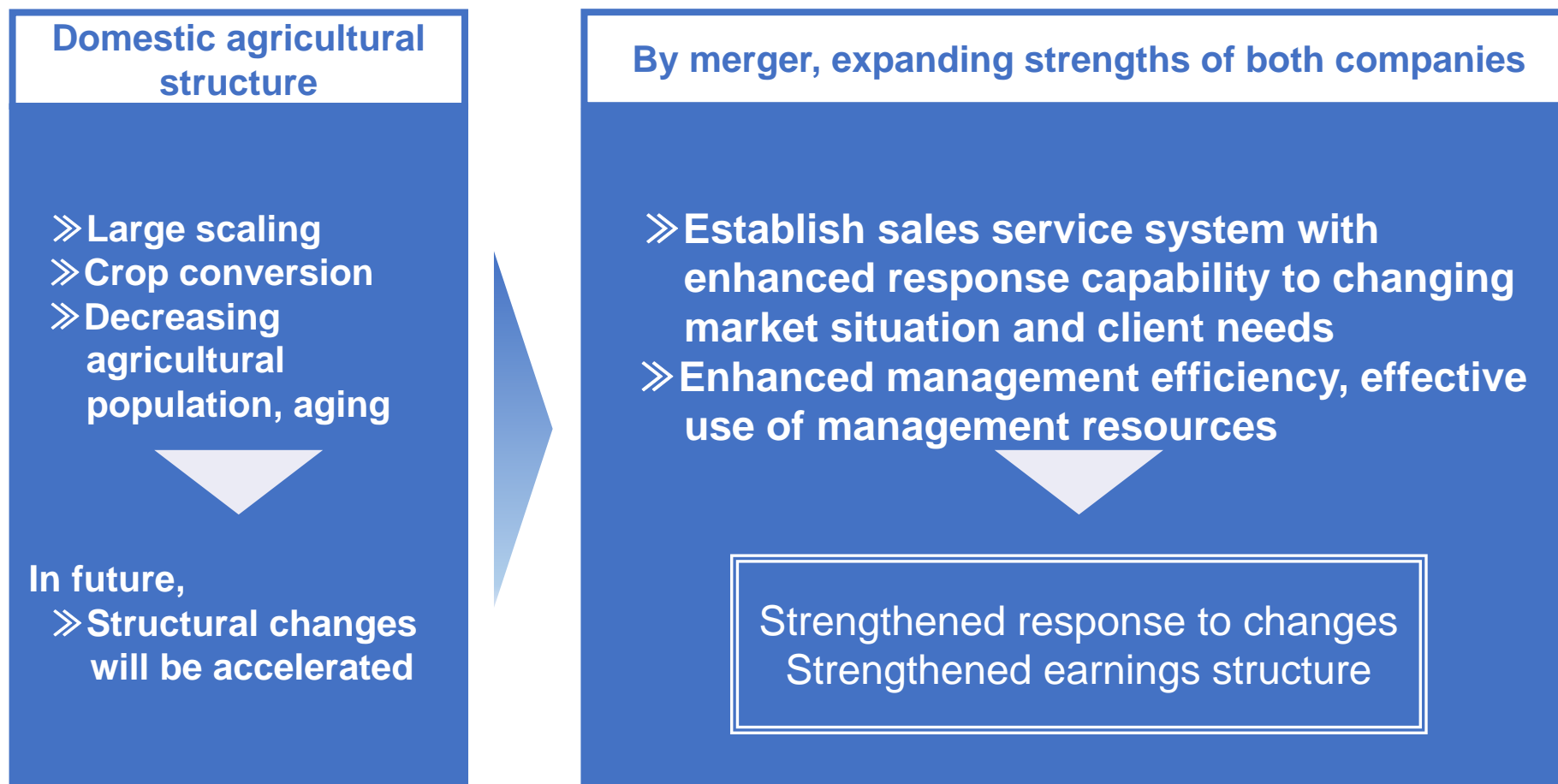


As of January 1, 2019
Wide area 8, Single prefecture 2



Reinforced responses to domestic agriculture

» Expansion of sales/service system <Block Strategy>



Working style reform



Job streamlining
- Enhanced productivity –



Establish job streamlining project

Job streamlining

As one of the basic management policies,
engage with the entire company



Complete elimination of jobs which are
unreasonable/useless/inconsistent



Enhance profitability

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”.