May 14, 2015

ISEKI & CO., LTD.

Supplementary Information to Consolidated Financial Results

(April 1, 2014–March 31, 2015)

I. Consolidated business results for the fiscal year ended March 31, 2015

(Billions of yen, %)

	FY2013	FY2014	**FY2015**	Change (FY2014/FY2015) Amount	Change (FY2014/FY2015) %	FY2015 Forecast	Difference (forecast/ actual)
Net sales	155.7	169.1	**157.4**	(11.7)	(6.9)	158.0	(0.6)
Domestic	133.0	142.9	**131.9**	(11.0)	(7.7)	132.3	(0.4)
Overseas	22.7	26.2	**25.5**	(0.7)	(2.7)	25.7	(0.2)
Gross profit	48.1	52.7	**45.6**	(7.1)	(13.4)	46.4	(0.8)
Gross profit margin	30.9%	31.2%	**29.0%**	(2.2%)	—	29.4%	(0.4%)
Selling, general and administrative expenses	43.0	45.3	**46.1**	0.8	1.8	45.4	0.7
Operating income	5.1	7.4	**(0.5)**	(7.9)	—	1.0	(1.5)
Balance of financial income	(0.7)	(0.8)	**(0.6)**	0.2	—	(0.6)	—
Other non-operating income	1.0	1.7	**1.6**	(0.1)	—	1.4	0.2
Ordinary income	5.4	8.3	**0.5**	(7.8)	(94.0)	1.8	(1.3)
Extraordinary income	0.4	0.1	**1.7**	1.6	—	1.5	0.2
Extraordinary losses	(0.3)	(0.5)	**(0.9)**	(0.4)	—	(0.6)	(0.3)
Income before income taxes and minority interests	5.5	7.9	**1.3**	(6.6)	(83.5)	2.7	(1.4)
Income taxes	(1.5)	(1.5)	**(1.6)**	(0.1)	—	(1.8)	0.2
Net income	4.0	6.4	**(0.3)**	(6.7)	—	0.9	(1.2)

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

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

A. Net sales: Decreased ¥11.7 billion (down 6.9%) to ¥157.4 billion

・ **Domestic net sales decreased ¥11.0 billion (down 7.7%) to ¥131.9 billion.**

Sales of agricultural machinery decreased ¥7.1 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 ¥2.9 billion in line with the decline in agricultural machinery sales. Sales of the construction of facilities decreased ¥0.9 billion.

・ **Overseas net sales decreased ¥0. 7 billion (down 2.7%) to ¥25.5 billion.**

With regard to sales by area, sales in Europe increased ¥3.0 billion thanks to recovering demand and the Group’s 90th anniversary campaign. Sales in North America increased ¥1.0 billion due to the last-minute surge in the shipment of utility tractors before the enforcement of emission control regulations and brisk shipments of compact tractors. In China, sales decreased ¥5.3 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 ¥0.1 billion. Sales increased ¥0.6 billion in the spare parts and other segments.

B. Gross profit: Decreased ¥7.1 billion (Gross profit margin down 2.2%) to ¥45.6 billion
Operating income: Decreased ¥7.9 billion to -¥0.5 billion
Ordinary income: Decreased ¥7.8 billion (down 94.0%) to ¥0.5 billion

・ Gross profit decreased ¥7.1 billion to ¥45.6 billion mainly due to the decreased sales (January to December), the decreased sales of agriculture machines in Japan (April to March), recognition of unrealized income, the start-up costs of an Indonesian production subsidiary and the increased burdens related to investment in new machines, etc.

・ Operating income decreased ¥7.9 billion to an operating loss of ¥0.5 billion, due to the decreased gross profit and an increase in sales, general and administrative expenses of ¥0.8 billion including those incurred for the Group's 90th anniversary sales promotion activities.

Compared to the year ended March 2013, sales, general and administrative expenses increased ¥3.1 billion mainly due to the increases in personnel expenses, the start-up of the Indonesian production subsidiary, the acquisition of shares of a French sales distributor to make it into a subsidiary and other overseas strategies, measures to cope with the changes in domestic agricultural industry, costs of the Group's 90th anniversary-related campaign, logistics, etc., and other operational expenses.

・ Ordinary income decreased ¥7.8 billion, to ¥0.5 billion due mainly to a decrease in foreign exchange gains.

C. Net income: Decreased ¥6.7 billion to -¥0.3 billion

・ Net income decreased ¥6.7 billion and the Company reported a consolidated net loss of ¥0.3 billion. This decrease was mainly due to a gain on the change in equity that occurred in relation to the in-kind contribution of a Chinese subsidiary, negative goodwill that occurred in relation to the acquisition of stock of a European distributor in order to make it a subsidiary and surcharges imposed by the Fair Trade Commission in connection with the facility construction.

2) Comparison with the forecast

A. Net sales: ¥157.4 billion, ¥0.6 billion short of the forecast

- Net sales slightly decreased both in Japan and overseas.

B. Operating income: -¥0.5 billion, ¥1.5 billion short of the forecast

- Operating income was ¥1.5 billion short of the forecast due mainly to a decrease in gross profit resulting from the recognition of unrealized income related to inventories associated with the larger-than-expected fall in the agricultural machinery sales in Japan during the weak demand period from January to March, as well as the decreased sales of related farming implements and parts.

(Sales breakdown) (Billions of yen)

	FY2013	FY2014	**FY2015**	Change (FY2014/ FY2015)	FY2015 Forecast	Difference (forecast/ actual)
Agricultural machinery	67.1	72.5	**65.4**	(7.1)	65.4	—
Farming implements	17.5	21.6	**18.7**	(2.9)	19.0	(0.3)
Spare parts	14.6	14.5	**14.4**	(0.1)	14.5	(0.1)
Construction of facilities	7.8	7.7	**6.8**	(0.9)	6.7	0.1
Others	26.0	26.6	**26.6**	—	26.7	(0.1)
Domestic sales total	133.0	142.9	**131.9**	(11.0)	132.3	(0.4)
North America	6.5	10.1	**11.1**	1.0	11.4	(0.3)
Europe	5.3	5.2	**8.2**	3.0	8.0	0.2
China	6.7	7.0	**1.7**	(5.3)	1.7	—
Asia except China	1.5	1.5	**1.4**	(0.1)	1.3	0.1
Oceania and others	0.5	0.6	**0.7**	0.1	0.7	—
Product sales total	20.5	24.4	**23.1**	(1.3)	23.1	—
Spare parts	1.2	1.3	**1.8**	0.5	2.0	(0.2)
Engines and others	1.0	0.5	**0.6**	0.1	0.6	—
Overseas sales total	22.7	26.2	**25.5**	(0.7)	25.7	(0.2)
Total	155.7	169.1	**157.4**	(11.7)	158.0	(0.6)

II. The business performance forecast for the fiscal year ending December 31, 2015

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

(April 1, 2015–December 31, 2015) (Billions of yen, %) (Reference)

	FY ended March 31, 2015 Restated*2	FY ending December 31, 2015 Forecast*1	Year-on-year change		FY ended March 31, 2015 Actual
			Amount	%	
Net sales	145.7	152.0	6.3	4.3	157.4
Domestic	129.0	131.5	2.5	1.9	131.9
Overseas	16.7	20.5	3.8	22.8	25.5
Gross profit	41.2	45.7	4.5	10.9	45.6
Gross profit margin	28.3%	30.1%	1.8%	—	29.0%
Operating income	(0.3)	3.9	4.2	—	(0.5)
Ordinary income	1.0	3.7	2.7	270.0	0.5
Net income		2.1			(0.3)

Notes: With respect to foreign exchange rates, the rate assumption used is ¥115 to the US dollar and ¥130 to the Euro.

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

Payment of year-end dividends of ¥3 per share is scheduled.

[Policy for forecasts]

1) Net sales

- The prospects for our business environment in Japan are expected to remain uncertain with the effect of the emission control regulations, the rebound from the last-minute demand surge last year before the rise in the consumption tax rate and the volatile price of rice, etc. However, public measures for revitalizing the agriculture industry, such as the continued planning of a large agricultural budget are expected.
  The domestic sales of agricultural machines decreased during January to March, a weak demand period, compared with the same period of fiscal 2012 in which the sales was normal, partially because of the effect of the low rice price. However, the sales recovered in April, which is the first month of the busy period, increasing over 160% from the same month of the previous year, also exceeding the sales in the same month of fiscal 2012. We expect the full-year sales to be comparable to fiscal 2012.
- We expect the overseas sales will increase supported by introduction of new strategic products in Europe and North America, sales expansion by ISEKI France S.A.S., a new subsidiary, and activities in the South East Asia market. These activities include the full-scale production of strategic machine products by an Indonesian product subsidiary and starting of a full-scale expansion into Thailand.

2) Operating income

- We expect operating income of ¥3.9 billion due to a turnaround from an operating loss, etc., to be achieved by a ¥1.9 billion reduction of personnel expenses, after implementing amortization of net retirement benefit obligation at transition, ¥0.7 billion reduction in fixed costs, ¥2.6 billion reduction in total expenses, combined with a ¥1.6 billion improvement in operating profit from sales increases.
  The gross profit margin is also expected to improve, to 30.1%, mainly through the reduction of fixed costs, increased sales and improvement in the unrealized profit related to inventories.

[Change in annual closing day (the last day of a fiscal year)]

- The annual closing day (the last day of a fiscal year) of the Company will be changed to December 31 from the current March 31, effective as of fiscal 2015. As a transitional treatment, fiscal 2015 include results for nine months from April 1, 2015 to December 31, 2015.*1

  To compare the annual results, the results (excluding net income) for the year ended March 31, 2015 were restated on a nine-month (April to December) basis.*2

(Reference)

Consolidated overseas sales forecast including Chinese businesses

(Billions of yen, %)

	FY ended March 31, 2015 Restated*2	FY ending December 31, 2015 Forecast*1	Year-on-year change		FY ended March 31, 2015 Actual
			Amount	%	
Overseas net sales	20.1	28.0	7.9	39.3	28.8

*1 Change in annual closing day (the last day of a fiscal year)

- The fiscal year of the Company will be changed to "January 1 to December 31 of the year" from the current "April 1 of a year to March 31 of the following year," effective in fiscal 2015. This change is subject to prior approval by shareholders of an agenda regarding partial revision of the Articles of Incorporation at a general meeting of shareholders scheduled on June 24, 2015. Therefore, as a transitional treatment for ISEKI & CO., Ltd. and other March settlement companies, nine-month results (April 1, 2015 to December 31, 2015) will be included in the consolidated results for the year ending December 31, 2015. For subsidiaries which adopt a fiscal year starting January 1 and ending on December 31 of a year, twelve months from January 1, 2015 to December 31, 2015 will be included in the consolidation, as in the past.

*2 Comparison of forecasts (comparison with restated results for the year ended March 2015)

- To use the same conditions for the year-to-year comparison, the results for the year ended March 31, 2015 were restated on the comparable period basis.
- Restatement of the results for the year ended March 31, 2015

  The restated consolidated results for the year ended March 31, 2015 include twelve-month (January 1, 2014 to December 31, 2014) results of companies adopting December annual account settlement (mainly sales companies in Japan) and nine-month results (April 1, 2014 to December 31, 2014) of ISEKI & CO., Ltd. and other March settlement companies.