

Supplementary Information to Consolidated Financial Results

(April 1, 2014–September 30, 2014)

	(Billions of yen, %)						
	First Half FY2013	First Half FY2014	First Half FY2015	Change (FY2014/FY2015)		First Half FY2015 Forecast	Difference (forecast/ actual)
				Amount	%		
Net sales	80.4	82.5	82.4	(0.1)	(0.1)	83.0	(0.6)
Domestic	69.4	69.4	71.4	2.0	3.0	72.0	(0.6)
Overseas	11.0	13.1	11.0	(2.1)	(16.1)	11.0	—
Gross profit	25.3	25.8	23.5	(2.3)	(8.7)	25.0	(1.5)
Gross profit margin	31.5%	31.3%	28.6%	(2.7%)	—	30.1%	(1.5%)
Selling, general and administrative expenses	21.2	21.6	22.5	0.9	4.1	22.2	0.3
Operating income	4.1	4.2	1.0	(3.2)	(74.8)	2.8	(1.8)
Balance of financial income	(0.4)	(0.4)	(0.3)	0.1	—	(0.3)	—
Other non-operating income	0.1	1.1	0.8	(0.3)	—	0.1	0.7
Ordinary income	3.8	4.9	1.5	(3.4)	(69.6)	2.6	(1.1)
Extraordinary income	0.2	0.1	1.4	1.3	—	0.7	0.7
Extraordinary losses	(0.2)	(0.1)	(0.2)	(0.1)	—	(0.2)	—
Income before income taxes and minority interests	3.8	4.9	2.7	(2.2)	(43.7)	3.1	(0.4)
Income taxes	(0.8)	(1.7)	(1.4)	0.3	—	(1.8)	0.4
Net income	3.0	3.2	1.3	(1.9)	(57.7)	1.3	—

Note: The six-month consolidated business results of the Company comprise the consolidated January to June performance of December settlement companies, mainly domestic sales companies, and April to September performance of ISEKI & CO., Ltd. and other March settlement companies.

1) Comparison with the same period of the previous fiscal year

A. Net sales: Decreased ¥0.1 billion (down 0.1%) to ¥82.4 billion

- **Domestic net sales increased ¥2.0 billion (up 3.0%) to ¥71.4 billion.**

Sales of agricultural machinery remained level with the same period of the previous year, after increasing in the first quarter (January to March for the Group's domestic sales companies) thanks to the last-minute surge before the consumption tax rate hike in April and decreasing in the second quarter (April to June for the Group's domestic sales companies) due to the decline in demand in the aftermath of the hike. Sales of farming implements decreased ¥0.9 billion, while sales of spare parts increased ¥0.5 billion. Sales of the construction of facilities increased ¥1.8 billion, reflecting the completion of a major project.

- **Overseas net sales decreased ¥2.1 billion (down 16.1%) to ¥11.0 billion.**

With regard to sales by area, sales in Europe increased ¥1.9 billion thanks to recovering demand. Sales in North America decreased ¥0.2 billion mainly due to the weakening of the effects of launching the new utility tractor, which began shipping two years ago. In China, sales decreased ¥4.0 billion due to the deconsolidation of a subsidiary for business integration at the end of the first quarter. Sales in the rest of Asia decreased ¥0.2 billion, while sales in Australia increased ¥0.2 billion.

B. Operating income: Decreased ¥3.2 billion (down 74.8%) to ¥1.0 billion**Ordinary income: Decreased ¥3.4 billion (down 69.6%) to ¥1.5 billion**

- Operating income decreased ¥3.2 billion, to ¥1.0 billion, due to a decrease in gross profit as a result of decreased sales of agricultural machinery in Japan (April to September), the impact of deconsolidation of a Chinese subsidiary and an increase in selling, general and administrative expenses, including personnel expenses, as well as promotion expenses in preparation for the Group's 90th anniversary.
- Ordinary income decreased ¥3.4 billion, to ¥1.5 billion due mainly to a decrease in foreign exchange gains.

C. Net income: Decreased ¥1.9 billion (down 57.7%) to ¥1.3 billion

- Net income decreased ¥1.9 billion, to ¥1.3 billion, due mainly to posting a gain on the change in equity that occurred in relation to the in-kind contribution of a Chinese subsidiary as well as negative goodwill that occurred in relation to the acquisition of stock of a European distributor in order to make it a subsidiary.

2) Comparison with the forecast**A. Net sales: ¥82.4 billion, ¥0.6 billion short of the forecast**

- Domestic net sales were ¥0.6 billion short of the forecast, with a ¥0.6 billion shortage in agricultural machinery, a ¥0.2 billion shortage in farming implements and a slight surplus in spare parts and others.
- Overseas sales were almost in line with the forecast.

B. Operating income, ordinary income and net income

- Operating income was ¥1.8 billion short of the forecast due mainly to a decrease in gross profit as a result of decreased sales of agricultural machinery in Japan (April to September). Ordinary income was ¥1.1 billion short of the forecast.
- Net income was in line with the forecast, with negative goodwill recorded in relation to the acquisition of stock of a European distributor in order to make it a subsidiary.

(Sales Breakdown)

	First Half FY2013	First Half FY2014	First Half FY2015	Change (FY2014/ FY2015)	First Half FY2015 Forecast	Difference (forecast/ actual)
Agricultural machinery	33.7	34.5	34.5	—	35.1	(0.6)
Farming implements	9.8	12.0	11.1	(0.9)	11.3	(0.2)
Spare parts	6.7	6.6	7.1	0.5	7.0	0.1
Construction of facilities	5.5	2.2	4.0	1.8	4.0	—
Others	13.7	14.1	14.7	0.6	14.6	0.1
Domestic sales total	69.4	69.4	71.4	2.0	72.0	(0.6)
North America	2.7	4.9	4.7	(0.2)	5.0	(0.3)
Europe	2.1	1.9	3.8	1.9	3.7	0.1
China	4.3	4.7	0.7	(4.0)	0.7	—
Other Asia	0.6	0.5	0.3	(0.2)	0.3	—
Oceania and others	0.3	0.2	0.4	0.2	0.5	(0.1)
Product sales total	10.0	12.2	9.9	(2.3)	10.2	(0.3)
Spare parts	0.6	0.6	0.7	0.1	0.6	0.1
Engines and others	0.4	0.3	0.4	0.1	0.2	0.2
Overseas sales total	11.0	13.1	11.0	(2.1)	11.0	—
Total	80.4	82.5	82.4	(0.1)	83.0	(0.6)

II. Business performance forecast for the fiscal year ending March 31, 2015

- Domestic net sales will be ¥5.5 billion short of the previous forecast, as the decline in demand following the last-minute surge before the consumption tax rate hike in April 2014 and the declining trend in the price of rice may continue to push down the sales of domestic agricultural machinery.
- Overseas net sales will be ¥0.5 billion short of the previous forecast. Although sales of tractors and riding mowers in Europe remained favorable, sales are sluggish in China and Thailand.
- Operating income will be ¥3.0 billion short of the previous forecast. The ¥6.0 billion downward revision in the net sales forecast led to a downward revision of gross profit. Also, selling, general and administrative expenses were revised upward.
- Ordinary income and net income were revised from the previous forecast to reflect the lower operating income forecast.

[Forecast for the consolidated business performance for the fiscal year ending March 31, 2015]

(April 1, 2014–March 31, 2015)

	Previous Forecast	Latest Forecast	Change		(Billions of yen, %)	
			Amount	%	FY2014 Actual	Difference (latest forecast/ actual)
Net sales	165.0	159.0	(6.0)	(3.6)	169.1	(10.1)
Operating income	5.5	2.5	(3.0)	(54.5)	7.4	(4.9)
Ordinary income	5.1	2.4	(2.7)	(52.9)	8.3	(5.9)
Net income	2.6	1.5	(1.1)	(42.3)	6.4	(4.9)

(Sales Breakdown)

	Previous Forecast	Latest Forecast	Change		(Billions of yen, %)	
			Amount	%	FY2014 Actual	Difference (latest forecast/ actual)
Net sales	165.0	159.0	(6.0)	(3.6)	169.1	(10.1)
Domestic	142.0	136.5	(5.5)	(3.9)	142.9	(6.4)
Overseas	23.0	22.5	(0.5)	(2.2)	26.2	(3.7)

Note: With respect to foreign exchange rates, the rate assumption used is ¥106 to the US dollar (changed from ¥101) and ¥135 to the Euro (changed from ¥137).