



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

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August 9, 2019



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



Outline of Consolidated Business Performance



(JPY bn,%)

	2Q of FY ended Dec.18		2Q of FY ending Dec.19		Y o Y change	Diff. ※ (Forecast/ Actual)
	Actual	%	Actual	%		
Net Sales	82.2	100.0	77.5	100.0	(4.7)	(4.3)
(Domestic)	63.9	77.7	59.9	77.3	(4.0)	(4.9)
(Overseas)	18.3	22.3	17.6	22.7	(0.7)	0.6
Operating Income	2.2	2.7	1.6	2.1	(0.6)	(0.3)
Ordinary Income	1.8	2.2	0.8	1.1	(1.0)	(0.8)
Profit (Loss) attributable to owners of parent	1.6	2.0	0.7	0.9	(0.9)	(0.7)
Exchange Rate	US\$	108.8	110.7		1.9	2.7
Rate(YEN)	Euro	133.1	125.7		(7.4)	0.7

※Comparison with the forecast announced on February 13, 2019

Domestic Sales

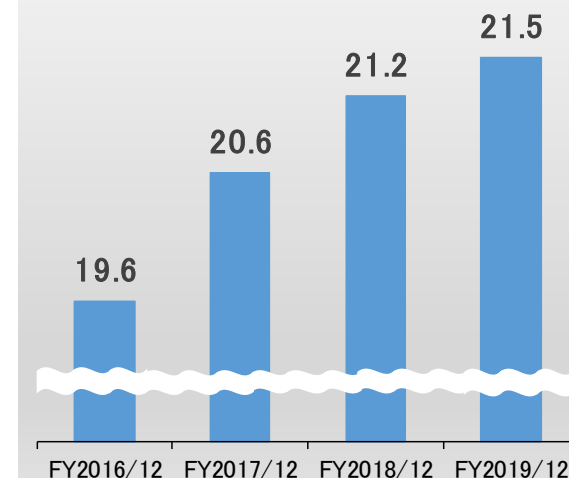


YoY
-¥4.0 billion

While farming implements, spare parts and repair fees continued to perform solidly, sales of tractors were reduced in particular among agricultural machinery products. Sales in construction of facilities declined due to disappearance of major construction works in the previous year.

(JPY bn)		2Q of FY ended Dec.18 Actual	2Q of FY ending Dec.19 Actual	YoY change		Diff. ※ (Forecast/ Actual)	
					Note		
Agricultural Machinery Related	Agricultural Machinery	Cultivating & Mowing Machinery	16.4	15.1	(1.3)	Tractors:(1.0)	(2.8)
		Planting Machinery	6.4	6.1	(0.3)	Rice trans planters:(0.3)	(0.6)
		Harvesting & Processing Machinery	5.5	5.4	(0.1)	Combine harvesters:0.0	(0.1)
	Total		28.3	26.6	(1.7)		(3.5)
		Farming Implements	11.8	12.0	0.2		(0.4)
		Spare Parts	6.8	6.9	0.1		(0.2)
		Repair Fees	2.6	2.6	0.0		(0.2)
	Total		21.2	21.5	0.3		(0.8)
	Total		49.5	48.1	(1.4)		(4.3)
	Construction of Facilities		3.3	1.3	(2.0)		(0.2)
Others		11.1	10.5	(0.6)		(0.4)	
Total		63.9	59.9	(4.0)		(4.9)	

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



※Comparison with the forecast announced on February 13, 2019

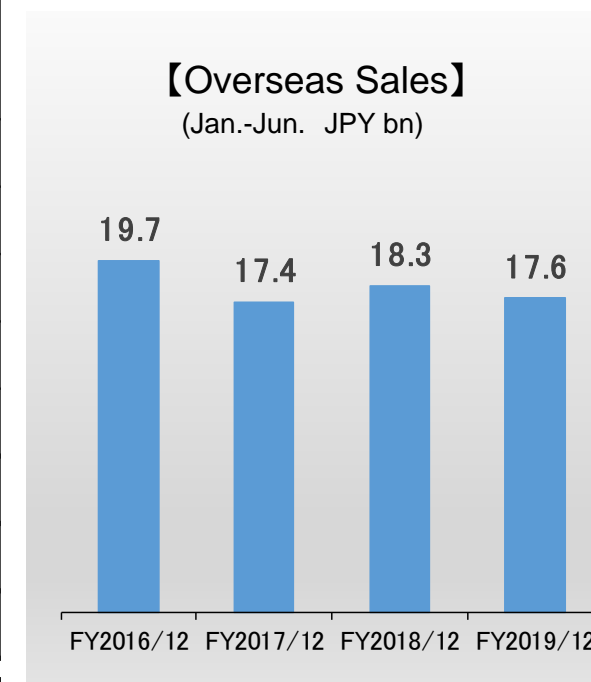
Overseas Sales



Y o Y
-¥0.7 billion

While shipment to East Asia increased in addition to continuing "positive" in North America, consolidated sales as a whole declined due to local inventory adjustments in China and ASEAN.

(JPY bn)	2Q of FY ended Dec.18 Actual	2Q of FY ending Dec.19 Actual	Y o Y change		Diff. ※2 (Forecast/ Actual)
				Note	
North America	5.6	6.4	0.8	Tractors: 0.8	0.4
Europe	6.0	5.9	(0.1)	Tractors: 0.1 Lawn mowers:(0.2)	0.5
China	0.9	0.1	(0.8)	Local inventory adjustment, Rice trans planters: (0.8)	0.0
ASEAN	2.0	0.9	(1.1)	Local inventory adjustment, Tractors: (1.1)	(0.3)
Others	1.1	2.1	1.0	Korea:0.7 (Combine harvesters:0.5)	0.0
Product Sales Total	15.6	15.4	(0.2)		0.6
Parts & Others	2.7	2.2	(0.5)		0.0
Total Sales	18.3	17.6	(0.7)		0.6
※1 Overseas Sales incl. Chinese businesses	21.2	19.2	(2.0)		(4.3)
Ratio of overseas net sales	24.9%	24.3%	(0.6%)		(2.3%)



※1 Overseas sales including equity-method affiliates

※2 Comparison with the forecast announced on February 13, 2019

Operating Income



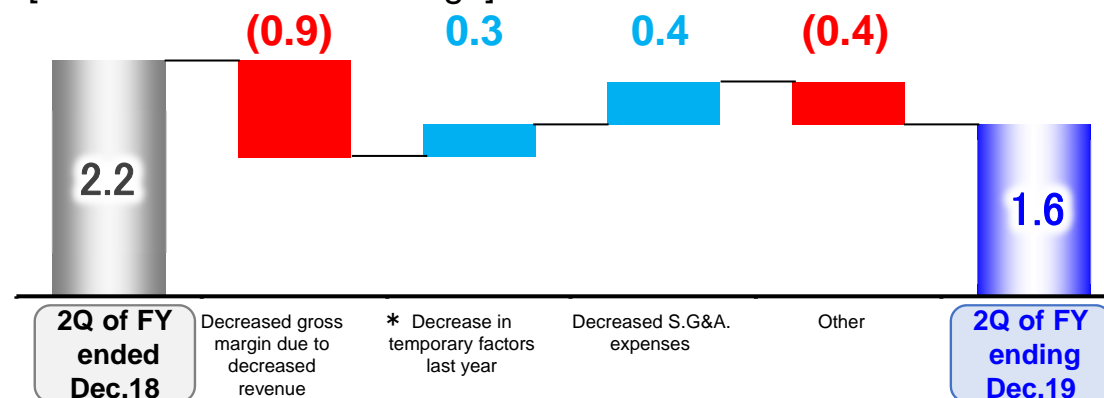
YoY
-¥0.6 billion

Operating income was reduced in spite of partial absorption of the declined gross profits from reduced sales through improved profit margin due to disappearance of temporary negative factors in the previous year as well as reduced selling, general and administrative expenses.

(JPY bn,%)	2Q of FY ended Dec.18 Actual	2Q of FY ending Dec.19 Actual	YoY Change	Diff. (Forecast/Actual) ※
Net Sales	82.2	77.5	(4.7)	(4.3)
Gross Profit	23.5	22.5	(1.0)	(1.2)
Gross Profit Margin	28.6%	29.1%	0.5%	0.1%
S.G&A. Expenses	21.3	20.9	(0.4)	(0.9)
Personnel Expenses	12.4	12.2	(0.2)	(0.5)
Other Expenses	8.9	8.7	(0.2)	(0.4)
Operating Income	2.2	1.6	(0.6)	(0.3)

※Comparison with the forecast announced on February 13, 2019

[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
(0.2)	(0.2)	-	0.0

* Costs and SG & A expenses are minus profits

Ordinary Income, Quarterly Net Income



Ordinary
Income
YoY
-¥1.0 billion

The incomes decreased due to appropriation of investment loss on equity method.

(JPY bn)	2Q of FY ended Dec.18 Actual	2Q of FY ending Dec.19 Actual	YoY change	Diff. ※ (Target/ Actual)
Operating Income	2.2	1.6	(0.6)	(0.3)
Balance of Financial Income	(0.4)	(0.4)	0.0	0.0
Other Non-operating Income	0.0	(0.4)	(0.4)	(0.5)
Ordinary Income	1.8	0.8	(1.0)	(0.8)
Extraordinary Income	0.1	0.1	0.0	0.1
Extraordinary Losses	(0.1)	(0.1)	0.0	0.0
Income before Income Taxes	1.8	0.8	(1.0)	(0.7)
Income Taxes - Deferred	(0.2)	(0.1)	0.1	0.0
Profit (Loss) Attributable to Owners of Parent	1.6	0.7	(0.9)	(0.7)

Non-operating Income (YoY change)

• Share of profit or loss of entities using equity method -¥0.4 billion

(JPY bn)

FY2018/12	FY2019/12	Change
(0.3)	(0.7)	(0.4)

※Comparison with the forecast announced on February 13, 2019

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.

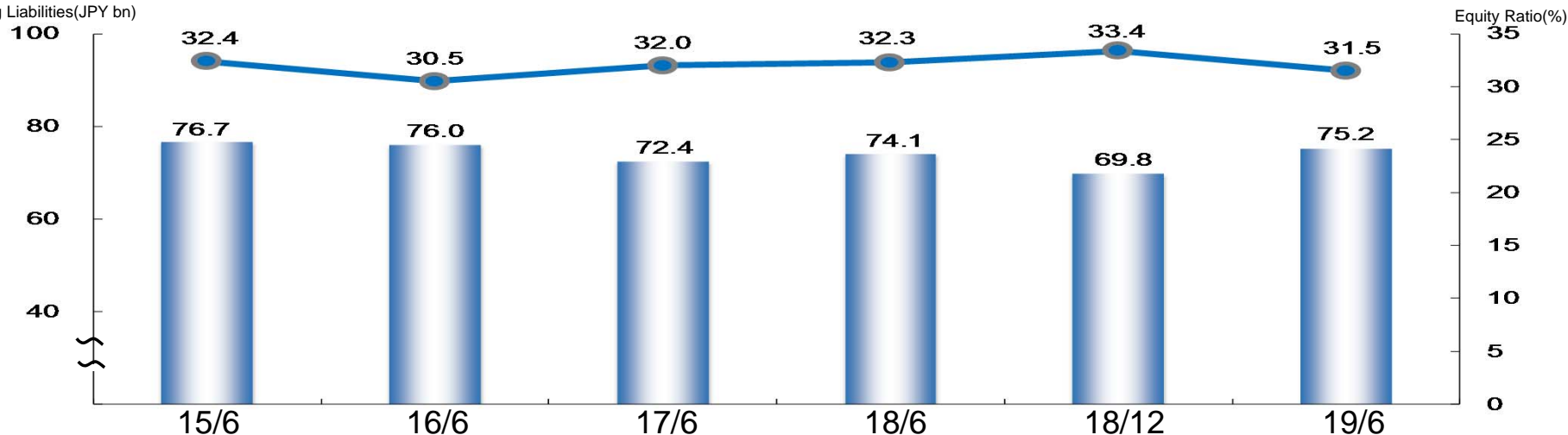
(JPY bn)	As of Jun.18	As of Jun.19	Y o Y Change		As of Jun.18	As of Jun.19	Y o Y Change
Cash & Deposits	10.8	8.3	(2.5)	Accounts Payable - Trade	46.4	45.8	(0.6)
Accounts Receivable – Trade	37.2	34.8	(2.4)	Interest-bearing Liabilities	74.1	75.2	1.1
Inventories	53.4	54.8	1.4	(Loans Payable)	67.8	67.8	0.0
Other Current Assets	2.5	5.4	2.9	(Lease obligations)	6.3	7.4	1.1
(Short-term loans receivable)	0.0	2.8	2.8	Other Liabilities	22.5	22.9	0.4
Total Current Assets	103.9	103.3	(0.6)	Total Liabilities	143.0	143.9	0.9
Property, plant and equipment	96.2	97.4	1.2	Net Assets	70.9	68.6	(2.3)
Intangible assets	1.0	1.2	0.2	(Retained Earnings)	17.5	17.0	(0.5)
Investments and Other Assets	12.8	10.6	(2.2)	(Valuation Difference on Available-for-sale Securities)	1.0	0.2	(0.8)
(Investment securities, Capital)	8.3	6.1	(2.2)	(Foreign Currency Translation Adjustment)	0.9	0.7	(0.2)
Total Non-current Assets	110.0	109.2	(0.8)	Total Liabilities and Net Assets	213.9	212.5	(1.4)
Total Assets	213.9	212.5	(1.4)				

Equity ratio/ Interest bearing liabilities

Interest bearing liabilities, D/E Ratio

In June (mid-term), level of borrowings remained relatively high mainly due to effect prior to collection of spring products, D/E ratio was 1.10 times due to increased interest-bearing liabilities through increased lease obligations, etc.

Balance of interest Bearing Liabilities(JPY bn)



Loan payable, corporate bond	67.6	67.5	64.8	67.8	63.5	67.8
Lease obligations	9.1	8.5	7.6	6.3	6.3	7.4
Total	76.7	76.0	72.4	74.1	69.8	75.2
D/E Ratio	1.09	1.16	1.05	1.04	1.01	1.10

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

2. Domestic and Overseas Markets



Domestic demand for agricultural machinery



Domestic agricultural machine demand

The demand basically remained flat in spite of shipment of tractors (models jointly and bulk purchased by JA-Group) and anticipated shipment toward increase in VAT.

■ 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 effective sales by ISEKI



Domestic
agricultural
machine demand

Sales by ISEKI declined slightly.

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

*ISEKI estimates (%)

		FY2017/6	FY2018/6	FY2019/6
Industry	(Amount of shipment)	104%	96%	109%
ISEKI	(Sales amount)	94%	100%	98%

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

While sales underperformed the previous year until June, immediate sales are on a recovery trend. There is also a move of rush-demand before increase in VAT.

Domestic sales companies

State of sales of agricultural machinery (YoY growth rate)

(%)

	Jan.-Jun.	Jul.
Sales amount	97%	110%

Smart
Agricultural
Machinery

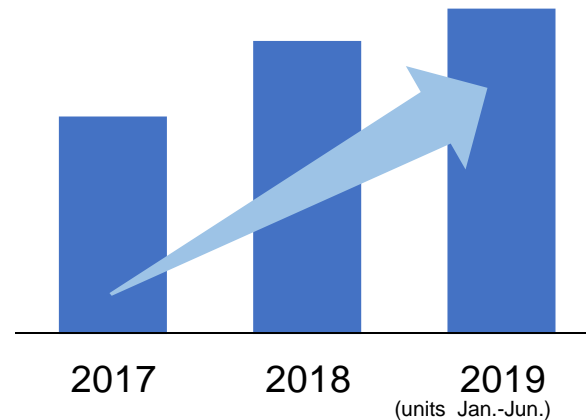
Various types of agricultural machinery are selling well centering on heavy types.

Manned monitored robot tractors



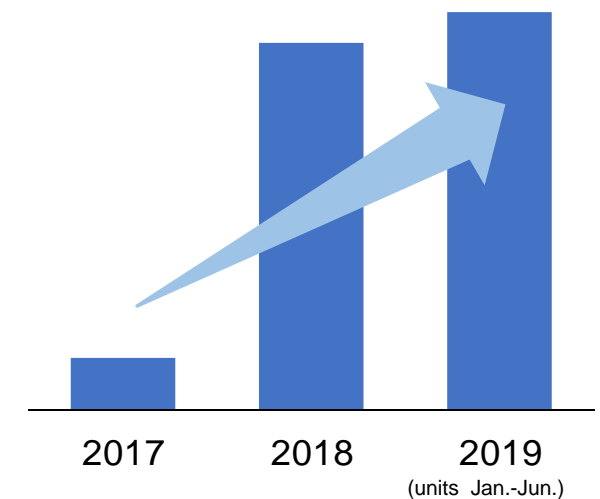
Monitor sales in 2019 (10 units)
Highly acclaimed at
exhibitions/demonstrations

Automatic steering (tractor option)



Increased demand for automatic steering centering on Hokkaido

Straight travelling assist rice transplanters



Steady increase in the number of units, Particularly in the category of large machine

T. Japan W



About 12.0 to 14.8 million yen

T. Japan V



About 8.0 to 12.1 million yen

T. Japan X



About 5.8 to 9.6 million yen

Monster Japan



About 16.6 to 20.0 million yen

Ultra Japan



About 13.8 to 17.1 million yen

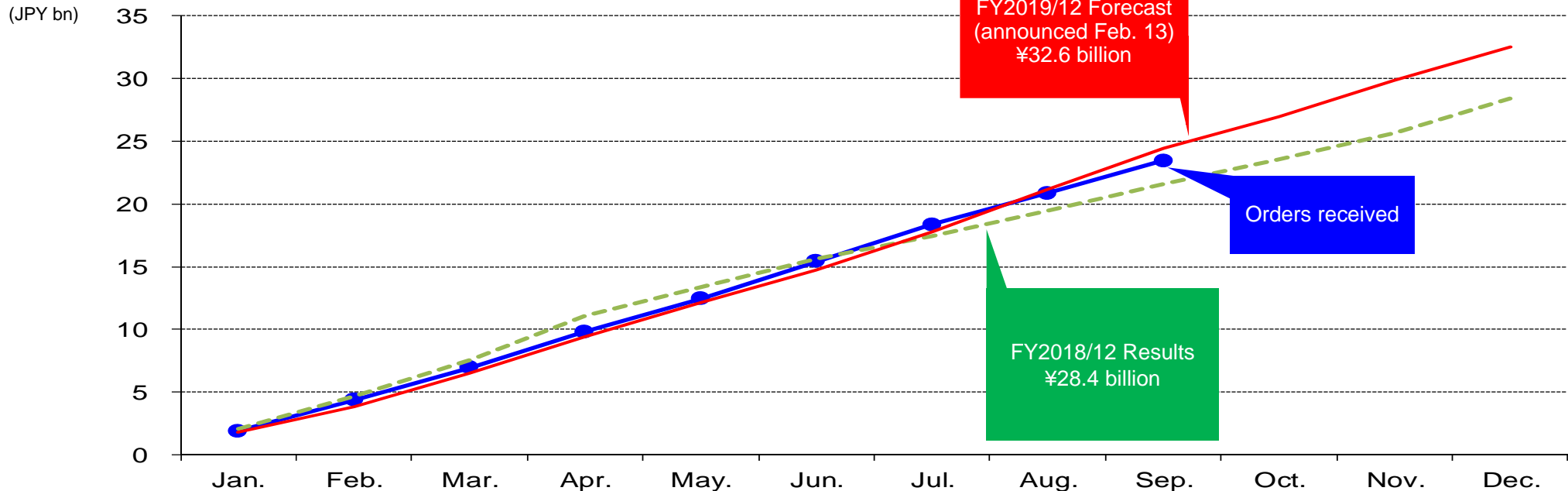
All Japan

Recent Market Trends Overseas



Orders received in overseas

Orders received until September outperformed the previous year, but slightly behind the plan. Continuing growth in North America, and expecting the effect of introduction of new products in Europe and other areas.



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

*State of orders received is results for Jan. – Jun. and prospects for Jul. – Sep.

Market Trend (North America)

North America

Local compact tractor sales by AGCO are in positive beyond market trend. (As well as purchasing orders)

1. Trend in the market

Category (PTO HP)	(1000 units, %)	
	40HP and lower (Compact tractors)	40HP - 100HP (Utility tractors)
Jan.-Jun..2018	92	32
Jan.-Jun. 2019	97	31
Differences (%)	106%	97%

(1000 units, %)	
100PS and above	
Jan.-Jun..2018	11
Jan.-Jun. 2019	10
Differences (%)	97%

(Source: AEM Statistics)

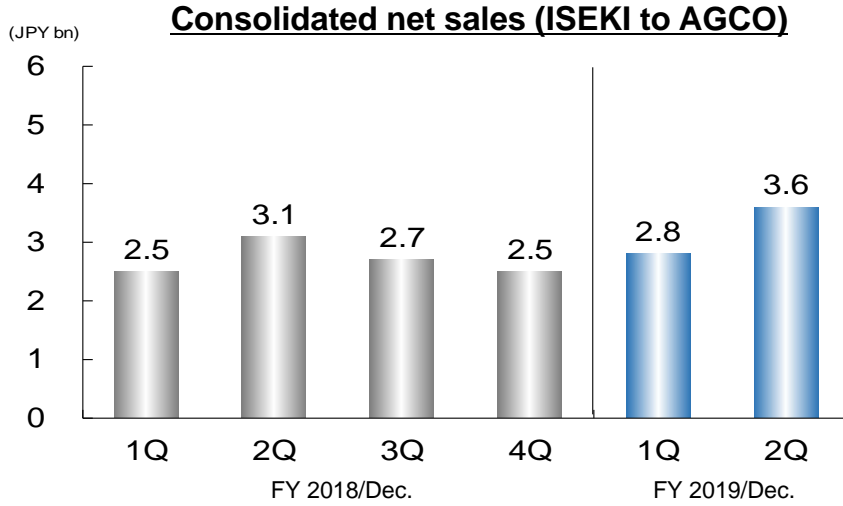
2. Situation of AGCO (OEM partner)

Unit sales (Jan.-Jun.2019)

- Compact tractors : YoY 111%
- Utility tractors : YoY 97%

3. Our situation for sales and orders

Order & shipment (Jan.-Sep. 2019): YoY 118%



Market Trend (Europe)



Europe

Local sales were in line with the previous year.

Our orders received declined Y o Y as scheduled in anticipation of a change of models in the second half.

1. Trend in the market

< Landscaping market >

- Pre-season sales shifted strongly.
- Unseasonable weather like low temperature in April and high temperature/dryness in late June

2. Situation of distributors

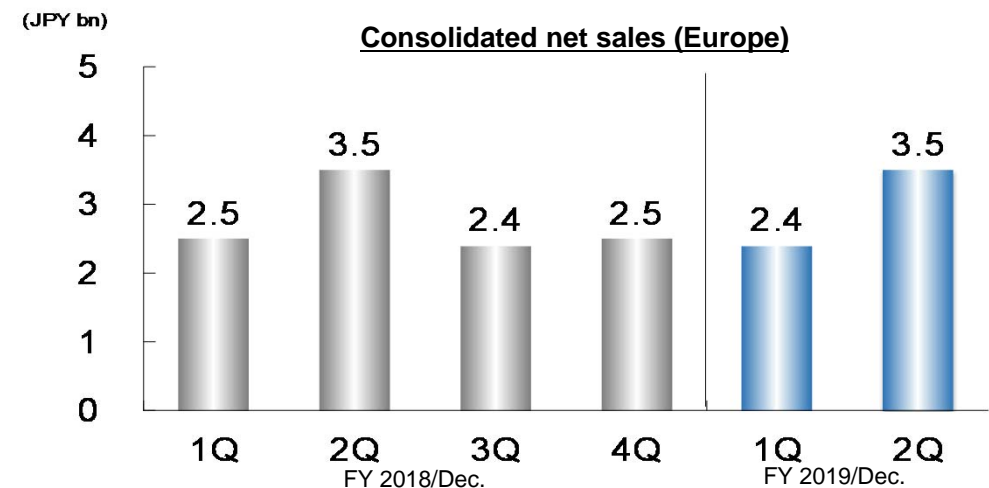
➤ Unit sales (Jan.-May.2019)

- Local distributors : YoY 100%
(Unit sold base)

3. Current sales and orders at ISEKI

Order & Shipment (Jan.-Sep.2019) : YoY 95%
: Vs plan 99%

- Despite influence of the shipping adjustment before the model change (tractors), we expect a recovery in the second half through the introduction of new products.



Thailand

Prices of some agricultural products are tending to decline. Coupled with a concern for effect of the drought, it will take time before full-fledged recovery in purchasing power takes place.

1. Trend in the market

- Prices of some agricultural products including tapioca are tending to decline.
- Possibility of expanded damages by effect of the drought (the lowest rain fall level in 10 years)

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.-Jun.2019): YoY 91%

3. Current sales and orders at ISEKI

Order & Shipment (Jan.-Sep.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)

ASEAN Others **Tender volume in Indonesia in the second half is uncertain. We promote sales expansion through tie-ups with our partners in other areas.**

1. Market trend

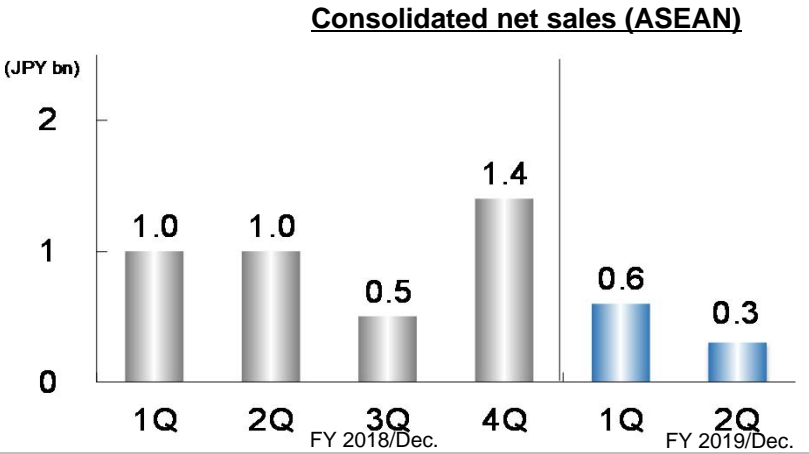
- < Indonesia >
 - Promotion of mechanization by government initiative which has continued from 2015 (Government tender)
 - Since agricultural policy has not been defined even after continuation of the present government after the presidential election, tender volume in the second half remains uncertain.
- < Myanmar >
 - Mechanization of agriculture has been accelerated.

2. Our situation

- Indonesia: We acquired orders in line with normal years in tender in the first half.
- Myanmar: We aim at sales expansion through IST. Orders received until September shifted outperforming the previous year.

3. Engagement by ISEKI Thailand

Enhance support of operation/service of distributors.
Enhance supply system of repair parts based on ISEKI Thailand in anticipation of future market expansion.



PT. ISEKI INDONESIA (Manufacturing subsidiary)



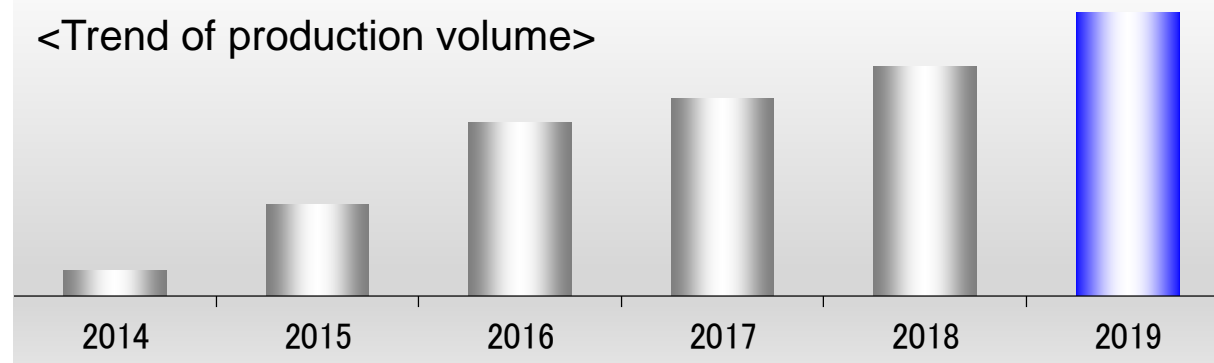
PT. ISEKI
INDONESIA

Number of unit manufactured for Jan.– Jun. 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.–Jun.
Production Volume	1,100	3,900	7,300	8,400	9,700	12,000	5,800
Operating income	(0.3)	(0.4)	(0.3)	0.3	0.1	0.3	0.05

<Trend of production volume>



China

Purchasing price of rice and wheat by the government 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
215	217.5	238	238	237	186	186	180

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

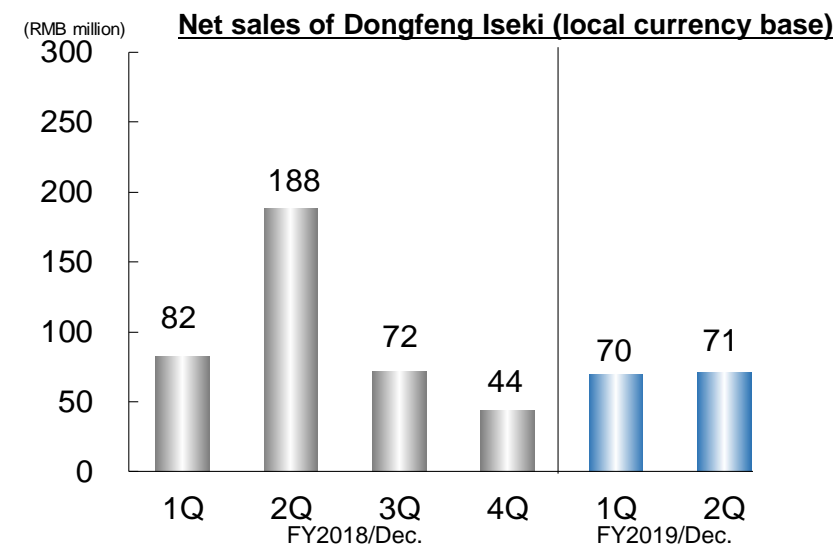
(%)

	Industry*
Rice transplanters (riding)	(13)%
Combine harvesters (all-purpose, auto-threshing)	(10)%
Tractors (medium- to large sized)	+4%

*Source: China Association of Agricultural Machinery Manufacturers

3. Situation of Dongfeng Iseki

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



1. Trend in market

< Korea >

Move for heavier and more efficient agriculture machinery is progressing through encouraged crop conversion by initiative of the Korean government and consolidation of farmlands.

While high performance machinery market has become the main stream reflecting decreasing trend in the number of farming households, the impact related to strengthened export controls is concerned. We need to watch future moves.



Tractor
TJ series



Combine harvesters
HJ series

2. Our situation for sales

We have introduced our flag ship machines of ISEKI brands, “TJ series” tractors and “HJ series” combine harvesters through the sales channel of the biggest agricultural machinery manufacturer in Korea “TONGYANGMOOLSAN Co., Ltd. Group”.

- Sales performance (Jan. - Jun.)
Combine harvesters : Vs plan 107%
Rice transplanters : Vs plan 101% YoY 112%
Tractors : Started shipment after July

Trend in overseas markets (Product promotion)



Europe: Riding mowers (Sales started in 2018)



North America: Small tractors (Sales started in February 2019)

India: Riding rice transplanters Test sales



China: Advance technology mounted rice transplanters Sales



Test sales in Central and South America, Asian areas



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



Performance Forecast for the Fiscal Year Ending December 31, 2019 (Consolidated)

Performance
Forecast

No revision made from the initial forecast

(JPY bn)

	FY2018/12 Results	FY2019/12 Forecast*	YoY Change
Net Sales	156.0	164.0	8.0
(Domestic)	122.8	126.7	3.9
(Overseas)	33.2	37.3	4.1
Operating Income	3.2	4.0	0.8
Ordinary Income	2.6	2.6	0.0
Profit (Loss) Attributable to Owners of Parent	1.1	1.6	0.5
Exchange rate			
US\$	110.2	108.0	(2.2)
Euro	130.9	125.0	(5.9)

*Forecast: Forecast announced on February 13, 2019

- [Domestic] We attempt to recover in the second half centering on heavy agricultural machinery as we see recent move of rush-demand before the increase in VAT in the country.
- [Overseas] Strong trend in North America continues and we expect increased revenue in Europe and other areas through launch of new products.
- [Profits] We attempt to improve gross margin ratio and reduce SG&A costs by our continuous efforts to reduce costs through enhanced business efficiency.

• Foreign exchange sensitivity

(Operating income, full term base) (million JPY)

	US\$	Euro
FY2019/12	7	15

4 . Topics



Renewal of engine production line “ISEKI MATSUYAMA Mfg., Ltd.”



< Purposes >

- ▶ In-house production of engines meeting the gas emission regulations
- ▶ Enhanced quality/profitability through in-house production
- ▶ Improved production efficiency

< Expected number of units to manufacture >



Production starts in October from Stage V_{*2} corresponding engines for Europe

*1 Scheduled timing of renewal: 1st term 2018-2019 2nd term 2020

*2 Europe Stage V: 5th emission gas control of diesel engines in Europe



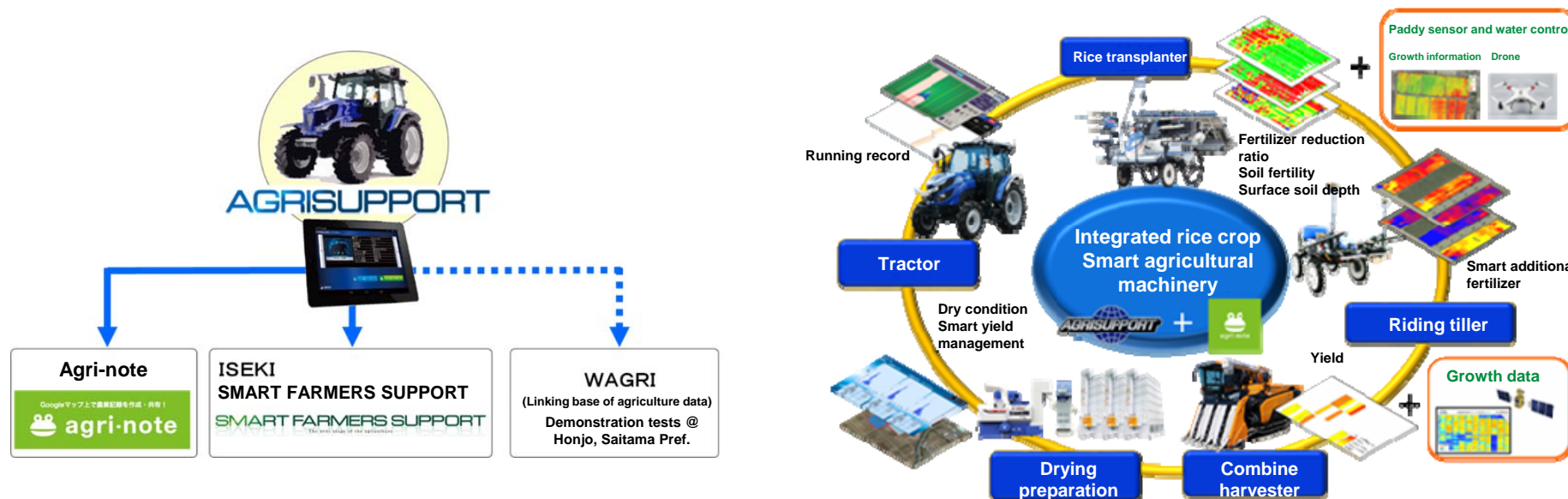
~ Contents to introduce ~

- ▶ Business promotion of ISEKI Group
- ▶ Value creation by ISEKI Group
- ▶ Engagement to support value creation and others

< Details of award >

Development Award Linking of ISEKI AGRISUPPORT with agriculture support services

It is our engagement to provide environment that enables effective use of data by farmers by linking data of “ISEKI AGRISUPPORT” which is collected information from agricultural machinery of our company with agribusiness support services of other companies or linking with base of agriculture data, in order to develop smart agriculture.



Notes on the Future Forecast

ISEKI

- 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”.