February 12, 2016

ISEKI & CO., LTD.

Supplementary Information to Consolidated Financial Results

(April 1, 2015–December 31, 2015)

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

(Billions of yen, %)

	FY ended March 31, 2015 Restated*1	**FY ended December 31, 2015**	Year-on year change		FY ended December 31, 2015 Forecast*2	Difference (forecast/ actual)
			Amount	%		
Net sales	145.7	**145.2**	(0.5)	(0.3)	148.5	(3.3)
Domestic	129.0	**122.5**	(6.5)	(5.0)	125.6	(3.1)
Overseas	16.7	**22.7**	6.0	35.8	22.9	(0.2)
Gross profit	41.2	**40.7**	(0.5)	(1.2)	42.0	(1.3)
Gross profit margin	28.3%	**28.0%**	(0.3%)	—	28.3%	(0.3%)
Selling, general and administrative expenses	41.5	**40.2**	(1.3)	(3.0)	41.0	(0.8)
Operating income	(0.3)	**0.5**	0.8	—	1.0	(0.5)
Balance of financial income	(0.6)	**(0.8)**	(0.2)	—	(0.7)	(0.1)
Other non-operating income	1.9	**1.2**	(0.7)	—	0.4	0.8
Ordinary income	1.0	**0.9**	(0.1)	(9.3)	0.7	0.2
Extraordinary income	1.5	**0.4**	(1.1)	—	0.3	0.1
Extraordinary losses	(0.4)	**(0.6)**	(0.2)	—	(0.3)	(0.3)
Income before income taxes	2.1	**0.7**	(1.4)	(64.3)	0.7	0
Income taxes		**(2.2)**			(2.5)	0.3
Profit (loss) attributable to owners of parent		**(1.5)**			(1.8)	0.3

The fiscal year of the Company, previously from April 1 of the year to March 31 of the following year, was changed to the period from January 1 to December 31 of the year, effective as of the fiscal year ended December 31, 2015.

As a transitional treatment for the fiscal year ended December 31, 2015, as for companies that adopt December 31 as the fiscal year-end, mainly domestic sales companies, the results for the period from January to December are included in the consolidated results, while for companies that previously adopted March 31 as the fiscal year-end, including ISEKI & CO., LTD., the results for the period from April to December are included in the consolidated results.

*1 To use the same conditions for the year-on-year comparison, the results for the fiscal year ended March 31, 2015 were restated on the comparable period basis.

*2 Forecast: Forecast announced on November 11, 2015

1) Net sales

・ **Domestic net sales**

During the fiscal year ended December 31, 2015, although domestic net sales had been on a recovery track since April as the decrease in sales due to the rebound from the last-minute demand surge had run its course, the recovery was not strong enough to offset the decrease in sales in the period from January to March. Cumulative sales of all agricultural machinery decreased ¥3.6 billion from the previous fiscal year. Actual sales were ¥2.6 billion short of the forecast because of a delay in the selection of agricultural practitioners to receive the grants under the Agri-Seed Leasing program (a leasing support program provided by The Norinchukin Bank), among other reasons.

Sales of farming implements and spare parts decreased ¥1.0 billion alongside the decrease in the sales of agricultural machinery. Sales from the construction of facilities decreased ¥1.3 billion, reflecting the completion of a major project in the previous year. Domestic net sales decreased ¥6.5 billion year on year, falling ¥3.1 billion short of the forecast.

Domestic sales of agricultural machinery for the period from April to December grew by 13% year on year thanks mainly to the end of the decrease in sales as a result of the rebound from the last-minute surge in demand, and to the recovery of rice prices.

・ **Overseas net sales**

With regard to year-on-year changes by area, sales in Europe increased ¥2.8 billion, thanks to the introduction of new models and the Group’s 90th anniversary sales campaigns as well as contributions to sales from ISEKI France S.A.S, which became a consolidated subsidiary.

Sales in North America increased ¥1.7 billion, due to the strong shipment of the newly launched economy compact tractor.

Sales in China decreased ¥0.7 billion because a subsidiary, which was included in the consolidated first quarter results of the previous year, was excluded thereafter. Sales at Dongfeng Iseki Agricultural Machinery Co., Ltd., a local equity method affiliated company, increased significantly from the previous year, mainly owing to sales of rice transplanters, posting a 60% year-on-year rise on the local sales basis.

Sales in the rest of Asia increased ¥1.6 billion mainly as a result of the increase in shipments to Indonesia and Thailand.

2) Operating income / Ordinary income

・ Operating income increased ¥0.8 billion from the previous fiscal year due to a decrease in personnel expenses resulting from the completion of amortization of net retirement benefit obligations at transition and a reduction in fixed costs, despite an increase in temporary costs, including promotion costs related to the Company’s 90th anniversary, and development expenses for models conforming to emission control regulations and the 90th Anniversary Commemorative models, in addition to a decrease in gross profit resulting from lower sales.

Operating income was ¥0.5 billion short of the forecast mainly due to a decrease in gross profit as a result of the amount generated from sales of agricultural machinery in Japan (October–December) being lower than forecasted, although reductions in expenses reached ¥3.0 billion, excluding the impact of the change in the consolidation segments, against the annual plan of ¥2.6 billion.

・ Ordinary income decreased ¥0.1 billion from a year earlier due mainly to a deterioration in the balance of financial income and a decrease in foreign exchange gains.

Ordinary income was ¥0.2 billion above the forecast mainly thanks to the posting of foreign exchange gains and increased income at entities accounted for using the equity method.

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

・ Income before income taxes decreased ¥1.4 billion from the previous fiscal year due mainly to the posting of a surcharge and the absence of a gain on change in equity and negative goodwill as occurred in the previous fiscal year, despite the posting of a gain on sales of investment securities during the fiscal year ended December 31, 2015.

・ Loss attributable to owners of parent amounted to ¥1.5 billion mainly due to partial reversal of deferred tax assets owing to tax effect accounting.

Loss attributable to owners of parent was ¥0.3 billion less than forecasted thanks to a decrease in tax burden.

(Sales breakdown) (Billions of yen)

	FY ended March 31, 2015 Restated*1	**FY ended December 31, 2015**	Year-on-year change	FY ended December 31, 2015 Forecast*2	Difference (forecast/ actual)
Agricultural machinery	64.5	**60.9**	(3.6)	63.5	(2.6)
Farming implements	18.1	**17.5**	(0.6)	17.6	(0.1)
Spare parts	14.2	**13.8**	(0.4)	13.9	(0.1)
Construction of facilities	6.2	**4.9**	(1.3)	4.7	0.2
Others	26.0	**25.4**	(0.6)	25.9	(0.5)
Domestic sales total	129.0	**122.5**	(6.5)	125.6	(3.1)
North America	7.3	**9.0**	1.7	8.9	0.1
Europe	5.5	**8.3**	2.8	8.4	(0.1)
China	1.0	**0.3**	(0.7)	0.7	(0.4)
Asia except China	0.7	**2.3**	1.6	2.2	0.1
Oceania and others	0.6	**0.7**	0.1	0.7	0
Product sales total	15.1	**20.6**	5.5	20.9	(0.3)
Spare parts	1.2	**1.7**	0.5	1.6	0.1
Engines and others	0.4	**0.4**	0	0.4	0
Overseas sales total	16.7	**22.7**	6.0	22.9	(0.2)
Total	145.7	**145.2**	(0.5)	148.5	(3.3)

II. The business performance forecast for the fiscal year ending December 31, 2016

[Forecast for the consolidated business performance for the fiscal year ending December 31, 2016]

(January 1, 2016–December 31, 2016) (Billions of yen, %)

	FY ended December 31, 2015 Restated*3	**FY ending December 31, 2016 Forecast**	Year-on-year change	
			Amount	%
Net sales	156.8	**165.0**	8.2	5.2
Domestic	125.4	**131.3**	5.9	4.7
Overseas	31.4	**33.7**	2.3	7.3
Operating income	0.2	**3.5**	3.3	—
Ordinary income	0.4	**3.2**	2.8	700.0
Profit attributable to owners of parent		**1.9**		

Note: With respect to foreign exchange rates, the rate assumption used is ¥120 to the US dollar and ¥130 to the Euro.

*3 "FY ended December 31, 2015 Restated" includes results from January 2015 to December 2015.

[Forecast for the year-end dividend for the fiscal year ending December 31, 2016]

We recognize that the method for determining dividends to be paid to our shareholders is one of the most important policies to be determined. Our basic policy is to continue to execute and increase our dividend distribution 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, 2016, we plan to pay a year-end dividend of between ¥1.5 to ¥3 per share.

[Policy for forecasts]

1) Net sales

- Domestic net sales: We expect that demand will recover to the same level as in an average year, as exemplified by a recovery trend in rice prices thanks chiefly to land diversion from rice to other crops to solve excessive rice production, the continuation of plans for large agriculture-related budgets aimed at revitalizing agriculture, and the ongoing implementation of the Agri-Seed Leasing program. Domestic net sales are expected to increase ¥5.9 billion from the previous fiscal year, mainly since actual sales of agricultural machinery at the Company's domestic sales companies for the October–December 2015 period grew by 11% from the previous year, which is larger than the year-on-year increase in the October–December 2013 period when sales grew significantly before the rise in the consumption tax rate, posting a year-on-year increase of 26% in January this year, thus recovering to the same average year level.
- Overseas net sales: Sales in the North American and European markets are expected to remain robust, reflecting the effects of launching strategic products and sales expansion, with ISEKI France S.A.S as the core company. Overseas net sales are expected to increase ¥2.3 billion year on year, with the Association of Southeast Asian Nations (ASEAN) region and China serving as the growth engine, through sales expansion in the ASEAN region, centering on Thailand and Indonesia, as well as increased sales of rice transplanters and full-fledged sales of tractors in China.

2) Operating income

Operating income: Operating income is expected to increase ¥3.3 billion year on year. This consists of ¥1.1 billion due to a reduction in fixed costs through the thorough implementation of low-cost operations, the effects of an improvement in profitability, and a decrease in temporary expenses such as promotion costs related to the

Company's 90th anniversary and development costs, and ¥2.2 billion from a rise in income as a result of increased sales.

(Reference)

Consolidated overseas net sales forecast including Chinese businesses

(Billions of yen, %)

	FY ended December 31, 2015 Restated*3	**FY ending December 31, 2016 Forecast**	Year-on-year change	
			Amount	%
Overseas net sales	38.2	**43.5**	5.3	13.9
Ratio of overseas net sales	23.3%	**24.9%**	—	1.6

(Supplementary information on the outline of the financial results for the fiscal year ended December 31, 2015)

- **Revision of fiscal year**

The fiscal year-end (the last day of a fiscal year) of the Company has been changed to December 31 from March 31, effective as of the fiscal year ended December 31, 2015. As a transitional treatment, results in the following period are included in the consolidated fiscal results for the fiscal year ended December 31, 2015:

The period subject to consolidated fiscal results for the fiscal year ending December 31, 2016 will be from January 1, 2016 to December 31, 2016 for the companies in both categories below.

(Periods subject to consolidated fiscal results for the fiscal year ended December 31, 2015)

- Companies that have adopted December 31 as their fiscal year-end: Results from January 1, 2015 to December 31, 2015 (12 months)
- Companies that have adopted March 31 as their fiscal year-end: Results from April 1, 2015 to December 31, 2015 (9 months)

<table>
<tr><th></th><th>Jan.</th><th>Feb.</th><th>Mar.</th><th>Apr.</th><th>May</th><th>Jun.</th><th>Jul.</th><th>Aug.</th><th>Sep.</th><th>Oct.</th><th>Nov.</th><th>Dec.</th></tr>
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ISEKI & CO., LTD. and other companies</td><td colspan="3"></td><td colspan="3">1Q</td><td colspan="3">2Q</td><td colspan="3">3Q</td></tr>
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a. Jan. - Dec.
b. Apr. - Dec.</td></tr>
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- **Change in the scope of consolidation for overseas net sales**
  - Europe: ISEKI France S.A.S became a subsidiary of the Company in July 2014. Accordingly, the consolidated results for overseas net sales for the fiscal year ended December 31, 2015 included the financial results of ISEKI France S.A.S from January 2015 to September 2015 (from July to September in the previous year).
  - China: The accounting method for a company which had been a consolidated subsidiary of the Company was changed to the equity method at the end of the first quarter of the fiscal year ended March 31, 2015. As a result, business results for the Chinese company were not included in the consolidated results for the fiscal year ended December 31, 2015.