



Financial Results for the First Quarter Fiscal Year Ending December 31, 2020 Investor Relations Presentation Materials

May 15, 2020

感謝、そして応援。



2020年、**ISEKI** はおかげ様で95周年を迎えます。



1. Impact of the Novel Coronavirus Infection
2. Outline of Financial Results for the First Quarter Fiscal Year Ending December, 2020
3. Performance Forecast for the Fiscal Year Ending December 31, 2020
4. Domestic and Overseas Markets
5. Topics

1. Impact of the Novel Coronavirus Infection



Measures to prevent spread of the infection

Group-wide	<ul style="list-style-type: none"> ✓ Thorough mask wearing, hand washing, gargling, and use of alcohol disinfectant during work ✓ Reducing staff density at workplaces by curbing staff numbers through work at home or taking leave, and by separating workspaces ✓ Flexibly implementing flexwork and staggered working hours ✓ Generally prohibiting domestic and international business trips ✓ Postponing or cancelling group training
Domestic Sales Companies	<ul style="list-style-type: none"> ✓ Postponing or cancelling exhibitions, etc.
Domestic Manufacturing Companies	<ul style="list-style-type: none"> ✓ Suspending factory tours
Overseas Sales/Production Bases	<ul style="list-style-type: none"> ✓ Europe, U.S., and Thailand: work at home ✓ PT. ISEKI INDONESIA (manufacturing subsidiary): a two-shift system implemented

Impact of the Novel Coronavirus Infection



<Sales>

Impact on ISEKI's business

Domestic Sales Companies	<ul style="list-style-type: none"> ✓ Lower sales in agricultural machinery related business centered on agricultural machinery and farming implements, due to cancelation of exhibitions/demonstrations nationwide in Jan. to Mar., shorter business hours, restricted visit activities, etc. ✓ Strong sales for rice planting and other full-scale work in spring. Although restrictions on movement will still be in place after April due to declarations of a state of emergency, we will continue and strengthen sales and services while taking measures to prevent infection. 	
Overseas Sales Bases	North America	<ul style="list-style-type: none"> ✓ Constraints on OEM partners' sales activities due to restrictions on movement ✓ Trends in the market to which we supply compact tractors (Jan. to Mar. : unit base) : 9% decrease year-on-year, 7% decrease at OEM partners. We will monitor the situation.
	Europe	<ul style="list-style-type: none"> ✓ Adjusting shipments due to temporary closure of local distributors' retail outlets under lockdowns ✓ Local distributors' actual sales (Jan. to Mar. : unit base) : 10% decrease year-on-year. Restrictions have been relaxed in various countries from Apr. and May, but the situation is uncertain.
	China	<ul style="list-style-type: none"> ✓ Restrictions on movement across provinces in sales activities due to restriction on going out, but our equity-method affiliate (Dongfeng Iseki) is providing online technical support services. Sales of ride-on rice transplanters are robust as the government is strongly promoting grain production centered on rice to secure food, and restrictions on movement of contractors is stimulating demand for agricultural machinery in Hubei Province.
	ASEAN	<ul style="list-style-type: none"> ✓ In Thailand, there is concern that agricultural machinery sales will be affected if household incomes decline in rural areas due to the inability to work away from home from rural areas to urban areas (including Bangkok) because of the impact of the novel coronavirus infection (COVID-19), in addition to the effects of a drought.
	Other	<ul style="list-style-type: none"> ✓ Sales of large-scale agricultural machinery continue to be strong in South Korea and Taiwan, despite restrictions on activities.

Impact of the Novel Coronavirus Infection



<Production>	Impact on ISEKI's business
Domestic Manufacturing Companies	<ul style="list-style-type: none">✓ Continuing production activities while taking thorough infection countermeasures, and almost no impact on production is seen as of March.✓ Concerned about an impact from delayed procurement from overseas suppliers, they will implement adjustment of production models based on sales trends so as to minimize the impact.
Overseas Manufacturing Companies	<p>(Indonesian Manufacturing subsidiary (PT. ISEKI INDONESIA))</p> <ul style="list-style-type: none">✓ Continuing production activities while taking thorough measures to prevent spread of the infection, including a production line with a two-shift system.✓ Considering and implementing initiatives to minimize the effect of such factors as difficulty in procurement from overseas suppliers, including changing procurement partners, although suppliers near Jakarta are continuing to operate. <hr/> <p>(Chinese equity-method affiliate (Dongfeng Iseki))</p> <ul style="list-style-type: none">✓ Chinese equity-method affiliate (Dongfeng Iseki) has reopened production bases that had temporarily stopped operations<ul style="list-style-type: none">▪ Changzhou Plant (Changzhou City, Jiangsu Province) restarted production on Feb. 13. Sales of ride-on rice transplacers are strong, having almost recovered to the level seen before operations were stopped.▪ Xiangyang Plant (Xiangyang City, Hubei Province) restarted production on March 16. The insufficient recovery of nearby suppliers is having an effect on some production.

2. Outline of Financial Results for the First Quarter Fiscal Year Ending December, 2020



Outline of Consolidated Business Performance



(January 1, 2020 to March 31, 2020)

(JPY bn, %)

	1Q of FY ended Dec. 2019		1Q of FY ending Dec. 2020		YoY Change
	Actual	%	Actual	%	
Net Sales	33.3	100.0	31.9	100.0	(1.4)
(Domestic)	25.4	76.2	25.1	78.4	(0.3)
(Overseas)	7.9	23.8	6.8	21.6	(1.1)
Operating Income	(0.8)	(2.2)	(1.1)	(3.5)	(0.3)
Ordinary Income	(1.1)	(3.3)	(1.3)	(4.0)	(0.2)
Profit (Loss) attributable to owners of parent	(0.4)	(1.4)	(0.4)	(1.5)	± 0.0
Average exchange rate	US\$	110.5	109.6		(0.9)
	Euro	126.3	120.8		(5.5)

Domestic Sales



YoY
-¥0.3 billion

Sales of agricultural machinery and farming implements decreased due to pullback in demand after the consumption tax increase, cancelation of exhibitions, and self-restraint in sales activities, but sales of spare parts and repair fees were strong and sales of construction of facilities increased, resulting in a slight decrease overall.

(JPY bn)		1Q of FY ended Dec. 2019	1Q of FY ending Dec. 2020	YoY Change		
		Actual	Actual		Notes	
Agricultural Machinery Related	Agricultural Machinery	Cultivating & Mowing Machinery	6.7	5.7	(1.0)	Tractors: (0.9)
		Planting Machinery	2.2	1.8	(0.4)	Rice transplanters:(0.4)
		Harvesting & Processing Machinery	2.8	2.1	(0.7)	Combine harvesters: (0.6)
		Total	11.7	9.6	(2.1)	
	Farming Implements	Farming Implements	4.9	4.2	(0.7)	
		Spare Parts	2.8	2.9	0.1	
		Repair Fees	1.0	1.1	0.1	
		Total	8.7	8.2	(0.5)	
	Total	20.4	17.8	(2.6)		
	Construction of Facilities	0.6	2.7	2.1		
Others	4.4	4.6	0.2			
Total	25.4	25.1	(0.3)			

Main factors of YoY change

- ✓ Sales of agricultural machinery decreased ¥2.1 billion YoY due to continued pullback in demand after the tax increase, cancelations of exhibitions since February, and self-restraint in sales activities owing to the impact of the novel coronavirus (COVID-19). Sales of farming implements decreased in tandem with the decreased agricultural machinery sales.
- ✓ Sales of spare parts and revenue from repair fees continued to be strong.
- ✓ Sales of construction of facilities increased ¥2.1 billion YoY due to completion of large-scale facilities.

Overseas Sales



YoY
-¥1.1 billion

Sales declined overall due a decrease in sales to North America, Europe, and ASEAN, despite an increase in those to China and South Korea.

(JPY bn)	1Q of FY ended Dec. 2019	1Q of FY ending Dec. 2020	YoY Change	
	Actual	Actual		Notes
North America	2.8	2.3	(0.5)	Tractors: (0.5)
Europe	2.4	1.9	(0.5)	Tractors: (0.2) Lawn mowers: (0.3)
China	0.0	0.2	0.2	Rice transplanters: 0.2
ASEAN	0.6	0.4	(0.2)	Tractors: (0.2)
Others	1.1	1.2	0.1	South Korea: 0.1
Product Sales Total	6.9	6.0	(0.9)	
Parts & Others	1.0	0.8	(0.2)	
Total Sales	7.9	6.8	(1.1)	

Main factors of YoY change

- ✓ **North America:** Lower sales due to decreased shipments of tractors owing to a delay in receiving engines.
- ✓ **Europe:** Decline in sales from shipment adjustment owing to temporary closures of local distributors' shops in Germany, Belgium and other countries.
- ✓ **China:** Increased sales due to increased shipments of semi-finished rice transplanters to Dongfeng Iseki.
- ✓ **ASEAN:** Lower sales due to decreased shipments of tractors to Indonesia.
- ✓ **Others:** Higher sales due to increased shipments of tractors to South Korea.

Operating Income

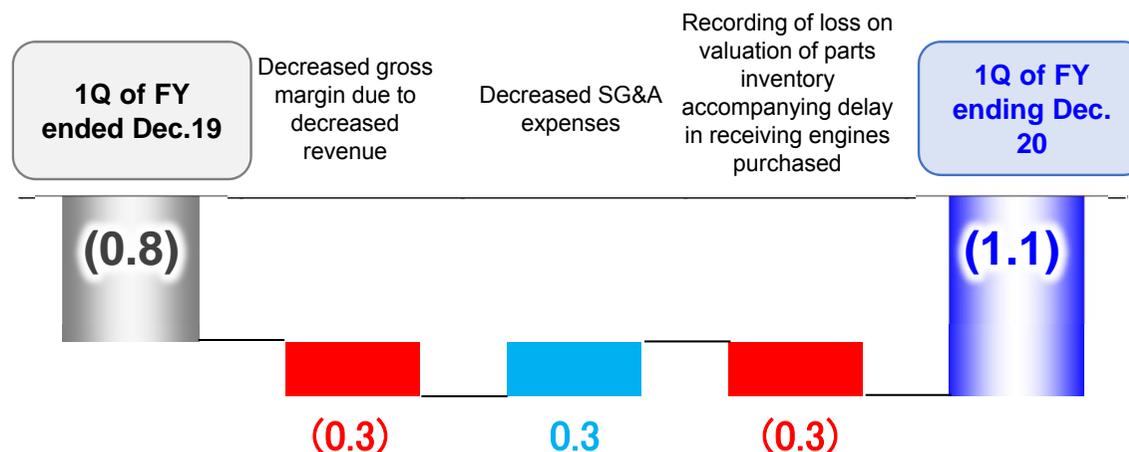


YoY
-¥0.3 billion

- In the three months ended March 31, 2020, which is the off-demand season, we recorded loss in all income items from operating income and below.
- We covered the decrease in gross profit stemming from revenue decline with a reduction in selling, general and administrative expenses, but there was a YoY decrease in operating income due to recording of loss on valuation of parts inventory.

(JPY bn, %)	1Q of FY ended Dec. 2019 Actual	1Q of FY ending Dec. 2020 Actual	YoY Change
Net Sales	33.3	31.9	(1.4)
Gross Profit	9.6	9.0	(0.6)
Gross Profit Margin	28.9%	28.2%	(0.7)%
SG&A Expenses	10.4	10.1	(0.3)
Personnel Expenses	6.1	6.1	±0.0
Other Expenses	4.3	4.0	(0.3)
Operating Income	(0.8)	(1.1)	(0.3)

[Breakdown of YoY Change]



[Effect of forex fluctuations (JPY bn)]

Net Sales	Cost of Sales	SG&A Expenses	Operating Income
(0.1)	(0.1)	-	±0.0

Ordinary Income, Quarterly Net Income



Ordinary
income
YoY
-¥0.2 billion

Achieved a smaller decrease in operating income compared to the previous fiscal year due to a reduction in the share of loss of entities using equity method accompanying improved revenue of Dongfeng Iseki and a change in our investment ratio, despite deterioration in foreign exchange gain (loss).

(JPY bn)	1Q of FY ended Dec. 19 Actual	1Q of FY ending Dec. 20 Actual	Y o Y Change
Operating Income	(0.8)	(1.1)	(0.3)
Balance of Financial Income	(0.2)	(0.2)	±0.0
Other Non-operating Income	(0.1)	0.0	0.1
Ordinary Income	(1.1)	(1.3)	(0.2)
Extraordinary Income	0.0	0.1	0.1
Extraordinary Losses	0.0	0.0	±0.0
Income before Income Taxes	(1.1)	(1.2)	(0.1)
Income Taxes - Deferred	0.7	0.8	0.1
Profit (Loss) Attributable to Owners of Parent	(0.4)	(0.4)	±0.0

Non-operating Income (YoY change)	
Decrease in share of loss of entities using equity method	+ ¥0.3 billion
Deterioration in foreign exchange losses	- ¥0.1 billion
Other	- ¥0.1 billion

(Reference) Related to equity method (JPY bn)

	1Q of FY ended 2019 Actual	1Q of FY ending 2020 Actual	Change
Share of profit or loss of entities using equity method (non-operating)	(0.4)	(0.1)	0.3
Loss (gain) on change in equity (extraordinary)	-	0.1	0.1

Balance Sheet (Consolidated)

YoY

Accounts receivable – trade decreased, and inventory increased, due to lower domestic net sales

(JPY bn)	As of Mar. 19	As of Mar. 20	Change		As of Mar. 19	As of Mar. 20	Change
Cash & Deposits	8.1	6.0	(2.1)	Accounts Payable - Trade	43.7	38.4	(5.3)
Accounts Receivable – Trade	28.0	25.6	(2.4)	Interest-bearing Liabilities	76.9	79.8	2.9
Inventories	58.2	59.4	1.2	(Loans Payable)	69.0	71.6	2.6
Other Current Assets	5.8	4.1	(1.7)	(Lease obligations)	7.9	8.2	0.3
(Short-term loans receivable)	2.8	1.2	(1.6)	Other Liabilities	22.1	19.7	(2.4)
Total Current Assets	100.1	95.1	(5.0)	Total Liabilities	142.7	137.9	(4.8)
Property, plant and equipment	97.5	97.9	0.4	Net Assets	67.9	67.3	(0.6)
(Lease assets)	7.5	7.8	0.3				
Intangible assets	1.2	1.4	0.2				
Investments and Other Assets	11.8	10.8	(1.0)				
(Investment securities, Capital)	7.2	4.4	(2.8)				
Total Non-current Assets	110.5	110.1	(0.4)	(Retained Earnings)	15.8	15.9	0.1
				(Valuation Difference on Available-for-sale Securities)	0.5	(0.4)	(0.9)
				(Foreign Currency Translation Adjustment)	0.9	0.6	(0.3)
Total Assets	210.6	205.2	(5.4)	Total Liabilities and Net Assets	210.6	205.2	(5.4)

3. Performance Forecast for the Fiscal Year Ending December 31, 2020



[Consolidated Performance Forecast]

Risks accompanying the spread of the novel coronavirus (COVID-19)

Sales = Concerns of a decline in domestic and overseas sales

- ✓ Domestic sales companies' cancelations of exhibitions and other forms of self-constraint in sales activities
- ✓ Restricted sales activities due to temporary closure of local distributors' shops amid lockdowns and regulations on going out

Production = Risks such as production decline due to supply chain stagnation both in Japan and overseas



It is difficult to calculate future financial results forecasts, and therefore, the financial results forecasts and dividend forecasts for the current fiscal year announced on February 14, 2020 have been withdrawn for the time being and are undecided.

⇒ We will carefully examine trends of the novel coronavirus infection (COVID-19) and again announce financial results forecasts when it is possible to calculate them.

4. Domestic and Overseas Markets



Domestic Agricultural Machinery Market Trends

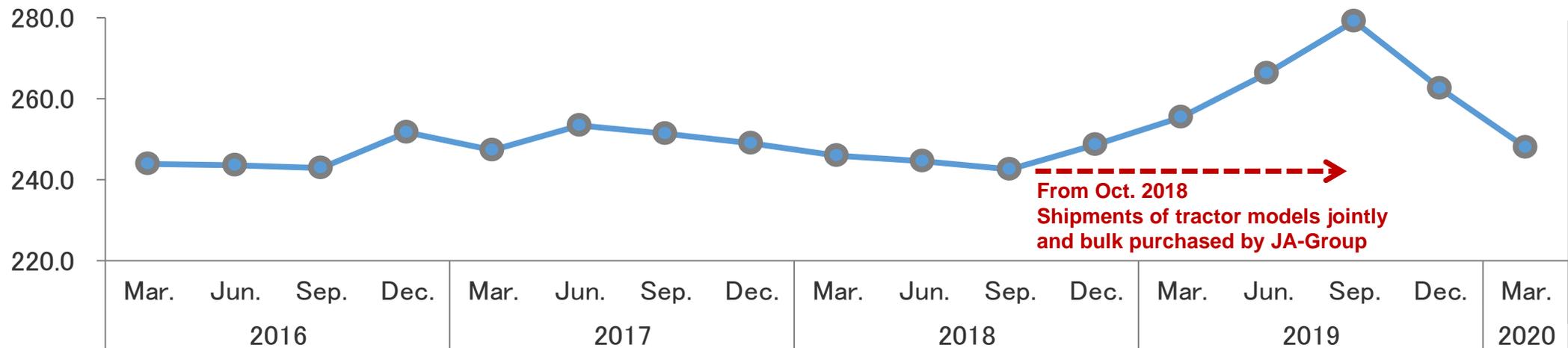


Domestic agricultural machine demand

There was rush-demand before the consumption tax increase in October 2019, and since the subsequent pullback, the market has basically remained flat.

■ Agricultural machinery demand (shipments in the industry) (9 principal machinery, moving annual total)

(JPY bn)



*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 Machinery Shipments and ISEKI's Sales Performance



ISEKI's sales performance

- Our actual sales are showing signs of weakness, but in the Jan. to Mar. period, amid the impact of the novel coronavirus (COVID-19), our figures were above those of the industry.
- From April, when Spring begins and rice transplanters are used every day, we carry out thorough individual promotions such as a test drive campaign of rice transplanters and measures to commemorate the 95th year since establishment.

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

		Apr. 2017- Mar. 2018	Apr. 2018- Mar. 2019	Apr. 2019- Mar. 2020	Jan.-Mar., 2020
Industry	(Amount of shipment)	100%	104%	97%	77%
ISEKI	(Sales amount)	101%	99%	91%	79%

*ISEKI estimates

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

North America

1. Trend in the market

(1000 units, %)

Category	Single month of March			Jan. to Mar. cumulative		
	2019	2020	Differences (%)	2019	2020	Differences (%)
40HP and lower (Compact tractors)	15	12	84%	32	29	91%
40HP - 100HP (Utility tractors)	5	4	85%	12	12	93%
100HP and above	2	2	89%	4	4	98%

(Source: statistics provided by AEM)

2. Situation of AGCO (OEM partner)

Unit sales (Jan.-Mar. 2020)

- Compact tractors: YoY 93%



3. Sales and orders at ISEKI

Sales/orders (Jan.-Jun. 2020): YoY 111%
(Not including shipment adjustment)

Europe

1. Trend in the market

- From mid-March, official restrictions on going out and movement were issued in European countries in response to the spread of the novel coronavirus infection (COVID-19). Almost all dealers' shops were temporarily closed.
- Restrictions have been relaxed in various countries from April/May, but the situation is uncertain.

2. Local sales

Unit sales (Jan.-Mar. 2020)

- Local distributors: YoY 90%

3. Sales and orders at ISEKI

Sales/orders (Jan.-Jun. 2020):

YoY 108%

(Not including shipment adjustment)



Thailand

1. Trend in the market

- The effects of the prolonged drought have become severe since December, and the government is providing income compensation to farmers.
- Acreage for dry season rice is limited due to a dramatic decrease in irrigation water storage, so a large decrease in yield is predicted.

2. Situation of the local distributor “IST Farm Machinery”

Number of units sold (Jan.-Mar. 2020)

- ASEAN strategy tractor: YoY 73%

3. Sales and orders at ISEKI

Sales/orders (Jan.-Jun. 2020):
YoY 145%



Indonesia

1. Trend in the market

<Indonesia>

- Planned volume of government tendering in FY2020 is expected to be the same level as in the previous fiscal year

2. Orders at ISEKI

- Successful tenders by local distributors until April were the same level as in the previous fiscal year

3. Situation of PT. ISEKI INDONESIA (Manufacturing subsidiary)

(Units, JPY bn)

	2019 Results	2020 Plan	1Q Progress
Production Volume	12,600	14,000	2,800
Operating Income	0.3	0.5	0.1

Market Trend (China)

China

1. Trends in the agricultural machinery industry by product type (YoY change, units) (%)

	Jan.-Mar. 2018	Jan.-Mar. 2019	Jan.-Mar. 2020
Rice transplanters (riding)	86.7%	68.4%	113.9%
Combine harvesters (all-purpose, auto-threshing)	64.5%	102.3%	61.5%
Tractors (medium- to large-sized)	73.8%	92.8%	93.8%

*Source: China Association of Agricultural Machinery Manufacturers

2. National government subsidy (RMB bn)

2014	2015	2016	2017	2018	2019	2020
23.8	23.8	23.7	18.6	18.6	18.0	18.0 (Estimate)

3. Situation of Dongfeng Iseki (Jan.-Mar. 2020, number of units sold)

- Ride-on rice transplanters: YoY 155%
- Tractors, combine harvesters: YoY large decrease
- Ride-on control machines: YoY large increase

Topics

Dongfeng Iseki's disinfectant machines (ride-on control machines)

Active role in disinfection work in Hubei Province

- ✓ Ride-on control machines manufactured by Dongfeng Iseki are used in disinfection work in five cities in Hubei Province, including Wuhan and Xiangyang, helping to stop the spread of the novel coronavirus infection (COVID-19).
- ✓ Praised by Xiangyang city government as being "suitable for large-scale disinfectant-spraying work on city roads and residential areas, effective in disinfecting, easy to operate, and suitable for various environments."



South Korea

1. Trend in the market

Crop rotation is being encouraged under the leadership of the South Korean government, and progress is being made in increasing the size and efficiency of agricultural machines due to farmland consolidation.

The need for large-size, high-performance machines is growing as the number of farmers is falling.

2. Sales at ISEKI

• Sales of our brand's flagship products, TJ series tractors and HJ series combine harvesters, via the sales channel of the TYM Group, a major South Korean agricultural machines manufacturer, continuing from the previous quarter.

Shipments/orders (Jan.-Jun. 2020): YoY 146%



Taiwan

1. Trend in the market

A subsidy system for purchases of large agricultural machinery was in place from Oct.-Dec. 2019

⇒¥2.1 billion, approx. 800 units introduced

A similar subsidy system was set out in Jan. 2020 (approx. ¥2.9 billion), and we are working hard to capture demand from each company.

2. Sales at ISEKI

• Sales of tractors, combine harvesters, and rice transplanters through local distributors

Shipments and orders (Jan.-Jun. 2020): YoY 169%

5. Topics



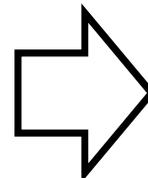
Launching products complying with Stage V of European emission standards in Spring



Ride-on lawnmowers



Tractors



Expansion to products complying with **Japanese** 4th generation standards and **North American** Tier 4

Inhouse production of engines suitable for agricultural machines

- ✓ Noise reduction
- ✓ Vibration reduction
- ✓ Very environmentally friendly



- Conclusion of agreement on promoting agriculture utilizing advanced technology

<Outline of the partnership agreement

- ✓ At a cooperative farm in Tsukubamirai city we will demonstrate advanced technology, including a water management system using paddy field sensors, growth analysis using sensing by satellite, our smart agricultural machinery such as yield combine and variable fertilization rice transplanters.
- ✓ Scheduled to be held over two years from April 1, 2020 to March 31, 2022.



- We aim to achieve sustainable agriculture through practical demonstration of smart farming, production technology improvement and cost reduction, and establishment and diffusion of cultivation methods for high-quality produce.



Promoting sustainable agriculture

Awarded the highest rank 14 times in a row

We were awarded the highest rank as a company with excellent advanced environmental initiatives by the Development Bank of Japan Inc. for the 14th time in a row.



<Evaluation points this time>

1) Working steadily toward advancing and spreading environmental management by such means as ongoing activities to provide improvement proposals concerning the environment, quality, safety, etc. while providing incentives, in addition to globally developing EMS*1, including at manufacturing and sales bases.

2) Contributing to improvement of labor reduction and production efficiency in agricultural business through development of smart agricultural machinery utilizing ICT and advanced technologies, and agri-business management software, while setting medium-term targets regarding environmentally friendly products based on quantitative certification criteria, such as LCA*2 evaluation, and striving to expand the diffusion of the targets.

3) Currently focusing on the promotion of CSR management, which has expanded from environmental initiatives, and are achieving concrete effects such as the establishment of the Corporate Social Responsibility Committee chaired by the President and the implementation of a CSR questionnaire survey for suppliers.

※1 Environmental Management System

※2 Life Cycle Assessment: a methodology for assessing quantitative environmental load throughout, and at specific stages of, the life-cycle of a product or service

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.



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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”.