February 13, 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 Eiichiro Kinoshita
Enquiries: Title General Manager of Financial Department Name Yoshikazu Ogusu
Telephone: +81-3-5604-7671

Date of the Ordinary General Meeting of Shareholders: March 26, 2019
Scheduled Date to Commence Dividend Payment: March 27, 2019
Date of Submission of Securities Report: March 27, 2019
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, 2018 (Japanese GAAP)

I. Consolidated Financial Results for the Fiscal Year Ended December 31, 2018 (January 1, 2018－December 31, 2018)

A. Consolidated Results of Operations

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

	Fiscal Year Ended December 31, 2018	%	Fiscal Year Ended December 31, 2017	%
Net Sales	155,955	(1.5)	158,382	3.5
Operating Income	3,179	(19.6)	3,953	60.1
Ordinary Income	2,629	(38.1)	4,250	159.8
Profit Attributable to Owners of Parent	1,090	(61.1)	2,807	227.0
Earnings per Share (yen) Basic Diluted	 48.29 48.21		 124.29 124.08	
Return on Equity (%)	1.6		4.2	
Return on Assets (%)	1.3		2.1	
Operating Margin (%)	2.0		2.5	

Note: Comprehensive income
Fiscal year ended December 31, 2018: ¥(1,274) million [—%]
Fiscal year ended December 31, 2017: ¥4,113 million [—%]
Reference: Share of profit or loss of entities using equity method
Fiscal year ended December 31, 2018: ¥(1,083) million
Fiscal year ended December 31, 2017: ¥(219) million
* 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 millions of yen)

	As of December 31, 2018	As of December 31, 2017
Total Assets	201,248	201,348
Net Assets	68,959	70,916
Shareholder’s Equity to Total Assets Ratio (%)	33.4	34.4
Net Assets per Share (yen)	2,974.78	3,061.84

Reference: Shareholder’s equity
As of December 31, 2018: ¥67,200 million
As of December 31, 2017: ¥69,164 million

C. Consolidated Cash Flows

(Rounded down to millions of yen)

	Fiscal Year Ended December 31, 2018	Fiscal Year Ended December 31, 2017
Cash Flows from Operating Activities	7,616	3,308
Cash Flows from Investing Activities	(9,944)	(5,273)
Cash Flows from Financing Activities	1,970	(4,294)
Cash and Cash Equivalents at End of Period	7,387	7,795

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, 2017	—	—	—	30.00	30.00	677	24.1	1.0
FY Ended December 31, 2018	—	—	—	30.00	30.00	677	62.1	1.0
FY Ending December 31, 2019 (Forecast)	—	—	—	30.00	30.00		42.4	

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 change from the previous period)

	Net Sales	%	Operating Income	%	Ordinary Income	%	Profit Attributable to Owners of Parent	%	Earnings per Share (yen)
First Half	81,800	(0.5)	1,900	(13.6)	1,600	(13.0)	1,400	(15.1)	61.97
Full Year	164,000	5.2	4,000	25.8	2,600	(1.1)	1,600	46.7	70.83

*** 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, 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 fiscal year:

As of December 31, 2018	394,999 shares
As of December 31, 2017	395,946 shares

3) Average number of shares during the fiscal year:

Fiscal year ended December 31, 2018	22,589,460 shares
Fiscal year ended December 31, 2017	22,588,520 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, 2018 (January 1, 2018－December 31, 2018)

A. Non-consolidated Results of Operations

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

	Fiscal Year Ended December 31, 2018	%	Fiscal Year Ended December 31, 2017	%
Net Sales	93,118	0.2	92,913	(3.1)
Operating Income	502	0.1	501	(45.6)
Ordinary Income	2,358	10.9	2,126	(22.6)
Profit	1,757	(12.7)	2,013	(24.1)
Earnings per Share (yen)				
Basic	77.81		89.13	
Diluted	77.69		88.99	

* 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 millions of yen)

	As of December 31, 2018	As of December 31, 2017
Total Assets	135,034	134,826
Net Assets	58,090	58,387
Shareholder’s Equity to Total Assets Ratio (%)	43.0	43.2
Net Assets per Share (yen)	2,568.05	2,581.21

Reference: Shareholder’s equity
As of December 31, 2018: ¥58,012 million
As of December 31, 2017: ¥58,307 million

* These financial results are outside the scope of audit 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 “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, 2018, the Japanese economy was on a moderate recovery track due to the effects of various government policies amid continuing improvement in employment and income environments. In addition, while the economy in the U.S. continued a steady recovery backed by a positive employment environment and a recovery in corporate earnings, and the economy in Europe remained on a strong recovery track, the Chinese economy slowed down slightly due to sluggishness in personal consumption and capital investment. Although the world economy improved gradually as a whole, the pace of improvement was weakened partially due to the effects of trade friction between the U.S. and China.

On the other hand, in the domestic agricultural environment, the market for agricultural machinery remained bearish and 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. 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, 2018 were ¥155,955 million, a decrease of ¥2,426 million (1.5%) year on year. Domestic sales in Japan were ¥122,812 million, a decrease of ¥324 million (0.3%) year on year, due to a decrease in construction of facilities and despite a slight increase in overall sales of agricultural machinery year on year, with increased sales of rice transplanters, farming implements, etc., owing to the launch of new products. Overseas sales were ¥33,143 million, a decrease of ¥2,102 million (6.0%) year on year. This was due to situations in China and the ASEAN regions, which are positioned as growth engines, with revenue decline from decreased shipments of semi-finished rice transplanters which suffered from a cooling market in China, and revenue decline from decreased shipments of tractors in the ASEAN region due to local inventory adjustments accompanying the intensifying competition in the Thai market, despite higher revenue in North America from factors including disappearance of the effects of changes in business terms with an OEM partner made in the previous fiscal year, and steady local distribution in Europe with the introduction of new products.

Operating income was ¥3,179 million, a decrease of ¥773 million (19.6%) year on year, as a result of an increase in selling and administrative expenses, despite partial abatement of the effects of declined revenue through positive effects from improvements in the revenue-expenditure structure in domestic direct dealers and improved revenue in the Indonesian business.

Ordinary income was ¥2,629 million, a decrease of ¥1,621 million (38.1%) year on year, mainly due to decreases in the share of profit or loss of entities using equity method and foreign exchange gains or losses.

Profit attributable to owners of parent was ¥1,090 million, a decrease of ¥1,716 million (61.1%) year on year.

[Non-consolidated financial results]

Net sales for the fiscal year ended December 31, 2018 were ¥93,118 million (up 0.2% year on year), operating income was ¥502 million (up 0.1% year on year), ordinary income was ¥2,358 million (up 10.9% year on year), and profit was ¥1,757 million (down 12.7% year on year).

Sales by product are as follows.

[Domestic]

Sales of cultivating and mowing machinery (tractors, high-clearance multipurpose vehicles, among others) were ¥27,423 million (a decrease of 2.8% year on year). Sales of planting machinery (rice transplanters and vegetable transplanters) were ¥9,182 million (an increase of 8.2% year on year). Sales of harvesting and processing machinery (combine harvesters, among others) were ¥19,962 million (a decrease of 2.1% year on year). Sales of farming implements, spare parts and repair fees were ¥40,626 million (an increase of 2.2% year on year). Sales of other agriculture-related business (construction of facilities, among others) were ¥25,618 million (a decrease of 2.5% year on year).

[Overseas]

Sales of cultivating and mowing machinery (tractors, among others) were ¥25,895 million (an increase of 2.7% year on year). Sales of planting machinery (rice transplanters, among others) were ¥1,947 million (a decrease of 53.4% year on year). Sales of harvesting and processing machinery (combine harvesters, among others) were ¥581 million (a decrease of 65.8% year on year). Sales of farming implements and spare parts were ¥2,775 million (an increase of 5.9% year on year). Sales of other agriculture-related business were ¥1,944 million (an increase of 26.0% 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, 2018 decreased by ¥100 million from the end of the previous fiscal year to ¥201,248 million. Current assets increased by ¥1,097 million, while non-current assets decreased by ¥1,197 million. This was mainly due to a decrease of ¥1,785 million in notes and accounts receivable - trade, an increase of ¥1,085 million in merchandise and finished goods, an increase of ¥3,244 million in other current assets, a decrease of ¥1,328 million in investment securities, and a decrease of ¥1,346 million in other in investments and other assets.

Total liabilities increased by ¥1,856 million from the end of the previous fiscal year to ¥132,288 million. This was mainly due to an increase of ¥3,872 million in short-term loans payable and long-term loans payable, a decrease of ¥936 million in notes and accounts payable-trade, a decrease of ¥413 million in lease obligations, and an increase of ¥750 million in net defined benefit liability.

Net assets decreased by ¥1,957 million from the end of the previous fiscal year to ¥68,959 million. This was mainly due to a decrease of ¥1,399 million in valuation difference on available-for-sale securities, and a decrease of ¥743 million in remeasurements of defined benefit plans.

The shareholder's equity to total assets ratio was 33.4%.

(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 ¥7,616 million (an increase of cash inflow of ¥4,308 million from the previous fiscal year). This was mainly due to income before income taxes of ¥2,229 million, ¥6,727 million of depreciation, and a decrease of ¥1,807 million in notes and accounts receivable - trade.

(Cash flows from investing activities)
Cash flows from investing activities resulted in a net cash outflow of ¥9,944 million (an increase of cash outflow of ¥4,670 million from the previous fiscal year). This was mainly due to ¥6,849 million of capital investment expenditures, and an increase of ¥2,783 million in loans receivable.

(Cash flows from financing activities)
Cash flows from financing activities resulted in a net cash inflow of ¥1,970 million (an increase in cash inflow of ¥6,264 million from the previous fiscal year). This was mainly due to an increase in interest-bearing liabilities.

(Reference) The trend of cash flow indicators

Indicator	FY ended December 31, 2015	FY ended December 31, 2016	FY ended December 31, 2017	FY ended December 31, 2018
Shareholder's equity to total assets ratio (%)	33.0	32.2	34.4	33.4
Market-based equity ratio (%)	21.2	25.0	31.9	17.7
Cash flow/Interest-bearing liabilities ratio (times)	5.2	7.4	18.0	8.3
Interest coverage ratio (times)	16.0	13.7	5.6	11.4

· 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) Future Outlook

The environment surrounding the Group during the fiscal year ending December 31, 2019 is expected to be on a moderate recovery in Japan as improvements continue in the employment environment and personal consumption. In the U.S. economy, although personal consumption remains steady, trade is expected to slow and the recovery is expected to be moderate. 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. The world economy in general is continuing to show signs of moderate recovery, but there is growing concern about uncertainty arising from situations such as trade friction between the U.S. and China and its impact.

In domestic agriculture, demand for agricultural machinery is likely to remain 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, higher revenues are projected as the Company expands sales for neighboring countries in Asia, and the North American and European markets remain steady, despite continuing local inventory adjustments in Thailand and China.

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 products for overseas, 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, 2018, 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, 2019, 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.

Forward-looking statements in the document are based on the judgments of the Company as of the end of the fiscal year ended December 31, 2018:

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.

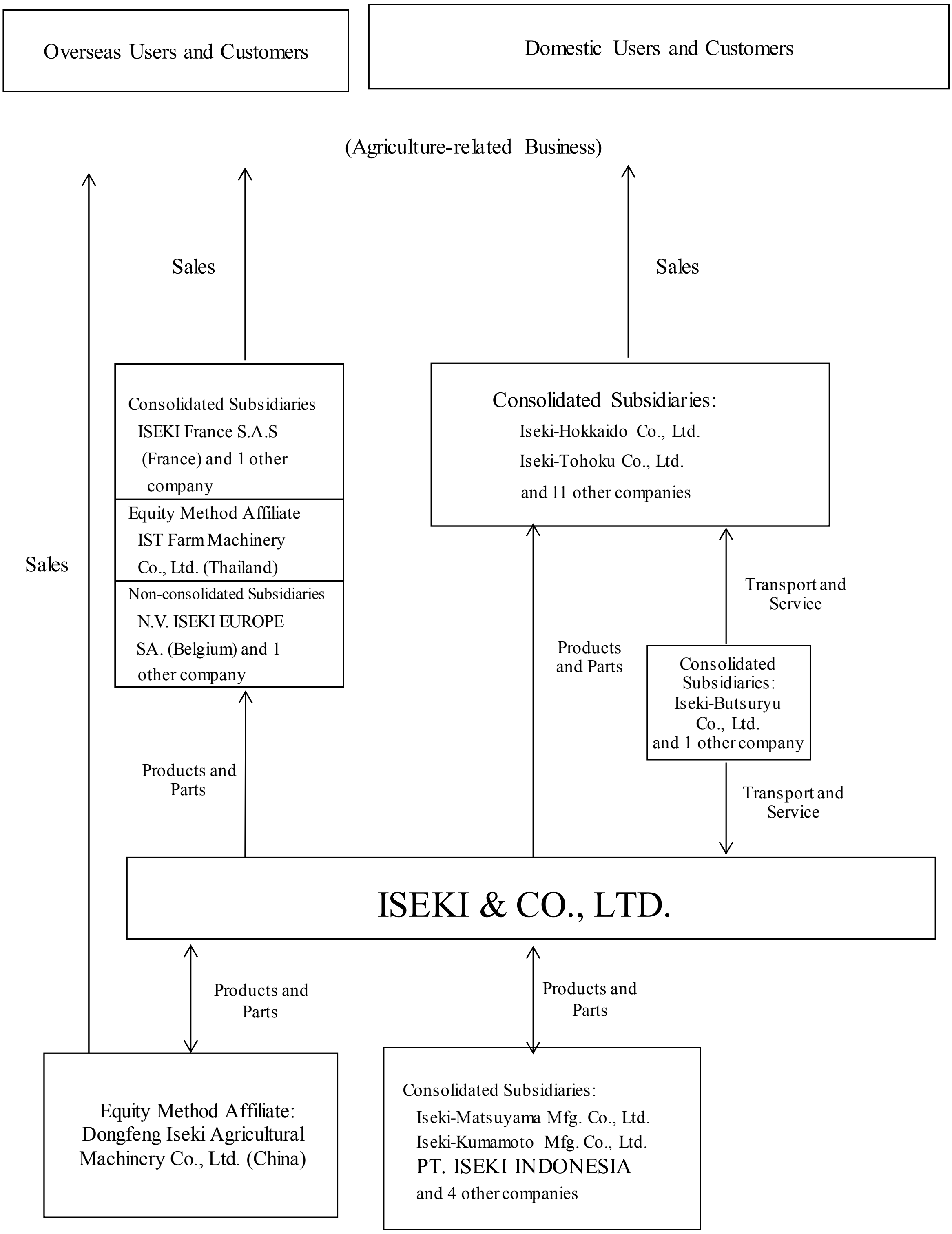
2. Status of the Corporate Group

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 six 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, as well as developing our strengths through reorganizing our sales network and performing further optimization, 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.

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 40% or more, including entities accounted for using equity method.

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, while the market is cooling and sales competition with local manufacturers intensifies, we will work together with Dongfeng Iseki Agricultural Machinery Co., Ltd. to respond with measures that include strengthening product competitiveness through accurately evaluating the market needs, speeding up the introduction of products, and strengthening after-sales services as well as enhancing purchasing and local procurement capabilities.

In the Thai market, we have been endeavoring to establish the ISEKI brand through sales by IST Farm Machinery Co., Ltd. since 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.

At the end of the previous year, we signed a technology and business alliance agreement with the second largest agricultural machinery manufacturer in India, the world's largest tractor market. Moving forward, we will develop our business in the Indian market through the sales of our products and the manufacture of medium-sized tractors by this company.

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 both Japan and overseas where sales competition is intensifying. 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 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, in order to respond to the rapidly changing market, we have been advancing maintenance of sales bases, including increasing the size and enriching functions of maintenance centers. We will continue with further enhancement in the future.

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, in addition to accommodating the “Work Style Reform Bill” which will be enforced this year, 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. In order to accommodate “Work Style Reform,” we will promote the cultivation of workplaces that improve productivity and can adapt to various work styles by optimizing operational efficiency through the complete elimination of “overburden, waste, and unevenness” throughout the Group. 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 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, 2017	As of December 31, 2018
Assets		
Current assets		
Cash and deposits	7,981	7,475
Notes and accounts receivable - trade	25,113	23,327
Merchandise and finished goods	45,410	46,495
Work in process	6,728	6,046
Raw materials and supplies	1,267	1,177
Deferred tax assets	1,233	1,057
Other	4,076	7,320
Allowance for doubtful accounts	(60)	(51)
Total current assets	91,751	92,849
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	24,343	25,378
Machinery, equipment and vehicles, net	9,898	9,257
Tools, furniture and fixtures, net	2,634	2,854
Land	50,773	50,873
Leased assets, net	6,398	6,001
Construction in progress	1,514	2,446
Other, net	30	29
Total property, plant and equipment	95,592	96,842
Intangible assets	1,025	1,082
Investments and other assets		
Investment securities	7,146	5,817
Long-term loans receivable	42	33
Deferred tax assets	557	912
Net defined benefit asset	773	587
Other	4,616	3,270
Allowance for doubtful accounts	(158)	(146)
Total investments and other assets	12,978	10,474
Total non-current assets	109,596	108,398
Total assets	201,348	201,248

(Millions of yen)

	As of December 31, 2017	As of December 31, 2018
Liabilities		
Current liabilities		
Notes and accounts payable - trade	26,532	23,803
Electronically recorded obligations - operating	14,140	15,933
Short-term loans payable	27,216	31,475
Current portion of long-term loans payable	8,004	11,401
Lease obligations	2,194	2,337
Accrued consumption taxes	989	434
Income taxes payable	894	368
Deferred tax liabilities	1	2
Accrued expenses	4,611	4,240
Provision for bonuses	446	482
Provision for loss on construction contracts	391	—
Other	4,220	5,117
Total current liabilities	89,644	95,595
Non-current liabilities		
Long-term loans payable	24,354	20,571
Lease obligations	4,566	4,009
Deferred tax liabilities	476	115
Deferred tax liabilities for land revaluation	5,780	5,780
Provision for directors' retirement benefits	122	132
Net defined benefit liability	3,312	4,063
Asset retirement obligations	315	322
Other	1,859	1,696
Total non-current liabilities	40,787	36,692
Total liabilities	130,432	132,288
Net assets		
Shareholders' equity		
Capital stock	23,344	23,344
Capital surplus	13,453	13,452
Retained earnings	16,519	16,932
Treasury shares	(986)	(983)
Total shareholders' equity	52,330	52,746
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,818	418
Deferred gains or losses on hedges	(16)	(0)
Revaluation reserve for land	12,670	12,670
Foreign currency translation adjustment	1,115	864
Remeasurements of defined benefit plans	1,244	501
Total accumulated other comprehensive income	16,833	14,454
Subscription rights to shares	80	78
Non-controlling interests	1,671	1,681
Total net assets	70,916	68,959
Total liabilities and net assets	201,348	201,248

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

Consolidated Statements of Income

(Millions of yen)

	Fiscal year ended December 31, 2017	Fiscal year ended December 31, 2018
Net sales	158,382	155,955
Cost of sales	112,175	110,009
Gross profit	46,206	45,945
Selling, general and administrative expenses	42,252	42,765
Operating income	3,953	3,179
Non-operating income		
Interest income	139	133
Dividend income	164	145
Foreign exchange gains	132	—
Subsidy income	356	—
Subsidies received	83	47
Rent income	170	171
Technical support fee	—	499
Gain on sales of scraps	90	138
Other	479	751
Total non-operating income	1,617	1,887
Non-operating expenses		
Interest expenses	593	669
Sales discounts	93	88
Foreign exchange losses	—	151
Share of loss of entities accounted for using equity method	219	1,083
Other	414	445
Total non-operating expenses	1,320	2,438
Ordinary income	4,250	2,629
Extraordinary income		
Gain on sales of non-current assets	36	79
Gain on sales of investment securities	0	52
Subsidy income	457	—
Gain on step acquisitions	—	16
Total extraordinary income	493	148
Extraordinary losses		
Loss on sales and retirement of non-current assets	189	252
Impairment loss	258	133
Loss on valuation of investment securities	30	160
Penalty	427	—
Other	—	1
Total extraordinary losses	905	548
Income before income taxes	3,838	2,229
Income taxes - current	1,194	756
Income taxes - deferred	(200)	346
Total income taxes	993	1,102
Profit	2,844	1,126
Profit attributable to non-controlling interests	37	35
Profit attributable to owners of parent	2,807	1,090

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Fiscal year ended December 31, 2017	Fiscal year ended December 31, 2018
Profit	2,844	1,126
Other comprehensive income		
Valuation difference on available-for-sale securities	601	(1,420)
Deferred gains or losses on hedges	(22)	15
Foreign currency translation adjustment	209	(36)
Remeasurements of defined benefit plans, net of tax	374	(743)
Share of other comprehensive income of entities accounted for using equity method	106	(215)
Total other comprehensive income	1,269	(2,401)
Comprehensive income	4,113	(1,274)
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	4,068	(1,288)
Comprehensive income attributable to non-controlling interests	45	14

(3) Consolidated Statements of Changes in Equity

Fiscal year ended December 31, 2017 (January 1, 2017ー 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

Fiscal year ended December 31, 2018 (January 1, 2018－December 31, 2018)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	23,344	13,453	16,519	(986)	52,330
Changes of items during period					
Dividends of surplus			(677)		(677)
Profit attributable to owners of parent			1,090		1,090
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		(0)		2	2
Net changes of items other than shareholders' equity					—
Total changes of items during period	—	(0)	413	2	415
Balance at end of period	23,344	13,452	16,932	(983)	52,746

	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	1,818	(16)	12,670	1,115	1,244	16,833	80	1,671	70,916
Changes of items during period									
Dividends of surplus						—			(677)
Profit attributable to owners of parent						—			1,090
Purchase of treasury shares						—			(0)
Disposal of treasury shares						—			2
Net changes of items other than shareholders' equity	(1,399)	15	—	(251)	(743)	(2,379)	(2)	9	(2,372)
Total changes of items during period	(1,399)	15	—	(251)	(743)	(2,379)	(2)	9	(1,957)
Balance at end of period	418	(0)	12,670	864	501	14,454	78	1,681	68,959

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Fiscal year ended December 31, 2017	Fiscal year ended December 31, 2018
Cash flows from operating activities		
Income before income taxes	3,838	2,229
Depreciation	7,005	6,727
Impairment loss	258	133
Amortization of goodwill	—	2
Subsidy income	(813)	—
Increase (decrease) in net defined benefit liability	(1,195)	752
Loss (gain) on sales of investment securities	(0)	(52)
Interest and dividend income	(303)	(278)
Interest expenses	593	669
Foreign exchange losses (gains)	95	41
Loss (gain) on sales of property, plant and equipment and intangible assets	152	172
Penalty	427	—
Loss (gain) on step acquisitions	—	(16)
Decrease (increase) in notes and accounts receivable - trade	(142)	1,807
Decrease (increase) in inventories	(3,805)	(297)
Increase (decrease) in notes and accounts payable - trade	(1,900)	(1,028)
Other, net	860	(1,340)
Subtotal	5,071	9,521
Interest and dividend income received	312	269
Interest expenses paid	(593)	(665)
Proceeds from subsidy income	440	373
Payments for loss on disaster	(545)	—
Surcharges paid	(315)	—
Penalty paid	—	(427)
Income taxes paid	(1,061)	(1,455)
Net cash provided by (used in) operating activities	3,308	7,616
Cash flows from investing activities		
Acquisition of property, plant and equipment and intangible assets	(5,646)	(6,849)
Proceeds from sales of property, plant and equipment and intangible assets	390	438
Acquisition of investment securities	(0)	(940)
Proceeds from sales of investment securities	0	77
Decrease (increase) in loans receivable	11	(2,783)
Decrease (increase) in time deposits	(158)	98
Other, net	130	15
Net cash provided by (used in) investing activities	(5,273)	(9,944)

(Millions of yen)

	Fiscal year ended December 31, 2017	Fiscal year ended December 31, 2018
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	2,582	4,313
Proceeds from long-term loans payable	5,058	8,122
Repayments of long-term loans payable	(9,384)	(8,506)
Proceeds from sales and leasebacks	420	979
Repayments of lease obligations	(2,618)	(2,254)
Purchase of treasury shares	(7)	(0)
Cash dividends paid	(341)	(678)
Dividends paid to non-controlling interests	(3)	(4)
Other, net	0	0
Net cash provided by (used in) financing activities	(4,294)	1,970
Effect of exchange rate change on cash and cash equivalents	146	(51)
Net increase (decrease) in cash and cash equivalents	(6,113)	(408)
Cash and cash equivalents at beginning of period	13,909	7,795
Cash and cash equivalents at end of period	7,795	7,387

(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: 24 (including Iseki-Matsuyama Mfg. Co., Ltd., Iseki-Kumamoto Mfg. Co., Ltd., Iseki-Hokkaido Co., Ltd. and Iseki-Tohoku Co., Ltd.)

As of January 1, 2018, Iseki-Matsuyama Mfg. Co., Ltd. and Iseki-Hoei Mfg. co., Ltd were merged in an absorption-type merger, with Iseki-Matsuyama Mfg. Co., Ltd. as the surviving company. On the same date, ISEKI France Holding S.A.S. and ISEKI France S.A.S. were also merged in an absorption-type merger, with ISEKI France Holding S.A.S. as the surviving company. Due to this, the 2 consolidated subsidiaries Iseki-Hoei Mfg. co., Ltd and ISEKI France S.A.S. are excluded from the scope of consolidation from the period of the three months ended March 31, 2018.

In addition, the company name of the surviving company ISEKI France Holding S.A.S. has been changed to ISEKI France S.A.S.

2. Scope of the equity method companies

Number of affiliates: 2 (Dongfeng Iseki Agricultural Machinery Co., Ltd. and IST Farm Machinery Co., Ltd.)

3. Consolidated accounting period

Of the consolidated subsidiaries, 22 companies (including Iseki-Matsuyama Mfg. Co., Ltd.) use a balance sheet date of December 31. ISEKI France S.A.S. uses a balance sheet date of September 30.

With regard to the preparation of the consolidated financial statements, for ISEKI France S.A.S. adopting September 30 as its 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.

(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.

(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.

(b) Application of consolidated taxation system

The consolidated taxation system has been applied to the Company and some domestic consolidated subsidiaries from the fiscal year ended December 31, 2018.

(Consolidated Balance Sheets)

(Millions of yen)

		Fiscal year ended December 31, 2017	Fiscal year ended December 31, 2018
1.	Accumulated depreciation of property, plant and equipment	108,117	109,810
2.	Guaranteed liabilities	9,075	8,313
3.	Notes receivable less discount-trade	3	11
4.	Endorsed notes receivable - trade	88	72

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:	¥(12,754) million, ¥(12,862) 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, 2018 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, 2017	Fiscal year ended December 31, 2018
Notes receivable - trade	336	146
Notes payable - trade	1,247	888
Electronically recorded obligations - operating	1,566	1,591
Other (notes payable - facilities)	30	49
Other (electronically recorded obligations - non-operating)	47	476

(Consolidated Statements of Income)

		Fiscal year ended December 31, 2017	Fiscal year ended December 31, 2018
			(Millions of yen)
1.	Research and development expenses	3,363	1,757

2. Impairment loss

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.

Fiscal year ended December 31, 2018 (January 1, 2018–December 31, 2018)
The Company recorded impairment losses on the following assets.

(Millions of yen)

Usage	Type	Location	Impairment loss
Idle property	Buildings, structures, land	Kashiwazaki, Niigata Pref.	84
		Higashikagura-cho, Kamikawa-gun, Hokkaido	13
		Namegata, Ibaraki Pref.	12
		Mukawa-cho, Yufutsu-gun, Hokkaido	10
		Nagai, Yamagata Pref.	3
		Saroma-cho, Tokoro-gun, Hokkaido	2
		Kuwana, Mie Pref.	2
		Niigata, Niigata Pref.	1
		Yokkaichi, Mie Pref.	1
		Mitoyo, Kagawa Pref.	1
Total			133

(Reason to record impairment loss)
Impairment losses were recognized because there is no prospect for use in the future and the market price of the land is declining.
(Measurement of recoverable amount)
Recoverable amounts use the net realizable values and are evaluated based on prices after reasonable adjustments are made to the valuation amounts of property taxes.

(Consolidated Statements of Changes in Equity)

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 ended 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

Fiscal year ended December 31, 2018 (January 1, 2018–December 31, 2018)

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, 2018)	Increase in number of shares during period	Decrease in number of shares during period	Number of shares (as of December 31, 2018)
(Number of shares issued) Common stock	22,984,993	—	—	22,984,993
(Treasury shares) Common stock	395,946	253	1,200	394,999

The increase in the number of treasury shares by 253 shares was due to purchase of shares below stock trading unit. The decrease in the number of treasury shares was due to a 1,200 share decrease due to the exercise of stock acquisition rights.

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 29, 2018	Common stock	677	30.00	December 31, 2017	March 30, 2018

(2) Of the dividends for which the record date belongs to the fiscal year ended December 31, 2018, those for which the effective date of the dividends will be in the fiscal year ending December 31, 2019.

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 26, 2019	Common stock	Retained earnings	677	30.00	December 31, 2018	March 27, 2019

(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, 2017	Fiscal year ended December 31, 2018
Cash and deposits	7,981	7,475
Time deposits with terms of more than 3 months	(186)	(88)
Total cash and cash equivalents	7,795	7,387

(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, 2017	Fiscal year ended December 31, 2018
Net assets per share	3,061.84	2,974.78
Basic earnings per share	124.29	48.29
Diluted earnings per share	124.08	48.21

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, 2017	Fiscal year ended December 31, 2018
Basic earnings per share		
Profit attributable to owners of parent reported in the Consolidated Statements of Income	2,807	1,090
Profit not attributable to common shareholders	—	—
Profit attributable to owners of parent attributed to common shares	2,807	1,090
Average number of common shares during period (shares)	22,588,520	22,589,460
Diluted earnings per share		
Adjustment of profit attributable to owners of parent reported in the Consolidated Statements of Income	—	—
Increase in common shares (shares)	37,417	35,283
[Portion of subscription rights to shares] (shares)	[37,417]	[35,283]
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, 2017	As of December 31, 2018
Assets		
Current assets		
Cash and deposits	4,447	3,649
Notes receivable - trade	2,881	2,881
Accounts receivable - trade	24,970	25,613
Merchandise and finished goods	17,675	15,851
Work in process	317	6
Raw materials and supplies	343	307
Advance payments - trade	190	464
Prepaid expenses	269	267
Deferred tax assets	498	225
Short-term loans receivable	11,753	14,282
Other	3,049	3,118
Allowance for doubtful accounts	(4)	(4)
Total current assets	66,392	66,664
Non-current assets		
Property, plant and equipment		
Buildings, net	7,891	8,064
Structures, net	623	569
Machinery and equipment, net	1,774	1,831
Vehicles, net	4	3
Tools, furniture and fixtures, net	831	1,063
Land	25,503	25,503
Leased assets, net	268	330
Construction in progress	87	66
Total property, plant and equipment	36,985	37,432
Intangible assets		
Leasehold right	85	85
Software	226	255
Leased assets	140	200
Other	51	39
Total intangible assets	503	580
Investments and other assets		
Investment securities	6,811	5,598
Shares of subsidiaries and associates	19,037	19,105
Investments in capital	97	94
Investments in capital of subsidiaries and associates	1,941	1,941
Long-term loans receivable	2,698	2,652
Long-term prepaid expenses	421	369
Prepaid pension cost	420	874
Deferred tax assets	—	221
Other	365	334
Allowance for doubtful accounts	(22)	(9)
Allowance for investment loss	(825)	(825)
Total investments and other assets	30,944	30,356
Total non-current assets	68,433	68,369
Total assets	134,826	135,034

(Millions of yen)

	As of December 31, 2017	As of December 31, 2018
Liabilities		
Current liabilities		
Notes payable - trade	4,964	4,423
Electronically recorded obligations - operating	9,910	8,614
Accounts payable - trade	18,234	18,768
Short-term loans payable	7,400	9,000
Current portion of long-term loans payable	4,094	7,798
Lease obligations	180	208
Account payable - other	434	874
Accrued expenses	2,484	1,636
Income taxes payable	187	111
Advances received	240	119
Deposits received	236	225
Provision for bonuses	88	106
Provision for loss on construction contracts	391	—
Other	326	594
Total current liabilities	49,174	52,483
Non-current liabilities		
Long-term loans payable	17,613	14,885
Lease obligations	261	367
Deferred tax liabilities	330	—
Deferred tax liabilities for land revaluation	5,780	5,780
Provision for retirement benefits	2,504	2,724
Asset retirement obligations	112	112
Long-term deposits received	576	538
Other	85	50
Total non-current liabilities	27,264	24,460
Total liabilities	76,438	76,944
Net assets		
Shareholders' equity		
Capital stock	23,344	23,344
Capital surplus		
Legal capital surplus	11,554	11,554
Other capital surplus	2,449	2,448
Total capital surplus	14,004	14,003
Retained earnings		
Other retained earnings		
Retained earnings brought forward	7,479	8,559
Total retained earnings	7,479	8,559
Treasury shares	(986)	(983)
Total shareholders' equity	43,842	44,924
Valuations and translation adjustments		
Valuation difference on available-for-sale securities	1,794	417
Revaluation reserve for land	12,670	12,670
Total valuation and translation adjustments	14,464	13,087
Subscription rights to shares	80	78
Total net assets	58,387	58,090
Total liabilities and net assets	134,826	135,034

(2) Non-consolidated Statements of Income

(Millions of yen)

	Fiscal year ended December 31, 2017	Fiscal year ended December 31, 2018
Net sales	92,913	93,118
Cost of sales	80,795	80,779
Gross profit	12,117	12,339
Selling, general and administrative expenses	11,616	11,837
Operating income	501	502
Non-operating income		
Interest income	314	307
Dividend income	748	908
Rent income	1,235	1,220
Subsidy income	356	—
Technical support fee	—	499
Other	474	451
Total non-operating income	3,130	3,386
Non-operating expenses		
Interest expenses	197	194
Sales discounts	45	43
Rent expenses	1,036	978
Other	226	314
Total non-operating expenses	1,505	1,530
Ordinary income	2,126	2,358
Extraordinary income		
Gain on sales of non-current assets	25	24
Subsidy income	254	—
Total extraordinary income	279	24
Extraordinary losses		
Loss on sales and retirement of non-current assets	70	73
Impairment loss	78	—
Loss on valuation of investment securities	30	160
Loss on valuation of shares of subsidiaries and associates	—	116
Penalty	427	—
Other	—	1
Total extraordinary losses	607	351
Income before income taxes	1,799	2,030
Income taxes - current	145	(49)
Income taxes - deferred	(359)	322
Total income taxes	(214)	272
Profit	2,013	1,757

(3) Non-consolidated Statements of Changes in Equity

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

(Millions of yen)

	Shareholders' equity							
		Capital surplus			Retained earnings			
	Capital stock	Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings Retained earnings brought forward	Total retained earnings	Treasury shares	Total shareholders' equity
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

Fiscal year ended December 31, 2018 (January 1, 2018－December 31, 2018)

(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	2,449	14,004	7,479	7,479	(986)	43,842
Changes of items during period								
Dividends of surplus				—	(677)	(677)		(677)
Profit				—	1,757	1,757		1,757
Purchase of treasury shares				—		—	(0)	(0)
Disposal of treasury shares			(0)	(0)		—	2	2
Net changes of items other than shareholders' equity				—		—		—
Total changes of items during period	—	—	(0)	(0)	1,079	1,079	2	1,082
Balance at end of period	23,344	11,554	2,448	14,003	8,559	8,559	(983)	44,924

	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	1,794	12,670	14,464	80	58,387
Changes of items during period					
Dividends of surplus			—		(677)
Profit			—		1,757
Purchase of treasury shares			—		(0)
Disposal of treasury shares			—		2
Net changes of items other than shareholders' equity	(1,377)	—	(1,377)	(2)	(1,379)
Total changes of items during period	(1,377)	—	(1,377)	(2)	(297)
Balance at end of period	417	12,670	13,087	78	58,090