



November 13, 2019

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Date of Submission of Quarterly Report: November 13, 2019
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 Nine Months Ended September 30, 2019 (Japanese GAAP)**

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

A. Consolidated Results of Operations (Cumulative Total)

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

	Nine Months Ended September 30, 2019	%	Nine Months Ended September 30, 2018	%
Net Sales	120,975	1.5	119,186	(1.1)
Operating Income	4,525	26.0	3,591	(22.5)
Ordinary Income	3,259	17.8	2,765	(49.2)
Profit Attributable to Owners of Parent	2,132	(3.9)	2,219	(33.4)
Earnings per Share (yen)				
Basic	94.42		98.26	
Diluted	94.28		98.11	

Note: Comprehensive income

Nine months ended September 30, 2019: ¥1,761 million [46.1 %]

Nine months ended September 30, 2018: ¥1,205 million [(67.6)%]

B. Consolidated Financial Position

(Rounded down to millions of yen)

	As of September 30, 2019	As of December 31, 2018
Total Assets	211,932	201,156
Net Assets	70,038	68,959
Shareholder's Equity to Total Assets Ratio (%)	32.2	33.4
Net Assets per Share (yen)	3,021.16	2,974.78

Reference: Shareholder's equity

As of September 30, 2019: ¥68,249 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	155,500	(0.3)	4,000	25.8	2,600	(1.1)	1,600	46.7	70.83

Note: Revision of the most recently announced financial results forecast: Yes

* 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 September 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 September 30, 2019	394,540 shares
As of December 31, 2018	394,999 shares

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

Nine months ended September 30, 2019	22,590,555 shares
Nine months ended September 30, 2018	22,589,300 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 nine months ended September 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 recovery mainly backed by increased personal consumption, 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 and production, 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 prolonged trade frictions between the U.S. and China and the outcome of the Brexit.

On the other hand, in the domestic agricultural environment, despite a last-minute surge in demand 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 nine months ended September 30, 2019 were ¥120,975 million, an increase of ¥1,788 million (1.5%) year on year. Domestic sales in Japan were ¥95,979 million, an increase of ¥2,078 million (2.2%) year on year, as a result of increased sales of agricultural machinery, farming implements, etc., due to a last-minute surge in demand in advance of the consumption tax increase. Overseas sales were ¥24,996 million, a decrease of ¥290 million (1.1%) year on year. This was due to a sales decline in Europe from the effect of currency exchange rates linked to the higher yen and decreased shipments of lawn mowers caused by the unseasonable weather, a sales decline in China from decreased shipments of semi-finished rice transplanters stemming from local inventory adjustments and a sales decline in the ASEAN region from factors including decreased shipments of tractors to Thailand and a decrease in Indonesian government tendering, despite higher sales in North America from factors including ongoing favorable sales of new compact tractors.

Operating income was ¥4,525 million, an increase of ¥934 million (26.0%) year on year, mainly due to a reduction in selling, general and administrative expenses in addition to the increase in gross profit stemming from revenue increase. Ordinary income was ¥3,259 million, an increase of ¥493 million (17.8%) year on year, mainly due to the recording of foreign exchange losses and the share of loss of entities accounted for using equity method. Profit attributable to owners of parent was ¥2,132 million, a decrease of ¥86 million (3.9%) year on year.

Sales by product are as follows.

[Domestic]

Sales of cultivating and mowing machinery (tractors, high-clearance multipurpose vehicles, among others) were ¥21,300 million (an increase of 1.2% year on year). Sales of planting machinery (rice transplanters and vegetable transplanters) were ¥8,005 million (an increase of 7.2% year on year). Sales of harvesting and processing machinery (combine harvesters, among others) were ¥14,110 million (an increase of 2.6% year on year). Sales of farming implements, spare parts and repair fees were ¥33,360 million (an increase of 5.9% year on year). Sales of other agriculture-related business (construction of facilities, among others) were ¥19,202 million (a decrease of 4.6% year on year).

[Overseas]

Sales of cultivating and mowing machinery (tractors, among others) were ¥19,193 million (a decrease of 0.7% year on year). Sales of planting machinery (rice transplanters, among others) were ¥1,026 million (a decrease of 41.5% year on year). Sales of harvesting and processing machinery (combine harvesters, among others) were ¥1,545 million (an increase of 200.3% year on year). Sales of farming implements and spare parts were ¥2,209 million (an increase of 7.0% year on year). Sales of other agriculture-related business were ¥1,020 million (a decrease of 37.5% year on year).

(2) Explanation on Financial Position

[Assets]

Total assets at the end of the third quarter ended September 30, 2019 increased by ¥10,775 million from the end of the previous fiscal year to ¥211,932 million. This was mainly due to an increase of ¥14,611 million in notes and accounts receivable – trade, a decrease of ¥1,136 million in inventories, a decrease of ¥1,718 million in other under current assets, a decrease of ¥533 million in investment securities, and a decrease of ¥685 million in other under investments and other assets.

[Liabilities]

Total liabilities at the end of the third quarter ended September 30, 2019 increased by ¥9,696 million from the end of the previous fiscal year to ¥141,894 million. This was mainly due to an increase of ¥8,937 million in short-term loans payable and long-term loans payable, an increase of ¥672 million in notes and accounts payable - trade and electronically recorded obligations - operating, an increase of ¥842 million in income taxes payable, a decrease of ¥1,909 million in other under current liabilities, and an increase of ¥1,038 million in other under non-current liabilities.

[Net assets]

Total net assets at the end of the third quarter ended September 30, 2019 increased by ¥1,078 million from the end of the previous fiscal year to ¥70,038 million. This was mainly due to ¥2,132 million of profit attributable to owners of parent, ¥677 million of dividends of surplus, and a decrease of ¥248 million in the foreign currency translation adjustment.

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

With regard to the consolidated financial results forecasts for the fiscal year ending December 31, 2019, we have made a downward revision of net sales in the amount of ¥8,500 million from the previous forecast (released on February 13, 2019) in consideration of the actual financial results for the nine months ended September 30, 2019, the current trends of orders received, and other factors. There are no revisions in any of the other income items from operating income onward as it is expected that profits in the previous forecast can be secured mainly due to lower than expected prices of raw materials, cost reduction by improving operational efficiency, and price reconsideration in terms of sales.

These financial results forecasts are calculated based on the exchange rates at ¥108 per U.S. dollar (unchanged) and ¥119 per euro (changed from ¥125) for the fourth quarter of the fiscal year ending December 31, 2019.

[Consolidated financial results forecast for the fiscal year ending December 31, 2019 (January 1, 2019—December 31, 2019)]

	Net Sales	Operating Income	Ordinary Income	Profit Attributable to Owners of Parent	Earnings per Share
	Million yen	Million yen	Million yen	Million yen	Yen
Previous Forecast (A)	164,000	4,000	2,600	1,600	70.83
Revised Forecast (B)	155,500	4,000	2,600	1,600	70.83
Difference (B-A)	(8,500)	—	—	—	—
Rate of Change (%)	(5.2)	—	—	—	—
(Ref.) Results for the Fiscal Year Ended December 31, 2018	155,955	3,179	2,629	1,090	48.29

2. Quarterly Consolidated Financial Statements and Principal Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of December 31, 2018	As of September 30, 2019
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Assets		
Current assets		
Cash and deposits	7,475	7,065
Notes and accounts receivable - trade	23,327	37,939
Merchandise and finished goods	46,495	44,692
Work in process	6,046	6,706
Raw materials and supplies	1,177	1,183
Other	7,320	5,602
Allowance for doubtful accounts	(51)	(121)
Total current assets	91,791	103,068
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	25,378	25,794
Land	50,873	50,745
Other, net	20,589	20,825
Total property, plant and equipment	96,842	97,364
Intangible assets	1,082	1,279
Investments and other assets		
Investment securities	5,817	5,283
Other	5,769	5,084
Allowance for doubtful accounts	(146)	(147)
Total investments and other assets	11,440	10,220
Total non-current assets	109,365	108,864
Total assets	201,156	211,932

	As of December 31, 2018	As of September 30, 2019
Liabilities		
Current liabilities		
Notes and accounts payable - trade	23,803	26,482
Electronically recorded obligations - operating	15,933	13,926
Short-term loans payable	31,475	35,096
Current portion of long-term loans payable	11,401	10,660
Income taxes payable	368	1,211
Provision for bonuses	482	859
Other	12,129	10,220
Total current liabilities	<u>95,593</u>	<u>98,457</u>
Non-current liabilities		
Long-term loans payable	20,571	26,628
Deferred tax liabilities for land revaluation	5,780	5,759
Provision for directors' retirement benefits	132	141
Net defined benefit liability	4,063	3,810
Asset retirement obligations	322	325
Other	5,732	6,771
Total non-current liabilities	<u>36,603</u>	<u>43,436</u>
Total liabilities	<u>132,197</u>	<u>141,894</u>
Net assets		
Shareholders' equity		
Capital stock	23,344	23,344
Capital surplus	13,452	13,452
Retained earnings	16,932	18,435
Treasury shares	(983)	(982)
Total shareholders' equity	<u>52,746</u>	<u>54,250</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	418	247
Deferred gains or losses on hedges	(0)	(1)
Revaluation reserve for land	12,670	12,622
Foreign currency translation adjustment	864	615
Remeasurements of defined benefit plans	501	514
Total accumulated other comprehensive income	<u>14,454</u>	<u>13,998</u>
Subscription rights to shares	78	75
Non-controlling interests	1,681	1,713
Total net assets	<u>68,959</u>	<u>70,038</u>
Total liabilities and net assets	<u>201,156</u>	<u>211,932</u>

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

Quarterly Consolidated Statements of Income
For the Nine Months Ended September 30, 2019

(Millions of yen)

	Nine months ended September 30, 2018	Nine months ended September 30, 2019
Net sales	119,186	120,975
Cost of sales	83,840	85,154
Gross profit	35,346	35,820
Selling, general and administrative expenses	31,754	31,295
Operating income	3,591	4,525
Non-operating income		
Interest income	91	146
Dividend income	90	139
Other	688	588
Total non-operating income	870	874
Non-operating expenses		
Interest expenses	499	548
Foreign exchange losses	50	234
Share of loss of entities accounted for using equity method	760	988
Other	385	370
Total non-operating expenses	1,696	2,140
Ordinary income	2,765	3,259
Extraordinary income		
Gain on sales of non-current assets	71	21
Gain on sales of investment securities	52	104
Gain on step acquisitions	16	—
Total extraordinary income	140	126
Extraordinary losses		
Loss on sales and retirement of non-current assets	126	157
Impairment loss	10	79
Other	—	1
Total extraordinary losses	136	238
Income before income taxes	2,769	3,146
Income taxes - current	984	1,542
Income taxes - deferred	(471)	(567)
Total income taxes	513	975
Profit	2,256	2,171
Profit attributable to non-controlling interests	36	38
Profit attributable to owners of parent	2,219	2,132

Quarterly Consolidated Statements of Comprehensive Income
For the Nine Months Ended September 30, 2019

(Millions of yen)

	Nine months ended September 30, 2018	Nine months ended September 30, 2019
Profit	2,256	2,171
Other comprehensive income		
Valuation difference on available-for-sale securities	(767)	(171)
Deferred gains or losses on hedges	19	(0)
Foreign currency translation adjustment	(46)	(139)
Remeasurements of defined benefit plans, net of tax	(108)	13
Share of other comprehensive income of entities accounted for using equity method	(146)	(111)
Total other comprehensive income	(1,050)	(409)
Comprehensive income	1,205	1,761
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	1,188	1,725
Comprehensive income attributable to non-controlling interests	16	36

(3) 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.