

May 15, 2017

ISEKI & CO., LTD.

Supplementary Information to Consolidated Financial Results

(January 1, 2017 – March 31, 2017)

I. Consolidated results of operations for the three months ended March 31, 2017 (Billions of yen, %)

	1Q of FY ended December 31, 2016	1Q of FY ending December 31, 2017	Year-on-year change		1Q of FY ending December 31, 2017 Target	Difference (target /actual)
			Amount	%		
Net sales	37.7	36.7	(1.0)	(2.6)	36.8	(0.1)
Domestic	28.2	28.5	0.3	1.3	28.8	(0.3)
Overseas	9.5	8.2	(1.3)	(14.3)	8.0	0.2
Gross profit	10.5	10.1	(0.4)	(3.5)	10.2	(0.1)
Gross profit margin	27.8%	27.5%	(0.3)%	—	27.7%	(0.2)%
Selling, general and administrative expenses	10.9	10.4	(0.5)	(4.5)	11.0	(0.6)
Operating income	(0.4)	(0.3)	0.1	—	(0.8)	0.5
Balance of financial income	(0.2)	(0.2)	0.0	—	(0.2)	0.0
Other non-operating income	(0.1)	0.1	0.2	—	0.1	0.0
Ordinary income	(0.7)	(0.4)	0.3	—	(0.9)	0.5
Extraordinary income	0.4	0.0	(0.4)	—	0.0	0.0
Extraordinary losses	0.0	0.0	0.0	—	0.0	0.0
Income before income taxes	(0.3)	(0.4)	(0.1)	—	(0.9)	0.5
Income taxes	(0.3)	(0.2)	0.1	—	(0.1)	(0.1)
Profit attributable to owners of parent	(0.6)	(0.6)	0.0	—	(1.0)	0.4

(Sales breakdown)

(Billions of yen)

	1Q of FY ended December 31, 2016	1Q of FY ending December 31, 2017	Year-on-year change	1Q of FY ending December 31, 2017 Target	Difference (target /actual)
Agricultural machinery	13.1	12.5	(0.6)	12.5	0.0
Farming implements	4.4	4.7	0.3	4.7	0.0
Spare parts	2.7	2.7	0.0	2.7	0.0
Repair fees	1.0	1.0	0.0	1.0	0.0
Totals agricultural machinery related	21.2	20.9	(0.3)	20.9	0.0
Construction of facilities	2.1	2.8	0.7	2.8	0.0
Others	4.9	4.8	(0.1)	5.1	(0.3)
Domestic sales total	28.2	28.5	0.3	28.8	(0.3)
North America	2.5	1.0	(1.5)	0.9	0.1
Europe	3.1	1.9	(1.2)	2.9	(1.0)
China	1.5	1.7	0.2	1.6	0.1
ASEAN	0.7	1.3	0.6	0.7	0.6
Others	1.0	1.3	0.3	1.3	0.0
Product sales total	8.8	7.2	(1.6)	7.4	(0.2)
Spare parts	0.5	0.6	0.1	0.4	0.2
Others	0.2	0.4	0.2	0.2	0.2
Overseas sales total	9.5	8.2	(1.3)	8.0	0.2
Total net sales	37.7	36.7	(1.0)	36.8	(0.1)

[Overview of financial results for the three months ended March 31, 2017 (January through March)]

(1) Net sales: a recovery trend in sales in Japan and robust sales overseas, especially in China and ASEAN, the growth drivers for the Company

- Sales in Japan: up ¥0.3 billion year on year and down ¥0.3 billion as compared to the target.
Sales of farming implements and construction of facilities were brisk, while sales of agricultural machinery decreased on the impact of sluggish sales of OEM products. Sales from the consolidated sales companies showed signs of recovery (contract basis: 107% year on year).
- Sales overseas: down ¥1.3 billion year on year and up ¥0.2 billion as compared to the plan.
Sales in China and ASEAN were brisk, while decreases in sales in North America and Europe (France) were caused by changes in business terms with an OEM partner and deferred sales of the off-demand season, respectively.

(2) Revenue: improved both year on year and as compared to the target, owing mainly to ongoing cost reductions, as well as a return to profitability in a production subsidiary in Indonesia and improved profitability in an equity-method affiliate in China. Losses, however, are recorded in all income items from operating income and below, partly because the first quarter (January through March) falls under the off-demand season.

- Operating income increased by ¥0.1 billion year on year and increased by ¥0.5 billion as compared to the target as a result of a reduction in selling, general, and administrative expenses that offset the decrease in gross profit due to a decline in net sales.
- Ordinary income increased by ¥0.3 billion year on year and increased by ¥0.5 billion as compared to the target, mainly due to a decrease in foreign exchange losses and an upturn in the share of profit or loss of entities using equity method.
- Income before income taxes decreased by ¥0.1 billion year on year due to the lack of gain on sales of investment securities recorded in the same period of the previous year, and increased by ¥0.5 billion as compared to the target.

II. Consolidated financial results forecast for the fiscal year ending December 31, 2017

As the consolidated financial results for the three months ended March 31, 2017 have proceeded almost as planned, the future outlook is not substantially changed at this point in time. Accordingly, we have not revised the consolidated financial results forecast announced on February 14, 2017.

[Consolidated financial results forecast for the first half ending June 30, 2017]

(January 1, 2017 through June 30, 2017) (Billions of yen, %)

	2Q of FY ended December 31, 2016	2Q of FY ending December 31, 2017 Forecast	Year-on-year change	
			Amount	%
Net sales	81.0	81.2	0.2	0.2
Operating income	1.7	1.9	0.2	8.5
Ordinary income	1.3	2.2	0.9	74.0
Profit attributable to owners of parent	0.6	1.3	0.7	135.0

[Consolidated financial results forecast for the fiscal year ending December 31, 2017]

(January 1, 2017 through December 31, 2017) (Billions of yen, %)

	FY ended December 31, 2016	FY ending December 31, 2017 Forecast	Year-on-year change	
			Amount	%
Net sales	153.1	161.5	8.4	5.5
Operating income	2.5	3.5	1.0	41.7
Ordinary income	1.6	3.7	2.1	126.2
Profit attributable to owners of parent	0.9	2.7	1.8	214.5

Note: With respect to foreign exchange rate, the rate assumption used is ¥115 per U.S. dollar and ¥120 per euro.

* 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 significantly differ from the forecasts, however, as a result of various factors.