



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

President Shiro Tomiyasu

November 15, 2019



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

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



# Outline of Consolidated Business Performance



(JPY bn,%)

	3Q of FY ended Dec.18		3Q of FY ending Dec.19		Y o Y Change
	Actual	%	Actual	%	
Net Sales	119.2	100.0	<b>121.0</b>	<b>100.0</b>	1.8
(Domestic)	93.9	78.8	<b>96.0</b>	<b>79.3</b>	2.1
(Overseas)	25.3	21.2	<b>25.0</b>	<b>20.7</b>	(0.3)
Operating Income	3.6	3.0	<b>4.5</b>	<b>3.7</b>	0.9
Ordinary Income	2.8	2.3	<b>3.2</b>	<b>2.7</b>	0.4
Profit (Loss) attributable to owners of parent	2.2	1.9	<b>2.1</b>	<b>1.8</b>	(0.1)
Exchange      US\$	109.4		<b>109.6</b>		0.2
Rate(YEN)    Euro	131.5		<b>123.2</b>		(8.3)

# Domestic Sales

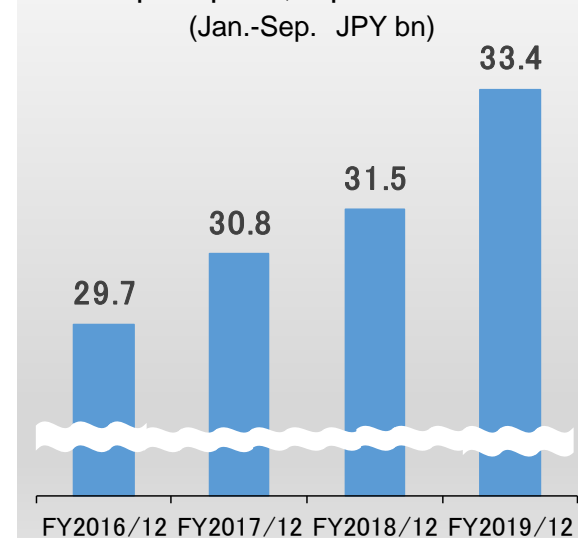
ISEKI

YoY  
+¥2.1 billion

Rush demand before consumption tax hike was witnessed, and sales increased mainly due to increased sales of agricultural machinery products and farming implements.

(JPY bn)		3Q of FY ended Dec.18 Actual	3Q of FY ending Dec.19 Actual	YoY change	Note	
Agricultural Machinery Related	Agricultural Machinery	Cultivating & Mowing Machinery	21.1	<b>21.3</b>	0.2	Tractors:0.5
		Planting Machinery	7.4	<b>8.0</b>	0.6	Rice trans planters:0.7
		Harvesting & Processing Machinery	13.8	<b>14.1</b>	0.3	Combine harvesters:0.4
	<b>Total</b>		<b>42.3</b>	<b>43.4</b>	<b>1.1</b>	
		Farming Implements	16.0	<b>17.2</b>	1.2	
		Spare Parts	11.3	<b>11.8</b>	0.5	
		Repair Fees	4.2	<b>4.4</b>	0.2	
		<b>Total</b>	<b>31.5</b>	<b>33.4</b>	<b>1.9</b>	
	<b>Total</b>		<b>73.8</b>	<b>76.8</b>	<b>3.0</b>	
	Construction of Facilities		5.0	<b>4.0</b>	(1.0)	
Others		15.1	<b>15.2</b>	0.1		
<b>Total</b>		<b>93.9</b>	<b>96.0</b>	<b>2.1</b>		

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



# Overseas Sales

ISEKI

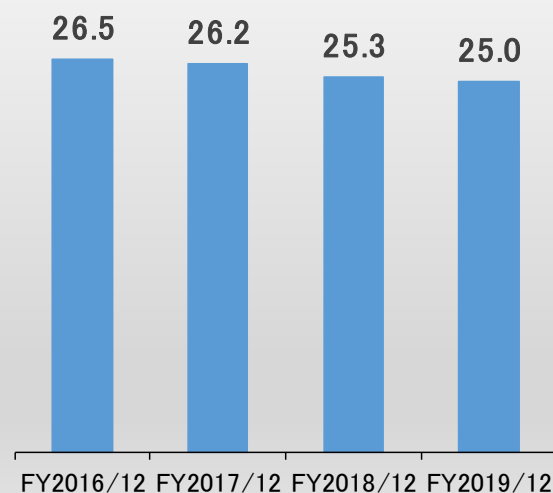
YoY  
-¥0.3 billion

While shipment to South Korea increased in addition to the solid North America, overseas sales as a whole declined slightly due to decreased sales in Europe, China and ASEAN.

(JPY bn)	3Q of FY ended Dec.18 Actual	3Q of FY ending Dec.19 Actual	YoY change	
				Note
North America	8.3	<b>9.8</b>	1.5	Tractors: 1.5
Europe	8.4	<b>7.8</b>	(0.6)	Lawn mowers: (0.6) Of which, the impact of foreign exchange: (0.2)
China	1.0	<b>0.1</b>	(0.9)	Rice trans planters: (0.8)
ASEAN	2.5	<b>1.0</b>	(1.5)	Tractors: (1.4)
Others	1.4	<b>3.1</b>	1.7	Korea: 1.4 (Combine harvesters:1.1)
Product Sales Total	21.6	<b>21.8</b>	0.2	
Parts & Others	3.7	<b>3.2</b>	(0.5)	
Total Sales	25.3	<b>25.0</b>	(0.3)	

## 【Overseas Sales】

(Jan.-Sep. JPY bn)



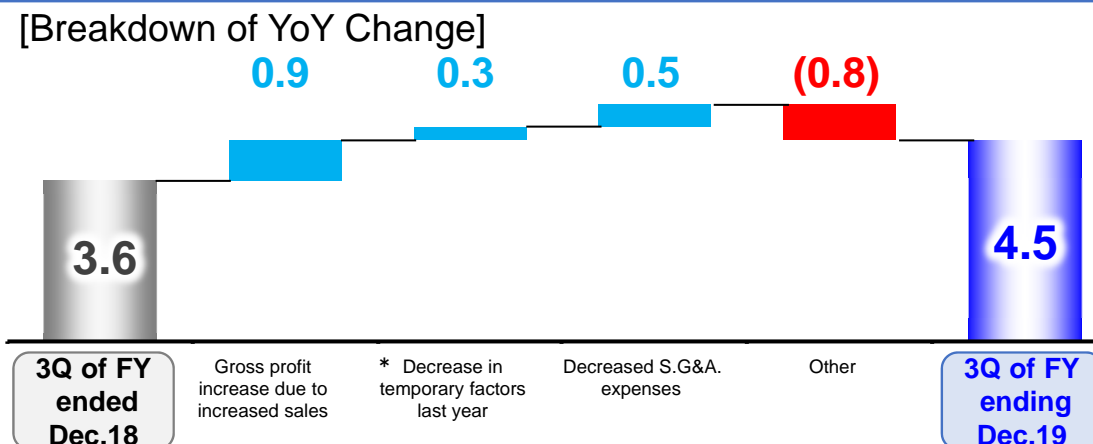
# Operating Income

ISEKI

YoY  
+¥0.9 billion

Operating income was increased due to a reduction in SG&A expenses in addition to increased gross profits from increased domestic sales.

(JPY bn,%)	3Q of FY ended Dec.18 Actual	3Q of FY ending Dec.19 Actual	YoY Change
Net Sales	119.2	<b>121.0</b>	1.8
Gross Profit	35.4	<b>35.8</b>	0.4
Gross Profit Margin	29.7%	<b>29.6%</b>	(0.1%)
S.G&A. Expenses	31.8	<b>31.3</b>	(0.5)
Personnel Expenses	18.7	<b>18.4</b>	(0.3)
Other Expenses	13.1	<b>12.9</b>	(0.2)
Operating Income	3.6	<b>4.5</b>	0.9



※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
(0.4)	(0.4)	-	(0.0)

\* Costs and SG & A expenses are minus profits

# Ordinary Income, Quarterly Net Income



Ordinary  
Income  
YoY  
+¥0.4 billion

Foreign exchange loss and investment loss on equity method were recorded.

(JPY bn)	3Q of FY ended Dec.18 Actual	3Q of FY ending Dec.19 Actual	YoY Change
Operating Income	3.6	<b>4.5</b>	0.9
Balance of Financial Income	(0.6)	<b>(0.6)</b>	0.0
Other Non-operating Income	(0.2)	<b>(0.7)</b>	(0.5)
Ordinary Income	2.8	<b>3.2</b>	0.4
Extraordinary Income	0.1	<b>0.1</b>	0.0
Extraordinary Losses	(0.1)	<b>(0.2)</b>	(0.1)
Income before Income Taxes	2.8	<b>3.1</b>	0.3
Income Taxes - Deferred	(0.6)	<b>(1.0)</b>	(0.4)
Profit (Loss) Attributable to Owners of Parent	2.2	<b>2.1</b>	(0.1)

Non-operating Income (YoY change)	
Foreign exchange 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 -¥0.2 billion

3Q of FY ended Dec.18 Actual	3Q of FY ending Dec.19 Actual	YoY Change	(JPY bn)
(0.8)	<b>(1.0)</b>	(0.2)	



# Balance Sheet (Consolidated)

Y o Y

Trade receivable increased due to increased domestic sales, while inventory asset declined.

(JPY bn)	As of Sep.18	As of Sep.19	Y o Y Change		As of Sep.18	As of Sep.19	Y o Y Change
Cash & Deposits	7.8	<b>7.1</b>	(0.7)	Accounts Payable - Trade	42.8	<b>40.4</b>	(2.4)
Accounts Receivable – Trade	36.0	<b>37.9</b>	1.9	Interest-bearing Liabilities	75.1	<b>79.6</b>	4.5
Inventories	54.4	<b>52.6</b>	(1.8)	(Loans Payable)	68.8	<b>72.4</b>	3.6
Other Current Assets	2.7	<b>5.5</b>	2.8	(Lease obligations)	6.3	<b>7.2</b>	0.9
(Short-term loans receivable)	0.0	<b>2.8</b>	2.8	Other Liabilities	22.0	<b>21.9</b>	(0.1)
<b>Total Current Assets</b>	<b>100.9</b>	<b>103.1</b>	<b>2.2</b>	<b>Total Liabilities</b>	<b>139.9</b>	<b>141.9</b>	<b>2.0</b>
Property, plant and equipment	96.9	<b>97.4</b>	0.5	<b>Net Assets</b>	<b>71.4</b>	<b>70.0</b>	<b>(1.4)</b>
Intangible assets	1.0	<b>1.3</b>	0.3	(Retained Earnings)	18.1	<b>18.4</b>	0.3
Investments and Other Assets	12.5	<b>10.2</b>	(2.3)	(Valuation Difference on Available-for-sale Securities)	1.0	<b>0.2</b>	(0.8)
(Investment securities, Capital)	7.9	<b>5.8</b>	(2.1)	(Foreign Currency Translation Adjustment)	0.9	<b>0.6</b>	(0.3)
<b>Total Non-current Assets</b>	<b>110.4</b>	<b>108.8</b>	<b>(1.6)</b>	<b>Total Liabilities and Net Assets</b>	<b>211.3</b>	<b>211.9</b>	<b>0.6</b>
<b>Total Assets</b>	<b>211.3</b>	<b>211.9</b>	<b>0.6</b>				

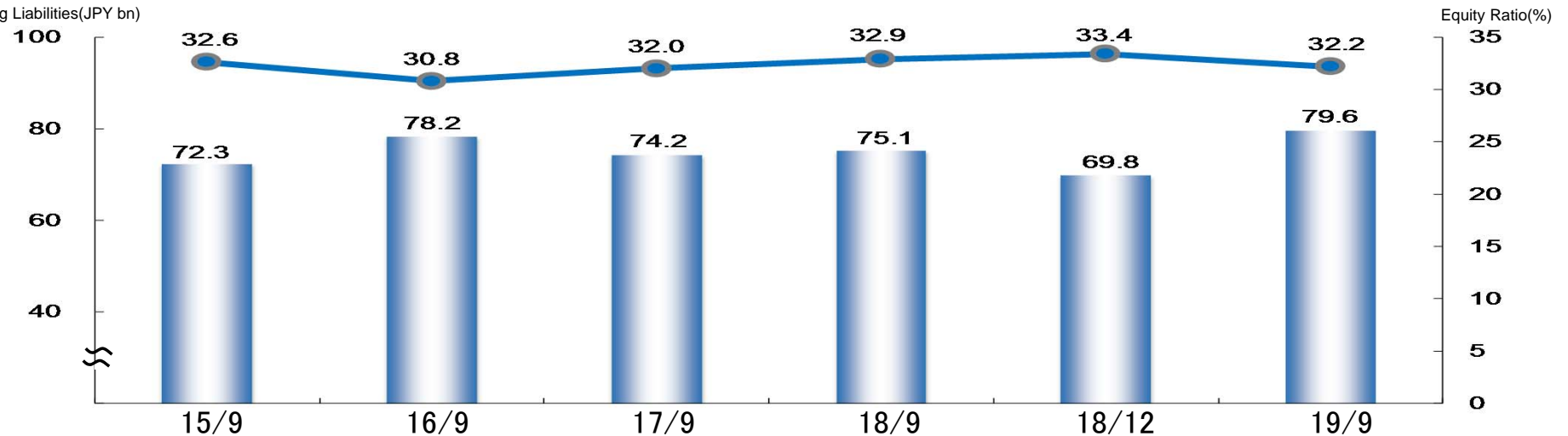
# Self-equity ratio/ Interest bearing liabilities



Interest bearing liabilities, D/E Ratio

**Interest-bearing liabilities increased through financing by long-term borrowings.**

Balance of interest Bearing Liabilities(JPY bn)



Loan payable, corporate bond	63.1	69.7	67.1	68.8	63.5	72.4
Lease obligations	9.2	8.5	7.1	6.3	6.3	7.2
<b>Total</b>	<b>72.3</b>	<b>78.2</b>	<b>74.2</b>	<b>75.1</b>	<b>69.8</b>	<b>79.6</b>
<b>D/E Ratio</b>	<b>1.05</b>	<b>1.19</b>	<b>1.05</b>	<b>1.05</b>	<b>1.01</b>	<b>1.14</b>

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

## 2. Domestic and Overseas Markets



# Domestic demand for agricultural machinery

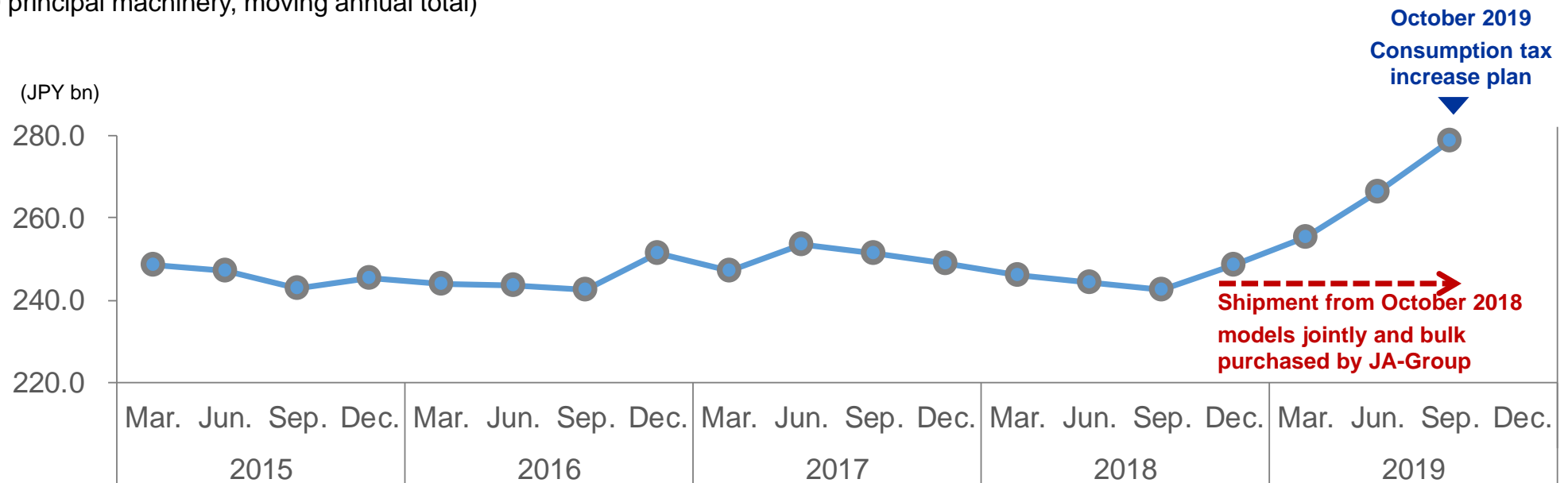


Domestic agricultural machine demand

The demand remained solid due to shipment of tractors (models jointly and bulk purchased by JA-Group) and rush demand before consumption tax hike.

## ■ 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 increased due to last-minute demand before consumption tax hike**

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

\*ISEKI estimates (%)

		FY2017/9	FY2018/9	FY2019/9
Industry	(Amount of shipment)	104%	96%	115%
ISEKI	(Sales amount)	96%	98%	105%

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

**Sales expanded substantially in July-September.**

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

(%)

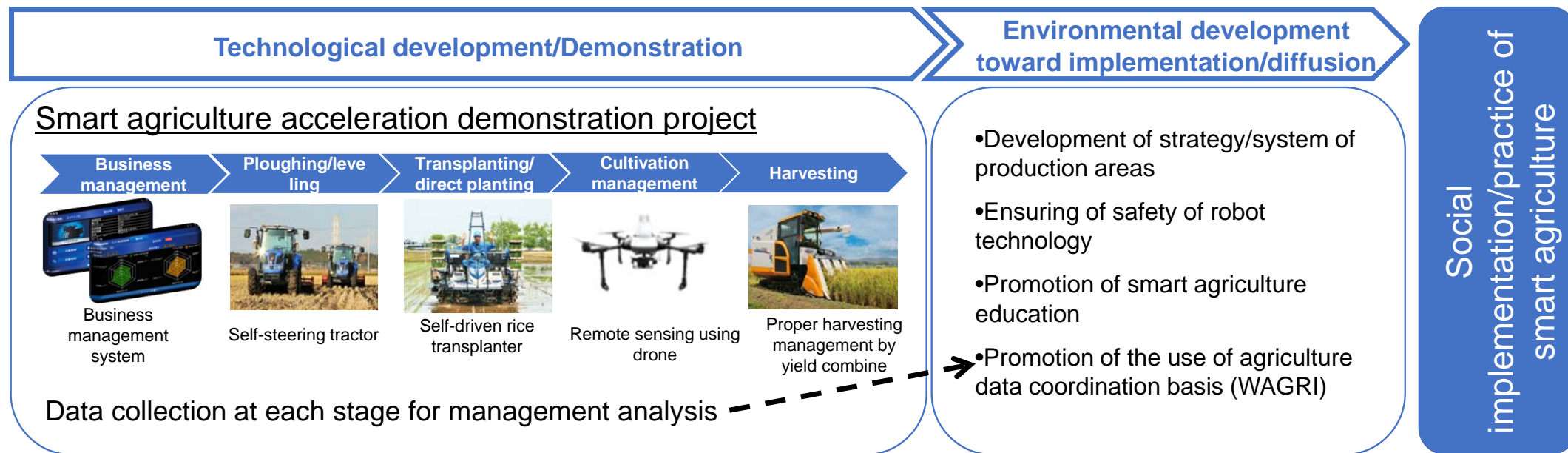
	Jan.-Jun.	Jul.-Sep.	Total
Sales amount	97%	121%	105%

## ■ FY2020 Agriculture and fishery related budget requests

### Smart Agriculture Integrated Promotion Countermeasure Project (5.1 billion yen)

<Project Image>

\*Source: MAFF Re-edited outline of FY 2020 Agriculture and fishery related budget requests for ISEKI

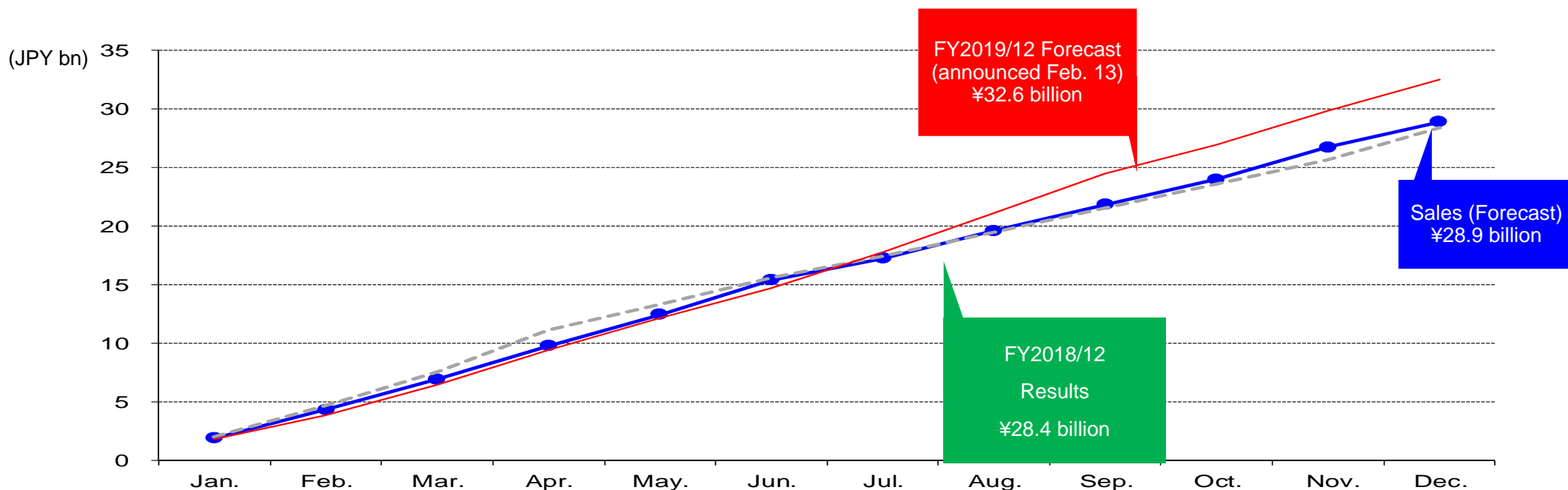


# Recent Market Trends Overseas



Orders received in overseas

While continued to grow in North America, orders received are expected to be in line with the previous year due to a decrease in Europe and ASEAN.



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



# Market Trend (North America)

**North America** Compact tractor market remained solid. Sales by AGCO also increased further from the previous year. Our orders received remained solid centering on compact tractors in line with strong sales by AGCO.

### 1. Trend in the market

Category (PTO HP)	(1000 units, %)		
	40HP and lower (Compact tractors)	40HP - 100HP (Utility tractors)	100PS and above
Jan.-Sep..2018	133	48	15
Jan.-Sep. 2019	142	48	16
Differences (%)	<b>106%</b>	<b>100%</b>	<b>101%</b>

(Source: AEM Statistics)

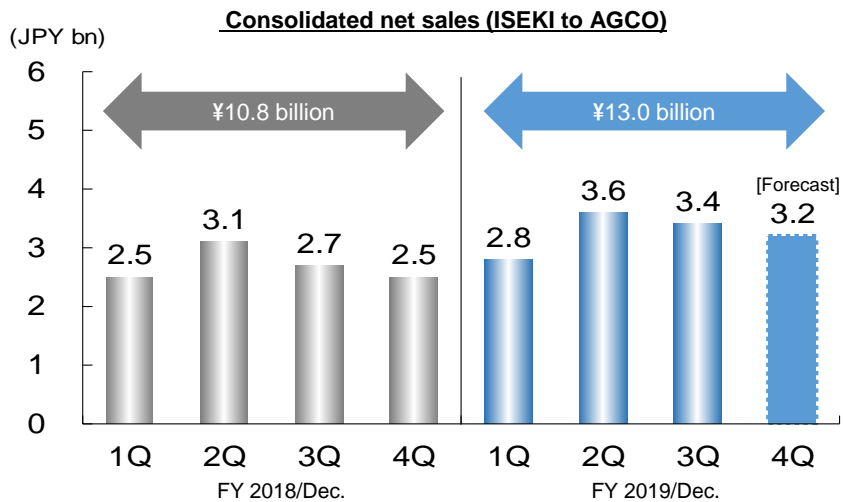
### 2. Situation of AGCO (OEM partner)

Unit sales (Jan.-Sep.2019)

- Compact tractors : YoY 105%
- Utility tractors : YoY 99%

### 3. Our situation for sales and orders

Order & shipment (Jan.-Dec. 2019): YoY 123%



# Market Trend (Europe)



Europe

While tractors remained solid, gardening products failed to grow due to unstable weather. We expect the sales to remain in line with the previous year partially due to the effect of stronger yen.

## 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

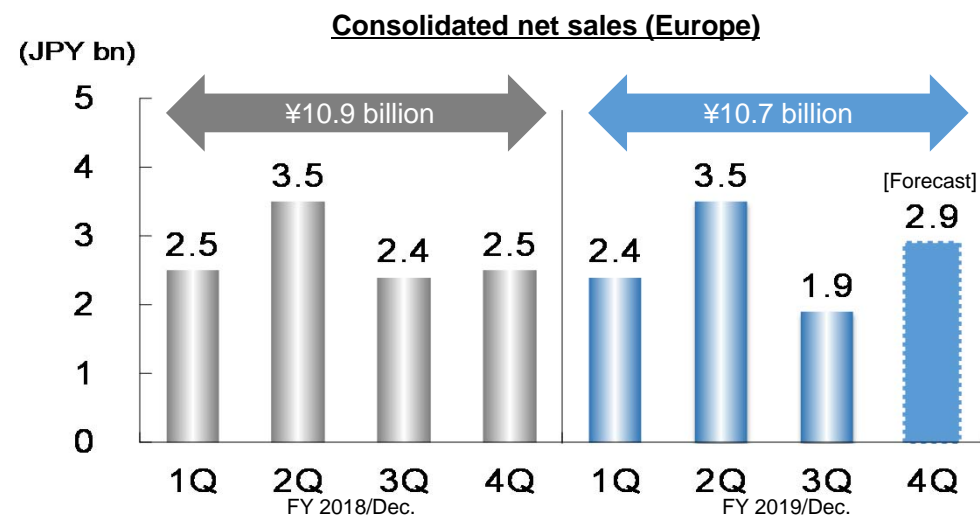
## 2. Situation of distributors

### ➤ Unit sales (Jan.-Sep.2019)

• Local distributors	: YoY	102%
Tractors	: YoY	106%
Lawn mowers	: YoY	94%

## 3. Current sales and orders at ISEKI

Order & Shipment (Jan.-Dec.2019)	: YoY	101%
	: Vs plan	100%



Thailand

Purchase incentives tended to decline due to effect of the drought and flood.

## 1. Trend in the market

- Impact of the drought and flood was significant

## 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.2019): YoY 91%

## 3. Current sales and orders at ISEKI

Order & Shipment (Jan.-Dec.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 in Indonesia was reopened.  
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)
- As a result of the presidential election in April, the government continued and government tender was reopened.

< Myanmar >

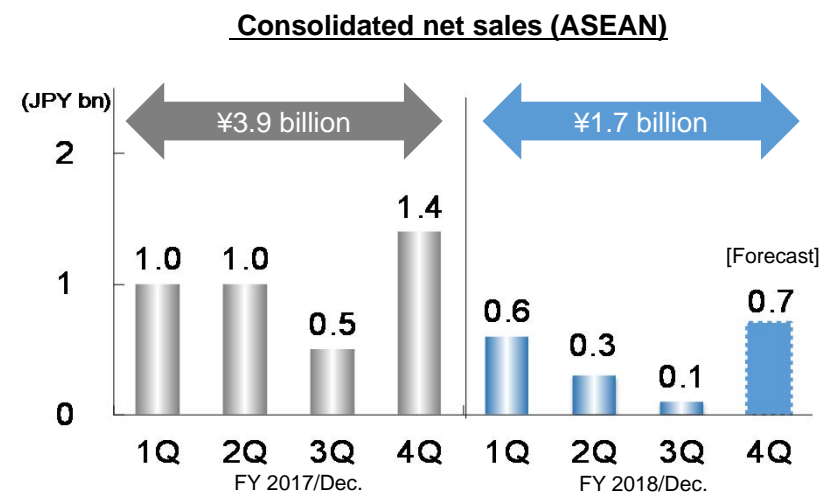
- Mechanization of agriculture has been accelerated.

## 2. Our situation

- Indonesia: Sales declined YoY due to reduced tender volume.
- Myanmar: We aim at sales expansion through IST.
  - Orders received 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)

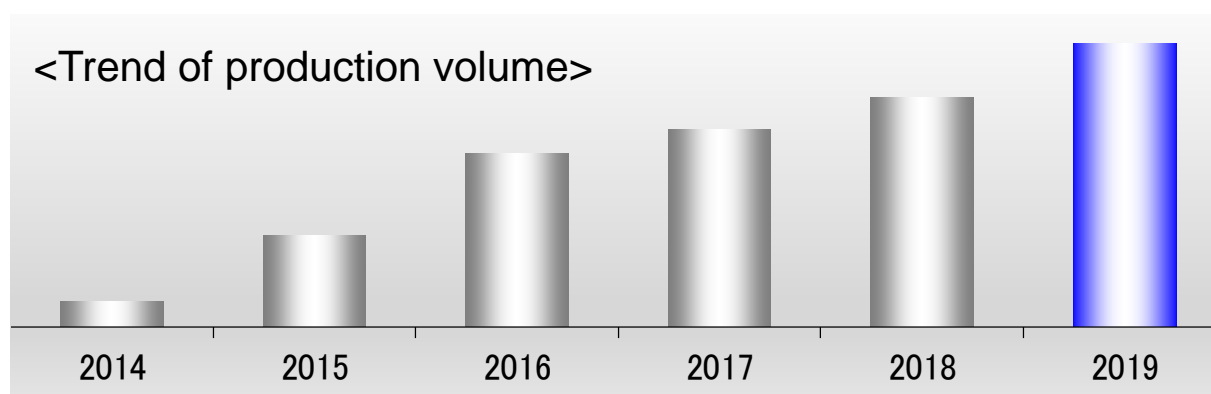


PT. ISEKI  
INDONESIA

Number of unit manufactured for Jan.- Sep. 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.-Sep
Production Volume	1,100	3,900	7,300	8,400	9,700	12,000	9,200
Operating income	(0.3)	(0.4)	(0.3)	0.3	0.1	0.3	0.1



# Trends in Overseas Markets (China)



China

As a result of the cooling market, sales of rice transplanters dropped sharply.

## 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	<b>18.0</b>

## 2. Jan.-Sep. 2019 trends in the agricultural machinery industry

(Y o Y change, units)

(%)

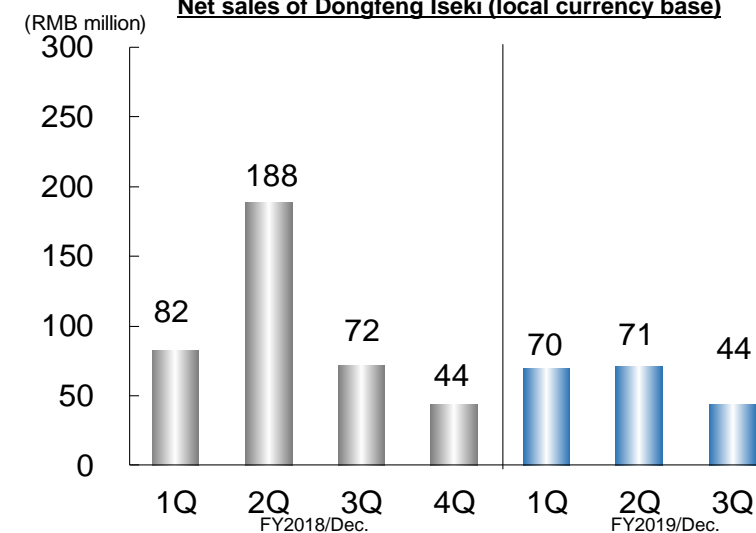
	2017/Sep.	2018/Sep.	2019/Sep.
Rice transplanters (riding)	(5)%	(19)%	(11)%
Combine harvesters (all-purpose, auto-threshing)	(16)%	(26)%	(16)%
Tractors (medium- to large sized)	(28)%	(23)%	+6%

\*Source: China Association of Agricultural Machinery Manufacturers

## 3. Situation of Dongfeng Iseki

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

Net sales of Dongfeng Iseki (local currency base)



South  
Korea

Introduced tractors and combine harvesters in high performance machinery market

## 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.

High performance machinery market has become the main stream reflecting decreasing trend in the number of farming households.



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” .
- All products for local sales have been exported, and most of them have been shipped to local retailers. Combine harvesters have been locally operated obtaining high reputation.

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





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



Performance Forecast

Revision of sales based on actual values, recent orders and exchange rates  
Revenue has not been revised from the initial forecast, taking into account cost reductions through operational efficiency

(JPY bn)

	FY2018/12 Results	FY2019/12 <sup>*1</sup> Previous forecast	FY2019/12 <sup>*2</sup> Present forecast	YoY change	
				Vs FY2018/12	Vs Previous forecast
Net Sales	156.0	164.0	155.5	(0.5)	(8.5)
(Domestic)	122.8	126.7	122.7	(0.1)	(4.0)
(Overseas)	33.2	37.3	32.8	(0.4)	(4.5)
Operating Income	3.2	4.0	4.0	+ 0.8	0.0
Ordinary Income	2.6	2.6	2.6	0.0	0.0
Profit (Loss) Attributable to Owners of Parent	1.1	1.6	1.6	+ 0.5	0.0
Exchange rate (yen)	US\$	110.2	108.0	(2.2)	0.0
	Euro	130.9	125.0	(11.9)	(6.0)

\*1: (Previous forecast) Forecast announced on February 13, 2019

\*2: (Present forecast) Forecast announced on November 13, 2019

\*3: Assumptive forex rate for 4Q

# Domestic sales forecast

(JPY bn)

		FY2018/12 Results	FY2019/12 Previous forecast	FY2019/12 Present forecast	YoY change		
					Vs FY2018/12	Vs Previous forecast	
Agricultural Machinery Related	Agricultural Machinery	Cultivating & Mowing Machinery	27.4	29.1	<b>26.9</b>	(0.5)	(2.2)
		Planting Machinery	9.2	9.4	<b>9.6</b>	0.4	0.2
		Harvesting & Processing Machinery	20.0	20.1	<b>19.8</b>	(0.2)	(0.3)
		<b>Total</b>	<b>56.6</b>	<b>58.6</b>	<b>56.3</b>	<b>(0.3)</b>	<b>(2.3)</b>
		Farming Implements	20.2	21.3	<b>20.5</b>	0.3	(0.8)
		Spare Parts	14.8	15.3	<b>15.2</b>	0.4	(0.1)
		Repair Fees	5.6	5.9	<b>5.8</b>	0.2	(0.1)
	<b>Total</b>	<b>40.6</b>	<b>42.5</b>	<b>41.5</b>	<b>0.9</b>	<b>(1.0)</b>	
	<b>Total</b>	<b>97.2</b>	<b>101.1</b>	<b>97.8</b>	<b>0.6</b>	<b>(3.3)</b>	
	Construction of Facilities	5.7	5.2	<b>4.9</b>	(0.8)	(0.3)	
Others	19.9	20.4	<b>20.0</b>	0.1	(0.4)		
<b>Total</b>	<b>122.8</b>	<b>126.7</b>	<b>122.7</b>	<b>(0.1)</b>	<b>(4.0)</b>		

# Overseas sales forecast



(JPY bn)

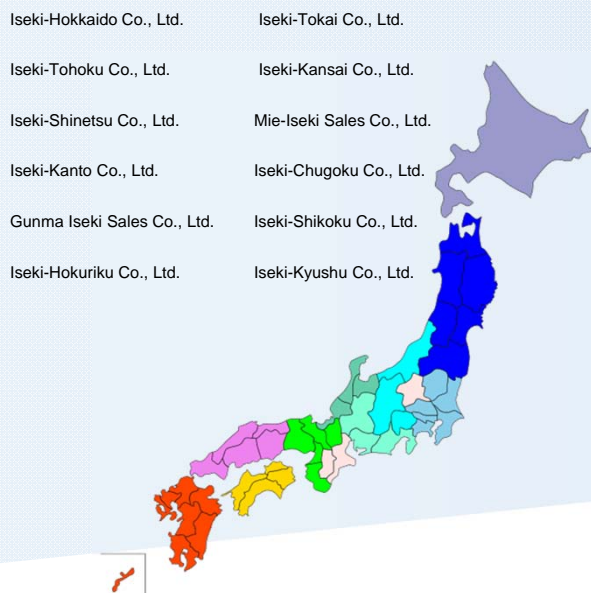
	FY2018/12 Results	FY2019/12 Previous forecast	FY2019/12 Present forecast	YoY change	
				Vs FY2018/12	Vs Previous forecast
North America	10.8	12.2	<b>13.0</b>	2.2	0.8
Europe	10.9	12.0	<b>10.7</b>	(0.2)	(1.3)
China	1.0	0.2	<b>0.1</b>	(0.9)	(0.1)
ASEAN	3.9	4.0	<b>1.7</b>	(2.2)	(2.3)
Others	1.8	4.2	<b>3.4</b>	1.6	(0.8)
Product Sales Total	28.4	32.6	<b>28.9</b>	0.5	(3.7)
Parts & Others	4.8	4.7	<b>3.9</b>	(0.9)	(0.8)
Total Sales	33.2	37.3	<b>32.8</b>	(0.4)	(4.5)

## 4 . Topics



## Reorganization of domestic sales companies

~2018  
System of 10 companies in broad area/2 companies in a single prefecture



January, 2019

Iseki-Kanto Co., Ltd. , Iseki-Shinetsu Co., Ltd.

**ISEKI Kanto Koshinetsu Co., Ltd.**

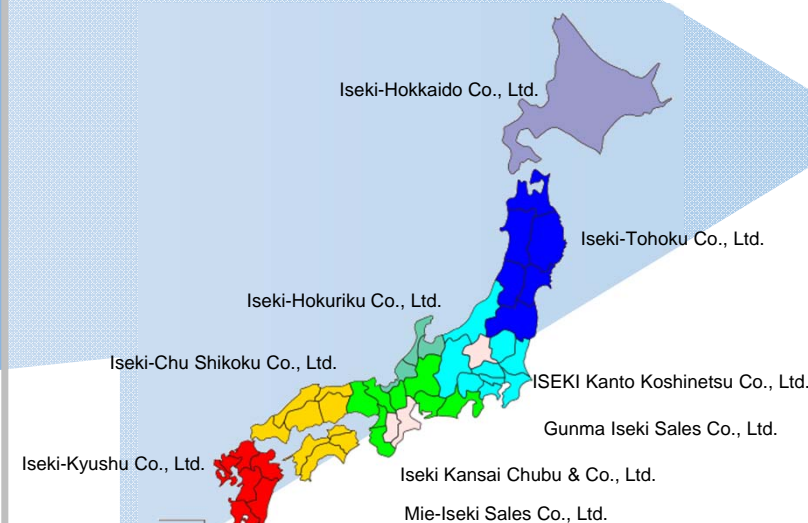
Iseki-Kansai Co., Ltd., Iseki-Tokai Co., Ltd.

**ISEKI Kansai Chubu Co., Ltd.**

January, 2020  
System of 7 companies in broad area/2 companies in a single prefecture

Iseki-Chugoku Co., Ltd., Iseki-Shikoku Co., Ltd.

**ISEKI Chu Shikoku Co., Ltd.**



# 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”.