February 6, 2015

ISEKI & CO., LTD.

Supplementary Information to Consolidated Financial Results

(April 1, 2014–December 31, 2014)

I. Consolidated Business Results for the Nine Months Ended December 31, 2014

(Billions of yen, %)

	1Q-3Q FY2013	1Q-3Q FY2014	**1Q-3Q FY2015**	Change (FY2014/FY2015) Amount	%	1Q-3Q FY2015 Target	Difference (target/ actual)
Net sales	117.9	126.5	**118.5**	(8.0)	(6.4)	117.0	1.5
Domestic	102.4	108.0	**101.8**	(6.2)	(5.8)	101.7	0.1
Overseas	15.5	18.5	**16.7**	(1.8)	(9.7)	15.3	1.4
Gross profit	37.2	38.5	**34.7**	(3.8)	(10.0)	35.4	(0.7)
Gross profit margin	31.6%	30.5%	**29.3%**	(1.2%)	—	30.2%	(0.9%)
Selling, general and administrative expenses	31.7	32.6	**33.9**	1.3	3.8	33.3	0.6
Operating income	5.5	5.9	**0.8**	(5.1)	(85.9)	2.1	(1.3)
Balance of financial income	(0.6)	(0.6)	**(0.5)**	0.1	—	(0.5)	—
Other non-operating income	0.6	1.8	**1.8**	±0.0	—	0.6	1.2
Ordinary income	5.5	7.1	**2.1**	(5.0)	(70.4)	2.2	(0.1)
Extraordinary income	0.2	0.1	**1.5**	1.4	—	1.5	—
Extraordinary losses	(0.3)	(0.2)	**(0.3)**	(0.1)	—	(0.4)	0.1
Income before income taxes and minority interests	5.4	7.0	**3.3**	(3.7)	(52.8)	3.3	—
Income taxes	(1.5)	(2.0)	**(1.9)**	0.1	—	(1.6)	(0.3)
Net income	3.9	5.0	**1.4**	(3.6)	(72.0)	1.7	(0.3)

Note: The nine-month consolidated business results of the Company comprise the consolidated January to September performance of December settlement companies, mainly domestic sales companies, and April to December performance of ISEKI & CO., Ltd. and other March settlement companies. In addition, the July to September performance of a newly consolidated French subsidiary is included in the nine-month consolidated business results of the Company.

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

A. Net sales: Decreased ¥8.0 billion (down 6.4%) to ¥118.5 billion

- **Domestic net sales decreased ¥6.2 billion (down 5.8%) to ¥101.8 billion.**

  Sales of agricultural machinery decreased ¥4.5 billion overall owing to sluggish demand in the domestic agricultural machinery market reflecting a reactionary decline following the last-minute surge before the hike in the consumption tax in April 2014 and the declining price of rice. Sales of farming implements also plunged ¥1.4 billion in line with the decline in agricultural machinery sales. Sales of spare parts increased ¥0.3 billion, while sales of the construction of facilities decreased ¥0.9 billion.

- **Overseas net sales decreased ¥1.8 billion (down 9.7%) to ¥16.7 billion.**

  With regard to sales by area, sales in Europe increased ¥2.8 billion thanks to recovering demand. Sales in North America decreased ¥0.8 billion mainly due to the weakening of the effects of launching the new utility tractor. In China, sales decreased ¥4.4 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 ¥0.1 billion, while sales in

Australia increased ¥0.3 billion.

B. Operating income: Decreased ¥5.1 billion (down 85.9%) to ¥0.8 billion
Ordinary income: Decreased ¥5.0 billion (down 70.4%) to ¥2.1 billion

- Operating income decreased ¥5.1 billion, to ¥0.8 billion, due to a decrease in gross profit as a result of decreased sales of agricultural machinery in Japan (April to December), 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 ¥5.0 billion, to ¥2.1 billion due mainly to a decrease in foreign exchange gains.

C. Net income: Decreased ¥3.6 billion (down 72.0%) to ¥1.4 billion

- Net income decreased ¥3.6 billion, to ¥1.4 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 target

A. Net sales: ¥118.5 billion, ¥1.5 billion surpasses the target

- Domestic net sales were almost in line with the target.
- Overseas net sales by product region were ¥0.7 billion above the target in the North American market, ¥0.3 billion above the target in the European market, and ¥0.1 billion above the target in the other Asian market. Overall overseas net sales were ¥1.4 billion above the target, with a combined ¥0.3 billion surplus recorded in spare parts and other segments.

B. Operating income: ¥0.8 billion, ¥1.3 billion short of the target

- Operating income was ¥1.3 billion short of the target due mainly to an increase in selling, general and administrative expenses owing to a rise in import costs from overseas procurement and a growth in expenses related to the newly consolidated French subsidiary, which more than offset an increase in gross profit as a result of an increase in net sales.

(Sales Breakdown) (Billions of yen)

	1Q-3Q FY2013	1Q-3Q FY2014	**1Q-3Q FY2015**	Change (FY2014/ FY2015)	1Q-3Q FY2015 Target	Difference (target/ actual)
Agricultural machinery	51.4	54.2	**49.7**	(4.5)	49.6	0.1
Farming implements	13.5	16.5	**15.1**	(1.4)	15.1	—
Spare parts	11.0	10.8	**11.1**	0.3	11.1	—
Construction of facilities	6.8	6.4	**5.5**	(0.9)	5.5	—
Others	19.7	20.1	**20.4**	0.3	20.4	—
Domestic sales total	102.4	108.0	**101.8**	(6.2)	101.7	0.1
North America	4.1	8.1	**7.3**	(0.8)	6.6	0.7
Europe	3.6	2.7	**5.5**	2.8	5.2	0.3
China	5.1	5.4	**1.0**	(4.4)	1.0	—
Asia except China	0.9	0.8	**0.7**	(0.1)	0.6	0.1
Oceania and others	0.3	0.3	**0.6**	0.3	0.6	—
Product sales total	14.0	17.3	**15.1**	(2.2)	14.0	1.1
Spare parts	0.8	0.9	**1.2**	0.3	0.9	0.3
Engines and others	0.7	0.3	**0.4**	0.1	0.4	—
Overseas sales total	15.5	18.5	**16.7**	(1.8)	15.3	1.4
Total	117.9	126.5	**118.5**	(8.0)	117.0	1.5

II. Revision of the business performance forecast for the fiscal year ending March 31, 2015 and revision of the dividend forecast

・ The business performance forecast for the fiscal year ending March 31, 2015 announced on November 7, 2014 and the dividend forecast announced on May 14, 2014 were revised as below.

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

(April 1, 2014–March 31, 2015) (Billions of yen, %)

	Previous Forecast	**Latest Forecast**	Change		FY2014 Actual	Difference (latest forecast/ actual)
			Amount	%		
Net sales	159.0	**158.0**	(1.0)	(0.6)	169.1	(11.1)
Domestic	136.5	**132.3**	(4.2)	(3.1)	142.9	(10.6)
Overseas	22.5	**25.7**	3.2	14.2	26.2	(0.5)
Operating income	2.5	**1.0**	(1.5)	(60.0)	7.4	(6.4)
Ordinary income	2.4	**1.8**	(0.6)	(25.0)	8.3	(6.5)
Net income	1.5	**0.9**	(0.6)	(40.0)	6.4	(5.5)

(Reason for revision)

1) Net sales (down ¥1.0 billion)

・ Domestic net sales will be ¥4.2 billion short of the previous forecast, as the decline in demand following the last-minute surge before the hike in the consumption tax in April 2014 and the declining price of rice may continue to push down sales of domestic agricultural machinery.

・ Overseas net sales will be ¥3.2 billion above the previous forecast as sales of tractors and riding mowers in North America and Europe remained favorable.

2) Operating income (down ¥1.5 billion)

・ Operating income will be ¥1.5 billion short of the previous forecast due mainly to the lower gross profit forecast as a result of a decline in sales of domestic products and agricultural machinery-related products, despite an upward revision of gross profit thanks to an increase in overseas sales.
Ordinary income and net income were revised from the previous forecast to reflect the lower operating income forecast.

・ With respect to foreign exchange rates, the rate assumption used for the fourth quarter is ¥118 to the US dollar (changed from ¥106) and ¥140 to the euro (changed from ¥135). The valuation rate used for euro-denominated accounts receivable at end of the period is ¥132 to the euro (changed from ¥135).

[Forecast for the year-end dividend for the fiscal year ending March 31, 2015]

(Yen)

	Dividend per Share				
	End of 1Q	End of 2Q	End of 3Q	Year-end	Annual
Previous forecast (Announced on May 14, 2014)	—	—	—	3.00 to 4.00	3.00 to 4.00
Latest forecast	**—**	**—**	**—**	**3.00**	**3.00**
FY2015 actual	—	—	—		
(Reference) FY2014 actual	—	—	—	4.00	4.00

(Reason for revision)

We recognize that the payout of dividends is one of the most important policies to be determined. Our basic policy is to continue executing and increase our dividend distribution on a steady basis, taking into consideration not just consolidated financial results but the Group's financial position and future business developments as well as changes in our managerial environment. With respect to the forecast of dividends for the fiscal year ending March 31, 2015, we revised the forecast of the year-end dividend from 3 to 4 yen per share to 3 yen per share in light of the latest trend for the Group's business performance.