

May 14, 2019

ISEKI & CO., LTD.

Supplementary Information to Consolidated Financial Results

(January 1, 2019 – March 31, 2019)

I. Consolidated results of operations for the three months ended March 31, 2019 (Billions of yen, %)

	1Q of FY ended December 31, 2018	1Q of FY ending December 31, 2019	Year-on-year change		1Q of FY ending December 31, 2019 Target	Difference (target /actual)
			Amount	%		
Net sales	36.8	33.3	(3.5)	(9.5)	34.7	(1.4)
Domestic	28.4	25.4	(3.0)	(10.6)	27.4	(2.0)
Overseas	8.4	7.9	(0.5)	(5.6)	7.3	0.6
Gross profit	9.9	9.6	(0.3)	(3.2)	10.0	(0.4)
Gross profit margin	27.0%	28.9%	1.9%	—	28.8%	0.1%
Selling, general and administrative expenses	10.5	10.4	(0.1)	(1.6)	10.8	(0.4)
Operating income	(0.6)	(0.8)	(0.2)	—	(0.8)	0.0
Operating income ratio	(1.6)%	(2.2)%	(0.6)%	—	(2.3)%	0.1%
Balance of financial income	(0.2)	(0.2)	0.0	—	(0.2)	0.0
Other non-operating income	(0.1)	(0.1)	0.0	—	0.0	(0.1)
Ordinary income	(0.9)	(1.1)	(0.2)	—	(1.0)	(0.1)
Ordinary income ratio	(2.5)%	(3.3)%	(0.8)%	—	(2.9)%	(0.4)%
Extraordinary income	0.0	0.0	0.0	—	0.0	0.0
Extraordinary losses	0.0	0.0	0.0	—	0.0	0.0
Income before income taxes	(0.9)	(1.1)	(0.2)	—	(1.0)	(0.1)
Income taxes	0.6	0.7	0.1	—	0.7	0.0
Profit attributable to owners of parent	(0.3)	(0.4)	(0.1)	—	(0.3)	(0.1)

(Sales breakdown)

(Billions of yen)

	1Q of FY ended December 31, 2018	1Q of FY ending December 31, 2019	Year-on-year change	1Q of FY ending December 31, 2019 Target	Difference (target /actual)
Agricultural machinery	12.2	11.7	(0.5)	12.6	(0.9)
Farming implements	4.9	4.9	0.0	5.1	(0.2)
Spare parts	2.7	2.8	0.1	2.9	(0.1)
Repair fees	1.0	1.0	0.0	1.1	(0.1)
Totals agricultural machinery related	20.8	20.4	(0.4)	21.7	(1.3)
Construction of facilities	2.7	0.6	(2.1)	0.9	(0.3)
Other agriculture-related business	4.9	4.4	(0.5)	4.8	(0.4)
Domestic sales total	28.4	25.4	(3.0)	27.4	(2.0)
North America	2.5	2.8	0.3	3.0	(0.2)
Europe	2.5	2.4	(0.1)	1.9	0.5
China	0.7	0.0	(0.7)	0.1	(0.1)
ASEAN	1.0	0.6	(0.4)	0.4	0.2
Others	0.9	1.1	0.2	1.0	0.1
Product sales total	7.6	6.9	(0.7)	6.4	0.5
Spare parts	0.6	0.6	0.0	0.6	0.0
Others	0.2	0.4	0.2	0.3	0.1
Overseas sales total	8.4	7.9	(0.5)	7.3	0.6
Total net sales	36.8	33.3	(3.5)	34.7	(1.4)

1) Year-on-year change

(1) Net sales: ¥33.3 billion (down ¥3.5 billion (9.5%) year on year)

Sales in Japan decreased as a negative reaction to the construction of large-scale facilities in the same period of the previous fiscal year.

Sales overseas decreased due to local inventory adjustments in China and ASEAN despite steady sales in North America and Europe.

- Sales in Japan: ¥25.4 billion (down ¥3.0 billion (10.6%) year on year)

Overall sales related to agricultural machinery decreased by ¥0.4 billion due to sales decreases in tractors in spite of favorable results for rice transplanters and combine harvesters, while sales of farming implements and parts continued to progress steadily.

Sales of construction of facilities decreased by ¥2.1 billion as a negative reaction to the construction of large-scale facilities in the same period of the previous fiscal year.

- Sales overseas: ¥7.9 billion (down ¥0.5 billion (5.6%) year on year)

Sales in North America increased by ¥0.3 billion due to favorable sales of new compact tractors.

Sales in Europe continued to progress steadily, remaining unchanged from the previous fiscal year due to the effect of currency exchange rates linked to the higher yen.

Sales in China decreased by ¥0.7 billion mainly due to decreased shipments of semi-finished rice transplanters accompanying local inventory adjustments.

Sales in ASEAN decreased by ¥0.4 billion due to decreased shipments of tractors for Thailand accompanying local inventory adjustments.

(2) Revenue: recorded losses in all income items from operating income and below due to the off-demand season during the first quarter (January through March). Profitability improved due to the absence of special factors in the previous fiscal year.

- Operating income: ¥(0.8) billion (down ¥0.2 billion year on year)

- Ordinary income: ¥(1.1) billion (down ¥0.2 billion year on year)

- Profit: ¥(0.4) billion (down ¥0.1 billion year on year)

Operating income decreased by ¥0.2 billion primarily as a result of a decrease in gross profit due to decreased revenue in spite of an improvement in the gross profit margin and a reduction in selling, general and administrative expenses mainly due to the absence of special factors in the previous fiscal year (temporary factors such as retirement benefit expenses upon the merger of subsidiaries and the unprofitable construction of facilities).

Ordinary income decreased by ¥0.2 billion mainly due to improvements in foreign exchange gains or losses and the recording of the share of loss of entities using equity method.

Profit decreased by ¥0.1 billion due to a decrease in the tax expenses.

2) Comparison with the target

(1) Net sales: ¥1.4 billion lower than the target (Japan: ¥(2.0) billion, overseas: ¥0.6 billion)

- Agricultural machinery sales in Japan were ¥1.3 billion lower than the target, as the tractor sales fell short of the target. Overall sales in Japan were ¥2.0 billion lower than the target.
- Sales overseas were ¥0.6 billion higher than the target mainly due to rising sales in the pre-season in Europe.

(2) Revenue: almost in line with the target

- Operating income: in line with the target
- Ordinary income: ¥0.1 billion lower than the target
- Profit: ¥0.1 billion lower than the target

A reduction in selling, general and administrative expenses and other expenses offset the decrease in

gross profit due to the failure to reach the sales target. As a result, operating income, ordinary income and profit were almost in line with the target.

II. Consolidated financial results forecast for the fiscal year ending December 31, 2019

Sales in Japan in the three months ended March 31, 2019 failed to reach the target because of the off-demand season. However, sales overseas surpassed the target and revenue proceeded in line with the target. Accordingly, we have not revised the consolidated financial results forecast for the first half ending June 30, 2019 and the fiscal year ending December 31, 2019 announced on February 13, 2019.

[Consolidated financial results forecast for the first half ending June 30, 2019]

(January 1, 2019 through June 30, 2019)

(Billions of yen, %)

	2Q of FY ended December 31, 2018	2Q of FY ending December 31, 2019 Forecast	Year-on-year change	
			Amount	%
Net sales	82.2	81.8	(0.4)	(0.5)
Operating income	2.2	1.9	(0.3)	(13.6)
Ordinary income	1.8	1.6	(0.2)	(13.0)
Profit attributable to owners of parent	1.6	1.4	(0.2)	(15.1)

[Consolidated financial results forecast for the fiscal year ending December 31, 2019]

(January 1, 2019 through December 31, 2019)

(Billions of yen, %)

	FY ended December 31, 2018	FY ending December 31, 2019 Forecast	Year-on-year change	
			Amount	%
Net sales	156.0	164.0	8.0	5.2
Operating income	3.2	4.0	0.8	25.8
Ordinary income	2.6	2.6	0.0	(1.1)
Profit attributable to owners of parent	1.1	1.6	0.5	46.7

* The assumed foreign exchange rates for the fiscal year: ¥108 per U.S. dollar (continued)

¥125 per euro (continued)