



May 14, 2018

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Date of Submission of Quarterly Report: May 14, 2018  
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 Three Months Ended March 31, 2018 (Japanese GAAP)**

### **I. Consolidated Financial Results for the Three Months Ended March 31, 2018 (January 1, 2018—March 31, 2018)**

#### **A. Consolidated Results of Operations (Cumulative Total)**

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

	Three Months Ended March 31, 2018	%	Three Months Ended March 31, 2017	%
Net Sales	36,842	0.4	36,679	(2.6)
Operating Income	(599)	—	(273)	—
Ordinary Income	(914)	—	(356)	—
Profit (Loss) Attributable to Owners of Parent	(349)	—	(633)	—
Earnings per Share (yen)				
Basic	(15.47)		(28.05)	
Diluted	—		—	

Note: Comprehensive income

Three months ended March 31, 2018: ¥(1,120) million [—%]

Three months ended March 31, 2017: ¥(875) million [—%]

\* The Company has consolidated shares of its common stock (one-for-ten share consolidation), effective July 1, 2017. The amounts stated for basic 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 March 31, 2018	As of December 31, 2017
Total Assets	210,429	201,348
Net Assets	69,114	70,916
Shareholder's Equity to Total Assets Ratio (%)	32.0	34.4
Net Assets per Share (yen)	2,982.84	3,061.84

Reference: Shareholder's equity

As of March 31, 2018: ¥67,379 million

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

## II. Dividends

	Dividend per Share(yen)				
	1Q-end	2Q-end	3Q-end	Year-end	Total
FY Ended December 31, 2017	—	—	—	30.00	30.00
FY Ending December 31, 2018	—				
FY Ending December 31, 2018 (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, 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

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 March 31, 2018	22,984,993 shares
As of December 31, 2017	22,984,993 shares

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

As of March 31, 2018	395,959 shares
As of December 31, 2017	395,946 shares

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

Three months ended March 31, 2018	22,589,038 shares
Three months ended March 31, 2017	22,587,363 shares

\* The Company has consolidated shares of its common stock (one-for-ten share consolidation), effective July 1, 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.

- \* 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**

### **(1) Explanation on Results of Operations**

During the three months ended March 31, 2018, the Japanese economy moderately recovered due to ongoing recovery in personal consumption backed by improved corporate earnings and employment conditions. Meanwhile, the world economy continued its slow recovery as the economy in the U.S. and Europe remained on a strong recovery track, with ongoing signs of a pick-up in the Chinese economy.

On the other hand, in the domestic agricultural environment, demand for agricultural machinery is mostly unchanged, though slightly weakened in association with changing needs in response to 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 expand sales volume 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.

Net sales for the three months ended March 31, 2018 were ¥36,842 million, an increase of ¥163 million (0.4%) year on year. Domestic sales in Japan were ¥28,418 million, a decrease of ¥113 million (0.4%) year on year, as a result of slightly decreased overall sales of agricultural machinery due to bad weather in spite of increased sales of rice transplanters thanks to the launch of new products and ongoing favorable sales of farming implements. Overseas sales were ¥8,424 million, an increase of ¥276 million (3.4%) year on year. This was mainly due to increased sales in North America attributable to the disappearance of the effect of partial changes in business terms with an OEM partner in the same period of the previous fiscal year and decreased shipments of semi-finished rice transplanters in China stemming from local inventory adjustments.

The Group's business is susceptible to seasonal fluctuations. In the three months ended March 31, 2018 which is the off-demand season, we recorded loss in all income items from operating income and below. Operating loss was ¥599 million, a decrease of ¥326 million year on year, mainly due to temporary factors such as unprofitable construction of facilities and expenses resulting from the application of the principle of calculating retirement benefits upon the merger of subsidiaries, as well as increased personnel expenses and other factors. Ordinary loss was ¥914 million, a decrease of ¥558 million year on year, mainly due to a worsening in foreign exchange gains or losses and in the share of profit or loss of entities using equity method. Loss attributable to owners of parent was ¥349 million, an increase of ¥284 million year on year, resulting from decreased tax expenses.

Sales by product are as follows.

[Domestic]

Sales of cultivating and mowing machinery (tractors, high-clearance multipurpose vehicles, among others) were ¥7,260 million (a decrease of 4.7% year on year). Sales of planting machinery (rice transplanters and vegetable transplanters) were ¥2,164 million (an increase of 13.0% year on year). Sales of harvesting and processing machinery (combine harvesters, among others) were ¥2,800 million (a decrease of 5.5% year on year). Sales of farming implements, spare parts and repair fees were ¥8,566 million (an increase of 1.7% year on year). Sales of other agriculture-related business (construction of facilities, among others) were ¥7,626 million (an increase of 0.2% year on year).

[Overseas]

Sales of cultivating and mowing machinery (tractors, among others) were ¥6,064 million (an increase of 45.4% year on year). Sales of planting machinery (rice transplanters, among others) were ¥1,491 million (a decrease of 33.7% year on year). Sales of harvesting and processing machinery (combine harvesters, among others) were ¥1 million (a decrease of 99.8% year on year). Sales of farming implements and spare parts were ¥639 million (an increase of 11.9% year on year). Sales of other agriculture-related business were ¥226 million (a decrease of 43.2% year on year).

### **(2) Explanation on Financial Position**

[Assets]

Total assets at the end of the first quarter ended March 31, 2018 increased by ¥9,081 million from the end of the previous fiscal year to ¥210,429 million. This was mainly due to an increase of ¥7,250 million in notes and accounts receivable - trade, an increase of ¥3,073 million in inventories, and a decrease of ¥889 million of investment securities.

[Liabilities]

Total liabilities at the end of the first quarter ended March 31, 2018 increased by ¥10,883 million from the end of the previous fiscal year to ¥141,315 million. This was mainly due to an increase of ¥3,767 million in notes and accounts payable - trade and electronically recorded obligations - operating, an increase of ¥8,744 million in short-term loans payable and long-term loans payable, and a decrease of ¥815 million in other current liabilities.

[Net assets]

Total net assets at the end of the first quarter ended March 31, 2018 decreased by ¥1,802 million from the end of the previous fiscal year to ¥69,114 million. This was mainly due to ¥349 million of loss attributable to owners of

parent, ¥677 million of dividends of surplus, and a decrease of ¥619 million in valuation difference on available-for-sale securities.

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

The consolidated financial results forecasts for the first half ending June 30, 2018 and the fiscal year ending December 31, 2018 have not been revised.

These financial results forecasts are calculated based on the exchange rates at ¥110 per U.S. dollar (unchanged) and ¥130 per euro (unchanged).

### **3. Quarterly Consolidated Financial Statements and Principal Notes**

#### **(1) Quarterly Consolidated Balance Sheets**

(Millions of yen)

	As of December 31, 2017	As of March 31, 2018
<hr/>		
Assets		
Current assets		
Cash and deposits	7,981	8,415
Notes and accounts receivable - trade	25,113	32,363
Merchandise and finished goods	45,410	48,963
Work in process	6,728	6,251
Raw materials and supplies	1,267	1,265
Other	5,310	4,562
Allowance for doubtful accounts	(60)	(72)
Total current assets	<hr/> 91,751	<hr/> 101,749
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	24,343	24,955
Land	50,773	51,021
Other, net	20,476	19,698
Total property, plant and equipment	<hr/> 95,592	<hr/> 95,676
Intangible assets	1,025	1,047
Investments and other assets		
Investment securities	7,146	6,256
Other	5,990	5,856
Allowance for doubtful accounts	(158)	(156)
Total investments and other assets	<hr/> 12,978	<hr/> 11,956
Total non-current assets	<hr/> 109,596	<hr/> 108,679
Total assets	<hr/> 201,348	<hr/> 210,429

As of December 31, 2017 As of March 31, 2018

	As of December 31, 2017	As of March 31, 2018
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	26,532	30,298
Electronically recorded obligations - operating	14,140	14,141
Short-term loans payable	27,216	36,717
Current portion of long-term loans payable	8,004	7,895
Income taxes payable	894	196
Provision for bonuses	446	823
Provision for loss on construction contracts	391	2
Other	12,018	11,203
Total current liabilities	89,644	101,278
Non-current liabilities		
Long-term loans payable	24,354	23,707
Deferred tax liabilities for land revaluation	5,780	5,780
Provision for directors' retirement benefits	122	120
Net defined benefit liability	3,312	3,622
Asset retirement obligations	315	316
Other	6,902	6,489
Total non-current liabilities	40,787	40,037
Total liabilities	130,432	141,315
<b>Net assets</b>		
Shareholders' equity		
Capital stock	23,344	23,344
Capital surplus	13,453	13,453
Retained earnings	16,519	15,492
Treasury shares	(986)	(986)
Total shareholders' equity	52,330	51,303
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,818	1,199
Deferred gains or losses on hedges	(16)	(19)
Revaluation reserve for land	12,670	12,670
Foreign currency translation adjustment	1,115	991
Remeasurements of defined benefit plans	1,244	1,235
Total accumulated other comprehensive income	16,833	16,075
Subscription rights to shares	80	80
Non-controlling interests	1,671	1,654
Total net assets	70,916	69,114
Total liabilities and net assets	201,348	210,429

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

Quarterly Consolidated Statements of Income  
For the Three Months Ended March 31, 2018

(Millions of yen)

	Three months ended March 31, 2017	Three months ended March 31, 2018
Net sales	36,679	36,842
Cost of sales	26,581	26,897
Gross profit	10,097	9,945
Selling, general and administrative expenses	10,370	10,544
Operating loss	(273)	(599)
Non-operating income		
Interest income	42	33
Dividend income	9	9
Other	199	271
Total non-operating income	251	314
Non-operating expenses		
Interest expenses	141	140
Share of loss of entities accounted for using equity method	—	183
Foreign exchange losses	44	183
Other	147	122
Total non-operating expenses	333	629
Ordinary loss	(356)	(914)
Extraordinary income		
Gain on sales of non-current assets	7	17
Gain on step acquisitions	—	16
Total extraordinary income	7	34
Extraordinary losses		
Loss on sales and retirement of non-current assets	43	22
Impairment loss	21	8
Total extraordinary losses	64	31
Loss before income taxes	(413)	(911)
Income taxes - current	344	158
Income taxes - deferred	(120)	(715)
Total income taxes	224	(556)
Loss	(638)	(354)
Loss attributable to non-controlling interests	(4)	(5)
Loss attributable to owners of parent	(633)	(349)

Quarterly Consolidated Statements of Comprehensive Income  
For the Three Months Ended March 31, 2018

(Millions of yen)

	Three months ended March 31, 2017	Three months ended March 31, 2018
Loss	(638)	(354)
Other comprehensive income		
Valuation difference on available-for-sale securities	(155)	(623)
Deferred gains or losses on hedges	(48)	(3)
Foreign currency translation adjustment	68	(56)
Remeasurements of defined benefit plans, net of tax	(15)	(9)
Share of other comprehensive income of entities accounted for using equity method	(86)	(72)
Total other comprehensive income	(237)	(765)
Comprehensive income	(875)	(1,120)
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	(870)	(1,106)
Comprehensive income attributable to non-controlling interests	(5)	(13)

**(3) Notes to Quarterly Consolidated Financial Statements**

(Notes to Going Concern Assumption)

Not applicable

(Notes to Material Changes in Shareholders' Equity)

Not applicable