## November 12, 2018

# ISEKI & CO., LTD.

# Supplementary Information to Consolidated Financial Results

## (January 1, 2018 – September 30, 2018)

# I. Consolidated results of operations for the nine months ended September 30, 2018 (Billions of yen, %)

	3Q of FY ended December 31,	3Q of FY ending December 31,	Year-on-year change		FY ending December 31, 2018 forecast	Achievem ent rate	
	2017	2018	Amount	%	announced on August 8, 2018	ent fate	
Net sales	120.5	119.2	(1.3)	(1.1)	158.0	75.4%	
Domestic	94.3	93.9	(0.4)	(0.5)	125.2	75.0%	
Overseas	26.2	25.3	(0.9)	(3.5)	32.8	77.1%	
Gross profit	36.0	35.4	(0.6)	(1.8)	_	_	
Gross profit margin	29.9%	29.7%	(0.2)%	_		—	
Selling, general and administrative expenses	31.4	31.8	0.4	1.3	_	—	
Operating income	4.6	3.6	(1.0)	(22.5)	4.5	79.8%	
Operating income ratio	3.8%	3.0%	(0.8)%		2.8%	_	
Balance of financial income	(0.5)	(0.6)	(0.1)	_	_	_	
Other non-operating income	1.3	(0.2)	(1.5)	_	_	_	
Ordinary income	5.4	2.8	(2.6)	(49.2)	4.3	64.3%	
Ordinary income ratio	4.5%	2.3%	(2.2)%	—	2.7%	_	
Extraordinary income	0.1	0.1	0.0		_	_	
Extraordinary losses	(0.6)	(0.1)	0.5		—	—	
Income before income taxes	4.9	2.8	(2.1)	(43.6)		_	
Income taxes	(1.6)	(0.6)	1.0	_	_	_	
Profit attributable to owners of parent	3.3	2.2	(1.1)	(33.4)	3.2	69.4%	

(Sales breakdown)			(B	illions of yen)
	3Q of FY ended December 31, 2017	3Q of FY ending December 31, 2018	Year-on-year change	FY ending December 31, 2018 forecast announced on August 8, 2018
Agricultural machinery	43.0	42.3	(0.7)	58.0
Farming implements	15.5	16.0	0.5	21.2
Spare parts	11.2	11.3	0.1	14.9
Repair fees	4.1	4.2	0.1	5.5
Totals agricultural machinery related	73.8	73.8	0.0	99.6
Construction of facilities	5.6	5.0	(0.6)	6.2
Other agriculture-related business	14.9	15.1	0.2	19.4
Domestic sales total	94.3	93.9	(0.4)	125.2
North America	6.0	8.3	2.3	10.7
Europe	8.5	8.4	(0.1)	11.1
China	3.0	1.0	(2.0)	1.1
ASEAN	3.3	2.5	(0.8)	3.9
Others	2.1	1.4	(0.7)	1.6
Product sales total	22.9	21.6	(1.3)	28.4
Spare parts	1.9	1.9	0.0	2.7
Others	1.4	1.8	0.4	1.7
Overseas sales total	26.2	25.3	(0.9)	32.8
Total net sales	120.5	119.2	(1.3)	158.0

#### 1) Year-on-year change

#### (1) Net sales: ¥119.2 billion (down ¥1.3 billion (1.1%) year on year)

• Sales in Japan: ¥93.9 billion (down ¥0.4 billion (0.5%) year on year)

Overall sales related to agricultural machinery were at substantially the same level year on year due to decreased sales of tractors, while favorable sales of rice transplanters and farming implements continued thanks to the launch of new products. Construction of facilities decreased by ¥0.6 billion.

Sales overseas: ¥25.3 billion (down ¥0.9 billion (3.5%) year on year) Sales in North America increased by ¥2.3 billion due to the disappearance of the effects of partial changes in business terms with an OEM partner in the same period of the previous fiscal year.

Sales in Europe were at substantially the same level year on year.

Sales in China decreased by ¥2.0 billion due mainly to decreased shipments of semi-finished rice transplanters stemming from local inventory adjustment.

Sales in ASEAN decreased by ¥0.8 billion due mainly to decreased shipments of tractors stemming from inventory adjustments by a sales agent in Thailand, while shipments of tractors for Indonesia increased.

- (2) Revenue: Operating income or loss worsened year on year partly due to temporary factors such as decreased revenue and the application of the principle of calculating retirement benefits upon the merger of subsidiaries, despite ongoing improvements in the revenue-expenditure structure in domestic direct dealers. Ordinary income or loss worsened due to deteriorated earnings of an equity-method affiliate in China that was hit by the sluggish economy.
- Operating income: ¥3.6 billion (down ¥1.0 billion year on year)
- Ordinary income: ¥2.8 billion (down ¥2.6 billion year on year)
- Income before income taxes: ¥2.2 billion (down ¥1.1 billion year on year)

Operating income decreased by ¥1.0 billion primarily as a result of temporary factors such as unprofitable construction of facilities and expenses resulting from the application of the principle of calculating retirement benefits upon the merger of subsidiaries, as well as other factors such as increased development costs for products responsive to the fourth emission gas regulations, etc. and increased personnel expenses, in addition to a decrease in gross margin due to decreased revenue.

Ordinary income decreased by ¥2.6 billion mainly due to a worsening in foreign exchange gains or losses and in the share of profit or loss of entities using equity method, as well as the disappearance of subsidy income (non-operating income) recorded in the same period of the previous fiscal year.

Profit decreased by ¥1.1 billion due to decreased tax expenses resulting from the application of the consolidated taxation system effective from the fiscal year ending December 31, 2018.

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

We have revised the consolidated financial results forecast for the fiscal year ending December 31, 2018 announced on August 8, 2018 as follows in consideration of the actual financial results for the nine months ended September 30, 2018, the current trends of orders received, and other factors. It should be noted that the dividend forecast has not been revised.

- 1) Net sales: ¥3.0 billion lower than the previous forecast (Japan: ¥(3.3) billion, overseas: ¥0.3 billion)
  - Sales in Japan have been revised downward in the amount of ¥3.3 billion taking into account decreased sales of agricultural machinery, construction of facilities, and other factors.
  - Sales overseas have been revised upward in the amount of ¥0.3 billion taking into account continued effect of the launch of new products in Europe.

## 2) Operating income: \$1.3 billion lower than the previous forecast

### Ordinary income: ¥1.7 billion lower than the previous forecast

- Operating income has been revised downward in the amount of ¥1.3 billion due to decreased gross profit resulting from decreased sales and the increased burden of fixed manufacturing costs caused by reduced production, despite efforts to cut down on expenses.
- Ordinary income has been revised downward in the amount of ¥1.7 billion taking into account a worsening in the share of loss of entities using equity method in addition to the downward revision to the operating income.

#### 3) Profit: ¥1.8 billion lower than the previous forecast

[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, 2017	Previous forecast for FY ending December 31, 2018 (released on August 8)	Latest forecast for FY ending December 31, 2018 (released on November 12)	Year-on-year change	Difference (previous/ latest)	
Net sales	158.4	158.0	155.0	(3.4)	(3.0)	
Domestic	123.1	125.2	121.9	(1.2)	(3.3)	
Overseas	35.3	32.8	33.1	(2.2)	0.3	
Operating income	4.0	4.5	3.2	(0.8)	(1.3)	
Ordinary income	4.2	4.3	2.6	(1.6)	(1.7)	
Profit attributable to owners of parent	2.8	3.2	1.4	(1.4)	(1.8)	

\* The assumed foreign exchange rates for the fiscal year:

¥110 per U.S. dollar (unchanged)

¥130 per euro (unchanged)

[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 (unchanged).