

Supplementary Information to Consolidated Financial Results

(January 1, 2016–December 31, 2016)

I. Consolidated business results for the fiscal year ended December 31, 2016

(Billions of yen, %)

	FY ended December 31, 2015 Restated basis*1	FY ended December 31, 2016	Year-on-year change		FY ended December 31, 2016 Forecast*2	Difference (forecast/ actual)
			Amount	%		
Net sales	156.8	153.1	(3.7)	(2.4)	155.5	(2.4)
Domestic	125.4	121.0	(4.4)	(3.5)	123.5	(2.5)
Overseas	31.4	32.1	0.7	2.1	32.0	0.1
Gross profit	45.1	44.9	(0.2)	(0.6)	45.8	(0.9)
Gross profit margin	28.8%	29.3%	0.5%	—	29.5%	(0.2)%
Selling, general and administrative expenses	44.9	42.4	(2.5)	(5.7)	43.0	(0.6)
Operating income	0.2	2.5	2.3	—	2.8	(0.3)
Balance of financial income	(0.7)	(0.7)	0	—	(0.6)	(0.1)
Other non-operating income	0.9	(0.2)	(1.1)	—	(0.2)	0
Ordinary income	0.4	1.6	1.2	338.2	2.0	(0.4)
Extraordinary income	0.5	1.2	0.7	—	1.1	0.1
Extraordinary losses	(1.0)	(1.7)	(0.7)	—	(1.3)	(0.4)
Income before income taxes	(0.1)	1.1	1.2	—	1.8	(0.7)
Income taxes		(0.2)			(1.1)	0.9
Profit attributable to owners of parent		0.9			0.7	0.2

(Sales breakdown)

(Billions of yen)

	FY ended December 31, 2015 Restated basis*1	FY ended December 31, 2016	Year-on-year change	FY ended December 31, 2016 Forecast*2	Difference (forecast/ actual)
Agricultural machinery	61.9	57.6	(4.3)	59.5	(1.9)
Farming implements	18.0	19.0	1.0	19.0	0
Spare parts	14.1	14.4	0.3	14.4	0
Repair fees	4.9	5.2	0.3	5.3	(0.1)
Total agricultural machinery related	98.9	96.2	(2.7)	98.2	(2.0)
Construction of facilities	5.5	5.1	(0.4)	5.0	0.1
Others	21.0	19.7	(1.3)	20.3	(0.6)
Domestic sales total	125.4	121.0	(4.4)	123.5	(2.5)
North America	12.8	10.7	(2.1)	10.7	0
Europe	11.0	9.3	(1.7)	9.3	0
China	1.1	3.2	2.1	3.4	(0.2)
ASEAN	1.8	3.0	1.2	3.0	0
Others	1.9	2.0	0.1	2.0	0
Product sales total	28.6	28.2	(0.4)	28.4	(0.2)
Spare parts and farming implements	2.3	2.1	(0.2)	1.8	0.3
Engines and others	0.5	1.8	1.3	1.8	0
Overseas sales total	31.4	32.1	0.7	32.0	0.1
Total net sales	156.8	153.1	(3.7)	155.5	(2.4)

*1 The figures in "FY ended December 31, 2015" have been restated for a year-on-year comparison. For details, please refer to the Reference on page 6.

*2 Forecast: Forecast announced on November 11, 2016

1) Comparison with the previous fiscal year

(1) Net sales: Decreased ¥3.7 billion (down 2.4%) to ¥153.1 billion

- **Domestic net sales: Decreased ¥4.4 billion (down 3.5%) to ¥121.0 billion**

Although domestic sales in agricultural machinery decreased ¥4.3 billion as demand for the product remained low, agricultural machinery-related sales in general decreased only ¥2.7 billion, owing to the addition of income from farming implements, spare parts, and repair fees. Sales from the construction of facilities decreased ¥0.4 billion, others decreased ¥1.3 billion. Overall domestic sales decreased ¥4.4 billion.

- **Overseas net sales: Increased ¥0.7 billion (up 2.1%) to ¥32.1 billion**

In terms of product and region, sales in North America decreased ¥2.1 billion owing to the impact of the appreciation of the yen and a part of sales being postponed to the following period due to partial changes in business terms with OEM partners, despite sales growth of compact tractors.

Sales in Europe declined ¥1.7 billion mainly due to a decline in demand for lawn mowers owing to bad weather and foreign exchange fluctuations.

Sales in China increased ¥2.1 billion mainly due to an increase in shipments of semi-finished rice transplanters, as well as strong shipments of semi-finished tractors, the full-scale sale of which started this fiscal year.

Sales in ASEAN increased ¥1.2 billion mainly due to the increase in shipments of tractors to Indonesia and Thailand.

The impact of foreign exchange was -¥2.2 billion for overseas net sales in general.

(2) Operating income / Ordinary income

- **Operating income: Increased ¥2.3 billion to ¥2.5 billion**
- **Ordinary income: Increased ¥1.2 billion (up 338.2%) to ¥1.6 billion**

Operating income increased ¥2.3 billion due to a significant reduction in expenses and a cut in personnel expenses through full enforcement of low-cost operations, despite a decrease in gross profit resulting from a drop in sales and the impact of the appreciation of the yen.

Ordinary income increased ¥1.2 billion, as the rise in operating income was reduced due to the recording of foreign exchange losses and deterioration of share of loss of entities accounted for using equity method of affiliated companies in China (the recording of foreign exchange losses and an increase in development cost burden).

(3) Income before income taxes / Profit attributable to owners of parent

- **Income before income taxes: Increased ¥1.2 billion to ¥1.1 billion**
- **Profit attributable to owners of parent: ¥0.9 billion**

Although there was a recording of extraordinary losses of ¥1.1 billion in loss on disaster following the Kumamoto Earthquake, income before income taxes increased ¥1.2 billion, reflecting a recording of extraordinary income of ¥1.1 billion in gain on sales of investment securities.

2) Comparison with the forecasts

- (1) Net sales: ¥2.4 billion short of the forecast (domestic sales: ¥2.5 billion short; overseas sales: ¥0.1 billion above)**

Domestic net sales were ¥2.5 billion short of the forecast overall, as sales of agricultural machinery were ¥1.9 billion below the forecast.

Overseas net sales were roughly in line with the forecast.

- (2) Operating income: ¥0.3 billion short of the forecast**

Ordinary income: ¥0.4 billion short of the forecast

Operating income was ¥0.3 billion short of the forecast, as the reduction in selling, general and administrative expenses failed to compensate for the drop in gross profit caused by a decrease in sales.

Ordinary income was ¥0.4 billion below the forecast.

- (3) Income before income taxes: ¥0.7 billion short of the forecast**

Profit attributable to owners of parent: ¥0.2 billion above the forecast

Income before income taxes was ¥0.7 billion short of the forecast due to the decrease in ordinary income and the recording of surcharges.

- 3) Dividend: We plan to pay a year-end dividend of ¥1.5 per share.**

II. The business performance forecast for the fiscal year ending December 31, 2017

[Forecast for the consolidated business performance for the fiscal year ending December 31, 2017]

(January 1, 2017–December 31, 2017)

(Billions of yen, %)

	FY ended December 31, 2016	FY ending December 31, 2017 Forecast	Year-on-year change	
			Amount	%
Net sales	153.1	161.5	8.4	5.5
Domestic	121.0	125.3	4.3	3.5
Overseas	32.1	36.2	4.1	12.9
Operating income	2.5	3.5	1.0	41.8
Ordinary income	1.6	3.7	2.1	126.3
Profit attributable to owners of parent	0.9	2.7	1.8	214.7

Note: With respect to foreign exchange rates, the rate assumption used is ¥115 to the US dollar and ¥120 to the Euro.

[Policy for forecasts]

1) Net sales

- Domestic net sales: Demand for agricultural machinery in Japan is expected to remain flat. Domestic net sales as a whole are expected to increase ¥4.3 billion year on year mainly in farming implements, spare parts, repair fees, and construction of facilities, due to the progress of large-scale farming primarily made by prospective farmers and agricultural policies toward a switch to the growing of vegetables and other crops.
- Overseas net sales: In terms of region, the European and U.S. markets are expected to shift to a recovery trend due to the effect of the launch of strategic products. Furthermore, due to an enhanced dealer network through the partial acquisition of a large-scale sales agent business in Thailand within the ASEAN market and an increase in shipments of semi-finished rice transplanters following the completion of responses to the emission gas regulations in the Chinese market, we expect overseas net sales in general to increase ¥4.1 billion year on year.

2) Operating income

- Operating income: We expect a year-on-year increase of ¥1.0 billion due to an improvement in the profitability of the Indonesian business and continued low-cost operations, in addition to an increase in income owing to a rise in sales.
- Ordinary income: A year-on-year increase of ¥2.1 billion is expected due to the exclusion of share of loss entities accounted for using equity method that was recorded in the previous fiscal year.

[Forecast for the year-end dividend for the fiscal year ending December 31, 2017]

We recognize that the method for determining dividends to be paid to our shareholders is one of the most important policies. Our basic policy is to continue to distribute and increase dividends on a steady basis, taking into consideration not only consolidated financial results, but the Group's financial position and future business developments, as well as changes in our managerial environment.

For the fiscal year ending December 31, 2017, we plan to pay a year-end dividend of between ¥1.5 and ¥3.0 per share.

(Reference)

Forecast for overseas net sales including Chinese businesses

(Billions of yen, %)

	FY ended December 31, 2016	FY ending December 31, 2017 Forecast	Year-on-year change	
			Amount	%
Overseas net sales	37.0	43.7	6.7	18.1
Ratio of overseas net sales	23.4%	25.9%	—	2.5

<Reference>

Comparison of business results with the previous fiscal year (comparison with restated results for the fiscal year ended December 31, 2015)

The fiscal year-end (the last day of the fiscal year) of the Company was changed to December 31 from March 31, effective as of fiscal 2015. Since the fiscal year ended December 31, 2015 is an irregular, nine-month results period as a transitional treatment, the comparison of business results uses financial reports that were restated on a comparable period basis.

The fiscal year of the Company's French subsidiary alone ends in September (results for October to September are posted for the full year).

[Business results comparison of full-year results]

■ **Financial report basis**

- Fiscal year ended December 31, 2015: Companies that previously adopted March 31 as their fiscal year-end: Results from April 1, 2015 to December 31, 2015; Companies that adopt December 31 as their fiscal year-end: Results from January 1, 2015 to December 31, 2015
- Fiscal year ended December 31, 2016: Companies that previously adopted March 31 as their fiscal year-end: Results from January 1, 2016 to December 31, 2016; Companies that adopt December 31 as their fiscal year-end: Results from January 1, 2016 to December 31, 2016

	Fiscal year ended December 31, 2015				Fiscal year ended December 31, 2016			
	Jan. - Mar.	Apr. - Jun.	Jul. - Sep.	Oct. - Dec.	Jan. - Mar.	Apr. - Jun.	Jul. - Sep.	Oct. - Dec.
a. Companies that previously adopted March 31 as their fiscal year-end ISEKI & CO., LTD. and other companies								
b. Companies that adopt December 31 as their fiscal year-end Domestic sales companies and other companies								

■ **Restated basis**

- Fiscal year ended December 31, 2015: Companies that previously adopted March 31 as their fiscal year-end: Results from January 1, 2015 to December 31, 2015; Companies that adopt December 31 as their fiscal year-end: Results from January 1, 2015 to December 31, 2015
- Fiscal year ended December 31, 2016: Companies that previously adopted March 31 as their fiscal year-end: Results from January 1, 2016 to December 31, 2016; Companies that adopt December 31 as their fiscal year-end: Results from January 1, 2016 to December 31, 2016

	Fiscal year ended December 31, 2015				Fiscal year ended December 31, 2016			
	Jan. - Mar.	Apr. - Jun.	Jul. - Sep.	Oct. - Dec.	Jan. - Mar.	Apr. - Jun.	Jul. - Sep.	Oct. - Dec.
a. Companies that previously adopted March 31 as their fiscal year-end ISEKI & CO., LTD. and other companies								
b. Companies that adopt December 31 as their fiscal year-end Domestic sales companies and other companies								