

Supplementary Information to Consolidated Financial Results

(January 1, 2019 – June 30, 2019)

	I. Consolidated results of operations for the six months ended June 30, 2019					
						(Billions of yen, %)
	2Q of FY ended December 31, 2018	2Q of FY ending December 31, 2019	Year-on-year change		2Q of FY ending December 31, 2019 Forecast*	Difference (forecast /actual)
			Amount	%		
Net sales	82.2	77.5	(4.7)	(5.7)	81.8	(4.3)
Domestic	63.9	59.9	(4.0)	(6.2)	64.8	(4.9)
Overseas	18.3	17.6	(0.7)	(3.9)	17.0	0.6
Gross profit	23.5	22.5	(1.0)	(4.3)	23.7	(1.2)
Gross profit margin	28.6%	29.1%	0.5%	—	29.0%	0.1%
Selling, general and administrative expenses	21.3	20.9	(0.4)	—	21.8	(0.9)
Operating income	2.2	1.6	(0.6)	(25.5)	1.9	(0.3)
Operating income ratio	2.7%	2.1%	(0.6)%	—	2.3%	(0.2)%
Balance of financial income	(0.4)	(0.4)	0.0	—	(0.4)	0.0
Other non-operating income	0.0	(0.4)	(0.4)	—	0.1	(0.5)
Ordinary income	1.8	0.8	(1.0)	(53.8)	1.6	(0.8)
Ordinary income ratio	2.2%	1.1%	(1.1)%	—	2.0%	(0.9)%
Extraordinary income	0.1	0.1	0.0	—	0.0	0.1
Extraordinary losses	(0.1)	(0.1)	0.0	—	(0.1)	0.0
Income before income taxes	1.8	0.8	(1.0)	(57.3)	1.5	(0.7)
Income taxes	(0.2)	(0.1)	0.1	—	(0.1)	0.0
Profit attributable to owners of parent	1.6	0.7	(0.9)	(59.6)	1.4	(0.7)

* The forecast released on February 13, 2019

(Sales breakdown)

(Billions of yen)

	2Q of FY ended December 31, 2018	2Q of FY ending December 31, 2019	Year-on-year change	2Q of FY ending December 31, 2019 Forecast*	Difference (forecast /actual)
Agricultural machinery	28.3	26.6	(1.7)	30.1	(3.5)
Farming implements	11.8	12.0	0.2	12.4	(0.4)
Spare parts	6.8	6.9	0.1	7.1	(0.2)
Repair fees	2.6	2.6	0.0	2.8	(0.2)
Totals agricultural machinery related	49.5	48.1	(1.4)	52.4	(4.3)
Construction of facilities	3.3	1.3	(2.0)	1.5	(0.2)
Other agriculture-related business	11.1	10.5	(0.6)	10.9	(0.4)
Domestic sales total	63.9	59.9	(4.0)	64.8	(4.9)
North America	5.6	6.4	0.8	6.0	0.4
Europe	6.0	5.9	(0.1)	5.4	0.5
China	0.9	0.1	(0.8)	0.1	0.0
ASEAN	2.0	0.9	(1.1)	1.2	(0.3)
Others	1.1	2.1	1.0	2.1	0.0
Product sales total	15.6	15.4	(0.2)	14.8	0.6
Spare parts	1.3	1.2	(0.1)	1.3	(0.1)
Others	1.4	1.0	(0.4)	0.9	0.1
Overseas sales total	18.3	17.6	(0.7)	17.0	0.6
Total net sales	82.2	77.5	(4.7)	81.8	(4.3)

* The forecast released on February 13, 2019

1) Year-on-year change

(1) Net sales: ¥77.5 billion (down ¥4.7 billion (5.7%) year on year)

Sales in Japan decreased as a negative reaction to the construction of large-scale facilities in the same period of the previous fiscal year and decreased sales of agricultural machinery.

Sales overseas decreased slightly overall due to local inventory adjustments in China and ASEAN despite steady sales in North America and an increase in shipments to East Asia.

i) Sales in Japan: ¥59.9 billion (down ¥4.0 billion (6.2%) year on year)

Overall sales related to agricultural machinery decreased by ¥1.4 billion due to sales decreases in tractors and rice transplanters, in spite of sales of combine harvesters that remained unchanged, while sales of farming implements and parts continued to progress steadily.

Sales of construction of facilities decreased by ¥2.0 billion as a negative reaction to the construction of large-scale facilities in the same period of the previous fiscal year.

ii) Sales overseas: ¥17.6 billion (down ¥0.7 billion (3.9%) year on year)

Sales in North America increased by ¥0.8 billion due to favorable sales of new compact tractors.

Sales in Europe continued to progress steadily, although they remained unchanged from the previous fiscal year due to the effect of currency exchange rates linked to the higher yen.

Sales in China decreased by ¥0.8 billion mainly due to decreased shipments of semi-finished rice transplanters accompanying local inventory adjustments.

Sales in ASEAN decreased by ¥1.1 billion due to decreased shipments of tractors to Thailand accompanying local inventory adjustments and a decrease in Indonesian government tendering.

Sales in other regions increased by ¥1.0 billion mainly due to increased deliveries to East Asia.

(2) Revenue: a decrease in gross profit due to decreased revenue was partially offset by an improvement in the gross profit margin due to the absence of special factors that had been present in the previous fiscal year and a reduction in selling, general and administrative expenses.

i) Operating income: ¥1.6 billion (down ¥0.6 billion year on year)

ii) Ordinary income: ¥0.8 billion (down ¥1.0 billion year on year)

iii) Profit: ¥0.7 billion (down ¥0.9 billion year on year)

Operating income decreased by ¥0.6 billion primarily as a result of a decrease in gross profit due to decreased revenue in spite of an improvement in the gross profit margin due to the absence of special factors* that had been present in the previous fiscal year and a reduction in selling, general and administrative expenses.

Ordinary income decreased by ¥1.0 billion mainly due to the recording of the share of loss of entities accounted for using equity method.

Profit decreased by ¥0.9 billion.

* Temporary factors such as retirement benefit expenses upon the merger of subsidiaries and the unprofitable construction of facilities

2) Comparison with the forecast

(1) Net sales: ¥4.3 billion lower than the forecast (Japan: ¥(4.9) billion, overseas: ¥0.6 billion)

i) Agricultural machinery sales in Japan were ¥4.3 billion lower than the forecast, as the tractor sales fell short of the forecast. Overall sales in Japan were ¥4.9 billion lower than the forecast.

ii) Sales overseas were ¥0.6 billion higher than the forecast due to the steady progress of sales in North America and Europe.

(2) Revenue: in operating income, a decrease in gross profit due to the failure to reach the sales forecast was partially offset by a reduction in selling, general and administrative expenses.

Ordinary income and profit were affected by the recording of the share of loss of entities accounted for using equity method, due to weakness in the Chinese market.

- i) Operating income: ¥0.3 billion lower than the forecast
- ii) Ordinary income: ¥0.8 billion lower than the forecast
- iii) Profit: ¥0.7 billion lower than the forecast

Operating income was ¥0.3 billion lower than the forecast, as a result of a decrease in gross profit due to the failure to reach the sales forecast, and a reduction in selling, general and administrative expenses.

Ordinary income was ¥0.8 billion lower than the forecast, as a result of the recording of the share of loss of entities accounted for using equity method.

Profit was ¥0.7 billion lower than the forecast.

II. Consolidated financial results forecast for the fiscal year ending December 31, 2019

Overall sales and revenue in the three months ended June 30, 2019 failed to reach the forecast due to lower than forecast sales in Japan, despite sales overseas surpassing the forecast. Looking to the future, demand in advance of the consumption tax increase, which was subdued throughout the second quarter, is now becoming more apparent, and we aim to stage a recovery focused on large-scale agricultural machinery. Overseas, we look forward to continued growth in the North American market, as well as the positive impact of introducing new products to other regions. In terms of revenue, we will strive to secure increased revenue from continued reductions in selling, general and administrative expenses. Accordingly, we have not revised the consolidated financial results forecast for the fiscal year ending December 31, 2019 announced on February 13, 2019.

[Consolidated financial results forecast for the fiscal year ending December 31, 2019]

(January 1, 2019 through December 31, 2019)

(Billions of yen, %)

	FY ended December 31, 2018	FY ending December 31, 2019 Forecast	Year-on-year change	
			Amount	%
Net sales	156.0	164.0	8.0	5.2
Operating income	3.2	4.0	0.8	25.8
Ordinary income	2.6	2.6	0.0	(1.1)
Profit attributable to owners of parent	1.1	1.6	0.5	46.7

* The assumed foreign exchange rates for the fiscal year: ¥108 per U.S. dollar (continued)
¥125 per euro (continued)

* Explanation on the proper use of financial results forecasts

The financial results forecasts and other forward-looking statements contained in this report are based on information available to the Company on the date of this report's release and certain preconditions that the Company deems to be reasonable. Actual results etc. may differ significantly from the forecasts, however, as a result of various factors.