

Supplementary Information to Consolidated Financial Results

(January 1, 2018 – December 31, 2018)

I. Consolidated results of operations for the fiscal year ended December 31, 2018 (Billions of yen, %)

| | FY ended December 31, 2017 | FY ended December 31, 2018 | Year-on-year change | | Forecast for FY ended December 31, 2018* | Change vs. forecast |
|---|----------------------------------|----------------------------------|---------------------|--------|---|------------------------|
| | | | Amount | % | | |
| Net sales | 158.4 | 156.0 | (2.4) | (1.5) | 155.0 | 1.0 |
| Domestic | 123.1 | 122.8 | (0.3) | (0.3) | 121.9 | 0.9 |
| Overseas | 35.3 | 33.2 | (2.1) | (6.0) | 33.1 | 0.1 |
| Gross profit | 46.2 | 46.0 | (0.2) | (0.6) | 46.5 | (0.5) |
| Gross profit margin | 29.2% | 29.5% | 0.3% | — | 30.0% | (0.5)% |
| Selling, general and administrative expenses | 42.2 | 42.8 | 0.6 | 1.2 | 43.3 | (0.5) |
| Operating income | 4.0 | 3.2 | (0.8) | (19.6) | 3.2 | 0.0 |
| Operating income ratio | 2.5% | 2.0% | (0.5)% | — | 2.1% | 0.0% |
| Balance of financial income | (0.7) | (0.8) | (0.1) | — | (0.7) | (0.1) |
| Other non-operating income | 0.9 | 0.2 | (0.7) | — | 0.1 | 0.1 |
| Ordinary income | 4.2 | 2.6 | (1.6) | (38.1) | 2.6 | 0.0 |
| Ordinary income ratio | 2.7% | 1.7% | (1.0)% | — | 1.7% | 0.0% |
| Extraordinary income | 0.5 | 0.1 | (0.4) | — | 0.2 | (0.1) |
| Extraordinary losses | (0.9) | (0.5) | 0.4 | — | (0.4) | (0.1) |
| Income before income taxes | 3.8 | 2.2 | (1.6) | (41.9) | 2.4 | (0.2) |
| Income taxes | (1.0) | (1.1) | (0.1) | — | (1.0) | (0.1) |
| Profit attributable to owners of parent | 2.8 | 1.1 | (1.7) | (61.1) | 1.4 | (0.3) |

(Sales breakdown)

(Billions of yen)

| | FY ended December 31, 2017 | FY ended December 31, 2018 | Year-on-year change | Forecast for FY ended December 31, 2018* | Change vs. forecast |
|--|----------------------------------|----------------------------------|------------------------|---|------------------------|
| Agricultural machinery | 57.1 | 56.6 | (0.5) | 55.9 | 0.7 |
| Farming implements | 19.7 | 20.2 | 0.5 | 20.5 | (0.3) |
| Spare parts | 14.7 | 14.8 | 0.1 | 14.9 | (0.1) |
| Repair fees | 5.4 | 5.6 | 0.2 | 5.6 | 0.0 |
| Totals agricultural machinery related | 96.9 | 97.2 | 0.3 | 96.9 | 0.3 |
| Construction of facilities | 6.6 | 5.7 | (0.9) | 5.4 | 0.3 |
| Other agriculture-related business | 19.6 | 19.9 | 0.3 | 19.6 | 0.3 |
| Domestic sales total | 123.1 | 122.8 | (0.3) | 121.9 | 0.9 |
| North America | 9.1 | 10.8 | 1.7 | 10.7 | 0.1 |
| Europe | 10.7 | 10.9 | 0.2 | 11.4 | (0.5) |
| China | 3.8 | 1.0 | (2.8) | 1.0 | 0.0 |
| ASEAN | 4.8 | 3.9 | (0.9) | 3.7 | 0.2 |
| Others | 2.7 | 1.8 | (0.9) | 1.7 | 0.1 |
| Product sales total | 31.1 | 28.4 | (2.7) | 28.5 | (0.1) |
| Spare parts | 2.5 | 2.6 | 0.1 | 2.8 | (0.2) |
| Others | 1.7 | 2.2 | 0.5 | 1.8 | 0.4 |
| Overseas sales total | 35.3 | 33.2 | (2.1) | 33.1 | 0.1 |
| Total net sales | 158.4 | 156.0 | (2.4) | 155.0 | 1.0 |

*Forecast released on November 12, 2018.

1) Year-on-year change**(1) Net sales: ¥156.0 billion (down ¥2.4 billion (1.5%) year on year)**

- Sales in Japan: ¥122.8 billion (down ¥0.3 billion (0.3%) year on year)
Overall sales related to agricultural machinery increased by ¥0.3 billion due to sales of rice transplanters and farming implements remaining favorable with the launch of new products, even as demand for agricultural machinery remained weak and sales of tractors decreased.
Construction of facilities decreased by ¥0.9 billion.
- Sales overseas: ¥33.2 billion (down ¥2.1 billion (6.0%) year on year)
Sales in North America increased by ¥1.7 billion mainly due to the disappearance of the effects of partial changes in business terms with an OEM partner made in the previous year.
Sales in Europe increased by ¥0.2 billion mainly due to the launch of new products.
Sales in China decreased by ¥2.8 billion mainly due to decreased shipments of semi-finished rice transplanters accompanying local inventory adjustments.
Sales in ASEAN decreased by ¥0.9 billion due to decreased shipments of combine harvesters for Indonesia and tractors for Thailand.

(2) Revenue: Operating income or loss declined year on year primarily as a result of a decrease in gross margin due to decreased revenue and temporary factors such as the application of the principle of calculating retirement benefits upon the merger of subsidiaries, as well as increased development costs for products responsive to emission gas regulations, etc., and increased personnel expenses. Ordinary income or loss worsened due to deteriorated earnings of our equity-method affiliate in China that was hit by the sluggish economy.

- Operating income: ¥3.2 billion (down ¥0.8 billion year on year)

- Ordinary income: ¥2.6 billion (down ¥1.6 billion year on year)
- Profit: ¥1.1 billion (down ¥1.7 billion year on year)

Operating income decreased by ¥0.8 billion primarily as a result of a decrease in gross margin due to decreased revenue and temporary factors such as the application of the principle of calculating retirement benefits upon the merger of subsidiaries, as well as increased development costs for products responsive to the fourth emission gas regulations, etc., and increased personnel expenses, despite improvements in revenue due to the revenue and cost structure overhaul in domestic dealers and the disappearance of the loss on construction of facilities recorded in the previous period.

Ordinary income decreased by ¥1.6 billion mainly due to a worsening in foreign exchange gains or losses and in the share of profit or loss of entities using the equity method, while also recording technical support fee (non-operating income), etc.

Profit decreased by ¥1.7 billion due to the tax expenses as well as the lack of the extraordinary income (losses) recorded in the previous year such as subsidy income related to the Kumamoto Earthquake and facility contract penalties.

2) Comparison with the forecast

(1) Net sales: ¥1.0 billion higher than the forecast (Japan: ¥0.9 billion, overseas: ¥0.1 billion)

- Agricultural machinery sales were ¥0.7 billion higher than the forecast, as the tractor sales exceeded the forecast. Overall sales in Japan were ¥0.9 billion higher than the forecast.
- Sales overseas were almost in line with the forecast.

(2) Revenue

- Operating income and ordinary income were almost in line with the forecast.
- Profit was ¥0.3 billion lower than the forecast due to factors such as recording loss on valuation of investment securities.

3) Dividends: We plan to pay the year-end dividends in the amount of ¥30.0 per share.

II. Consolidated financial results forecast for the fiscal year ending December 31, 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, 2017 | FY ended December 31, 2018 | Forecast for FY ending December 31, 2019 | Year-on-year change | |
|--|----------------------------------|----------------------------------|---|---------------------|-------|
| | | | | Amount | % |
| Net sales | 158.4 | 156.0 | 164.0 | 8.0 | 5.2 |
| Domestic | 123.1 | 122.8 | 126.7 | 3.9 | 3.2 |
| Overseas | 35.3 | 33.2 | 37.3 | 4.1 | 12.5 |
| Operating income | 4.0 | 3.2 | 4.0 | 0.8 | 25.8 |
| Operating income ratio | 2.5% | 2.0% | 2.4% | 0.4% | — |
| Ordinary income | 4.2 | 2.6 | 2.6 | 0.0 | (1.1) |
| Ordinary income ratio | 2.7% | 1.7% | 1.6% | (0.1)% | — |
| Profit attributable to owners of parent | 2.8 | 1.1 | 1.6 | 0.5 | 46.7 |

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

[Rationale for the financial results forecast]

1) Net sales

- Sales in Japan: ¥126.7 billion (up ¥3.9 billion year on year)
Overall sales in Japan are expected to increase by ¥3.9 billion year on year owing to projected higher sales of agricultural machinery and farming implements, parts, and repair fees as farmers implement shifts of production to large-scale farming, dry field farming, and vegetable production.
- Sales overseas: ¥37.3 billion (up ¥4.1 billion year on year)
Overall sales overseas are expected to increase by ¥4.1 billion year on year owing to increased sales in the steady areas of North America, Europe, and neighboring countries in Asia, despite decreased orders in China and Thailand due to inventory adjustments.

2) Revenue

- Operating income: ¥4.0 billion (up ¥0.8 billion year on year)
Operating income is expected to increase by ¥0.8 billion year on year due to an increase in gross profit as a result of increased sales, as well as revenue and cost structure overhaul in domestic dealers, the effects of improved profitability in overseas products, and other factors, which will offset an increase in selling and administrative expenses.
- Ordinary income: ¥2.6 billion
Ordinary income is expected to remain the same year on year due to factors including the lack of technical support fee (non-operating income) recorded in the previous fiscal year.

[Year-end dividend forecast for the fiscal year ending December 31, 2019]

We plan to pay the year-end dividends in the amount of ¥30.0 per share for the fiscal year ending December 31, 2019.