February 13, 2018

Name of Listed Company: ISEKI & CO., LTD. Stock Exchange Listings: Tokyo
Company Code: 6310 (URL http://www.iseki.co.jp)
Representative: Title President Name Eiichiro Kinoshita
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Date of the Ordinary General Meeting of Shareholders: March 29, 2018
Scheduled Date to Commence Dividend Payment: March 30, 2018
Date of Submission of Securities Report: March 30, 2018
Supplementary Information for Financial Results: Yes
Financial Results Briefing: Yes (for institutional investors and analysts)

Summary Announcement of Consolidated Financial Results for the Fiscal Year Ended December 31, 2017 (Japanese GAAP)

I. Consolidated Financial Results for the Fiscal Year Ended December 31, 2017 (January 1, 2017－December 31, 2017)

A. Consolidated Results of Operations

(Rounded down to a million yen, % indicates changes from the previous corresponding period)

	Fiscal Year Ended December 31, 2017	%	Fiscal Year Ended December 31, 2016	%
Net Sales	158,382	3.5	153,097	—
Operating Income	3,953	60.1	2,469	—
Ordinary Income	4,250	159.8	1,635	—
Profit Attributable to Owners of Parent	2,807	227.0	858	—
Earnings per Share (yen) Basic Diluted	124.29 124.08		38.01 37.94	
Return on Equity (%)	4.2		1.3	
Return on Assets (%)	2.1		0.8	
Operating Margin (%)	2.5		1.6	

Note: Comprehensive income
Fiscal year ended December 31, 2017: ¥4,113 million [—%]
Fiscal year ended December 31, 2016: ¥(602) million [—%]
Reference: Share of profit or loss of entities using equity method
Fiscal year ended December 31, 2017: ¥(219) million
Fiscal year ended December 31, 2016: ¥(1,075) million
* The Company has changed its balance sheet date from March 31 to December 31 since the fiscal year ended December 31, 2015. Percentage changes from the previous corresponding period are not stated for the fiscal year ended December 31, 2016, as the fiscal year ended December 31, 2015 do not correspond to the fiscal year ended December 31, 2016.
* The Company has consolidated shares of its common stock (one-for-ten share consolidation), effective July l, 2017. The amounts stated for basic earnings per share and diluted earnings per share are calculated based on the assumption that shares of the common stock were consolidated at the beginning of the previous fiscal year.

B. Consolidated Financial Position

(Rounded down to a million yen)

	As of December 31, 2017	As of December 31, 2016
Total Assets	201,348	203,356
Net Assets	70,916	67,151
Shareholder’s Equity to Total Assets Ratio (%)	34.4	32.2
Net Assets per Share (yen)	3,061.84	2,896.78

Reference: Shareholder’s equity

As of December 31, 2017: ¥69,164 million

As of December 31, 2016: ¥65,430 million

* The Company has consolidated shares of its common stock (one-for-ten share consolidation), effective July l, 2017. The amounts stated for net assets per share are calculated based on the assumption that shares of the common stock were consolidated at the beginning of the previous fiscal year.

C. Consolidated Cash Flows

(Rounded down to a million yen)

	Fiscal Year Ended December 31, 2017	Fiscal Year Ended December 31, 2016
Cash Flows from Operating Activities	3,308	8,283
Cash Flows from Investing Activities	(5,273)	(5,736)
Cash Flows from Financing Activities	(4,294)	2,621
Cash and Cash Equivalents at End of Period	7,795	13,909

II. Dividends

	Dividend per Share (yen)					Annual Dividends (million yen)	Payout Ratio (%, consolidated)	Dividend to Net Assets Ratio (%, consolidated)
	1Q-end	2Q-end	3Q-end	Year-end	Total			
FY Ended December 31, 2016	—	—	—	1.50	1.50	338	39.5	0.5
FY Ended December 31, 2017	—	—	—	30.00	30.00	677	24.1	1.0
FY Ending December 31, 2018 (Forecast)	—	—	—	30.00	30.00		21.2	

* The Company has consolidated shares of its common stock (one-for-ten share consolidation), effective July 1, 2017. The amounts of dividends for the fiscal year ended December 31, 2016 are stated at the actual amounts paid out prior to the share consolidation.

III. Consolidated Financial Results Forecast for the Fiscal Year Ending December 31, 2018 (January 1, 2018－December 31, 2018)

(Rounded down to a million yen, % indicates changes from the previous period)

	Net Sales	%	Operating Income	%	Ordinary Income	%	Profit Attributable to Owners of Parent	%	Earnings per Share (yen)
First Half	86,000	7.3	2,000	(29.6)	1,800	(46.7)	1,600	(27.1)	70.83
Full Year	164,500	3.9	4,500	13.8	4,300	1.2	3,200	14.0	141.66

*** Notes**

A. Changes in significant subsidiaries during the fiscal year under review (changes in specified subsidiaries resulting in changes in the scope of consolidation): No

New: − ( ), Exclusion: − ( )

B. Changes in accounting policies, changes in accounting estimates and restatements

1) Changes in accounting policies due to the revision of accounting standards, etc.: No
2) Any changes other than 1) above: No
3) Changes in accounting estimates: No
4) Restatements: No

C. Total number of shares issued (common stock)

1) Total number of shares issued at the end of the fiscal year (including treasury shares):

As of December 31, 2017	22,984,993 shares
As of December 31, 2016	22,984,993 shares

2) Total number of treasury shares at the end of the fiscal year:

As of December 31, 2017	395,946 shares
As of December 31, 2016	397,612 shares

3) Average number of shares during the fiscal year:

Fiscal year ended December 31, 2017	22,588,520 shares
Fiscal year ended December 31, 2016	22,588,076 shares

The Company has consolidated shares of its common stock (one-for-ten share consolidation), effective July l, 2017. The amounts stated for the total number of shares issued (common stock) are calculated based on the assumption that shares of the common stock were consolidated at the beginning of the previous fiscal year.

(Reference) Summary of Non-consolidated Financial Results
Non-consolidated Financial Results for the Fiscal Year Ended December 31, 2017 (January 1, 2017－December 31, 2017)

A. Non-consolidated Results of Operations
(Rounded down to a million yen, % indicates changes from the previous corresponding period)

	Fiscal Year Ended December 31, 2017	%	Fiscal Year Ended December 31, 2016	%
Net Sales	92,913	(3.1)	95,873	—
Operating Income	501	(45.6)	921	—
Ordinary Income	2,126	(22.6)	2,746	—
Profit	2,013	(24.1)	2,651	—
Earnings per Share (yen) Basic Diluted	 89.13 88.99		 117.37 117.16	

* The Company has changed its balance sheet date from March 31 to December 31 since the fiscal year ended December 31, 2015. Percentage changes from the previous corresponding period are not stated for the fiscal year ended December 31, 2016, as the fiscal year ended December 31, 2015 do not correspond to the fiscal year ended December 31, 2016.
* The Company has consolidated shares of its common stock (one-for-ten share consolidation), effective July l, 2017. The amounts stated for basic earnings per share and diluted earnings per share are calculated based on the assumption that shares of the common stock were consolidated at the beginning of the previous fiscal year.

B. Consolidated Financial Position
(Rounded down to a million yen)

	As of December 31, 2017	As of December 31, 2016
Total Assets	134,826	135,976
Net Assets	58,387	56,138
Shareholder’s Equity to Total Assets Ratio (%)	43.2	41.2
Net Assets per Share (yen)	2,581.21	2,481.33

Reference: Shareholder’s equity
As of December 31, 2017: ¥58,307 million
As of December 31, 2016: ¥56,046 million
* The Company has consolidated shares of its common stock (one-for-ten share consolidation), effective July l, 2017. The amounts stated for net assets per share are calculated based on the assumption that shares of the common stock were consolidated at the beginning of the previous fiscal year.

* These financial results are outside the scope of audit.

* Explanation on the proper use of financial results forecasts and other notes
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. For details on the preconditions on the financial results forecasts of the Company and notes on the use of financial results forecasts, please see “Summary of Results of Operations, etc.” on page 2 of the Appendix.

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1. Summary of Results of Operations, etc.

(1) Summary of Results of Operations for the Fiscal Year under Review

During the fiscal year ended December 31, 2017, the Japanese economy was on a moderate recovery track due to recovery in corporate earnings and an improvement in personal consumption. In addition, the economy in the U.S. continued its steady recovery backed by a positive employment environment and a recovery in corporate earnings, while the economy in Europe remained on a strong recovery track, with signs of a pick-up in the Chinese economy buoyed by financial policies, all contributing to an overall picture of modest recovery.

On the other hand, in the domestic agricultural environment, the market for agricultural machinery is bottoming out and could potentially move into a recovery phase, amid ongoing structural changes in agriculture including farmland consolidation to principal farmers and rice-crop diversion such as a shift to dry field farming and vegetable production.

Under these circumstances, the ISEKI Group continued its initiatives to strengthen the responsiveness to structural changes in agriculture mainly by launching new products and improving customer service in Japan, while working to strengthen its sales in its mainstay overseas markets of North America, Europe, China, and ASEAN. As a result, the Group's consolidated financial results are summarized as follows.

[Consolidated financial results]

Net sales for the fiscal year ended December 31, 2017 were ¥158,382 million, an increase of ¥5,284 million (3.5%) year on year. Domestic sales in Japan were ¥123,136 million, an increase of ¥2,094 million (1.7%) year on year, as a result of favorable sales of tractors and increased sales of farming implements, spare parts, repair fees and construction of facilities, while overall sales of agricultural machinery slightly decreased from the previous fiscal year. Overseas sales were ¥35,245 million, an increase of ¥3,189 million (10.0%) year on year. This was due to the launch of new products and the effects of foreign exchange rates of subsidiaries in Europe, and increased shipments of tractors and combine harvesters in ASEAN for Indonesia and Thailand, despite decreased sales in North America attributable to changes in business terms with an OEM partner.

Operating income was ¥3,953 million, an increase of ¥1,483 million (60.1%) year on year, as a result of positive effects from improvements in the revenue-expenditure structure in domestic direct dealers and improved revenue in the Indonesian business, despite the recording of provision for loss on construction contracts for construction of facilities.

Ordinary income was ¥4,250 million, an increase of ¥2,614 million (159.8%) year on year, mainly due to an upturn in the share of profit or loss of entities using equity method and a favorable turn in foreign exchange gains or losses.

Profit attributable to owners of parent was ¥2,807 million, an increase of ¥1,948 million (227.0%) year on year, mainly resulting from the payment of income taxes of ¥993 million, in addition to the posting of extraordinary income (losses) such as subsidy income related to the Kumamoto Earthquake and facility contract penalty.

[Non-consolidated financial results]

Net sales for the fiscal year ended December 31, 2017 were ¥92,913 million (down 3.1% year on year), operating income was ¥501 million (down 45.6% year on year), ordinary income was ¥2,126 million (down 22.6% year on year), and profit was ¥2,013 million (down 24.1% year on year).

Sales by product are as follows.

[Domestic]

Sales of cultivating and mowing machinery (tractors, high-clearance multipurpose vehicles, among others) were ¥28,200 million (an increase of 2.3% year on year). Sales of planting machinery (rice transplanters and vegetable transplanters) were ¥8,486 million (a decrease of 7.0% year on year). Sales of harvesting and processing machinery (combine harvesters, among others) were ¥20,398 million (a decrease of 2.4% year on year). Sales of farming implements, spare parts and repair fees were ¥39,766 million (an increase of 3.1% year on year). Sales of other agriculture-related business (construction of facilities, among others) were ¥26,284 million (an increase of 5.6% year on year).

[Overseas]

Sales of cultivating and mowing machinery (tractors, among others) were ¥25,202 million (an increase of 2.8% year on year). Sales of planting machinery (rice transplanters, among others) were ¥4,174 million (an increase of 27.2% year on year). Sales of harvesting and processing machinery (combine harvesters, among others) were ¥1,703 million (an increase of 336.1% year on year). Sales of farming implements and spare parts were ¥2,621 million (an increase of 25.6% year on year). Sales of other agriculture-related business were ¥1,543 million (a decrease of 13.4% year on year).

(2) Summary of Financial Position for the Fiscal Year under Review

Total assets at the end of the fiscal year ended December 31, 2017 decreased by ¥2,008 million from the end of the previous fiscal year to ¥201,348 million. Current assets decreased by ¥1,182 million, while non-current assets decreased by ¥825 million. This was mainly due to a decrease of ¥5,954 million in cash and deposits, an increase of ¥3,379 million in merchandise and finished goods, an increase of ¥770 million in buildings and structures, a decrease of ¥1,155 million in leased assets, and an increase of ¥826 million in investment securities.

Total liabilities decreased by ¥5,773 million from the end of the previous fiscal year to ¥130,432 million. This was mainly due to a decrease of ¥1,806 million in short-term loans payable and long-term loans payable, a decrease of ¥1,747 million in notes and accounts payable-trade, a decrease of ¥1,321 million in lease obligations, and a decrease of ¥1,178 million in net defined benefit liability.

Net assets increased by ¥3,764 million from the end of the previous fiscal year to ¥70,916 million. This was mainly due to an increase of ¥2,484 million in retained earnings, an increase of ¥590 million in valuation difference on available-for-sale securities, an increase of ¥317 million in foreign currency translation adjustment, and an increase of ¥374 million in remeasurements of defined benefit plans.

The shareholder's equity to total assets ratio was 34.4%.

(3) Summary of Cash Flows for the Fiscal Year under Review

(Cash flows from operating activities)
Cash flows from operating activities resulted in a net cash inflow of ¥3,308 million (a decrease of cash inflow of ¥4,975 million from the previous fiscal year). This was mainly due to income before income taxes of ¥3,838 million, ¥7,005 million of depreciation, a decrease of ¥1,195 million in net defined benefit liability, an increase of ¥3,805 million in inventories, and a decrease of ¥1,900 million in notes and accounts payable-trade.

(Cash flows from investing activities)
Cash flows from investing activities resulted in a net cash outflow of ¥5,273 million (a decrease of cash outflow of ¥462 million from the previous fiscal year). This was mainly due to ¥5,646 million of capital investment expenditures.

(Cash flows from financing activities)
Cash flows from financing activities resulted in a net cash outflow of ¥4,294 million (an increase in cash outflow of ¥6,915 million from the previous fiscal year). This was mainly due to a decrease in interest-bearing liabilities.

(Reference) The trend of cash flow indicators

Indicator	FY ended March 31, 2015	FY ended December 31, 2015	FY ended December 31, 2016	FY ended December 31, 2017
Shareholder's equity to total assets ratio (%)	34.0	33.0	32.2	34.4
Market-based equity ratio (%)	25.5	21.2	25.0	31.9
Cash flow/Interest-bearing liabilities ratio (times)	—	5.2	7.4	18.0
Interest coverage ratio (times)	—	16.0	13.7	5.6

- Shareholder's equity to total assets ratio: Shareholders' equity/Total assets
- Market-based equity ratio: Total market price of shares/Total assets
- Cash flow/Interest-bearing liabilities ratio: Interest-bearing liabilities/Cash flow
- Interest coverage ratio: Cash flow/Interest payments

Notes: 1. All figures have been calculated using financial figures on a consolidated basis.
2. The total market price of shares have been calculated by multiplying the per-share closing price at the end of the fiscal year by the total number of shares outstanding (less treasury shares) at the end of the fiscal year.
3. The cash flow uses the figures of the cash flows from operating activities in the Consolidated Statements of Cash Flows. Interest-bearing liabilities include all bonds payable and loans payable as recorded in the Consolidated Balance Sheets. The Interest payments use the figures of the interest expenses paid as recorded in the Consolidated Statements of Cash Flows.
4. A cash flow/Interest-bearing liabilities ratio and an interest coverage ratio for the fiscal year ended March 31, 2015 are not presented because the net cash flow from operating activities for the fiscal year was negative.

(4) Future Outlook

The environment surrounding the Group during the fiscal year ending December 31, 2018 is expected to be on a moderate recovery in Japan as improvements continue in the employment environment and personal consumption. A steady recovery is projected to continue in the U.S. economy, as fiscal policies provide strong backing for corporate earnings and capital investment. Although the European economy is projected to remain strong, the recovery is expected to be moderate due to uncertainty surrounding the U.K. exit from the EU.

In domestic agriculture, demand for agricultural machinery is likely to remain bearish and flat in line with changes in needs resulting from structural changes in agriculture. Under these circumstances, the Company forecasts higher revenue centered on products and farming implements via initiatives such as responding to scaling by principal farmers, responding to efficiency needs against a backdrop of personnel shortages, and providing a product lineup for rice-crop diversion such as the shift to dry field farming and vegetable production.

Overseas, in the North American market, the effects of changes in business terms will be settled, with a turn to recovery. Higher revenues are projected as the Company continues to introduce new products in the European market and raises shipments to the ASEAN market, where strong demand persists.

Profits are expected to increase due to higher gross profit on the back of higher revenue, in addition to factors such as improvements in the revenue and cost structure at domestic sales companies and improved profitability in the Indonesian business, despite an increase in selling and administrative expenses.

(5) Basic Policy on Distribution of Surplus and Dividends for the Current and Next Fiscal Years

We recognize that decision on dividends to be paid to shareholders is one of the most important policies to be made. Our basic policy is to continue to make and increase our dividend distribution, taking into consideration, not just consolidated financial results, but our Group's financial position and future business developments as well as changes in our managerial environment. It is our basic policy to distribute retained earnings to shareholders once a year as year-end dividends. The authority deciding payment of dividends is General Meeting of Shareholders.

With respect to dividends for the fiscal year ended December 31, 2017, we will pay a year-end dividend of 30.0 yen per share in line with the above policy.

For the fiscal year ending December 31, 2018, we plan to pay a year-end dividend of 30.0 yen per share.

(6) Risks Which Could Affect Our Business

Latent risks and uncertainties which could affect our future financial performance are exemplified as below. We recognize the possibility of the occurrence of such risks and uncertainties, and will strive to avoid their occurrence and take proper measures should they occur:

1) Economic conditions and changes in the environment of agriculture

Sluggishness of domestic and/or overseas economic conditions and any change in the agricultural policy may harm our financial performance through reduced demand for agricultural machinery.

2) Exchange rate fluctuation

There is a possibility that fluctuation of foreign exchange may adversely impact our financial performance.

3) Price hike of raw materials, difficulty in procurement, and confusion in the supply chain

As we procure raw materials and parts from numerous suppliers, their prices suddenly increasing more rapidly than expected and a prolonged tightening of supplies may harm our business performance.

In addition, a fall in production activities due to disruptions in the supply chain may adversely impact the ISEKI Group's business performance and financial position.

4) Dependency on specific customers or suppliers

Any change of business policy, business depression or bankruptcy of our specific customers or suppliers may harm our financial performance.

5) Competition with other companies

We are involved in fierce competition with other companies in the market, and unless overall product competitiveness, including relevant services, is maintained, there is the possibility of a decline in our performance.

6) Serious defects in products and services

The occurrence of serious defects in our products or services may harm our financial performance.

7) Stock market fluctuation

As we hold securities, stock price declines may adversely impact our business performance and financial position.

8) Government regulation on environmental issues, etc., and occurrence of related difficulties

Substantial costs may be incurred related to our products or business activities due to necessitated responses to public regulation of environmental issues, etc., corrective measures undertaken upon the occurrence of troubles, lawsuits and other situations which could lead to a deterioration of our financial performance.

9) Risks derived from international business

As we promote overseas business development, unexpected changes in tax and legal systems or political unrest of any particular country may harm our financial performance when we engage in international business activities.

In addition, as we focus on expanding business to the Asian region, mainly a difficulty in ensuring human resources, immature technological levels and unstable labor-management relationships in the region may hinder the ISEKI Group's business development.

10) Risk of legal violation

We are making group-wide efforts to accomplish complete legal compliance and drive home the code of ethical behavior by establishing the "ISEKI Group Code of Ethical Behavior" and preparing an internal control system. In spite of such efforts, if any of our directors and/or employees should conduct themselves in any way that violates laws and regulations, the business activities of the Group may be restrained and the business performance may be deteriorated.

11) Risk of natural disasters and accidents

Natural disasters such as earthquakes, typhoons, flood or unexpected accidents may occur, which may harm our financial performance.

12) Business alliances, joint ventures and strategic investment with other companies

We will form business alliances and joint ventures and carry out strategic investment with other companies as necessary. We believe that these measures are an effective means for the effective utilization of the management resources of both parties and for the timely development, production and sales of products.

However, should a conflict of interests occur between the parties concerned in business alliances or joint ventures due to financial position or other reasons, we would not be able to maintain the alliances. With regard to strategic investment, including acquisitions, the expected results and/or effects may not be obtained in the integration of business, technologies, products and human resources, or more time and expenses than expected may be required. Accordingly, the success or failure of these measures may materially impact the ISEKI Group’s business and may adversely impact our business performance and financial position.

13) Debt

We have concluded syndicated loan or commitment line contracts with financial institutions. Should any of the financial conditions of these contracts be triggered, we could face obligations to pay back some or all of these loans, which could adversely impact the financial position of the ISEKI Group. There is a possibility that a hike in interest rate may harm our financial performance.

The forecasts for future results and target figures produced by ISEKI & CO., LTD., are based on information available as the day of this announcement, and assumptions made as of the same day regarding a number of latent risks and uncertainties that could affect future financial performance. Actual results could differ considerably depending on economic conditions, market trends, and future conditions for business operations hereafter.

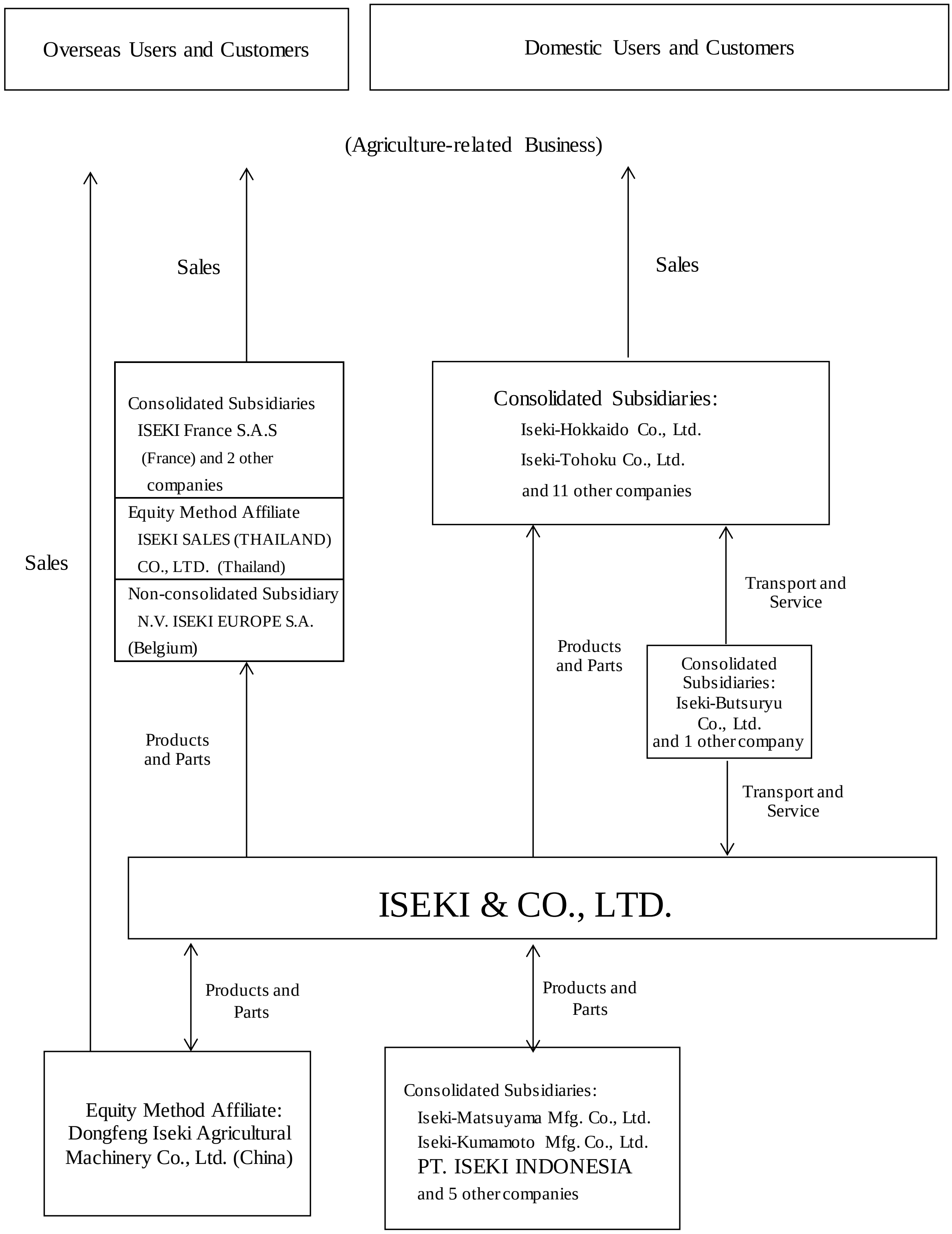
2. Status of the Corporate Group

The main business of the ISEKI Group is the development, manufacture and sale of agricultural machinery for rice and vegetable farming, among other related areas.

The position of the business in the ISEKI Group is stated below.

(Agriculture-related Business)

ISEKI & CO., LTD. primarily handles the development and design of agricultural machinery. Iseki-Matsuyama Mfg. Co., Ltd., Iseki-Kumamoto Mfg. Co., Ltd. and seven other companies handle our agricultural machinery manufacturing and processing of related components, and 13 domestic sales companies market and sell the machinery across the country. Overseas marketing operations are handled by ISEKI France S.A.S (France), Dongfeng Iseki Agricultural Machinery Co., Ltd. (China) and local distributors and affiliates.



3. Management Policies

(1) Basic Management Principles

Since the establishment of the Company in 1926, with the principle of our founder, "free farmers from exhausting labor" as the cornerstone, the ISEKI Group has been striving to contribute to the modernization of Japan's agricultural industry as a full-time manufacturer specialized in agricultural machinery. Over this time, we have consistently pursued efficient and labor-saving advances in agriculture, and have served the market by pioneering the development of a great deal of agricultural machinery and facilities. When we consider the increase of global population, food issues, food self-sufficiency, land conservation, and global environmental issues, the role agriculture plays is significant and, consequently, the social mission of agricultural machinery manufacturer becomes more and more important.

To contribute to agriculture both in Japan and throughout the world, the ISEKI Group will continue to operate under the basic business philosophy to "provide products that satisfy customers," and endeavor to further increase our corporate value.

[Company Motto]

Our management philosophy is to provide

1. Products that satisfy customers,

2. A stable workplace to the employees,

3. Appropriate dividend to the shareholders,

and thereby we will fulfill our social mission.

(2) Long- to Mid-term Management Strategies and Issues to be Addressed

In 2025, ISEKI & CO., LTD., will celebrate its 100th anniversary.

To establish our firm position as a manufacturer specialized in agricultural machinery in the global market by our 100th anniversary, we will make concerted efforts throughout the Group in strengthening our responsiveness to structural changes in agriculture in Japan, expanding our overseas business, reinforcing our organization and governance by exercising our strength as a manufacturer specialized in agricultural machinery, and utilizing our ability to develop and propose products that are competitive in the global market.

1) To strengthen the responsiveness to drastic changes in the agriculture in Japan

In domestic agriculture, structural changes are accelerating due to factors such as an aging population of agricultural operators, scaling due to a shortage of personnel, and rice-crop diversion from staple rice crops to dry field farming and vegetable production.

While ISEKI & CO., LTD. has already been making efforts to respond to changes in agriculture in Japan as a priority issue, we will further accelerate our efforts and strengthen the responsiveness to drastic changes in Japanese agriculture both in our products and services.

In response to a declining number of farmers and the market shifting to large-scale farming, we will promote efficiency by transitioning to a wide-area structure with large-scale maintenance centers at the core, enabled via sales office placement and reassignment of personnel. In addition, in view of changes in regional markets, we will work toward strengthening promotion in the operator, dry field farming, and vegetable production markets while advancing improvements in the revenue and cost structure through expanding sales and reducing operating expenses, working to create foundations for revenue and profit structures that are not impacted by swings in the market.

In terms of products, we will strengthen measures that leverage our high technological abilities to develop products in response to market needs, such as simple, low-price machinery, advanced technologies, and vegetable harvesters.

In terms of services, we will work to strengthen its services, proposals, and support abilities by developing personnel that can respond to market needs primarily at facilities such as the Dream Agricultural Research Institute, which conducts development and case studies of advanced agricultural techniques and support for their proliferation among operators, and the ISEKI Global Training Center, which was established in 2017.

We will strengthen the responsiveness to a rapidly changing domestic agricultural market by supporting the "full of dreams farming industry" in Japan with our products and services.

2) Expanding overseas businesses

We will position North America, Europe, China, and the ASEAN markets as our four strategic regions, and aim to achieve an overseas sales ratio of more than 40%, including entities accounted for using equity method, by the fiscal year ending December 31, 2020.

In the North American market, we will further strengthen cooperation with our OEM partners and aim to further expand sales by launching "new strategic products" that satisfy customer needs.

In the European market, we will position ISEKI France S.A.S as the core of business development to establish the ISEKI brand in Europe, and focus on expanding sales and market share by enhancing our product lineup and strengthening our service and support system.

For the Chinese and ASEAN businesses, which we position as a growth engine, we will further strengthen cooperation with joint venture partners to expand business.

In the Chinese market, a new plant at Dongfeng Iseki Agricultural Machinery Co., Ltd. will strengthen productivity, and we will enhance its product lineup and expand its business by supplying products not only within China but also to the ASEAN market.

In the Thai market, we have been endeavoring to establish the ISEKI brand through sales by ISEKI SALES (THAILAND) CO., LTD., which was founded in 2013. We also established ISEKI (THAILAND) CO., LTD., in 2016 to further strengthen sales and services for our products not only in Thailand but also throughout the entire ASEAN region. Going forward, we will aim to establish our business in Thailand and expand sales channels to surrounding countries by further strengthening cooperation with joint venture partners.

We will focus on expanding our overseas business by enhancing our product development, production, sales and service structures by leveraging regional characteristics, and reinforcing the development of personnel that support such structures.

3) Strengthening profitability through optimizing development and production

The Group has been pushing forward with cost structure reforms mainly in the development and production departments in order to launch products that are competitive in the intensifying sales competition both in Japan and overseas. While strengthening measures toward improving productivity via thoroughly increasing efficiency with initiatives such as speeding up development through standardizing and unifying designs, reducing costs of goods, streamlining processes in manufacturing, and improving indirect operations, we will aim to strengthen responses to variability in production burdens. Additionally, at PT. ISEKI INDONESIA, a manufacturing base which serves as the core of the ASEAN market now under full-scale operation, measures to strengthen profitability improvement such as adjustment of procurement partners and working to improve site operations while increasing production capacity will serve as efforts to achieve further business expansion. The Global Strategic Products Project Management Department, established in 2017, will comprehensively supervise measures toward increasing profitability for overseas products, and we intend to continue our Groupwide cost structure reforms to implement revenue structure reforms.

4) Active capital investment for growth

In the domestic market, we will advance maintenance of sales bases, including increasing the size and enriching functions of maintenance centers. Moving forward, further strengthening will be necessary to respond to a rapidly changing market.

In the expanding overseas market as well, we will aim to make capital investment to increase and strengthen capacity at PT. ISEKI INDONESIA, a strategic production base for North America, Europe, and ASEAN.

Additionally, at domestic production bases as well, we will engage in measures for active capital investment toward both internal and external growth via initiatives such as facilities to improve product competitiveness and increasing capacity and strength of production facilities that aim to increase efficiency with technological innovation.

5) Increasing corporate value through strengthening personnel and governance

At issue are securing and developing personnel to support business activities in development, production, and sales departments in the face of strengthening response to a rapidly changing domestic agriculture market and expanding overseas business.

To work toward strengthening personnel development, the Company maintains the ISEKI Basic Engineering Design Training Center, which fosters the development of young designers, the ISEKI Technical Training Center, which develops personnel that can be active in both domestic and overseas production, and the ISEKI Global Training Center, which develops both domestic and overseas personnel in sales and services.

Additionally, as an element of corporate social responsibility, we are working to strengthen internal controls and compliance. We will not only comply with related laws, regulations, and statutes, but aim for responsible action by all executives and employees with high ethics and social awareness while thoroughly implementing public awareness activities and internal education.

4. Basic Policy for Choosing Accounting Standards

Considering comparability of periods between consolidated financial statements and comparability between companies, the ISEKI Group will continue to use the accounting standards generally accepted in Japan for preparing consolidated financial statements for the time being.

Regarding the international accounting standards, we will adopt them in proper timing and manner, considering relevant circumstances in and outside Japan.

5. Consolidated Financial Statements and Principal Notes

(1) Consolidated Balance Sheets

(Millions of yen)

	As of December 31, 2016	As of December 31, 2017
Assets		
Current assets		
Cash and deposits	13,936	7,981
Notes and accounts receivable - trade	24,911	25,113
Merchandise and finished goods	42,031	45,410
Work in process	6,073	6,728
Raw materials and supplies	1,211	1,267
Deferred tax assets	1,402	1,233
Other	3,393	4,076
Allowance for doubtful accounts	(26)	(60)
Total current assets	92,934	91,751
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	23,572	24,343
Machinery, equipment and vehicles, net	10,278	9,898
Tools, furniture and fixtures, net	3,122	2,634
Land	50,619	50,773
Leased assets, net	7,554	6,398
Construction in progress	1,293	1,514
Other, net	25	30
Total property, plant and equipment	96,466	95,592
Intangible assets	1,062	1,025
Investments and other assets		
Investment securities	6,319	7,146
Long-term loans receivable	49	42
Deferred tax assets	1,125	557
Net defined benefit asset	674	773
Other	4,984	4,616
Allowance for doubtful accounts	(259)	(158)
Total investments and other assets	12,893	12,978
Total non-current assets	110,422	109,596
Total assets	203,356	201,348

(Millions of yen)

	As of December 31, 2016	As of December 31, 2017
Liabilities		
Current liabilities		
Notes and accounts payable - trade	30,286	26,532
Electronically recorded obligations - operating	12,135	14,140
Short-term loans payable	24,695	27,216
Current portion of long-term loans payable	8,897	8,004
Lease obligations	2,552	2,194
Accrued consumption taxes	550	989
Income taxes payable	703	894
Deferred tax liabilities	7	1
Accrued expenses	4,520	4,611
Provision for bonuses	407	446
Provision for loss on construction contracts	—	391
Provision for loss on disaster	20	—
Other	4,668	4,220
Total current liabilities	89,447	89,644
Non-current liabilities		
Long-term loans payable	27,788	24,354
Lease obligations	5,529	4,566
Deferred tax liabilities	779	476
Deferred tax liabilities for land revaluation	5,790	5,780
Provision for directors' retirement benefits	107	122
Net defined benefit liability	4,491	3,312
Asset retirement obligations	314	315
Other	1,956	1,859
Total non-current liabilities	46,757	40,787
Total liabilities	136,205	130,432
Net assets		
Shareholders' equity		
Capital stock	23,344	23,344
Capital surplus	13,454	13,453
Retained earnings	14,034	16,519
Treasury shares	(990)	(986)
Total shareholders' equity	49,842	52,330
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,227	1,818
Deferred gains or losses on hedges	6	(16)
Revaluation reserve for land	12,686	12,670
Foreign currency translation adjustment	798	1,115
Remeasurements of defined benefit plans	870	1,244
Total accumulated other comprehensive income	15,588	16,833
Subscription rights to shares	91	80
Non-controlling interests	1,629	1,671
Total net assets	67,151	70,916
Total liabilities and net assets	203,356	201,348

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Consolidated Statements of Income

(Millions of yen)

	Fiscal year ended December 31, 2016	Fiscal year ended December 31, 2017
Net sales	153,097	158,382
Cost of sales	108,244	112,175
Gross profit	44,852	46,206
Selling, general and administrative expenses	42,383	42,252
Operating income	2,469	3,953
Non-operating income		
Interest income	134	139
Dividend income	204	164
Foreign exchange gains	—	132
Subsidy income	27	356
Subsidies received	103	83
Rent income	173	170
Technical support fee	285	—
Gain on sales of scraps	39	90
Other	688	479
Total non-operating income	1,658	1,617
Non-operating expenses		
Interest expenses	599	593
Sales discounts	91	93
Foreign exchange losses	172	—
Share of loss of entities accounted for using equity method	1,075	219
Other	552	414
Total non-operating expenses	2,492	1,320
Ordinary income	1,635	4,250
Extraordinary income		
Gain on sales of non-current assets	43	36
Gain on sales of investment securities	1,113	0
Subsidy income	—	457
Total extraordinary income	1,156	493
Extraordinary losses		
Loss on sales and retirement of non-current assets	200	189
Impairment loss	106	258
Loss on valuation of investment securities	—	30
Penalty	—	427
Loss on disaster	1,068	—
Surcharges	315	—
Total extraordinary losses	1,690	905
Income before income taxes	1,101	3,838
Income taxes - current	1,049	1,194
Income taxes - deferred	(810)	(200)
Total income taxes	238	993
Profit	862	2,844
Profit attributable to non-controlling interests	4	37
Profit attributable to owners of parent	858	2,807

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Fiscal year ended December 31, 2016	**Fiscal year ended December 31, 2017**
Profit	862	2,844
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,278)	601
Deferred gains or losses on hedges	5	(22)
Revaluation reserve for land	284	—
Foreign currency translation adjustment	(265)	209
Remeasurements of defined benefit plans, net of tax	152	374
Share of other comprehensive income of entities accounted for using equity method	(364)	106
Total other comprehensive income	(1,465)	1,269
Comprehensive income	(602)	4,113
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	(608)	4,068
Comprehensive income attributable to non-controlling interests	5	45

(3) Consolidated Statements of Changes in Equity

Fiscal year ended December 31, 2016 (January 1, 2016－December 31, 2016)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	23,344	13,454	13,514	(988)	49,325
Changes of items during period					
Dividends of surplus			(338)		(338)
Profit attributable to owners of parent			858		858
Purchase of treasury shares				(2)	(2)
Disposal of treasury shares					—
Reversal of revaluation reserve for land					—
Net changes of items other than shareholders' equity					—
Total changes of items during period	—	—	519	(2)	516
Balance at end of period	23,344	13,454	14,034	(990)	49,842

	Accumulated other comprehensive income						Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasure-ments of defined benefit plans	Total accumulated other comprehen-sive income			
Balance at beginning of period	2,509	1	12,401	1,425	717	17,055	91	1,626	68,099
Changes of items during period									
Dividends of surplus						—			(338)
Profit attributable to owners of parent						—			858
Purchase of treasury shares						—			(2)
Disposal of treasury shares						—			—
Reversal of revaluation reserve for land						—			—
Net changes of items other than shareholders' equity	(1,282)	5	284	(627)	152	(1,466)	—	2	(1,464)
Total changes of items during period	(1,282)	5	284	(627)	152	(1,466)	—	2	(947)
Balance at end of period	1,227	6	12,686	798	870	15,588	91	1,629	67,151

Fiscal year ended December 31, 2017 (January 1, 2017—December 31, 2017)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	23,344	13,454	14,034	(990)	49,842
Changes of items during period					
Dividends of surplus			(338)		(338)
Profit attributable to owners of parent			2,807		2,807
Purchase of treasury shares				(7)	(7)
Disposal of treasury shares		(0)		11	11
Reversal of revaluation reserve for land			15		15
Net changes of items other than shareholders' equity					—
Total changes of items during period	—	(0)	2,484	4	2,488
Balance at end of period	23,344	13,453	16,519	(986)	52,330

	Accumulated other comprehensive income						Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasure-ments of defined benefit plans	Total accumulated other comprehen-sive income			
Balance at beginning of period	1,227	6	12,686	798	870	15,588	91	1,629	67,151
Changes of items during period									
Dividends of surplus						—			(338)
Profit attributable to owners of parent						—			2,807
Purchase of treasury shares						—			(7)
Disposal of treasury shares						—			11
Reversal of revaluation reserve for land						—			15
Net changes of items other than shareholders' equity	590	(22)	(15)	317	374	1,244	(10)	42	1,276
Total changes of items during period	590	(22)	(15)	317	374	1,244	(10)	42	3,764
Balance at end of period	1,818	(16)	12,670	1,115	1,244	16,833	80	1,671	70,916

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Fiscal year ended December 31, 2016	Fiscal year ended December 31, 2017
Cash flows from operating activities		
Income before income taxes	1,101	3,838
Depreciation	7,189	7,005
Impairment loss	106	258
Loss on disaster	1,068	—
Subsidy income	(27)	(813)
Increase (decrease) in net defined benefit liability	(300)	(1,195)
Loss (gain) on sales of investment securities	(1,113)	(0)
Interest and dividend income	(339)	(303)
Interest expenses	599	593
Foreign exchange losses (gains)	(298)	95
Loss (gain) on sales of property, plant and equipment and intangible assets	156	152
Surcharges	315	—
Penalty	—	427
Decrease (increase) in notes and accounts receivable - trade	(153)	(142)
Decrease (increase) in inventories	(1,810)	(3,805)
Increase (decrease) in notes and accounts payable - trade	2,625	(1,900)
Other, net	784	860
Subtotal	9,905	5,071
Interest and dividend income received	342	312
Interest expenses paid	(603)	(593)
Proceeds from subsidy income	27	440
Payments for loss on disaster	(519)	(545)
Surcharges paid	(270)	(315)
Income taxes paid	(598)	(1,061)
Net cash provided by (used in) operating activities	8,283	3,308
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	(8,561)	(5,646)
Proceeds from sales of property, plant and equipment and intangible assets	373	390
Purchase of investment securities	(53)	(0)
Proceeds from sales of investment securities	1,467	0
Decrease (increase) in loans receivable	913	11
Decrease (increase) in time deposits	(0)	(158)
Other, net	123	130
Net cash provided by (used in) investing activities	(5,736)	(5,273)

(Millions of yen)

	Fiscal year ended December 31, 2016	Fiscal year ended December 31, 2017
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	374	2,582
Proceeds from long-term loans payable	14,780	5,058
Repayments of long-term loans payable	(10,438)	(9,384)
Proceeds from sales and leasebacks	1,024	420
Repayments of lease obligations	(2,766)	(2,618)
Purchase of treasury shares	(2)	(7)
Cash dividends paid	(336)	(341)
Dividends paid to non-controlling interests	(3)	(3)
Other, net	(9)	0
Net cash provided by (used in) financing activities	2,621	(4,294)
Effect of exchange rate change on cash and cash equivalents	(20)	146
Net increase (decrease) in cash and cash equivalents	5,147	(6,113)
Cash and cash equivalents at beginning of period	8,761	13,909
Cash and cash equivalents at end of period	13,909	7,795

(5) Notes to the Consolidated Financial Statements

(Notes to Going Concern Assumption)

Not applicable

(Important Basic Items for Preparing Consolidated Financial Statements)

1. Scope of consolidation

Number of consolidated subsidiaries: 26 (including Iseki-Matsuyama Mfg. Co., Ltd., Iseki-Kumamoto Mfg. Co., Ltd., Iseki-Hokkaido Co., Ltd. and Iseki-Tohoku Co., Ltd.)

2. Scope of the equity method companies

Number of affiliates: 2 (Dongfeng Iseki Agricultural Machinery Co., Ltd. and ISEKI SALES (THAILAND) CO., LTD.)

3. Consolidated accounting period

Of the consolidated subsidiaries, 23 companies (including Iseki-Matsuyama Mfg. Co., Ltd.) use a balance sheet date of December 31. ISEKI France S.A.S and one other company use a balance sheet date of September 30.

With regard to the preparation of the consolidated financial statements, for ISEKI France S.A.S and one other company adopting September 30 as their annual closing date, necessary adjustments at consolidation are made for any significant transactions that occurred between the consolidated balance sheet date and these dates.

4. Accounting policies

(1) Valuation basis and methods of important assets

(a) Securities

Held-to-maturity debt securities: recorded at amortized cost

Available-for-sale securities

- Securities with fair market value: recorded at market value, based on the fair market price at the closing date of the consolidated reporting period.
(Any estimate variance is credited or debited to shareholders' equity)
- Securities without fair market value: recorded at cost, based on the moving-average method

(b) Inventories: mainly recorded at cost using the gross-average method
(Balance sheet amounts for items with reduced profitability have been adjusted downward accordingly)

(c) Derivatives: recorded at the market value

(2) Depreciation methods for material depreciable assets

(a) Property, plant and equipment (excluding leased assets)

The straight-line method is used.

(b) Intangible assets (excluding leased assets)

The straight-line method is used. However, software for internal use is depreciated using the straight-line method over an expected useful life within the company of five years.

(c) Leased assets

Leased assets derived from finance leases other than those leases which transfer the ownership of the assets to the lessee are amortized using the straight-line method with no residual value over the lease period, which is deemed the useful life.

Among finance leases that do not involve transfer of ownership to lessee, leases that began before April 1, 2008 are accounted for as normal operating leases.

(3) Allowances and reserves

(a) Allowance for doubtful accounts

A likely unrecoverable amount is calculated by applying the historical bad debt ratio to general receivables. For specific receivables, such as doubtful debt receivables, allowances are made by individually evaluating the likelihood of them being collected.

(b) Provision for bonuses

To provide for future bonus payments to employees, a provision for bonuses is booked based on estimated future payments.

(c) Provision for directors' retirement benefits

Some of the consolidated subsidiaries record the directors' retirement benefits to provide for payment of such retirement benefits in an amount as required by companies' internal regulations.

(d) Provision for loss on disaster

To provide for expenditures required for the restoration of assets that were affected by the 2016 Kumamoto Earthquake, an estimated amount as of December 31, 2017, is booked.

(e) Provision for loss on construction contracts

To provide for future losses on construction contracts, an amount of estimated losses is booked for uncompleted construction as of December 31, 2017 for which the occurrence of loss is projected, and for which the amount is able to be reasonably estimated.

(4) Accounting treatment related to retirement benefits

(a) Method of attributing the projected benefits to periods of service

In calculating retirement benefits, the method of attributing the projected benefits to periods until the end of the current fiscal year is based on the benefit formula basis attribution.

(b) Method of amortization of actuarial gains or losses and prior service cost

Actuarial gains or losses are amortized as incurred over the periods, which are the average remaining service years of employees, by the straight-line method, starting from the following fiscal year. Prior service cost is amortized as incurred over the periods, which are the average remaining service years of employees, by the straight-line method.

(c) Adoption of the simplified method at small companies

For calculating net defined benefit liability and retirement benefit expenses, some consolidated subsidiaries apply the simplified method which assumes the company's benefit obligation to be equal to the benefits payable assuming the voluntary retirement of all employees takes place at fiscal year-end.

(5) Accounting standards for revenues and expenses

(a) Accounting standards for the value and cost of completed construction contracts

The percentage-of-completion method is applied for construction in progress up to the end of the consolidated accounting period, for which the outcome can be estimated reliably (the proportional cost method is applied for estimating the percentage of progress of the construction). The completed-contract method is applied for other constructions.

(6) Foreign currency translations

Monetary assets and liabilities in foreign currencies are translated into yen at the spot exchange rate at the balance sheet date. Gains or losses resulting from the translation are credited or charged to income.

Balance sheet accounts (except for shareholders' equity) and revenue and expense accounts of the overseas subsidiary are translated into yen at the spot exchange rate at the balance sheet dates. Differences arising from the translation are presented as "Foreign currency translation adjustment" and "Non-controlling interests" in shareholders' equity and financial statements.

(7) Hedge accounting

(a) Hedge accounting

Recorded in accordance with deferred hedge accounting. Such receivables and payables, which are denominated in foreign currencies and for which forward exchange contracts have been entered, are recorded using the forward exchange rates.

(b) Hedging instruments and hedged items

(i) Hedging instruments

Forward exchange contracts

(ii) Hedged items

Receivables and payables denominated in foreign currencies, forecasted transactions denominated in foreign currencies

(c) Hedging policies

The financial risks associated with fluctuations in foreign currencies exchange rates and interest rates are hedged.

Risks associated with fluctuations in foreign currencies exchange rates concerning transactions in foreign currencies, which occur when import and export operations are performed, are hedged by keeping a balance between export exchanges and import exchanges. With regard to risks associated with fluctuations in interest rates on loans payable, risks concerning variable interest rate loans payable are hedged, mainly with a view to equalizing interest burdens.

(8) Amortization method and amortization period of goodwill

The goodwill account is amortized by the straight-line method over a period of no longer than 20 years.

(9) Cash and cash equivalents in the Consolidated Statements of Cash Flows

Cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments which are readily convertible to cash subject to an insignificant risk of any change in their value and which were purchased with an original maturity of three months or less.

(10) Other notes pertaining to the preparation of the Consolidated Financial Statements

(a) Accounting treatment of consumption tax

Consumption tax and local consumption taxes are accounted for using a tax-exclusive method.

(Consolidated Balance Sheets)

(Millions of yen)

		Fiscal year ended December 31, 2016	Fiscal year ended December 31, 2017
1.	Accumulated depreciation of property, plant and equipment	105,732	108,117
2.	Guaranteed liabilities	6,636	9,075
3.	Notes receivable less discount-trade	1	3
4.	Endorsed notes receivable - trade	94	88

5. Revaluation of land for business use

The Company has revalued its land for business use pursuant to the Partial Revision to the Act on Land Revaluation (Act No. 19, announced on March 31, 2001). The equivalent tax related to the change in the said revaluation has been recorded in the liabilities (non-current liabilities) as "Deferred tax liabilities for land revaluation" and the deducted amount has been recorded under net assets as "Revaluation reserve for land."

· Revaluation method:	The revaluation of land has been determined using a reasonable adjustment to the assessed value of the non-current assets for property tax as stipulated in Paragraph 3, Article 2 of the Enforcement Order to the Act on Land Revaluation (Government Ordinance No. 119, announced on March 31, 1998)
· Revaluation date:	March 31, 2001
· Variance between the market value of the revalued land at the end of the period and the revalued book value:	¥(12,493) million, ¥(12,754) million

6. Notes to mature on the last day of the fiscal year, etc.

Notes to mature on the last day of the fiscal year, etc. are settled as of the clearing date. Since the last day of the fiscal year ended December 31, 2017 fell on a holiday of financial institutions, the balance at the end of period includes the following notes to mature on the last day of the fiscal year, etc.

(Millions of yen)

	Fiscal year ended December 31, 2016	Fiscal year ended December 31, 2017
Notes receivable - trade	276	336
Notes payable - trade	1,710	1,247
Electronically recorded obligations - operating	1,030	1,566
Other (notes payable - facilities)	91	30
Other (electronically recorded obligations - non-operating)	162	47

(Consolidated Statements of Income)

(Millions of yen)

	Fiscal year ended December 31, 2016	Fiscal year ended December 31, 2017
1. Research and development expenses	2,981	3,363
2. Impairment loss		

Fiscal year ended December 31, 2016 (January 1, 2016–December 31, 2016)
The Company recorded impairment losses on the following assets.

(Millions of yen)

Usage	Type	Location	Impairment loss
Idle property	Buildings, structures, land	Kanazawa, Ishikawa Pref.	48
		Niigata, Niigata Pref.	32
		Kumenan-cho, Kume-gun, Okayama Pref.	7
		Kawaminami-cho, Koyu-gun, Miyazaki Pref.	7
	Buildings, structures	Minamiaizu-machi, Minamiaizu-gun, Fukushima Pref.	3
	Land	Yonago, Tottori Pref.	2
		Taragi-machi, Kuma-gun, Kumamoto Pref.	2
		Mimata-cho, Kitamorokata-gun, Miyazaki Pref.	2
Total			106

(Reason to record impairment loss)

The Company recorded an impairment loss on the above assets because idle properties are not being used and have no prospect for use in the future. In addition, the market price for land is declining.

(Measurement of recoverable amount)

Recoverable amount is measured using net selling price. The price is determined by applying reasonable adjustments to the assessed value of non-current assets for property tax.

Fiscal year ended December 31, 2017 (January 1, 2017–December 31, 2017)
The Company recorded impairment losses on the following assets.

(Millions of yen)

Usage	Type	Location	Impairment loss
Idle property	Buildings, structures, land	Sanmu, Chiba Pref.	47
		Kuwana, Mie Pref.	41
		Yachimata, Chiba Pref.	29
		Miyakonojo, Miyazaki Pref.	21
		Ibaraki-machi, Higashiibaraki-gun, Ibaraki Pref.	8
		Teshio-cho, Teshio-gun, Hokkaido	6
		Inabe, Mie Pref.	6
		Okoppe-cho, Monbetsu-gun, Hokkaido	5
Lease assets	Land	Tsugaru, Aomori Pref.	13
Assets scheduled for sale	Buildings, structures, land	Matsuyama, Ehime Pref.	78
Total			258

(Reason to record impairment loss)

Impairment losses were recognized for idle property because there is no prospect for use in the future and the market price of the land is declining; for leased assets, because the market price of the land is declining; and for assets scheduled for sale because the scheduled sale price is low compared to the book values.

(Measurement of recoverable amount)

Recoverable amounts use the net realizable values and are evaluated based on prices and scheduled sale prices after reasonable adjustments are made to the valuation amounts of property taxes.

(Consolidated Statements of Changes in Equity)

Fiscal year ended December 31, 2016 (January 1, 2016–December 31, 2016)

1. Matters concerning the class and total number of shares issued and class and number of treasury shares

	Number of shares (as of January 1, 2016)	Increase in number of shares during period	Decrease in number of shares during period	Number of shares (as of December 31, 2016)
(Number of shares issued) Common stock	229,849,936	—	—	229,849,936
(Treasury shares) Common stock	3,964,166	11,957	—	3,976,123

The increase in the number of shares (common stock) by 11,957 shares during the period was due to purchase of shares below stock trading unit.

2. Dividends

(1) Cash dividends paid

Resolution	Class of shares	Total amount of dividend paid (millions of yen)	Dividend per share (yen)	Record date	Effective date
Ordinary General Meeting of Shareholders on March 25, 2016	Common stock	338	1.50	December 31, 2015	March 28, 2016

(2) Of the dividends for which the record date belongs to the fiscal year ended December 31, 2016, those for which the effective date of the dividends will be in the fiscal year ending December 31, 2017.

Resolution	Class of shares	Source of funds for dividends	Total amount of dividend paid (millions of yen)	Dividend per share (yen)	Record date	Effective date
Ordinary General Meeting of Shareholders on March 30, 2017	Common stock	Retained earnings	338	1.50	December 31, 2016	March 31, 2017

Fiscal year ended December 31, 2017 (January 1, 2017–December 31, 2017)

1. Matters concerning the class and total number of shares issued and class and number of treasury shares

	Number of shares (as of January 1, 2017)	Increase in number of shares during period	Decrease in number of shares during period	Number of shares (as of December 31, 2017)
(Number of shares issued) Common stock	229,849,936	—	206,864,943	22,984,993
(Treasury shares) Common stock	3,976,123	5,878	3,586,055	395,946

Based on a resolution of the 93rd Ordinary General Meeting of Shareholders held on March 30, 2017, the Company has consolidated shares of its common stock (one-for-ten share consolidation), effective July l, 2017. As a result, the number of shares issued decreased by 206,864,943 shares to 22,984,993 shares.

The increase in the number of treasury shares by 5,878 shares was due to purchase of shares below stock trading unit. The decrease in the number of treasury shares was due to a 48,000 share decrease due to the exercise of stock acquisition rights and a 3,538,055 share decrease due to a one-for-ten share consolidation conducted with an effective date of July 1, 2017 that was based on a resolution of the 93rd Ordinary General Meeting of Shareholders held on March 30, 2017.

2. Dividends

(1) Cash dividends paid

Resolution	Class of shares	Total amount of dividend paid (millions of yen)	Dividend per share (yen)	Record date	Effective date
Ordinary General Meeting of Shareholders on March 30, 2017	Common stock	338	1.50	December 31, 2016	March 31, 2017

(2) Of the dividends for which the record date belongs to the fiscal year ended December 31, 2017, those for which the effective date of the dividends will be in the fiscal year ending December 31, 2018.

Resolution	Class of shares	Source of funds for dividends	Total amount of dividend paid (millions of yen)	Dividend per share (yen)	Record date	Effective date
Ordinary General Meeting of Shareholders on March 29, 2018	Common stock	Retained earnings	677	30.00	December 31, 2017	March 30, 2018

(Consolidated Statements of Cash Flows)

Reconciliation between cash and cash equivalents at the end of period and the amount reported in the Consolidated Balance Sheet.

(Millions of yen)

	Fiscal year ended December 31, 2016	Fiscal year ended December 31, 2017
Cash and deposits	13,936	7,981
Time deposits with terms of more than 3 months	(27)	(186)
Total cash and cash equivalents	13,909	7,795

(Segment Information)

Since the Group had the only "agriculture-related business" segment, the segment information is omitted.

(Per Share Information)

(Yen)

	Fiscal year ended December 31, 2016	Fiscal year ended December 31, 2017
Net assets per share	2,896.78	3,061.84
Basic earnings per share	38.01	124.29
Diluted earnings per share	37.94	124.08

Notes:

1. The Company has consolidated shares of its common stock (one-for-ten share consolidation), effective July l, 2017. The amounts stated for basic earnings per share and diluted earnings per share are calculated based on the assumption that shares of the common stock were consolidated at the beginning of the previous fiscal year.
2. The basis for calculation of basic earnings per share and diluted earnings per share are as follows.

(Millions of yen)

	Fiscal year ended December 31, 2016	Fiscal year ended December 31, 2017
Basic earnings per share		
Profit attributable to owners of parent reported in the Consolidated Statements of Income	858	2,807
Profit not attributable to common shareholders	—	—
Profit attributable to owners of parent attributed to common shares	858	2,807
Average number of common shares during period (shares)	22,588,076	22,588,520
Diluted earnings per share		
Adjustment of profit attributable to owners of parent reported in the Consolidated Statements of Income	—	—
Increase in common shares (shares)	39,917	37,417
[Portion of subscription rights to shares] (shares)	[39,917]	[37,417]
Dilutive securities that were not included in the computation of diluted earnings per share because of their anti-dilutive effect	—	—

(Significant Subsequent Events)

Not applicable

6. Non-consolidated Financial Statements and Principal Notes

(1) Non-consolidated Balance Sheets

(Millions of yen)

	As of December 31, 2016	As of December 31, 2017
Assets		
Current assets		
Cash and deposits	8,992	4,447
Notes receivable - trade	2,701	2,881
Accounts receivable - trade	27,490	24,970
Merchandise and finished goods	13,411	17,675
Work in process	28	317
Raw materials and supplies	335	343
Advance payments - trade	214	190
Prepaid expenses	271	269
Deferred tax assets	594	498
Short-term loans receivable	11,634	11,753
Other	2,598	3,049
Allowance for doubtful accounts	(4)	(4)
Total current assets	68,267	66,392
Non-current assets		
Property, plant and equipment		
Buildings, net	6,699	7,891
Structures, net	643	623
Machinery and equipment, net	1,989	1,774
Vehicles, net	1	4
Tools, furniture and fixtures, net	1,150	831
Land	25,399	25,503
Leased assets, net	327	268
Construction in progress	886	87
Total property, plant and equipment	37,098	36,985
Intangible assets		
Leasehold right	85	85
Software	220	226
Leased assets	167	140
Other	42	51
Total intangible assets	515	503
Investments and other assets		
Investment securities	6,013	6,811
Shares of subsidiaries and associates	19,037	19,037
Investments in capital	92	97
Investments in capital of subsidiaries and associates	1,941	1,941
Long-term loans receivable	2,941	2,698
Prepaid pension cost	—	420
Long-term prepaid expenses	534	421
Other	381	365
Allowance for doubtful accounts	(22)	(22)
Allowance for investment loss	(825)	(825)
Total investments and other assets	30,095	30,944
Total non-current assets	67,708	68,433
Total assets	135,976	134,826

(Millions of yen)

	As of December 31, 2016	As of December 31, 2017
Liabilities		
Current liabilities		
Notes payable - trade	7,488	4,964
Electronically recorded obligations - operating	5,784	9,910
Accounts payable - trade	20,232	18,234
Short-term loans payable	6,000	7,400
Current portion of long-term loans payable	4,862	4,094
Lease obligations	178	180
Account payable - other	656	434
Accrued expenses	2,277	2,484
Income taxes payable	206	187
Advances received	150	240
Deposits received	227	236
Provision for bonuses	82	88
Provision for loss on construction contracts	—	391
Provision for loss on disaster	15	—
Other	551	326
Total current liabilities	48,713	49,174
Non-current liabilities		
Long-term loans payable	21,257	17,613
Lease obligations	353	261
Deferred tax liabilities	524	330
Deferred tax liabilities for land revaluation	5,790	5,780
Provision for retirement benefits	2,341	2,504
Asset retirement obligations	112	112
Long-term deposits received	596	576
Other	147	85
Total non-current liabilities	31,124	27,264
Total liabilities	79,837	76,438
Net assets		
Shareholders' equity		
Capital stock	23,344	23,344
Capital surplus		
Legal capital surplus	11,554	11,554
Other capital surplus	2,450	2,449
Total capital surplus	14,004	14,004
Retained earnings		
Other retained earnings		
Retained earnings brought forward	5,789	7,479
Total retained earnings	5,789	7,479
Treasury shares	(990)	(986)
Total shareholders' equity	42,147	43,842
Valuations and translation adjustments		
Valuation difference on available-for-sale securities	1,212	1,794
Revaluation reserve for land	12,686	12,670
Total valuation and translation adjustments	13,898	14,464
Subscription rights to shares	91	80
Total net assets	56,138	58,387
Total liabilities and net assets	135,976	134,826

(2) Non-consolidated Statements of Income

(Millions of yen)

	Fiscal year ended December 31, 2016	Fiscal year ended December 31, 2017
Net sales	95,873	92,913
Cost of sales	83,040	80,795
Gross profit	12,833	12,117
Selling, general and administrative expenses	11,911	11,616
Operating income	921	501
Non-operating income		
Interest income	312	314
Dividend income	1,116	748
Rent income	1,301	1,235
Subsidy income	27	356
Other	758	474
Total non-operating income	3,515	3,130
Non-operating expenses		
Interest expenses	227	197
Sales discounts	44	45
Rent expenses	1,064	1,036
Other	354	226
Total non-operating expenses	1,690	1,505
Ordinary income	2,746	2,126
Extraordinary income		
Gain on sales of non-current assets	24	25
Gain on sales of investment securities	1,113	—
Subsidy income	—	254
Total extraordinary income	1,137	279
Extraordinary losses		
Loss on sales and retirement of non-current assets	57	70
Impairment loss	—	78
Loss on valuation of investment securities	—	30
Penalty	—	427
Loss on disaster	659	—
Surcharges	315	—
Total extraordinary losses	1,032	607
Income before income taxes	2,851	1,799
Income taxes - current	223	145
Income taxes - deferred	(23)	(359)
Total income taxes	200	(214)
Profit	2,651	2,013

(3) Non-consolidated Statements of Changes in Equity

Fiscal year ended December 31, 2016 (January 1, 2016 — December 31, 2016)

(Millions of yen)

	Shareholders' equity							
	Capital stock	Capital surplus			Retained earnings		Treasury shares	Total shareholders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings: Retained earnings brought forward	Total retained earnings		
Balance at beginning of period	23,344	11,554	2,450	14,004	3,476	3,476	(988)	39,838
Changes of items during period								
Dividends of surplus				—	(338)	(338)		(338)
Profit				—	2,651	2,651		2,651
Purchase of treasury shares				—		—	(2)	(2)
Disposal of treasury shares				—		—		—
Reversal of revaluation reserve for land				—		—		—
Net changes of items other than shareholders' equity				—		—		—
Total changes of items during period	—	—	—	—	2,312	2,312	(2)	2,309
Balance at end of period	23,344	11,554	2,450	14,004	5,789	5,789	(990)	42,147

	Valuation and translation adjustments			Subscription rights to shares	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Total valuation and translation adjustments		
Balance at beginning of period	2,497	12,401	14,899	91	54,829
Changes of items during period					
Dividends of surplus			—		(338)
Profit			—		2,651
Purchase of treasury shares			—		(2)
Disposal of treasury shares			—		—
Reversal of revaluation reserve for land			—		—
Net changes of items other than shareholders' equity	(1,284)	284	(1,000)	—	(1,000)
Total changes of items during period	(1,284)	284	(1,000)	—	1,309
Balance at end of period	1,212	12,686	13,898	91	56,138

Fiscal year ended December 31, 2017 (January 1, 2017－December 31, 2017)

(Millions of yen)

	Shareholders' equity							
	Capital stock	Capital surplus			Retained earnings		Treasury shares	Total shareholders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings Retained earnings brought forward	Total retained earnings		
Balance at beginning of period	23,344	11,554	2,450	14,004	5,789	5,789	(990)	42,147
Changes of items during period								
Dividends of surplus				—	(338)	(338)		(338)
Profit				—	2,013	2,013		2,013
Purchase of treasury shares				—		—	(7)	(7)
Disposal of treasury shares			(0)	(0)		—	11	11
Reversal of revaluation reserve for land				—	15	15		15
Net changes of items other than shareholders' equity				—		—		—
Total changes of items during period	—	—	(0)	(0)	1,690	1,690	4	1,694
Balance at end of period	23,344	11,554	2,449	14,004	7,479	7,479	(986)	43,842

	Valuation and translation adjustments			Subscription rights to shares	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Total valuation and translation adjustments		
Balance at beginning of period	1,212	12,686	13,898	91	56,138
Changes of items during period					
Dividends of surplus			—		(338)
Profit			—		2,013
Purchase of treasury shares			—		(7)
Disposal of treasury shares			—		11
Reversal of revaluation reserve for land			—		15
Net changes of items other than shareholders' equity	581	(15)	565	(10)	554
Total changes of items during period	581	(15)	565	(10)	2,249
Balance at end of period	1,794	12,670	14,464	80	58,387

(4) Notes to Non-consolidated Financial Statements

(Notes to Going Concern Assumption)

Not applicable.

7. Others

(1) Production, Orders and Sales

1) Production results per product-type

(Millions of yen)

Breakdown	Fiscal year ended December 31, 2016	Fiscal year ended December 31, 2017	Change
Cultivating & mowing machinery	59,356	57,313	(2,042)
Planting machinery	12,034	15,066	3,032
Harvesting and processing machinery	22,164	24,065	1,901
Spare parts and farming implements	1,992	2,327	334
Other agriculture related business	5,460	6,930	1,469
Total	101,009	105,704	4,695

Note: Figures are shown in terms of sales values.

2) Orders

We operate a system whereby production is based mostly on projected demand. We hardly ever produce on order.

3) Sales results per product-type

(a) Total

(Millions of yen)

Breakdown	Fiscal year ended December 31, 2016		Fiscal year ended December 31, 2017		Change	
	Amount	Ratio	Amount	Ratio	Amount	%
Cultivating & mowing machinery	52,092	% 34.0	53,403	% 33.7	1,310	% 2.5
Planting machinery	12,406	8.1	12,660	8.0	254	2.1
Harvesting and processing machinery	21,282	13.9	22,101	13.9	819	3.9
Spare parts, farming implements, and repair fees	40,645	26.6	42,387	26.8	1,741	4.3
Other agriculture related business	26,670	17.4	27,828	17.6	1,157	4.3
Total	153,097	100	158,382	100	5,284	3.5

(b) Domestic

(Millions of yen)

Breakdown	Fiscal year ended December 31, 2016		Fiscal year ended December 31, 2017		Change	
	Amount	Ratio	Amount	Ratio	Amount	%
Cultivating & mowing machinery	27,580	% 22.8	28,200	% 22.9	620	% 2.3
Planting machinery	9,124	7.5	8,486	6.9	(638)	(7.0)
Harvesting and processing machinery	20,891	17.3	20,398	16.6	(493)	(2.4)
Spare parts, farming implements, and repair fees	38,558	31.8	39,766	32.3	1,207	3.1
Other agriculture related business	24,887	20.6	26,284	21.3	1,397	5.6
Total	121,041	100	123,136	100	2,094	1.7

(c) Overseas

(Millions of yen)

Breakdown	Fiscal year ended December 31, 2016		Fiscal year ended December 31, 2017		Change	
	Amount	Ratio	Amount	Ratio	Amount	%
Cultivating & mowing machinery	24,512	% 76.5	25,202	% 71.5	690	% 2.8
Planting machinery	3,281	10.2	4,174	11.9	892	27.2
Harvesting and processing machinery	390	1.2	1,703	4.8	1,312	336.1
Spare parts and farming implements	2,087	6.5	2,621	7.4	533	25.6
Other agriculture related business	1,783	5.6	1,543	4.4	(239)	(13.4)
Total	32,055	100	35,245	100	3,189	10.0