



August 7, 2019

Name of Listed Company: ISEKI & CO., LTD.  Stock Exchange Listings: Tokyo
Company Code: 6310 (URL <http://www.iseki.co.jp>)
Representative: Title President Name Shirou Tomiyasu
Enquiries: Title General Manager of Financial Department Name Yoshikazu Ogusu
Telephone: +81-3-5604-7671

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Scheduled Date to Commence Dividend Payment: —
Supplementary Information for Quarterly Financial Results: Yes
Quarterly Financial Results Briefing: Yes (for institutional investors and analysts)

Summary Announcement of Consolidated Financial Results **for the Six Months Ended June 30, 2019 (Japanese GAAP)**

I. Consolidated Financial Results for the Six Months Ended June 30, 2019 (January 1, 2019—June 30, 2019)

A. Consolidated Results of Operations (Cumulative Total)

(Rounded down to millions of yen, % indicates changes from the previous corresponding period)

	Six Months Ended June 30, 2019	%	Six Months Ended June 30, 2018	%
Net Sales	77,552	(5.7)	82,228	2.6
Operating Income	1,637	(25.5)	2,199	(22.6)
Ordinary Income	849	(53.8)	1,839	(45.5)
Profit Attributable to Owners of Parent	665	(59.6)	1,648	(24.9)
Earnings per Share (yen)				
Basic	29.45		72.97	
Diluted	29.41		72.86	

Note: Comprehensive income

Six months ended June 30, 2019: ¥341 million [49.9%]

Six months ended June 30, 2018: ¥681 million [(70.6)%]

B. Consolidated Financial Position

(Rounded down to millions of yen)

	As of June 30, 2019	As of December 31, 2018
Total Assets	212,480	201,156
Net Assets	68,618	68,959
Shareholder's Equity to Total Assets Ratio (%)	31.5	33.4
Net Assets per Share (yen)	2,959.61	2,974.78

Reference: Shareholder's equity

As of June 30, 2019: ¥66,859 million

As of December 31, 2018: ¥67,200 million

The Company has applied the Partial Amendments to Accounting Standard for Tax Effect Accounting (ASBJ Statement No. 28 issued on February 16, 2018), etc. from the beginning of the first quarter ended March 31, 2019. With respect to the consolidated financial position as of December 31, 2018, the values after the above accounting standard, etc. was retrospectively applied are used.

II. Dividends

	Dividend per Share (yen)				
	1Q-end	2Q-end	3Q-end	Year-end	Total
FY Ended December 31, 2018	—	—	—	30.00	30.00
FY Ending December 31, 2019	—	—			
FY Ending December 31, 2019 (Forecast)			—	30.00	30.00

Note: Revision of the most recently announced dividend forecast: No

III. Consolidated Financial Results Forecast for the Fiscal Year Ending December 31, 2019 (January 1, 2019—December 31, 2019)

(Rounded down to millions of yen, % indicates changes from the previous period)

	Net Sales	%	Operating Income	%	Ordinary Income	%	Profit Attributable to Owners of Parent	%	Earnings per Share (yen)
Full Year	164,000	5.2	4,000	25.8	2,600	(1.1)	1,600	46.7	70.83

Note: Revision of the most recently announced financial results forecast: No

* Notes

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

New: - (), Exclusion: - ()

B. Adoption of special accounting treatment for preparing the quarterly consolidated financial statements: No

C. 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

D. Total number of shares issued (common stock)

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

As of June 30, 2019	22,984,993 shares
As of December 31, 2018	22,984,993 shares

2) Total number of treasury shares at the end of the period:

As of June 30, 2019	394,307 shares
As of December 31, 2018	394,999 shares

3) Average number of shares during the period (cumulative total):

Six months ended June 30, 2019	22,590,565 shares
Six months ended June 30, 2018	22,588,983 shares

- * These quarterly financial results are outside the scope of quarterly review procedures to be performed by certified public accountants or an audit corporation.
- * 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 "1. Qualitative Information on Consolidated Financial Results for the Period under Review" on page 2 of the Appendix.

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1. Qualitative Information on Consolidated Financial Results for the Period under Review

The Company has applied the Partial Amendments to Accounting Standard for Tax Effect Accounting (ASBJ Statement No. 28 issued on February 16, 2018), etc. from the beginning of the first quarter ended March 31, 2019. With respect to the explanation on financial position, the values after the above accounting standard, etc. was retrospectively applied are used in the analysis and in the comparison with the values of the previous fiscal year.

(1) Explanation on Results of Operations

During the six months ended June 30, 2019, the Japanese economy remained on a moderate recovery track due to the effects of various government policies amid continuing improvement in employment and income environments, despite some evidence of weakness, mainly in exports. Overseas, the economy in the U.S. continued a steady recovery mainly backed by increased personal consumption and capital investment, while the economy in Europe performed sluggishly in some areas of production and capital investment, and the Chinese economy continued to slow slightly due to sluggishness in personal consumption, as well as a decrease in exports due to the effects of trade frictions between the U.S. and China. Although the world economy improved gradually as a whole, the outlook for the future is growing increasingly unclear, including the future direction of trade frictions between the U.S. and China.

On the other hand, in the domestic agricultural environment, despite a temporary rise in deliveries in advance of the consumption tax increase, the market for agricultural machinery remained basically flat 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. The Group's consolidated financial results are summarized as follows.

Net sales for the six months ended June 30, 2019 were ¥77,552 million, a decrease of ¥4,675 million (5.7%) year on year. Domestic sales in Japan were ¥59,967 million, a decrease of ¥3,952 million (6.2%) year on year, as a result of decreased sales of construction of facilities versus the same period of the previous fiscal year when the large-scale construction was completed, and decreased sales of agricultural machinery, in spite of ongoing steady sales of farming implements and parts. Overseas sales were ¥17,584 million, a decrease of ¥722 million (3.9%) year on year. This was due to a sales decline from decreased shipments of semi-finished rice transplanters stemming from local inventory adjustments in response to a cooling market in China and a sales decline in the ASEAN region from factors including decreased shipments of tractors to Thailand accompanying local inventory adjustments and a decrease in Indonesian government tendering, despite higher sales in North America from factors including ongoing favorable sales of new compact tractors and sales in Europe that remained almost unchanged from the previous fiscal year.

Operating income was ¥1,637 million, a decrease of ¥561 million year on year, mainly due to the decrease in gross profit stemming from revenue decline in spite of the absence of temporary factors that had been present in the previous fiscal year and a reduction in selling, general and administrative expenses. Ordinary income was ¥849 million, a decrease of ¥989 million year on year, mainly due to the recording of the share of loss of entities accounted for using equity method. Profit attributable to owners of parent was ¥665 million, a decrease of ¥983 million year on year.

Sales by product are as follows.

[Domestic]

Sales of cultivating and mowing machinery (tractors, high-clearance multipurpose vehicles, among others) were ¥15,110 million (a decrease of 7.4% year on year). Sales of planting machinery (rice transplanters and vegetable transplanters) were ¥6,156 million (a decrease of 4.9% year on year). Sales of harvesting and processing machinery (combine harvesters, among others) were ¥5,396 million (a decrease of 1.8% year on year). Sales of farming implements, spare parts and repair fees were ¥21,485 million (an increase of 1.0% year on year). Sales of other agriculture-related business (construction of facilities, among others) were ¥11,819 million (a decrease of 17.7% year on year).

[Overseas]

Sales of cultivating and mowing machinery (tractors, among others) were ¥13,574 million (a decrease of 1.1% year on year). Sales of planting machinery (rice transplanters, among others) were ¥1,021 million (a decrease of 42.1% year on year). Sales of harvesting and processing machinery (combine harvesters, among others) were ¥745 million (an increase of 465.6% year on year). Sales of farming implements and spare parts were ¥1,494 million (an increase of 9.1% year on year). Sales of other agriculture-related business were ¥750 million (a decrease of 43.0% year on year).

(2) Explanation on Financial Position

[Assets]

Total assets at the end of the second quarter ended June 30, 2019 increased by ¥11,323 million from the end of the previous fiscal year to ¥212,480 million. This was mainly due to an increase of ¥762 million in cash and deposits, an increase of ¥11,435 million in notes and accounts receivable – trade, an increase of ¥1,083 million in inventories, and a decrease of ¥1,778 million in other current assets.

[Liabilities]

Total liabilities at the end of the second quarter ended June 30, 2019 increased by ¥11,664 million from the end of the previous fiscal year to ¥143,862 million. This was mainly due to an increase of ¥6,058 million in notes and accounts payable - trade and electronically recorded obligations - operating, an increase of ¥4,318 million in the net amount of short-term loans payable and long-term loans payable, and an increase of ¥1,055 million in other non-current liabilities. [Net assets]

Total net assets at the end of the second quarter ended June 30, 2019 decreased by ¥340 million from the end of the previous fiscal year to ¥68,618 million. This was mainly due to ¥665 million of profit attributable to owners of parent, ¥677 million of dividends of surplus, a decrease of ¥175 million in the valuation difference on available-for-sale securities, and a decrease of ¥165 million in the foreign currency translation adjustment.

(3) Explanation on Consolidated Financial Results Forecasts and Other Forecast Information

The consolidated financial results forecasts for the fiscal year ending December 31, 2019 (released on February 13, 2019) have not been revised.

These financial results forecasts are calculated based on the exchange rates at ¥108 per U.S. dollar (unchanged) and ¥125 per euro (unchanged) for the second half of the fiscal year ending December 31, 2019.

2. Quarterly Consolidated Financial Statements and Principal Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of December 31, 2018	As of June 30, 2019
<hr/>		
Assets		
Current assets		
Cash and deposits	7,475	8,237
Notes and accounts receivable - trade	23,327	34,763
Merchandise and finished goods	46,495	46,862
Work in process	6,046	6,790
Raw materials and supplies	1,177	1,150
Other	7,320	5,542
Allowance for doubtful accounts	(51)	(74)
Total current assets	<hr/> 91,791	<hr/> 103,272
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	25,378	25,630
Land	50,873	50,711
Other, net	20,589	21,040
Total property, plant and equipment	<hr/> 96,842	<hr/> 97,382
Intangible assets	1,082	1,201
Investments and other assets		
Investment securities	5,817	5,286
Other	5,769	5,482
Allowance for doubtful accounts	(146)	(144)
Total investments and other assets	<hr/> 11,440	<hr/> 10,624
Total non-current assets	<hr/> 109,365	<hr/> 109,208
Total assets	<hr/> 201,156	<hr/> 212,480

(Millions of yen)

	As of December 31, 2018	As of June 30, 2019
Liabilities		
Current liabilities		
Notes and accounts payable - trade	23,803	28,269
Electronically recorded obligations - operating	15,933	17,525
Short-term loans payable	31,475	36,237
Current portion of long-term loans payable	11,401	11,246
Income taxes payable	368	652
Provision for bonuses	482	502
Other	12,129	12,361
Total current liabilities	<u>95,593</u>	<u>106,795</u>
Non-current liabilities		
Long-term loans payable	20,571	20,283
Deferred tax liabilities for land revaluation	5,780	5,759
Provision for directors' retirement benefits	132	135
Net defined benefit liability	4,063	3,776
Asset retirement obligations	322	324
Other	5,732	6,788
Total non-current liabilities	<u>36,603</u>	<u>37,066</u>
Total liabilities	<u>132,197</u>	<u>143,862</u>
Net assets		
Shareholders' equity		
Capital stock	23,344	23,344
Capital surplus	13,452	13,452
Retained earnings	16,932	16,967
Treasury shares	(983)	(981)
Total shareholders' equity	<u>52,746</u>	<u>52,783</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	418	243
Deferred gains or losses on hedges	(0)	1
Revaluation reserve for land	12,670	12,622
Foreign currency translation adjustment	864	698
Remeasurements of defined benefit plans	501	509
Total accumulated other comprehensive income	<u>14,454</u>	<u>14,076</u>
Subscription rights to shares	78	75
Non-controlling interests	1,681	1,683
Total net assets	<u>68,959</u>	<u>68,618</u>
Total liabilities and net assets	<u>201,156</u>	<u>212,480</u>

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

Quarterly Consolidated Statements of Income

For the Six Months Ended June 30, 2019

(Millions of yen)

	Six months ended June 30, 2018	Six months ended June 30, 2019
Net sales	82,228	77,552
Cost of sales	58,682	55,016
Gross profit	23,545	22,535
Selling, general and administrative expenses	21,346	20,898
Operating income	2,199	1,637
Non-operating income		
Interest income	59	101
Dividend income	87	121
Other	486	441
Total non-operating income	633	664
Non-operating expenses		
Interest expenses	303	364
Foreign exchange losses	146	182
Share of loss of entities accounted for using equity method	302	689
Other	239	215
Total non-operating expenses	992	1,452
Ordinary income	1,839	849
Extraordinary income		
Gain on sales of non-current assets	39	16
Gain on sales of investment securities	52	104
Gain on step acquisitions	16	—
Total extraordinary income	107	120
Extraordinary losses		
Loss on sales and retirement of non-current assets	82	98
Impairment loss	10	79
Other	—	1
Total extraordinary losses	92	179
Income before income taxes	1,855	791
Income taxes - current	452	727
Income taxes - deferred	(284)	(610)
Total income taxes	168	117
Profit	1,686	673
Profit attributable to non-controlling interests	38	8
Profit attributable to owners of parent	1,648	665

Quarterly Consolidated Statements of Comprehensive Income
For the Six Months Ended June 30, 2019

(Millions of yen)

	Six months ended June 30, 2018	Six months ended June 30, 2019
Profit	1,686	673
Other comprehensive income		
Valuation difference on available-for-sale securities	(826)	(175)
Deferred gains or losses on hedges	28	2
Foreign currency translation adjustment	(67)	(116)
Remeasurements of defined benefit plans, net of tax	(18)	8
Share of other comprehensive income of entities accounted for using equity method	(120)	(50)
Total other comprehensive income	(1,004)	(331)
Comprehensive income	681	341
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	664	335
Comprehensive income attributable to non-controlling interests	17	6

(3) Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	Six months ended June 30, 2018	Six months ended June 30, 2019
Cash flows from operating activities		
Income before income taxes	1,855	791
Depreciation	3,327	3,546
Amortization of goodwill	1	1
Impairment loss	10	79
Increase (decrease) in net defined benefit liability	105	(280)
Loss (gain) on sales of investment securities	(52)	(104)
Interest and dividend income	(146)	(223)
Interest expenses	303	364
Foreign exchange losses (gains)	(58)	33
Loss (gain) on sales of property, plant and equipment and intangible assets	43	81
Loss (gain) on step acquisitions	(16)	—
Decrease (increase) in notes and accounts receivable - trade	(12,069)	(11,538)
Decrease (increase) in inventories	19	(1,303)
Increase (decrease) in notes and accounts payable - trade	5,618	6,155
Other, net	1,660	3,661
Subtotal	601	1,265
Interest and dividend income received	146	202
Interest expenses paid	(300)	(364)
Proceeds from subsidy income	373	—
Penalty paid	(427)	—
Income taxes paid	(834)	(124)
Net cash provided by (used in) operating activities	(441)	978
Cash flows from investing activities		
Acquisition of property, plant and equipment and intangible assets	(3,655)	(5,125)
Proceeds from sales of property, plant and equipment and intangible assets	161	174
Acquisition of investment securities	(12)	(0)
Proceeds from sales of investment securities	77	348
Decrease (increase) in time deposits	(204)	(199)
Other, net	(91)	69
Net cash provided by (used in) investing activities	(3,723)	(4,733)

(Millions of yen)

	Six months ended June 30, 2018	Six months ended June 30, 2019
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	4,927	4,920
Proceeds from long-term loans payable	7,691	3,582
Repayments of long-term loans payable	(4,367)	(4,015)
Proceeds from sales and leasebacks	315	1,708
Repayments of lease obligations	(1,145)	(1,147)
Purchase of treasury shares	(0)	(0)
Cash dividends paid	(670)	(670)
Other, net	(4)	(4)
Net cash provided by (used in) financing activities	6,745	4,371
Effect of exchange rate change on cash and cash equivalents	40	(53)
Net increase (decrease) in cash and cash equivalents	2,620	562
Cash and cash equivalents at beginning of period	7,795	7,387
Cash and cash equivalents at end of period	10,416	7,949

(4) Notes to Quarterly Consolidated Financial Statements

(Notes to Going Concern Assumption)

Not applicable

(Notes to Material Changes in Shareholders' Equity)

Not applicable

(Additional Information)

Application of the Partial Amendments to Accounting Standard for Tax Effect Accounting

The Company has applied the Partial Amendments to Accounting Standard for Tax Effect Accounting (ASBJ Statement No. 28 issued on February 16, 2018), etc. from the beginning of the first quarter ended March 31, 2019. Accordingly, deferred tax assets are included in investments and other assets, and deferred tax liabilities are included in non-current liabilities.