



Financial Results for the First Quarter Fiscal Year Ending December 2019 Investor Relations Presentation Materials

President Shirou Tomiyasu May 16, 2019



1. Outline of Financial Results for the First Quarter
Fiscal Year Ending December, 2019
2. Domestic and Overseas Markets
3. Performance Forecast for the Fiscal Year Ending
December 31, 2019
4. Topics

■ Results of the First Quarter of the Fiscal Year ending December 31, 2019

<Y o Y>

- Net sales : Domestic) Decreased as a reaction to major facility works in the same period of the previous year
Overseas) While sales remained solid in North America and Europe, it declined due to local inventory adjustments in China and ASEAN.
- Operating income : In spite of a decline in gross profits due to reduced sales, profit margin was improved due to disappearance of temporary factors in the previous year. There was a reduction in selling, general and administrative expenses, but operating income resulted in -0.2 billion yen.

<Compared to the plan>

While domestic sales was unattained, profits remained almost in line with the plan due to reduction in selling, general and administrative expenses.

1 . Outline of Financial Results for the First Quarter Fiscal Year Ending December, 2019



Outline of Consolidated Business Performance

(JPY bn,%)

	1Q of FY ended Dec.18		1Q of FY ending Dec.19		Y o Y change	Diff. (Target/Actual)
	Actual	%	Actual	%		
Net Sales	36.8	100.0	33.3	100.0	(3.5)	(1.4)
(Domestic)	28.4	77.1	25.4	76.2	(3.0)	(2.0)
(Overseas)	8.4	22.9	7.9	23.8	(0.5)	0.6
Operating Income	(0.6)	(1.6)	(0.8)	(2.2)	(0.2)	0.0
Ordinary Income	(0.9)	(2.5)	(1.1)	(3.3)	(0.2)	(0.1)
Profit (Loss) attributable to owners of parent	(0.3)	(0.9)	(0.4)	(1.4)	(0.1)	(0.1)
Exchange rate	US\$	110.1	110.5		0.4	2.5
	Euro	134.3	126.3		(8.0)	1.3

Domestic Sales

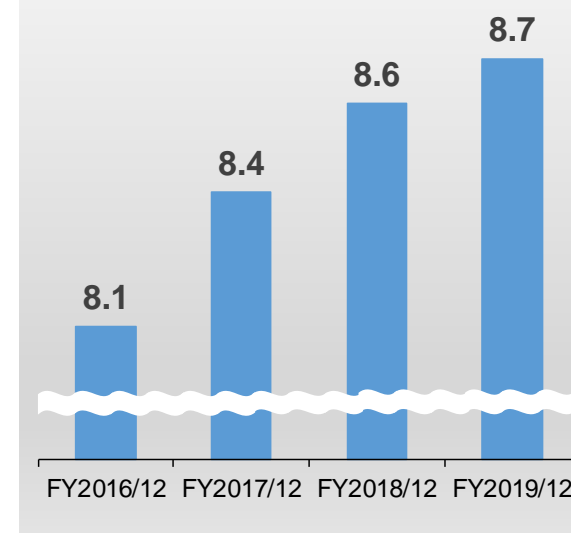


YoY
-¥3.0 billion

Farming implements, spare parts and repair fees continued to perform solidly.
Sales in construction of facilities declined due to disappearance of major construction works in the previous year.

(JPY bn)		1Q of FY ended Dec.18 Actual	1Q of FY ending Dec.19 Actual	YoY change		Diff. (Target/ Actual)	
					Note		
Agricultural Machinery Related	Agricultural Machinery	Cultivating & Mowing Machinery	7.2	6.7	(0.5)	Tractors: (0.4)	(0.7)
		Planting Machinery	2.2	2.2	0.0		(0.2)
		Harvesting & Processing Machinery	2.8	2.8	0.0		0.0
	Total		12.2	11.7	(0.5)		(0.9)
		Farming Implements	4.9	4.9	0.0		(0.2)
		Spare Parts	2.7	2.8	0.1		(0.1)
		Repair Fees	1.0	1.0	0.0		(0.1)
		Total	8.6	8.7	0.1		(0.4)
	Total		20.8	20.4	(0.4)		(1.3)
	Construction of Facilities		2.7	0.6	(2.1)		(0.3)
Others		4.9	4.4	(0.5)		(0.4)	
Total		28.4	25.4	(3.0)		(2.0)	

【Sales trends for farming implements, spare parts, repair fees】
(Jan.-Mar. JPY bn)



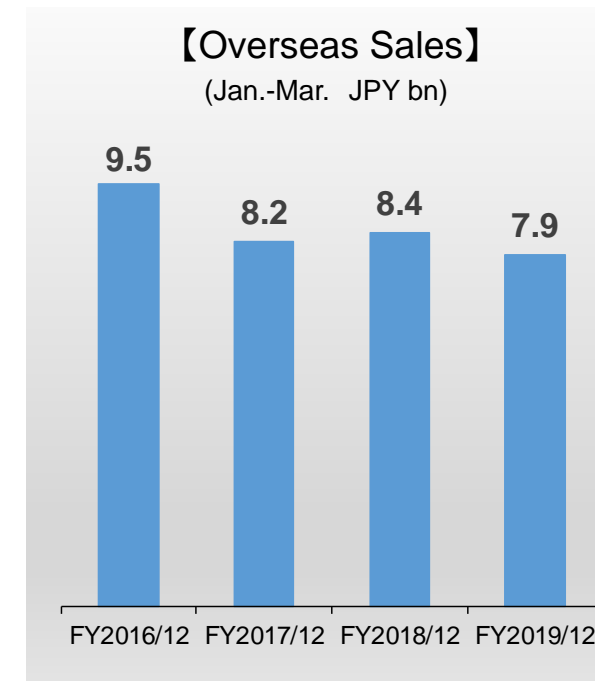
Overseas Sales



YoY
-¥0.5 billion

While sales remained solid in North America and Europe, it declined in China and ASEAN due to local inventory adjustments.

(JPY bn)	1Q of FY ended Dec.18 Actual	1Q of FY ending Dec.19 Actual	YoY change		Diff. (Target/Actual)
				Note	
North America	2.5	2.8	0.3	Tractors: 0.3	(0.2)
Europe	2.5	2.4	(0.1)		0.5
China	0.7	0.0	(0.7)	Local inventory adjustment, Rice trans planters: (0.6)	(0.1)
ASEAN	1.0	0.6	(0.4)	Local inventory adjustment in Thailand, Tractors: (0.3)	0.2
Others	0.9	1.1	0.2	Korea: 0.2	0.1
Product Sales Total	7.6	6.9	(0.7)		0.5
Parts & Others	0.8	1.0	0.2		0.1
Total Sales	8.4	7.9	(0.5)		0.6



Operating Income



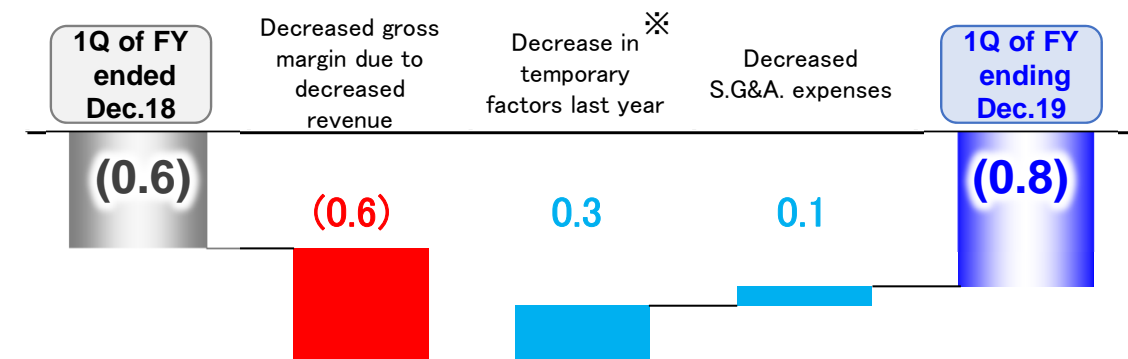
Y o Y
-¥0.2 billion

Profit margin of operating income improved due to disappearance of temporary factors in the previous period. The income was reduced Y o Y by declined gross profits from reduced sales.

	1Q of FY ended Dec.18 Actual	1Q of FY ending Dec.19 Actual	Y o Y change	Diff. (Target/Actual)
Net Sales	36.8	33.3	(3.5)	(1.4)
Gross Profit	9.9	9.6	(0.3)	(0.4)
Gross Profit Margin	27.0%	28.9%	1.9%	0.1%
S.G&A. Expenses	10.5	10.4	(0.1)	(0.4)
Personnel Expenses	6.2	6.1	(0.1)	(0.2)
Other Expenses	4.3	4.3	0.0	(0.2)
Operating Income	(0.6)	(0.8)	(0.2)	0.0

(JPY bn, %)

[Breakdown of YoY Change]



※temporary factors last year:

- Decreased temporary factors such as the application of the principle of calculating retirement benefits upon the merger of subsidiaries +0.2
- Decreased profitability deterioration due to unprofitable construction work +0.1

[Effect of forex fluctuations (JPY bn)]

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

Ordinary Income, Quarterly Net Income

ISEKI

Ordinary
Income
YoY
-¥0.2 billion

Decreased due to appropriation of investment loss on equity method and foreign-exchange losses

(JPY bn)	1Q of FY ended Dec.18 Actual	1Q of FY ending Dec.19 Actual	YoY change	Diff. (Target/ Actual)
Operating Income	(0.6)	(0.8)	(0.2)	0.0
Balance of Financial Income	(0.2)	(0.2)	0.0	0.0
Other Non-operating Income	(0.1)	(0.1)	0.0	(0.1)
Ordinary Income	(0.9)	(1.1)	(0.2)	(0.1)
Extraordinary Income	0.0	0.0	0.0	0.0
Extraordinary Losses	0.0	0.0	0.0	0.0
Income before Income Taxes	(0.9)	(1.1)	(0.2)	(0.1)
Income Taxes - Deferred	0.6	0.7	0.1	0.0
Profit (Loss) Attributable to Owners of Parent	(0.3)	(0.4)	(0.1)	(0.1)

Non-operating Income (YoY change)	
Foreign exchange gains or losses	+¥0.2 billion
Share of profit or loss of entities using equity method	-¥0.2 billion

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

FY2018/12	FY2019/12	Change
(0.2)	(0.4)	(0.2)

Balance Sheet (Consolidated)

Y o Y

Trade receivable decreased and inventory increased due to reduced sales.
On the other hand, interest bearing liabilities increased due to increased capital investment and advances to affiliates.

(JPY bn)	As of Mar.18	As of Mar.19	Y o Y Change		As of Mar.18	As of Mar.19	Y o Y Change
Cash & Deposits	8.4	8.1	(0.3)	Accounts Payable - Trade	44.4	43.7	(0.7)
Accounts Receivable – Trade	32.4	28.0	(4.4)	Interest-bearing Liabilities	74.9	76.9	2.0
Inventories	56.5	58.2	1.7	(Loans Payable)	68.3	69.0	0.7
Other Current Assets	2.6	5.8	3.2	(Lease obligations)	6.6	7.9	1.3
(Short-term loans receivable)	0.0	2.8	2.8	Other Liabilities	21.8	22.1	0.3
Total Current Assets	99.9	100.1	0.2	Total Liabilities	141.1	142.7	1.6
Property, plant and equipment	95.6	97.5	1.9	Net Assets	69.1	67.9	(1.2)
Intangible assets	1.1	1.2	0.1	(Retained Earnings)	15.5	15.8	0.3
Investments and Other Assets	13.6	11.8	(1.8)	(Valuation Difference on Available-for-sale Securities)	1.2	0.5	(0.7)
(Investment securities, Capital)	8.8	7.2	(1.6)	(Foreign Currency Translation Adjustment)	1.0	0.9	(0.1)
Total Non-current Assets	110.3	110.5	0.2	Total Liabilities and Net Assets	210.2	210.6	0.4
Total Assets	210.2	210.6	0.4				

2. Domestic and Overseas Markets



Domestic Agricultural Machinery Market Trends

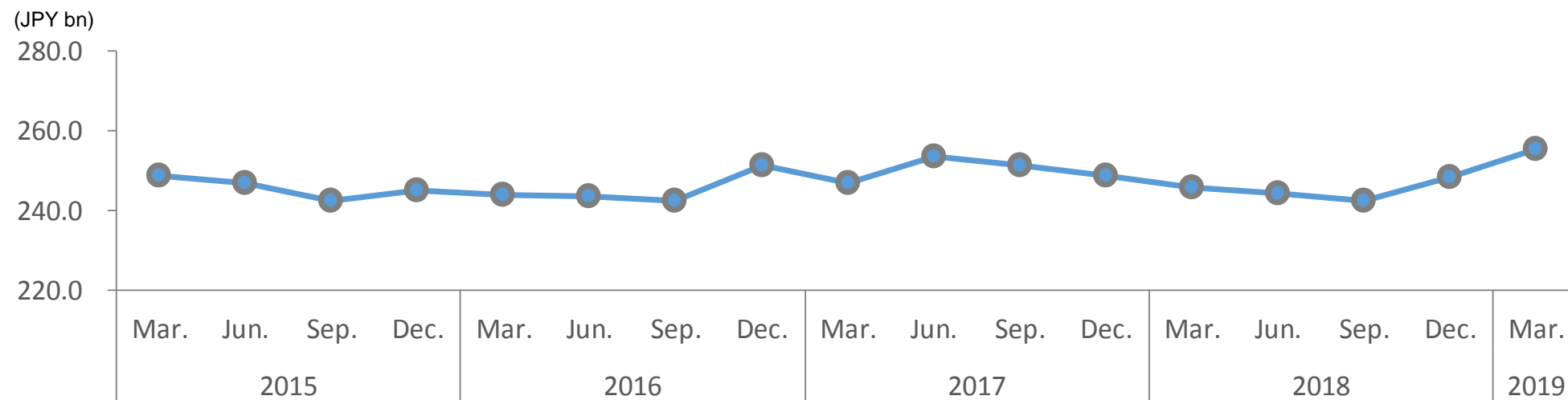


Domestic
agricultural
machine
demand

Domestic demand for agricultural machinery is flat

■ Agricultural machinery demand (shipments in the industry)

(9 principal machinery, moving annual total)



*9 principal machinery: Tractors, combine harvesters, rice transplanters, tillers, drying machines, rice huskers, binders, harvesters, treatment

Source: Estimated by ISEKI from statistics provided by the Japan Agricultural Machinery Manufacturers Association

Domestic agricultural machine demand

ISEKI remained in line with the previous year

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

*ISEKI estimates (%)

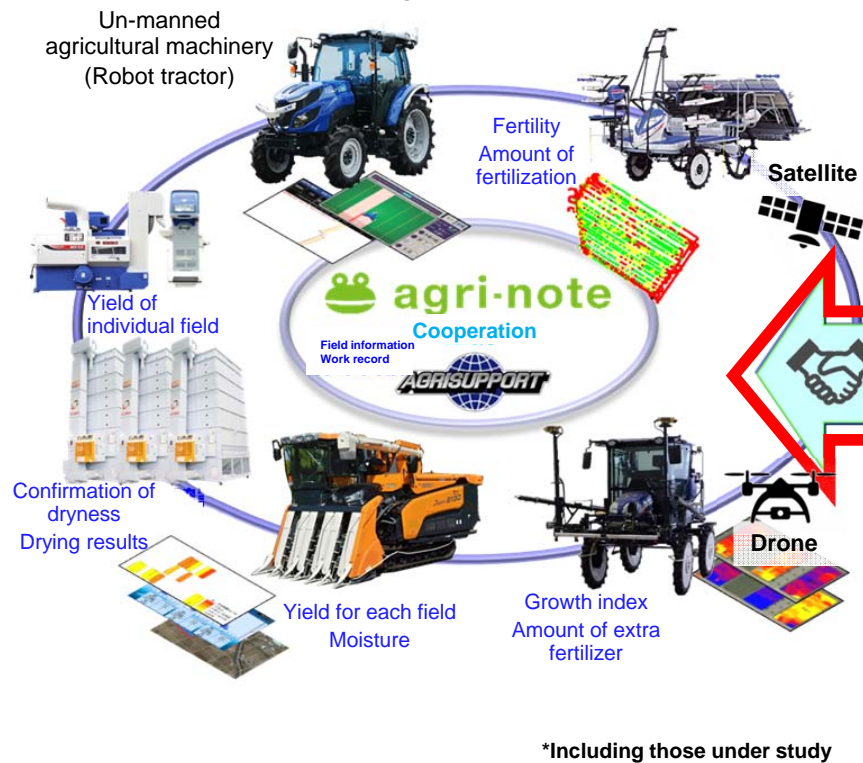
		FY2017/3	FY2018/3	FY2019/3
Industry	(Amount of shipment)	101%	100%	104%
ISEKI	(Sales amount)	91%	101%	99%

*9 principal machinery: Tractors, combine harvesters, rice transplanters, tillers, drying machines, rice huskers, binders, harvesters, treatment

Smart Agriculture

Smart Agriculture Toward provision of the integrated system of smart agriculture mechanization in wet rice cultivation, we start offering of growth management/growth diagnosis products.

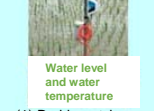
<ISEKI's smart agricultural machinery>



Offering to start <Growth management/ growth diagnosis products>

Growth management

Water level and water temperature



(1) Paddy watch (vegetalia, inc.)



(2) Water circulation (SEKISUI CHEMICAL CO., LTD.)

Growth diagnosis

Image analysis



(3) IROHA (SkymatiX, Inc.)



(4) Appare (KOKUSAI KOGYO CO., LTD.)

Water level/water temperature sensor for wet rice cultivation
>Monitoring water level/water temperature from remote place by smart phones and personal computers

Multi-function type water supplying equipment
>Water supply is opened/closed automatically.
Labor saving in water management work and water saving effect

Leaf color analysis cloud service
>Record field condition by analyzing drone images.
Facilitate daily check of leaf color, realizing detailed production management

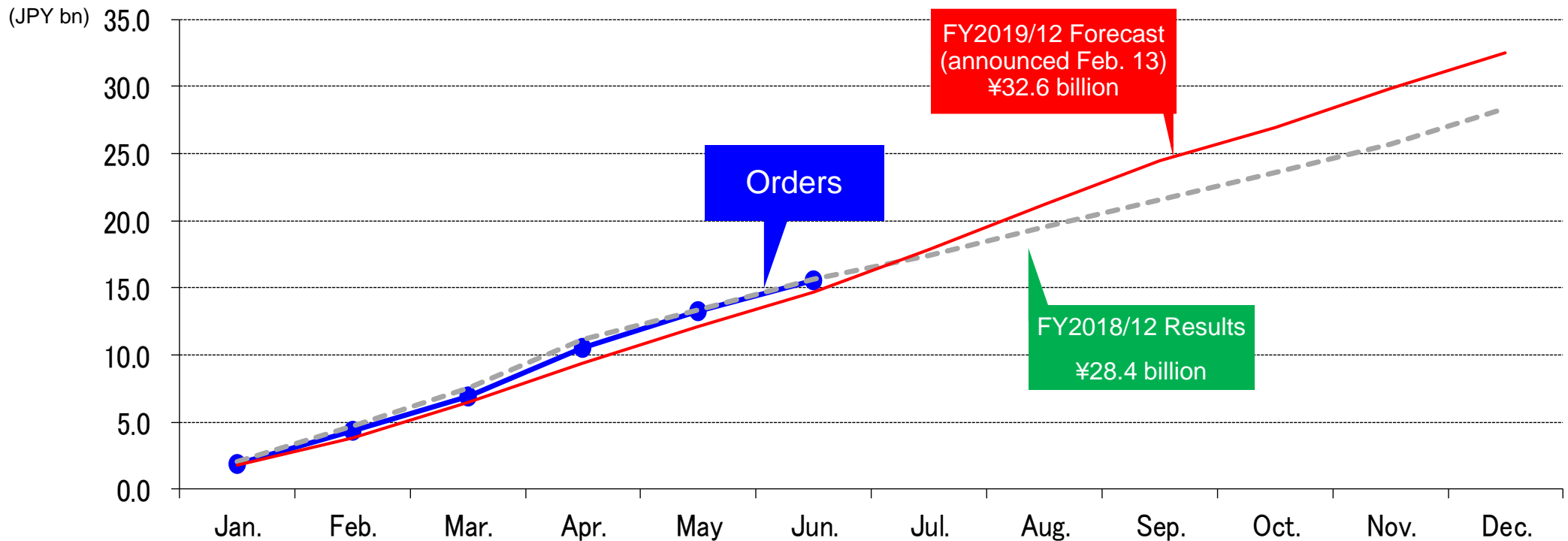
Agri-business support service
>Diagnose growth condition by analyzing satellite or drone images. Grasp protein content or moisture content of rice husks.

Recent Market Trends Overseas



Overseas
orders
received

Almost as planned



*Based on finished products. "Parts & Others" is not included.

Market Trend (North America)



North America

Sales of both compact and utility tractors by AGCO outperformed the market. Our orders received also remained solid centering on compact tractors in line with strong sales by AGCO.

1. Trend in the market

Category	(1000 units, %)		
	40HP and lower (Compact tractors)	40HP - 100HP (Utility tractors)	100PS and above
Jan.-Mar.2018	29	13	4
Jan.-Mar. 2019	31	12	4
Differences (%)	109%	97%	94%

(Source: AEM Statistics)

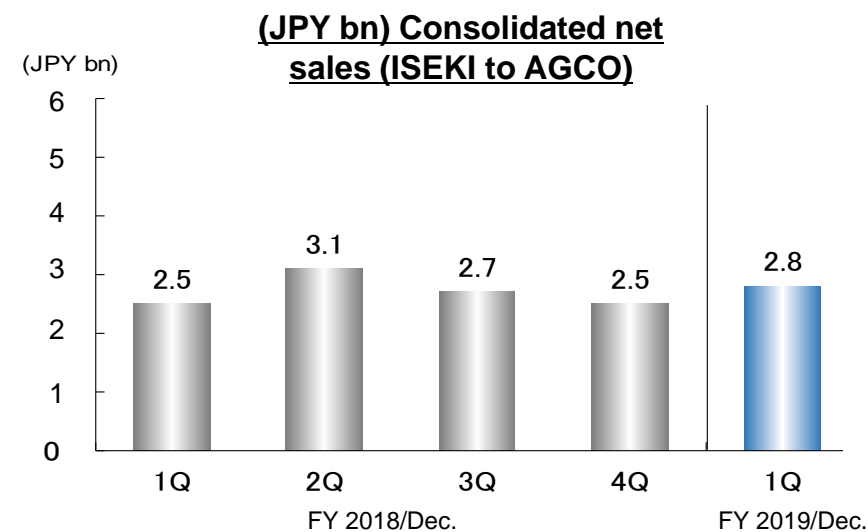
2. Situation of AGCO (OEM partner)

Unit sales (Jan.-Mar.2019)

- Compact tractors : YoY 117%
- Utility tractors : YoY 100%

3. Our situation for sales and orders

Order & shipment (Jan.-Jun. 2019) : YoY 113%



Market Trend (Europe)

Europe

Weather conditions backed up the performance in landscaping market. Our orders received declined Y o Y as scheduled in anticipation of the model change in the second half.

1. Trend in the market

With respect to landscaping market, its winter business remained solid centering on Germany and Northern Europe due to increased amount of snowfall. We also expect demand for lawnmowers due to favorable weather in early spring. On the other hand, the pace of economic recovery in the Eurozone has been decelerated as a whole. We watch the prospects carefully including the issue of exit of the UK from the EU.

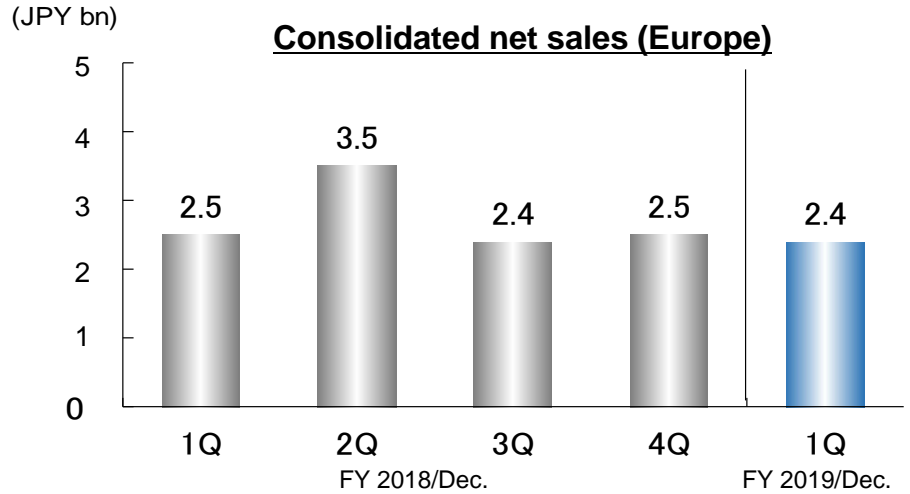
2. Situation of distributors

- Unit sales (Jan.-Mar.2019)
 - Local distributors: YoY 110% (Unit sold base)

3. Current sales and orders at ISEKI

Order & Shipment : YoY 77%
 (Jan.-Jun.2019) : Vs plan 100%

Despite influence of the shipping adjustment before the model change (tractors), local sales remained fairly solid, and we expect a recovery in the second half through the introduction of new products.



Thailand

Intensified sales competition due to expansion of sales financing, etc. by our competitors

1. Trend in the market

Competition has been intensified through progressed sales promotion drive including provision of zero- down payment for users.

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.-Mar.2019): YoY 88%

3. Current sales and orders at ISEKI

Order & Shipment (Jan.-Jun.2019) : Substantial decline by inventory adjustment

- While our order & shipment declined substantially due to restrained purchase by IST, reduction in the trade inventory progressed.



Market Trend (ASEAN: Others)

ISEKI

ASEAN
Others

We promote sales expansion through enhanced sales & service system by ISEKI Thailand and tie-ups with our partners in other areas.

■ Indonesia

➤ Market trend

Promotion of mechanization by government initiative which has continued from 2015 (Government tender)

While government tender continued in 2019, we took wait and see attitude toward the presidential election. Since election is over and the present government will continue, we expect tender in the second half.

➤ Our situation

We secured orders received as a normal-year until April. We strengthened sales and service support for our distributors. In anticipation of future market expansion, we started establishment of a supply system of repair parts with ISEKI Thailand as its base.

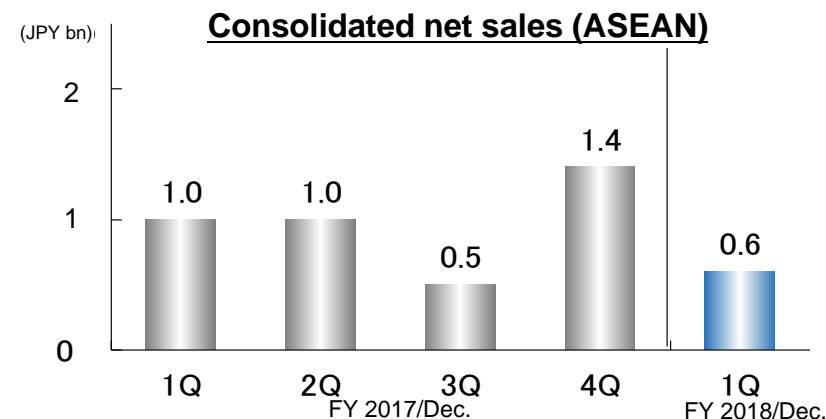
■ Others (Myanmar, etc.)

➤ Market trend

Demand expected through progress in mechanization

➤ Our situation

We aim at sales expansion in ASEAN taking advantage of sales network owned by IST Farm Machinery and AGCO.



PT. ISEKI INDONESIA (Manufacturing subsidiary)



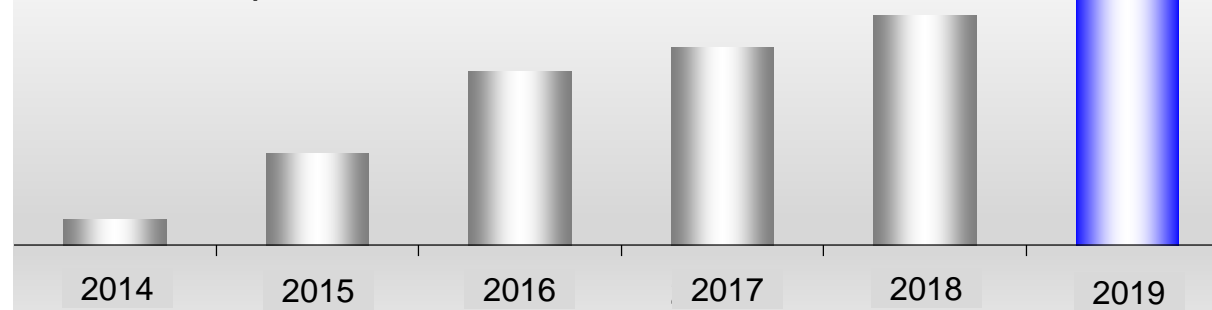
PT. ISEKI
INDONESIA

Number of unit manufactured and operating income for Jan.- Mar. were in line with the plan.
We promote further enhancement of profitability as the base station for earning abroad.

(Units, JPY bn)

	2014 Results	2015 Results	2016 Results	2017 Results	2018 Results	2019 Plan	2019 Jan.-Mar.
Production Volume	110	390	730	840	970	1,200	313.5
Operating income	(0.3)	(0.4)	(0.3)	0.3	0.1	0.3	0.05

<Trend of production volume>



Trends in Overseas Markets (China)

China

Purchasing price of rice and wheat remains at a low level, and it will take more time before the market recovers.

1. National government subsidy

(RMB bn)

2012	2013	2014	2015	2016	2017	2018	2019
21.5	21.75	23.8	23.8	23.7	18.6	18.6	18.0

2. Jan.-Mar. 2019 trends in the agricultural machinery industry (Y o Y change, units)

(%)

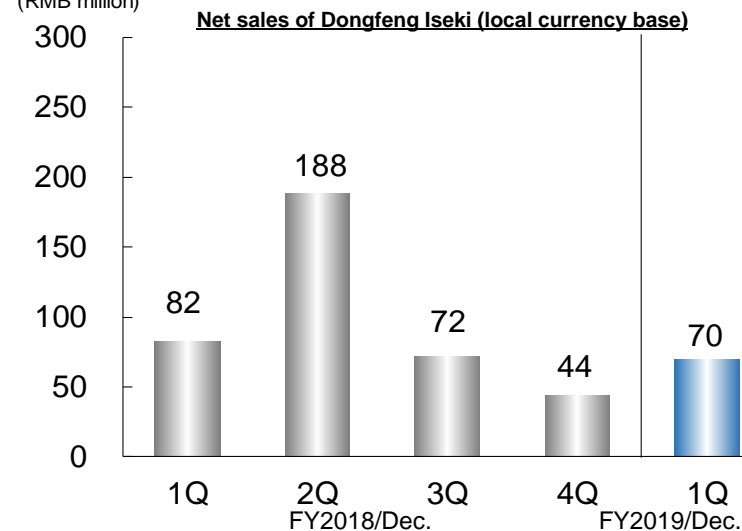
	*Industry
Rice transplanters (riding)	(30)%
Combine harvesters (all-purpose, auto-threshing)	+ 2%
Tractors (medium- to large sized)	+ 2%

*Source: China Association of Agricultural Machinery Manufacturers

3. Situation of Dongfeng Iseki

➤ In domestic sales in China, sales of rice transplanters decreased substantially.

(RMB million)



3 . Performance Forecast for the Fiscal Year Ending December 31, 2019



Performance Forecast for the Fiscal Year Ending December 31, 2019



Performance
forecast

No change from initial forecast

Performance forecast

(JPY bn)

	FY ended Dec.18 Actual		FY ending Dec.19 Forecast (Announced on February 13, 2019)		Y o Y Change	
	2Q	Full year	2Q	Full year	2Q	Full year
Net Sales	82.2	156.0	81.8	164.0	(0.4)	8.0
Operating Income	2.2	3.2	1.9	4.0	(0.3)	0.8
Ordinary Income	1.8	2.6	1.6	2.6	(0.2)	0.0
Profit attributable to owners of parent	1.6	1.1	1.4	1.6	(0.2)	0.5

※Forex rate assumption:
¥108 to the US\$, ¥125 to the Euro

Foreign exchange sensitivity(million JPY , operating income basis)

	FY2019/12
US\$	7
Euro	15

4 . Topics



To be held May 11 – 12 in Niigata City

(1) Overall theme

“Toward sustainability of Agro-Food Sector
- Emerging issues and good practices”

(2) Major issues to be discussed

- 1) Fostering of next generation and innovative bearers of agriculture and new technologies
- 2) Measures for profit improvement of farmers and others focusing on Food Value Chain as a whole
- 3) Corresponding methods of parties concerned toward achievement of SDGs



Downloaded in collaboration with TROLLBÄCK COMPANY TheGlobalGoalsHub.com | 1 212 528 1016
For queries on usage, contact: sdg@trollback.com

Toward sustainable agriculture ➡ **“Smart Agriculture” is discussed as a solution to the issues**

◆ Introduction of Smart Agriculture

[Site visit]

- ✓ Demonstration of robot tractor
- ✓ Demonstration of automatic driving rice transplanter(NARO*)
- ✓ Exhibition of variable fertilizing rice transplanter
- ✓ Introduction of inter-business cooperation demonstration projects
- ✓ Demonstration of agrochemical spraying by drones, etc.

*NARO: Research Center for Agricultural Information Technology



◆ Introduction of Agro-women Projects



Acquisition of the highest rating for 13 consecutive times

The highest rating was given by Development Bank of Japan for 13 consecutive times being evaluated as “Consideration for the environment is particularly advanced”.



<Evaluation points in the latest rating>

- 1) Value creation processes through the business have been disclosed based on the trend of information disclosure.
- 2) Striving for the sophistication through its engagement toward establishment of sustainable supply chains.
- 3) Continuing support for farmers both inside and outside of the country through provision of fresh solutions.

Point: Continuing support for farmers both inside and outside of the country through provision of fresh solutions in light of structural changes of agriculture

Structural changes in agriculture

- Smart agricultural machinery
- Dwindling agriculture population
- Large scaling
- Crop conversion, etc.



Provision of fresh solutions

- Smart agricultural machinery
Robot tractor, yield combine , straight-travel assisted rice transplanter/ variable fertilizing rice transplanter, etc.
- Agri-business software
Proposal of integrated system of rice cultivation mechanization
Proposal /support toward diffusion of smart agriculture
- Support for acquisition of GAP certification etc.

* GAP (Good Agricultural Practice: Process management of agricultural production)

Engagement in production process management of agriculture in order to secure food safety, environment preservation, labor safety, 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”.