February 13, 2018

ISEKI & CO., LTD.

Supplementary Information to Consolidated Financial Results

(January 1, 2017 – December 31, 2017)

I. Consolidated results of operations for the fiscal year ended December 31, 2017 (Billions of yen, %)

	FY ended December 31, 2016	**FY ended December 31, 2017**	Year-on-year change		Forecast for FY ended December 31, 2017*	Change vs. forecast
			Amount	%		
Net sales	153.1	**158.4**	5.3	3.5	160.5	(2.1)
Domestic	121.0	**123.1**	2.1	1.7	125.5	(2.4)
Overseas	32.1	**35.3**	3.2	10.0	35.0	0.3
Gross profit	44.9	**46.2**	1.3	3.0	47.0	(0.8)
Gross profit margin	29.3%	**29.2%**	(0.1)%	—	29.3%	(0.1)%
Selling, general and administrative expenses	42.4	**42.2**	(0.2)	(0.3)	43.0	(0.8)
Operating income	2.5	**4.0**	1.5	60.1	4.0	0.0
Operating income ratio	1.6%	**2.5%**	0.9%	—	2.5%	0%
Balance of financial income	(0.7)	**(0.7)**	0.0	—	(0.7)	0.0
Other non-operating income	(0.2)	**0.9**	1.1	—	0.8	0.1
Ordinary income	1.6	**4.2**	2.6	159.8	4.1	0.1
Extraordinary income	1.2	**0.5**	(0.7)	—	0.5	0.0
Extraordinary losses	(1.7)	**(0.9)**	0.8	—	(0.3)	(0.6)
Income before income taxes	1.1	**3.8**	2.7	248.4	4.3	(0.5)
Income taxes	(0.2)	**(1.0)**	(0.8)		(1.4)	0.4
Profit attributable to owners of parent	0.9	**2.8**	1.9	227.0	2.9	(0.1)

(Sales breakdown) (Billions of yen)

	FY ended December 31, 2016	**FY ended December31, 2017**	Year-on-year change	Forecast for FY ended December 31, 2017*	Change vs. forecast
Agricultural machinery	57.6	**57.1**	(0.5)	58.5	(1.4)
Farming implements	19.0	**19.7**	0.7	19.8	(0.1)
Spare parts	14.4	**14.7**	0.3	15.0	(0.3)
Repair fees	5.2	**5.4**	0.2	5.5	(0.1)
Totals agricultural machinery related	96.2	**96.9**	0.7	98.8	(1.9)
Construction of facilities	5.1	**6.6**	1.5	6.5	0.1
Other agriculture-related business	19.7	**19.6**	(0.1)	20.2	(0.6)
Domestic sales total	121.0	**123.1**	2.1	125.5	(2.4)
North America	10.7	**9.1**	(1.6)	9.4	(0.3)
Europe	9.3	**10.7**	1.4	10.5	0.2
China	3.2	**3.8**	0.6	3.8	0.0
ASEAN	3.0	**4.8**	1.8	4.5	0.3
Others	2.0	**2.7**	0.7	2.4	0.3
Product sales total	28.2	**31.1**	2.9	30.6	0.5
Parts and farming implements	2.1	**2.6**	0.5	2.8	(0.2)
Others	1.8	**1.6**	(0.2)	1.6	0.0
Overseas sales total	32.1	**35.3**	3.2	35.0	0.3
Total net sales	153.1	**158.4**	5.3	160.5	(2.1)

*Forecast released on August 10, 2017. (Sales breakdown is based on the revision on November 13, 2017).

1) Comparison with the previous fiscal year

(1) Net sales: ¥158.4 billion (up ¥5.3 billion (3.5%) year on year) : sales increased both in Japan and overseas.

- Sales in Japan: ¥123.1 billion (up ¥2.1 billion (1.7%) year on year)

  Overall sales of agricultural machinery decreased by ¥0.5 billion due to a decrease in OEM products, etc., despite favorable sales of tractors.

  Overall sales related to agricultural machinery increased by ¥0.7 billion thanks to increased sales of farming implements, parts and repair fees.

- Sales overseas: ¥35.3 billion (up ¥3.2 billion (10.0%) year on year)

  Sales in North America decreased by ¥1.6 billion mainly due to partial changes in business terms with an OEM partner.

  Sales in Europe increased by ¥1.4 billion mainly due to the launch of new products and the effects of foreign exchange rates.

  Sales in China increased by ¥0.6 billion thanks mainly to increased shipments of semi-finished rice transplanters.

  Sales in ASEAN increased by ¥1.8 billion due to increased shipments of tractors and combine harvesters for Indonesia and Thailand.

  The effect of foreign exchange rates resulted in an increase of ¥1.6 billion for overall overseas sales.

(2) Revenue: increased owing mainly to improvements in the revenue-expenditure structure in domestic direct dealers, a return to profitability in a production subsidiary in Indonesia, improved profitability in an equity-method affiliate in China, and ongoing cost reductions.

- Operating income: ¥4.0 billion (up ¥1.5 billion (60.1%) year on year)
- Ordinary income: ¥4.2 billion (up ¥2.6 billion (159.8%) year on year)

  Operating income increased by ¥1.5 billion primarily as a result of improvements in the revenue-expenditure structure in domestic direct dealers of ¥0.7 billion and improved profitability in the Indonesian business of ¥1.1 billion, although provision for loss on construction contracts of ¥0.4 billion was recorded for construction of facilities.

  Ordinary income increased by ¥2.6 billion due to an upturn in the share of profit or loss of entities using equity method of ¥0.9 billion and a favorable turn in foreign exchange gains or losses of ¥0.3 billion, etc. resulting in an improvement in non-operating expenses (income) by ¥1.1 billion.

- Income before income taxes: ¥3.8 billion (up ¥2.7 billion (248.4%) year on year)
- Profit: ¥2.8 billion (up ¥1.9 billion (227.0%) year on year)

  Income before income taxes increased by ¥2.7 billion as a result of recording extraordinary income (losses) such as subsidy income related to the Kumamoto Earthquake of ¥0.5 billion and ¥(0.4) billion in facility contract penalty.

  Profit increased by ¥1.9 billion due to the payment of tax expenses of ¥1.0 billion for the period under review.

2) Comparison with the forecast

(1) Net sales: ¥2.1 billion lower than the forecast (Japan: ¥(2.4) billion, overseas: ¥0.3 billion)

- Overall sales in Japan were ¥2.4 billion lower than the forecast, as a result of agricultural machinery sales that were ¥1.4 billion lower than the forecast.
- Sales overseas were almost in line with the forecast.

(2) Revenue

- Operating income: in line with the forecast
- Ordinary income: ¥0.1 billion higher than the forecast

Operating income was in line with the forecast as a result of improvements in the revenue-expenditure structure in domestic direct dealers and improved profitability in the Indonesian business surpassing the forecast, although provision for loss on construction contracts of ¥0.4 billion was recorded for construction of facilities.

・ Profit: ¥0.1 billion lower than the forecast

Despite the recording of extraordinary losses such as facility contract penalty of ¥0.4 billion, profit was almost in line with the forecast thanks to decreased tax expenses resulting from the application of the consolidated taxation system starting from the fiscal year ending December 31, 2018.

3) Dividends: We plan to pay the year-end dividends in the amount of ¥30.00 per share.

II. Consolidated financial results forecast for the fiscal year ending December 31, 2018

[Consolidated financial results forecast for the fiscal year ending December 31, 2018]

(January 1, 2018 through December 31, 2018) (Billions of yen, %)

	FY ended December 31, 2016	FY ended December 31, 2017	**Forecast for FY ending December 31, 2018**	Year-on-year change	
				Amount	%
Net sales	153.1	158.4	**164.5**	6.1	3.9
Domestic	121.0	123.1	**126.2**	3.1	2.5
Overseas	32.1	35.3	**38.3**	3.0	8.7
Operating income	2.5	4.0	**4.5**	0.5	13.8
Operating income ratio	1.6%	2.5%	**2.7%**	0.2%	–
Ordinary income	1.6	4.2	**4.3**	0.1	1.2
Profit attributable to owners of parent	0.9	2.8	**3.2**	0.4	14.0

* The assumed foreign exchange rates are ¥110 per U.S. dollar and ¥130 per euro.

[Rationale for the financial results forecast]

1) Net sales

・ Sales in Japan: ¥126.2 billion (up ¥3.1 billion year on year)

Overall sales in Japan are expected to increase by ¥3.1 billion year on year owing to large-scale farming through consolidation and projected higher sales of agricultural machinery and farming implements, parts and repair fees as farmers implement shift of production to dry field farming and vegetable production.

・ Sales overseas: ¥38.3 billion (up ¥3.0 billion year on year)

Sales in North America are expected to recover as the effects of partial changes in business terms.
Overall sales overseas are expected to increase by ¥3.0 billion year on year, owing to sales expansion in Europe due to the launch of new products, and increased sales in the ASEAN including Thailand, Indonesia, and neighboring countries due to strengthened sales.

2) Revenue

・ Operating income: ¥4.5 billion (up ¥0.5 billion year on year)

Operating income is expected to increase by ¥0.5 billion year on year thanks to an increase in gross profit as a result of increased sales, as well as improvements in the revenue-expenditure structure in domestic dealers, the effects of improved profitability in the Indonesian business, and other factors, which will offset an increase in selling, general and administrative expenses.

・ Ordinary income: ¥4.3 billion (up ¥0.1 billion year on year)

Mainly due to the lack of subsidy income (non-operating income) recorded in the previous fiscal year, ordinary income is expected to increase by ¥0.1 billion.

[Year-end dividend forecast for the fiscal year ending December 31, 2018]

We plan to pay the year-end dividends in the amount of ¥30.00 per share for the fiscal year ending December 31, 2018.

(Reference)

・ Overall sales overseas forecast including net sales of the Chinese business

(Billions of yen, %)

	FY ended December 31, 2016	FY ended December 31, 2017	**Forecast for FY ending December 31, 2018**	Year-on-year change	
				Amount	%
Overseas net sales	37.0	38.7	**49.1**	10.4	26.9
Overseas sales ratio	23.4%	23.9%	**28.0%**	4.1%	–