February 14, 2017

Name of Listed Company: ISEKI & CO., LTD. Stock Exchange Listings: Tokyo
Company Code: 6310 (URL http://www.iseki.co.jp)
Representative: Title President Name Eiichiro Kinoshita
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Date of the Regular Meeting of Shareholders: March 30, 2017
Scheduled Date to Commence Dividend Payment: March 31, 2017
Date of Submission of Securities Report: March 31, 2017
Supplementary Information for Financial Results: Yes
Financial Results Briefing: Yes (for institutional investors and analysts)

Summary Announcement of Consolidated Financial Results for the Fiscal Year Ended December 31, 2016 (Japanese GAAP)

I. Financial Results for the Fiscal Year Ended December 31, 2016 (January 1, 2016－December 31, 2016)

A. Results of Operations

(Rounded down to a million yen, % indicates changes from the previous period)

	FY Ended December 31, 2016	%	FY Ended December 31, 2015	%
Net Sales	153,097	—	145,210	—
Operating Income	2,469	—	460	—
Ordinary Income	1,635	—	947	—
Profit (Loss) Attributable to Owners of Parent	858	—	(1,465)	—
Profit (Loss) per Share (yen)				
Non-diluted	3.80		(6.49)	
Fully Diluted	3.79		—	
Return on Equity (%)	1.3		(2.2)	
Return on Total Assets (%)	0.8		0.5	
Operating Income to Net Sales (%)	1.6		0.3	

Note: Comprehensive income
Fiscal year ended December 31, 2016: –¥602 mil. (—%)
Fiscal year ended December 31, 2015: –¥2,310 mil. (—%)
Reference: Share of profit of entities accounted for using equity method
Fiscal year ended December 31, 2016: –¥1,075 mil.
Fiscal year ended December 31, 2015: ¥52 mil.
The fiscal year of the Company, previously from April 1 to March 31 of the following year, has been changed to January 1 to December 31 of the year, effective as of the fiscal year ended December 31, 2015. Percentage changes year on year are left blank, as the periods of the fiscal year ended December 31, 2016 and the fiscal year ended December 31, 2015 cannot be compared due to their differences. Percentage changes for the fiscal year ended December 31, 2015 are left blank for the same reason.

B. Financial Position

(Rounded down to a million yen)

	As of December 31, 2016	As of December 31, 2015
Total Assets	203,356	201,149
Net Assets	67,151	68,099
Shareholders' Equity to Total Assets Ratio (%)	32.2	33.0
Net Assets per Share (yen)	289.68	293.87

Reference: Shareholders' equity

As of December 31, 2016: ¥65,430 mil.

As of December 31, 2015: ¥66,380 mil.

C. Cash Flows

(Rounded down to a million yen)

	FY Ended December 31, 2016	FY Ended December 31, 2015
Net Cash Provided by (Used in) Operating Activities	8,283	10,830
Net Cash Provided by (Used in) Investment Activities	(5,736)	(5,757)
Net Cash Provided by (Used in) Financing Activities	2,621	(2,943)
Cash and Cash Equivalents at End of Period	13,909	8,761

II. Dividends

	Dividend per Share (yen)					Annual Cash Dividend (million yen)	Payout Ratio (%, consolidated)	Ratio of Dividend to Net Assets (%, consolidated)
	End of 1Q	End of 2Q	End of 3Q	Year-end	Annual			
FY Ended December 31, 2015	—	—	—	1.50	1.50	338	—	0.5
FY Ended December 31, 2016	—	—	—	1.50	1.50	338	39.5	0.5
FY Ending December 31, 2017 (Forecast)	—	—	—	1.50–3.00	1.50–3.00		—	

III. Forecast for the Fiscal Year Ending December 31, 2017 (January 1, 2017－December 31, 2017)

(Rounded down to a million yen, % indicates changes from the previous period)

	Net Sales	%	Operating Income	%	Ordinary Income	%	Profit Attributable to Owners of Parent	%	Profit per Share (yen)
Interim	81,200	0.2	1,900	8.5	2,200	74.0	1,300	135.0	5.76
Full Year	161,500	5.5	3,500	41.7	3,700	126.2	2,700	214.5	11.95

*** Notes**

A Changes in important subsidiaries during the period (change in specified subsidiaries which accompanies a change in the range of consolidation): None

B Change in accounting policy, change in accounting estimates and restatements

1) Change in accounting policy in response to revision of accounting standards: None
2) Change in accounting policy other than 1): None
3) Change in accounting estimates: None
4) Restatements: None

C Outstanding shares (common shares)

1) Outstanding shares (including treasury shares)	As of December 31, 2016	229,849,936 shares
	As of December 31, 2015	229,849,936 shares
2) Outstanding treasury shares	As of December 31, 2016	3,976,123 shares
	As of December 31, 2015	3,964,166 shares
3) Average number of shares	Fiscal year ended December 31, 2016	225,880,761 shares
	Fiscal year ended December 31, 2015	225,887,727 shares

(Reference) Non-consolidated Financial Results

Financial Results for the Fiscal Year Ended December 31, 2016 (January 1, 2016－December 31, 2016)

A. Results of Operations

(Rounded down to a million yen, % indicates changes from the previous period)

	FY Ended December 31, 2016	%	FY Ended December 31, 2015	%
Net Sales	95,873	—	66,073	—
Operating Income (Loss)	921	—	(2,600)	—
Ordinary Income (Loss)	2,746	—	(971)	—
Profit (Loss)	2,651	—	(1,588)	—
Profit (Loss) per Share (yen)				
Non-diluted	11.74		(7.03)	
Fully Diluted	11.72		—	

Note: The fiscal year of the Company, previously from April 1 to March 31 of the following year, has been changed to January 1 to December 31 of the year, effective as of the fiscal year ended December 31, 2015. Percentage changes year on year are left blank, as the periods of the fiscal year ended December 31, 2016 and the fiscal year ended December 31, 2015 cannot be compared due to their differences. Percentage changes for the fiscal year ended December 31, 2015 are left blank for the same reason.

B. Financial Position

(Rounded down to a million yen)

	As of December 31, 2016	As of December 31, 2015
Total Assets	135,976	129,154
Net Assets	56,138	54,829
Shareholders' Equity to Total Assets Ratio (%)	41.2	42.4
Net Assets per Share (yen)	248.13	242.32

Reference: Shareholders' Equity

As of December 31, 2016: ¥56,046 mil.

As of December 31, 2015: ¥54,737 mil.

*Statement regarding implementation of the review procedure

This summary of financial results is exempt from audit procedures pursuant to the Financial Instruments and Exchange Act. At the time of disclosure, audit procedures for consolidated financial statements and non-consolidated financial statements pursuant to the Financial Instruments and Exchange Act had not been completed.

*Statement regarding the proper use of financial performance forecast and other notes

The forecast for operating results has been determined based on information presently available, as well as on the assumptions that the Company believes to be reasonable. It is possible that in the future, actual results may differ from the anticipated figures for a variety of reasons. Please refer to "Analyses of Management Performance and Financial Position" on page 3 of the supplementary material for the assumptions underlying the forecast and precautions when using the forecast.

○ Table of contents for supplementary material

1. Analyses of Management Performance and Financial Position

(1) Analysis of Management Performance

During the fiscal year ended December 31, 2016, the Japanese economy remained sluggish due to large swings in the currency exchange rate, ranging from a rising trend of the yen at the beginning of the fiscal year to a depreciation of the yen toward the end of the fiscal year, in addition to continued weakness in consumer spending. Meanwhile, although the U.S. economy remained robust backed by an improvement in the employment situation and the expansion of consumer spending, the global economy overall remained unstable due to the continued deceleration of growth in the Chinese economy and uncertainties over the European economy triggered by the decision of the U.K. to leave the EU.

With regard to the environment surrounding agriculture in Japan, the rise in the price of rice did not lead to a demand recovery in the agricultural machinery market, due to uncertainties over the outlook of the industry caused by structural changes in agriculture in Japan.

Under such circumstances, the ISEKI Group worked to increase sales volume in Japan by launching new products and enhancing customer service, while it endeavored to expand sales overseas in its core markets of North America, Europe, China and the ASEAN region by strengthening its marketing. As a result, the Group's business performance can be summarized as follows.

The fiscal year of the Company, previously from April 1 to March 31 of the following year, has been changed to January 1 to December 31 of the year, effective as of the fiscal year ended December 31, 2015. Accordingly, the previous fiscal year, which is the transitional period of the fiscal year change, is nine months from April 1, 2015 to December 31, 2015. Therefore, the operating results for the fiscal year ended December 31, 2016 are compared below with the operating results for January 1, 2015 to December 31, 2015, the same period of the previous year.

(Millions of yen, %)

	Net Sales	Operating Income	Ordinary Income	Profit Attributable to Owners of Parent
FY Ended December 31, 2016	153,097	2,469	1,635	858
(Reference) Same Period of the Previous Year	156,794	178	373	
Adjusted Year-on-year Change	(2.4)%	—	338.2%	

Note: Adjusted year-on-year change in operating income is represented by "—" since it exceeds 1,000%

[Consolidated business performance of the fiscal year ended December 31, 2016]
In the fiscal year ended December 31, 2016, net sales decreased ¥3,696 million from the same period of the previous year to ¥153,097 million (down 2.4%). Domestic sales amounted to ¥121,041 million, down ¥4,358 million (3.5%) from the same period of the previous year. This was due to a drop in sales of agricultural machinery due to the continued weak demand for agricultural machinery, despite an increase in sales of farming implements, spare parts, and repair fees. Overseas sales increased ¥661 million (2.1%) from the same period of the previous year to ¥32,055 million, due to shipments of semi-finished tractors to China, the full-scale sale of which started from this fiscal year, as well as strong shipments of tractors in ASEAN to Indonesia and Thailand, despite an impact from changes in currency exchange rates owing to yen appreciation. Operating income totaled ¥2,469 million, up ¥2,291 million from the same period of the previous year, due to a significant reduction in expenses through a cut in personnel expenses and a full enforcement of low-cost operations, despite lower gross profit resulting from decreased sales and the impact of currency exchange rates. Ordinary income amounted to ¥1,635 million, up ¥1,262 million (338.2%) from the same period of the previous year, due to a smaller increase in operating income resulting from the recording of foreign exchange losses and share of loss of entities accounted for using equity method. Profit attributable to owners of parent was ¥858 million, due to the recording of a gain on sale of investment securities, despite posting a loss on disaster following the Kumamoto Earthquake.

[Non-consolidated business performance of the fiscal year ended December 31, 2016]
In the fiscal year ended December 31, 2016, net sales totaled ¥95,873 million, operating income was ¥921 million, and ordinary income amounted to ¥2,746 million. The Company recorded a profit of ¥2,651 million.

Sales by product are as follows.
[Domestic]
Sales of cultivating & mowing machinery (tractors, high-clearance multipurpose vehicles, etc.) were ¥27,580 million (down 8.4% from the same period of the previous year), and sales of planting machinery (rice transplanters and vegetable transplanters) were ¥9,124 million (down 7.5%). Sales of harvesting and processing machinery (combine harvesters, etc.) were ¥20,891 million (down 4.7%). Sales of spare parts and farming implements, and repair fees

were ¥38,558 million (up 4.3%). Sales of other agriculture-related business (construction of facilities, etc.) were ¥24,887 million (down 6.3%).

[Overseas]
Sales of cultivating & mowing machinery (tractors, etc.) were ¥24,512 million (down 7.0% from the same period of the previous year), and sales of planting machinery (rice transplanters, etc.) were ¥3,281 million (up 73.4%). Sales of harvesting and processing machinery (combine harvesters, etc.) were ¥390 million (up 22.6%). Sales of spare parts and farming implements were ¥2,087 million (down 9.1%). Sales of other agriculture-related business were ¥1,783 million (up 245.4%).

[Forecast for the next consolidated fiscal year]
It is expected that the economies in both Japan and overseas will continue to require alertness for uncertainties, including the risk of the U.S. economy shifting to protectionist policies despite expectations for the fiscal policies of the new administration, the uncertain outlook of the European and Chinese economies, and the trends of exchange rates and the domestic stock market.

In Japan, the demand for agricultural machinery is expected to remain roughly flat amid structural changes in agriculture toward a "new agricultural administration era." Meanwhile, we expect an increase in sales 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, we expect the European and U.S. markets to shift to a recovery trend due to the launch of strategic products. Additionally, we expect an increase in sales due to an enhanced dealer network through the acquisition of a large-scale sales agent 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 increases in incomes both in Japan and overseas. In addition to an increase in the gross profit due to an increase in sales, we expect that an improvement in the profitability of the Indonesian business, continued low-cost operations, and the exclusion of share of loss of entities accounted for using equity method that was recorded in the previous fiscal year will contribute to the increases in incomes.

(2) Analysis of Financial Position

Total assets as of December 31, 2016 increased ¥2,207 million from December 31, 2015 to ¥203,356 million. Looking at the breakdown, current assets increased ¥6,162 million and non-current assets decreased ¥3,955 million. The changes mainly resulted from a ¥5,147 million increase in cash and deposits, a ¥1,430 million increase in merchandise and finished goods, a ¥1,043 million decrease in other under current assets, a ¥2,250 million decrease in investment securities, and a ¥1,579 million decrease in other under investments and other assets. Total liabilities increased ¥3,155 million from December 31, 2015, to ¥136,205 million. This mainly reflected a ¥4,647 million increase in short-term loans payable and long-term loans payable, a ¥2,416 million increase in notes and accounts payable–trade, and a ¥1,200 million decrease in other under current liabilities. Net assets decreased ¥947 million from December 31, 2015 to ¥67,151 million, mainly due to a ¥519 million increase in retained earnings, a ¥1,282 million decrease in valuation difference on available-for-sale securities, and a ¥627 million decrease in foreign currency translation adjustment.

The equity ratio was 32.2%.

(Cash flows from operating activities)
Cash flows from operating activities came to a net cash inflow of ¥8,283 million, comprised principally of depreciation of ¥7,189 million, an increase in inventories of ¥1,810 million, and an increase in notes and accounts payable–trade of ¥2,625 million.

(Cash flows from investing activities)
Cash flows from investing activities resulted in a net cash outflow of ¥5,736 million, comprised principally of capital investment expenditures of ¥8,561 million and proceeds from sales of investment securities of ¥1,467 million.

(Cash flows from financing activities)
Cash flows from financing activities amounted to a net cash inflow of ¥2,621 million, due primarily to an increase in interest-bearing liabilities.

Note: The fiscal year of the Company, previously from April 1 to March 31 of the following year, has been changed to January 1 to December 31 of the year, effective as of the fiscal year ended December 31, 2015. Changes in cash flows from the previous fiscal year are not mentioned, as the periods of the fiscal year ended December 31, 2016 and the fiscal year ended December 31, 2015 cannot be compared due to their differences.

Reference: The trend of cash flow indicators is as follows.

Indicator	Mar. 31, 2014	Mar. 31, 2015	Dec. 31, 2015	Dec. 31, 2016
Equity ratio (%)	34.0	34.0	33.0	32.2
Market-based equity ratio (%)	31.7	25.5	21.2	25.0
Cash flow/Interest-bearing liabilities ratio (times)	6.3	—	5.2	7.4
Interest coverage ratio (times)	9.3	—	16.0	13.7

• Equity ratio: Shareholders' equity/Total assets
• Market-based equity ratio: Total market price of shares/Total assets
• Cash flow/Interest-bearing liabilities ratio: Interest-bearing liabilities/Operating cash flow
• Interest coverage ratio: Operating cash flow/Interest payments

Notes: 1. All figures have been calculated using consolidated-based financial figures.
2. The total market price of shares is the product of the per-share closing price at the end of the period and the total number of shares outstanding (less treasury shares) at the end of the period.
3. The operating cash flow uses the Cash flows from Operating Activities as per the Consolidated Statement of Cash Flows. Interest-bearing liabilities use all the loans payable and bonds payable as recorded in the Consolidated Balance Sheet. The Interest payments use the interest expenses paid as recorded in the Consolidated Statement of Cash Flows.
4. A cash flow/Interest-bearing liabilities ratio and an interest coverage ratio for the fiscal year ended March 31, 2015 are not presented in the table because the net cash flow for the fiscal year was an outflow (negative).

(3) Basic Policy on Profit Distribution and Dividends for the Current and Next Fiscal Years

We recognize that the method for determining dividends to be paid to shareholders is one of the most important policies to be made. Our basic policy is to continue making and increase our dividend distribution, taking into consideration, not just consolidated financial results, but our Group's financial position and future business developments as well as changes in our managerial environment. It is our basic policy to distribute retained earnings to shareholders once a year as year-end dividends. The organ to determine the payment of dividends is a general meeting of shareholders.

With respect to dividends for the fiscal year ended December 31, 2016, we will pay a year-end dividend of 1.5 yen per share in line with the above policy.

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

(4) Risks Which Could Affect Our Business

Latent risks and uncertainties which could affect our future financial performance are exemplified as below. We recognize the possibility of the occurrence of such risks and uncertainties, and will strive to avoid their occurrence and take proper measures should they occur:

1) **Economic Conditions and Changes in the Environment of Agriculture**
Sluggishness of domestic and/or overseas economic conditions and any change in the agriculture policy may negatively affect our financial performance through reduced demand for agricultural machinery.
2) **Exchange Rate Fluctuation**
There is a possibility that fluctuation of foreign exchange may negatively affect our financial performance.
3) **Price Hike of Raw Materials, Difficulty in Procurement, and Confusion in the Supply Chain**
As we procure raw materials and parts from numerous suppliers, their prices suddenly increasing more rapidly than expected and a prolonged tightening of supplies may negatively affect our business performance.
In addition, a fall in production activities due to disruptions in the supply chain may harm the ISEKI Group's business performance and financial position.
4) **Dependency on Specific Customers or Suppliers**
Any change of business policy, business depression and failure of our specific customers or suppliers may harm our financial performance.
5) **Competition with Other Companies**
We are involved in fierce competition with other companies in the market, and unless overall product competitiveness, including relevant services, is maintained, there is the possibility of a decline in our performance.
6) **Serious Defects in Products and Services**
The occurrence of serious defects in our products or services may negatively affect our financial performance.
7) **Stock Market Fluctuation**
As we hold securities, stock price declines may harm our business performance and financial position.
8) **Government Regulation on Environmental Issues, etc., and Occurrence of Related Difficulties**
Substantial costs may be incurred related to our products or business activities due to necessitated responses

to public regulation of environmental issues etc., corrective measures undertaken upon the occurrence of troubles, lawsuits and other situations which could lead to a deterioration of our financial performance.

9) Risks Derived from International Business

As we promote overseas business development, unexpected changes in tax and legal systems or political unrest of any particular country may unfavorably affect our financial performance when we engage in international business activities.

In addition, as we focus on expanding business to the Asian region, mainly a difficulty in ensuring human resources, immature technological levels and unstable labor-management relationships in the region may hinder the ISEKI Group's business development.

10) Risk of Legal Violation

We are making group-wide efforts to accomplish complete legal compliance and drive home the code of ethical behavior by establishing the "ISEKI Group Code of Ethical Behavior" and preparing an internal control system. In spite of such efforts, if any of our directors and/or employees should conduct themselves in any way that violates laws and regulations, there is a possibility that the business activities of the Group will be restrained and the business performance will be deteriorated. The Company is currently under on-site investigation by the Japan Fair Trade Commission regarding their tendering in a facility construction work bid. Results of the investigation may have an adverse effect on the results of the Group.

11) Risk of Natural Disasters and Accidents

Natural disasters such as earthquakes, typhoons, flood or unexpected accidents may occur, which may harm our financial performance.

12) Business Alliances, Joint Ventures and Strategic Investment with Other Companies

We will form business alliances and joint ventures and carry out strategic investment with other companies as necessary. We believe that these measures are an effective means for the effective utilization of the management resources of both parties and for the timely development, production and sales of products.

However, should a conflict of interests occur between the parties concerned in business alliances or joint ventures due to financial position or other reasons, we would not be able to maintain the alliances. With regard to strategic investment, including acquisitions, there is a possibility that the expected results and/or effects will not be obtained in the integration of business, technologies, products and human resources, or that more time and expenses than expected will be required. Accordingly, the success or failure of these measures may seriously affect the ISEKI Group's business and may harm our business performance and financial position.

13) Debt

We have concluded syndicate loan or commitment line contracts with financial institutions. Should any of the financial conditions of these contracts be triggered, we could face obligations to pay back some or all of these loans, which could negatively affect the financial position of the ISEKI Group.

There is a possibility that a hike in interest rate may harm our financial performance.

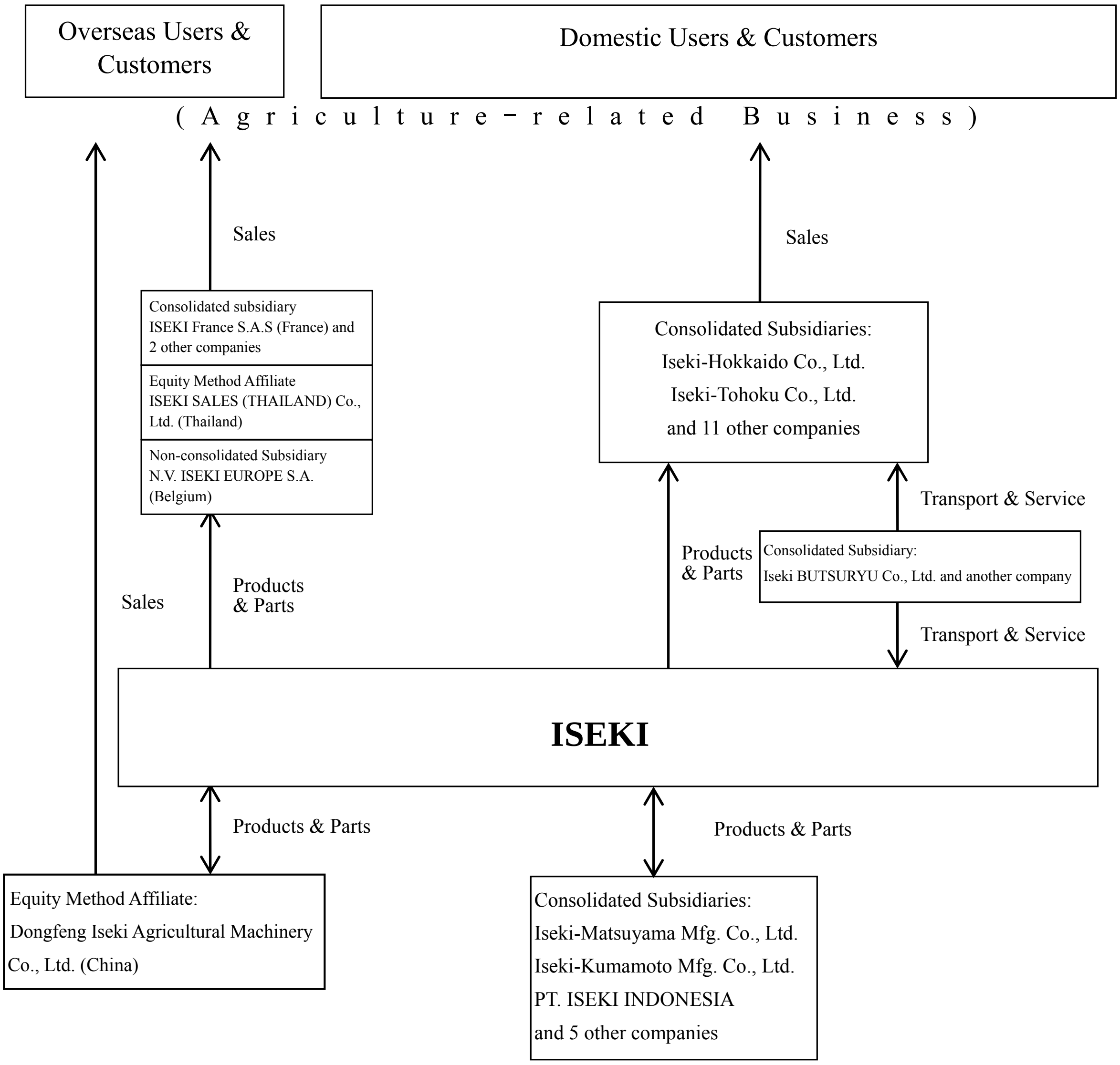
2. The ISEKI Group

The main business of the ISEKI Group is the development, manufacture and sale of agricultural machinery for rice and vegetable farming, among other related areas.

The position of the business in the ISEKI Group is stated below.

(Agriculture-related Business)

The Company primarily handles the development and design of agricultural machinery. Iseki-Matsuyama Mfg. Co., Ltd., Iseki-Kumamoto Mfg. Co., Ltd. and seven other companies handle our agricultural machinery manufacturing and processing of related components, and 13 domestic sales companies market and sell the machinery across the country. Overseas marketing operations are handled by ISEKI France S.A.S (France), Dongfeng Iseki Agricultural Machinery Co., Ltd. (China) and local distributors and affiliates.



3. ISEKI's Management Policies

(1) ISEKI's Basic Management Principles

Since the establishment of the Company in 1926, with the principle of our founder, "free farmers from exhausting labor" as the cornerstone, the ISEKI Group has been striving to contribute to the modernization of Japan's agricultural industry as a full-time manufacturer specialized in agricultural machinery. Over this time, we have consistently pursued efficient and labor-saving advances in agriculture, and have served the market by pioneering the development of a great deal of agricultural machinery and facilities. When we consider the increase of global population, food issues, food self-sufficiency and land conservation, and global environmental issues, the role agriculture plays is significant and, consequently, the social mission of agricultural machinery manufacturer becomes more and more important.

To contribute to agriculture both in Japan and throughout the world, the ISEKI Group will continue to operate under the basic business philosophy to "provide products that satisfy customers," and endeavor to further increase our corporate value.

[Company Motto]

Our management philosophy is to provide

1. Products that satisfy customers,

2. A stable workplace to the employees,

3. Appropriate dividend to the shareholders,

and thereby we will fulfill our social mission.

(2) Long-term Management Strategies and Issues to be Addressed

In 2025, ISEKI & Co., Ltd., will celebrate its 100th anniversary.

To establish our firm position as a manufacturer specialized in agricultual machinery in the global market by our 100th anniversary, we will make concerted efforts throughout the Group in strengthening our responsiveness to structural changes in agriculture in Japan, expanding our overseas business, reinforcing our organization and governance by exercising our strength as a manufacturer specialized in agricultual machinery, and utilizing our ability to develop and propose products that are competitive in the global market.

1) To strengthen the responsiveness to changes in the Japanese market

Agriculture in Japan is undergoing structural changes toward improved productivity based on the government's policy to make agriculture a growth industry. These changes include large-scale farming through the consolidation of farmland, a switching of cropping modes from rice to other crops, the entry of companies into agriculture, and the progress of developing agriculture as a sixth industry.

While the Company has already been making efforts to respond to changes in agriculture in Japan as a priority issue, we will accelerate our efforts and respond to changes in the market both in our products and services.

In terms of products, we will reinforce our efforts in developing products that respond to the "new agricultural administration era" by utilizing our technological capabilities such as simple specifications for reducing production material costs, automation specifications incorporating advanced technology that address labor-saving to respond to the lack of labor, and machines for cropping and vegetable farming, according to the cultivation system of the region.

In terms of services, we will strengthen our proposal-based marketing abilities in local regions by operating Dream Agricultural Research Institute Branches in the regions under the control of the Dream Agricultural Research Institute, an institute established in Tsukubamirai City for the research and verification of advanced agricultural technology and support of dissemination to prospective farmers. We will also strive to strengthen our service and support capabilities by reinforcing the training of service personnel through the ISEKI Global Training Center and enhancing maintenance facilities that can respond to maintenance of large machinery.

We will reinforce our domestic business foundation by supporting the "full of dreams farming industry" in Japan with our products and services.

2) To fully develop global strategies

We will position North America, Europe, China, and the ASEAN markets as our four strategic regions, and aim to achieve an overseas sales ratio of more than 40%, including entities accounted for using equity method, by fiscal 2020.

In the North American market, we will further strengthen cooperation with our OEM partners and aim to further expand sales by launching "new strategic products" that satisfy customer needs.

In the European market, we will position ISEKI France S.A.S as the core of business development to establish the ISEKI brand in Europe, and focus on expanding sales and market share by enhancing our product lineup and strengthening our service and support system.

For the Chinese and ASEAN businesses, which we position as a growth engine, we will further strengthen cooperation with joint venture partners to expand business.

In the Chinese market, Dongfeng Iseki Agricultural Machinery Co., Ltd., completed construction of a new plant in 2016. Going forward, we will enhance its product lineup and expand its business by supplying products not only within China but also to the ASEAN market.

In the Thai market, we have been endeavoring to establish the ISEKI brand through sales by ISEKI SALES (THAILAND) Co., Ltd., which was founded in 2013. We also established ISEKI (THAILAND) Co., Ltd., in 2016 to further strengthen sales and services for our products not only in Thailand but also throughout the entire ASEAN region. Going forward, we will aim to establish our business in Thailand and expand sales channels to surrounding countries by further strengthening cooperation with joint venture partners. In addition, at PT. ISEKI INDONESIA, which began full-fledged operations in fiscal 2016 as our central production base in the ASEAN market, we will reinforce our efforts to improve revenues by optimizing suppliers and improving work at production sites.

We will focus on expanding our overseas business by enhancing our product development, production, sales and service structures by leveraging regional characteristics, and reinforcing the development of personnel that support such structures.

3) To promote cost and revenue structure reforms

The Group has been pushing forward with cost structure reforms mainly in the development and production departments in order to launch products that are competitive in the intensifying sales competition both in Japan and overseas. During the fiscal year ended December 31, 2016, we were able to achieve the expected results by promoting further cost structure reforms in the development and production departments as well as fully enforcing low-cost operations, including in sales divisions. We intend to continue our Groupwide cost structure reforms to implement revenue structure reforms.

4) To ensure compliance with laws and regulations and enhance internal control

The Company underwent on-site investigations by the Japan Fair Trade Commission (JFTC) on suspicion of a possible violation of the Antimonopoly Act regarding bidding for facility construction works and received a cease and desist order and a surcharge payment order pursuant to the Antimonopoly Act.

Recognizing the severity of this issue, the Company has worked to prevent recurrence by developing preventive measures and declaring and publicizing the cessation of bid rigging by top management.

Specifically, the Management Control Section For Agri-Plant Business's functions of auditing and monitoring of facility operations were transferred to the Internal Control & Audit Department. At the same time, the Internal Control & Audit Department was placed directly under the Management Supervisory Committee, independent from operational departments. The action policy and manuals on facility operations were also revised and education and training, including at sales subsidiaries, was reinforced.

Furthermore, we have allocated an officer dedicated to facility operations and have been utilizing external personnel in audits of facility operations since March 2016. In January 2017, we allocated an officer dedicated to integrated management of internal controls as well as audit and compliance.

We will strive to more thoroughly comply with laws and regulations and enhance internal controls, and strengthen preventive measures.

4. Basic Policy for Choosing Accounting Standards

Considering comparability of periods between consolidated financial statements and comparability between companies, the ISEKI Group will continue to use the Japanese accounting standards for preparing consolidated financial statements for the time being.

Regarding the international accounting standards, we will adopt them in proper timing, considering relevant circumstances in and outside Japan.

5. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	FY ended Dec. 31, 2015 (as of Dec. 31, 2015)	FY ended Dec. 31, 2016 (as of Dec. 31, 2016)
Assets		
Current assets		
Cash and deposits	8,788	13,936
Notes and accounts receivable-trade	24,895	24,911
Merchandise and finished goods	40,600	42,031
Work in process	5,856	6,073
Raw materials and supplies	1,359	1,211
Deferred tax assets	890	1,402
Other	4,437	3,393
Allowance for doubtful accounts	(56)	(26)
Total current assets	86,771	92,934
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	22,957	23,572
Machinery, equipment and vehicles, net	10,092	10,278
Tools, furniture and fixtures, net	3,283	3,122
Land	50,657	50,619
Leased assets, net	8,420	7,554
Construction in progress	1,473	1,293
Other, net	25	25
Total property, plant and equipment	96,911	96,466
Intangible assets	1,134	1,062
Investments and other assets		
Investment securities	8,569	6,319
Long-term loans receivable	52	49
Deferred tax assets	731	1,125
Net defined benefit asset	714	674
Other	6,564	4,984
Allowance for doubtful accounts	(300)	(259)
Total investments and other assets	16,331	12,893
Total non-current assets	114,377	110,422
Total assets	201,149	203,356

	FY ended Dec. 31, 2015 (as of Dec. 31, 2015)	FY ended Dec. 31, 2016 (as of Dec. 31, 2016)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	29,400	30,286
Electronically recorded obligations-operating	10,604	12,135
Short-term loans payable	24,389	24,695
Current portion of long-term loans payable	8,641	8,897
Lease obligations	2,646	2,552
Accrued consumption taxes	487	550
Income taxes payable	438	703
Deferred tax liabilities	0	7
Accrued expenses	4,571	4,520
Provision for bonuses	467	407
Provision for loss on disaster	—	20
Other	5,868	4,668
Total current liabilities	87,518	89,447
Non-current liabilities		
Long-term loans payable	23,703	27,788
Lease obligations	6,414	5,529
Deferred tax liabilities	1,624	779
Deferred tax liabilities for land revaluation	6,074	5,790
Provision for directors’ retirement benefits	107	107
Net defined benefit liability	4,806	4,491
Asset retirement obligations	304	314
Other	2,496	1,956
Total non-current liabilities	45,532	46,757
Total liabilities	133,050	136,205
Net assets		
Shareholders’ equity		
Capital stock	23,344	23,344
Capital surplus	13,454	13,454
Retained earnings	13,514	14,034
Treasury shares	(988)	(990)
Total shareholders’ equity	49,325	49,842
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,509	1,227
Deferred gains or losses on hedges	1	6
Revaluation reserve for land	12,401	12,686
Foreign currency translation adjustment	1,425	798
Remeasurements of defined benefit plans	717	870
Total accumulated other comprehensive income	17,055	15,588
Subscription rights to shares	91	91
Non-controlling interests	1,626	1,629
Total net assets	68,099	67,151
Total liabilities and net assets	201,149	203,356

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Consolidated Statements of Income

(Millions of yen)

	FY ended Dec. 31, 2015 (Apr. 1, 2015– Dec. 31, 2015)	**FY ended Dec. 31, 2016** (Jan. 1, 2016– Dec. 31, 2016)
Net sales	145,210	153,097
Cost of sales	104,498	108,244
Gross profit	40,711	44,852
Selling, general and administrative expenses	40,251	42,383
Operating income	460	2,469
Non-operating income		
Interest income	109	134
Dividend income	202	204
Foreign exchange gains	230	—
Subsidies received	76	103
Rent income	144	173
Technical support fee	—	285
Gain on sales of scraps	52	39
Other	782	716
Total non-operating income	1,599	1,658
Non-operating expenses		
Interest expenses	664	599
Sales discounts	86	91
Foreign exchange losses	—	172
Share of loss of entities accounted for using equity method	—	1,075
Other	360	552
Total non-operating expenses	1,111	2,492
Ordinary income	947	1,635
Extraordinary income		
Gain on sales of non-current assets	41	43
Compensation income	6	—
Gain on sales of investment securities	303	1,113
Total extraordinary income	351	1,156
Extraordinary losses		
Loss on sales and retirement of non-current assets	187	200
Impairment loss	99	106
Loss on disaster	—	1,068
Surcharges	270	315
Total extraordinary losses	556	1,690
Income before income taxes	741	1,101
Income taxes-current	756	1,049
Income taxes-deferred	1,446	(810)
Total income taxes	2,202	238
Profit (loss)	(1,460)	862
Profit attributable to non-controlling interests	5	4
Profit (loss) attributable to owners of parent	(1,465)	858

Consolidated Statements of Comprehensive Income

(Millions of yen)

	FY ended Dec. 31, 2015 (Apr. 1, 2015– Dec. 31, 2015)	**FY ended Dec. 31, 2016** (Jan. 1, 2016– Dec. 31, 2016)
Profit (loss)	(1,460)	862
Other comprehensive income		
Valuation difference on available-for-sale securities	(472)	(1,278)
Deferred gains or losses on hedges	1	5
Revaluation reserve for land	—	284
Foreign currency translation adjustment	(105)	(265)
Remeasurements of defined benefit plans, net of tax	(33)	152
Share of other comprehensive income of entities accounted for using equity method	(239)	(364)
Total other comprehensive income	(849)	(1,465)
Comprehensive income	(2,310)	(602)
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	(2,313)	(608)
Comprehensive income attributable to non-controlling interests	2	5

(3) Consolidated Statements of Changes in Equity

Fiscal Year Ended December 31, 2015 (Apr. 1, 2015–Dec. 31, 2015)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	23,344	13,454	15,658	(986)	51,470
Changes of items during period					
Dividends of surplus			(677)		(677)
Loss attributable to owners of parent			(1,465)		(1,465)
Purchase of treasury shares				(1)	(1)
Net changes of items other than shareholders' equity					—
Total changes of items during period	—	—	(2,143)	(1)	(2,144)
Balance at end of period	23,344	13,454	13,514	(988)	49,325

	Accumulated other comprehensive income						Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	2,979	—	12,401	1,771	750	17,902	68	1,624	71,065
Changes of items during period									
Dividends of surplus									(677)
Loss attributable to owners of parent									(1,465)
Purchase of treasury shares									(1)
Net changes of items other than shareholders' equity	(469)	1	—	(345)	(33)	(847)	22	2	(821)
Total changes of items during period	(469)	1	—	(345)	(33)	(847)	22	2	(2,966)
Balance at end of period	2,509	1	12,401	1,425	717	17,055	91	1,626	68,099

Fiscal Year Ended December 31, 2016 (Jan. 1, 2016–Dec. 31, 2016)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	23,344	13,454	13,514	(988)	49,325
Changes of items during period					
Dividends of surplus			(338)		(338)
Profit attributable to owners of parent			858		858
Purchase of treasury shares				(2)	(2)
Net changes of items other than shareholders' equity					—
Total changes of items during period	—	—	519	(2)	516
Balance at end of period	23,344	13,454	14,034	(990)	49,842

	Accumulated other comprehensive income						Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	2,509	1	12,401	1,425	717	17,055	91	1,626	68,099
Changes of items during period									
Dividends of surplus									(338)
Profit attributable to owners of parent									858
Purchase of treasury shares									(2)
Net changes of items other than shareholders' equity	(1,282)	5	284	(627)	152	(1,466)	—	2	(1,464)
Total changes of items during period	(1,282)	5	284	(627)	152	(1,466)	—	2	(947)
Balance at end of period	1,227	6	12,686	798	870	15,588	91	1,629	67,151

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	FY ended Dec. 31, 2015 (Apr. 1, 2015– Dec. 31, 2015)	**FY ended Dec. 31, 2016** (Jan. 1, 2016– Dec. 31, 2016)
Cash flows from operating activities		
Income before income taxes	741	1,101
Depreciation	5,831	7,189
Impairment loss	99	106
Loss on disaster	—	1,068
Increase (decrease) in net defined benefit liability	(486)	(300)
Loss (gain) on sales of investment securities	(303)	(1,113)
Interest and dividend income	(311)	(339)
Interest expenses	664	599
Foreign exchange losses (gains)	(160)	(298)
Loss (gain) on sales of property, plant and equipment and intangible assets	146	156
Compensation income	(6)	—
Surcharges	270	315
Decrease (increase) in notes and accounts receivable-trade	5,376	(153)
Decrease (increase) in inventories	(212)	(1,810)
Increase (decrease) in notes and accounts payable-trade	1,419	2,625
Other	(609)	784
Subtotal	12,458	9,933
Interest and dividends income received	300	342
Interest expenses paid	(678)	(603)
Proceeds from compensation	6	—
Payments for loss on disaster	—	(519)
Surcharges paid	(305)	(270)
Income taxes paid	(950)	(598)
Net cash provided by (used in) operating activities	10,830	8,283
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	(7,440)	(8,561)
Proceeds from sales of property, plant and equipment and intangible assets	411	373
Purchase of investment securities	(99)	(53)
Proceeds from sales of investment securities	605	1,467
Decrease (increase) in loans receivable	842	913
Decrease (increase) in time deposits	4	(0)
Other	(82)	123
Net cash provided by (used in) investing activities	(5,757)	(5,736)

	FY ended Dec. 31, 2015 (Apr. 1, 2015– Dec. 31, 2015)	FY ended Dec. 31, 2016 (Jan. 1, 2016– Dec. 31, 2016)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(745)	374
Proceeds from long-term loans payable	12,975	14,780
Repayments of long-term loans payable	(13,091)	(10,438)
Proceeds from sales and leasebacks	1,047	1,024
Repayments of lease obligations	(2,445)	(2,766)
Purchase of treasury shares	(1)	(2)
Cash dividends paid	(671)	(336)
Dividends paid to non-controlling interests	—	(3)
Other	(9)	(9)
Net cash provided by (used in) financing activities	(2,943)	2,621
Effect of exchange rate change on cash and cash equivalents	61	(20)
Net increase (decrease) in cash and cash equivalents	2,190	5,147
Cash and cash equivalents at beginning of period	6,570	8,761
Cash and cash equivalents at end of period	8,761	13,909

(5) Notes Regarding the Consolidated Financial Statements

(Notes Regarding the Going Concern Assumption)

Not applicable

(Important Basic Items for Preparing Consolidated Financial Statements)

1. Scope of consolidation

Number of consolidated subsidiaries……….26 companies

(including Iseki-Matsuyama Mfg. Co., Ltd., Iseki-Kumamoto Mfg. Co., Ltd., Iseki-Hokkaido Co., Ltd. and Iseki-Tohoku Co., Ltd.)

ISEKI (THAILAND) Co., Ltd., which was newly established, has been included in the scope of consolidation from the fiscal year ended December 31, 2016.

2. Scope of the equity method companies

Number of affiliates……….2 companies (Dongfeng Iseki Agricultural Machinery Co., Ltd. and ISEKI SALES (THAILAND) Co., Ltd.)

3. Consolidated accounting period

Of the consolidated subsidiaries, 23 companies (including Iseki-Matsuyama Mfg. Co., Ltd.) use a balance sheet date of December 31. ISEKI France S.A.S and one other company use a balance sheet date of September 30.

With regard to the preparation of the consolidated financial statements, for ISEKI France S.A.S and one other company adopting September 30 as their annual closing date, necessary adjustments at consolidation are made for any significant transactions that occurred between the consolidated balance sheet date and these dates.

4. Accounting policies

(1) Valuation basis and methods of important assets

(a) Securities

Held-to-maturity debt securities .... recorded at amortized cost

Available-for-sale securities

- Securities with fair market value………. recorded at market value, based on the fair market price at the closing date of the consolidated reporting period. (Any estimate variance is credited or debited to Shareholders' Equity)
- Securities without fair market value........ recorded at cost, based on the moving-average method

(b) Inventories .... mainly recorded at cost using the gross average method (Balance sheet amounts for items with reduced profitability have been adjusted downward accordingly)

(c) Derivatives.. recorded using the market value method

(2) Depreciation methods for material depreciable assets

(a) Property, plant and equipment (excluding leased assets)

The straight-line method is used.

(b) Intangible assets (excluding leased assets)

The straight-line method is used. However, software for internal use is depreciated using the straight-line method over an expected useful life within the company of five years.

(c) Leased assets

Leased assets derived from finance leases other than those leases which transfer the ownership of the assets to the lessee are amortized using the straight-line method with no residual value over the lease period, which is deemed the useful life.

Among finance leases that do not involve transfer of ownership to lessee, leases that began before April 1, 2008 are accounted for as normal operating leases.

(3) Allowances and reserves

(a) Allowance for doubtful accounts

A likely unrecoverable amount is calculated by applying the historical bad debt ratio to common receivables. For specific receivables, such as doubtful debt receivables, allowances are made by individually evaluating the likelihood of them being collected.

(b) Provision for bonuses

To provide for future bonus payments to employees, a provision for bonuses is booked based on estimated future payments.

(c) Provision for directors' retirement benefits

Some of the consolidated subsidiaries record the directors' retirement benefits to provide for directors' retirement benefits in an amount as required by companies' internal regulations.

(d) Provision for loss on disaster
To provide for expenditures required for the restoration of assets that were affected by the 2016 Kumamoto Earthquake, an estimated amount as of December 31, 2016, is booked.

(4) Accounting treatment related to retirement benefits
(a) Method of attributing the projected benefits to periods of service
In calculating retirement benefits, the method of attributing the projected benefits to periods until the end of the current fiscal year is based on the benefit formula basis attribution.
(b) Method of amortization of actuarial gains or losses and prior service cost
Actuarial gains or losses are amortized as incurred over the periods, which are the average remaining service years of employees, by the straight-line method, starting from the following fiscal year. Prior service cost is amortized as incurred over the periods, which are the average remaining service years of employees, by the straight-line method.
(c) Adoption of the simplified method at small companies
For calculating net defined benefit liability and retirement benefit expenses, some consolidated subsidiaries apply the simplified method which assumes the company's benefit obligation to be equal to the benefits payable assuming the voluntary retirement of all employees takes place at fiscal year-end.

(5) Accounting standards for revenues and expenses
(a) Accounting standards for the value and cost of completed construction contracts
The percentage-of-completion method is applied for construction in progress up to the end of the consolidated accounting period, for which the outcome can be estimated reliably (the proportional cost method is applied for estimating the percentage of progress of the construction). The completed-contract method is applied for other constructions.

(6) Foreign currency translation
Monetary assets and liabilities in foreign currencies are translated into yen at the rates of exchange in effect at the balance sheet date. Gains or losses resulting from the translation are credited or charged to income. Balance sheet accounts (except for shareholders' equity) and revenue and expense accounts of the overseas subsidiary are translated into yen at the rates of exchange in effect at the balance sheet dates. Differences arising from the translation are presented as "Foreign currency translation adjustment" and "Non-controlling interests" in shareholders' equity and financial statements.

(7) Hedge accounting
(a) Hedge accounting
Recorded in accordance with deferred hedge accounting. Such receivables and payables, which are denominated in foreign currencies and for which forward exchange contracts have been entered, are recorded using the forward exchange rates.
(b) Hedging instruments and hedged items
(i) Hedging instruments
Forward exchange contracts and interest rate swap agreements
(ii) Hedged items
Receivables and payables denominated in foreign currencies, forecasted transactions denominated in foreign currencies, and loans payable
(c) Hedging policies
The financial risks associated with fluctuations in foreign currencies exchange rates and interest rates are hedged.
Risks associated with fluctuations in foreign currencies exchange rates concerning transactions in foreign currencies, which occur when import and export operations are performed, are hedged by keeping a balance between export exchanges and import exchanges. With regard to risks associated with fluctuations in interest rates on loans payable, risks concerning variable interest rate loans payable are hedged, mainly with a view to equalizing interest burdens.

(8) Amortization method and amortization period of goodwill
The goodwill account is amortized by the straight-line method over a period of no longer than 20 years.

(9) Cash and cash equivalents in the Consolidated Statement of Cash Flows
Cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments which are readily convertible to cash subject to an insignificant risk of any change in their value and which were purchased with an original maturity of three months or less.

(10) Other notes pertaining to the preparation of the Consolidated Financial Statements

(a) Accounting treatment of consumption tax
Consumption tax and local consumption taxes are accounted for using a tax-exclusive method.

(Consolidated Balance Sheets Information)

	FY ended Dec. 31, 2015	FY ended Dec. 31, 2016
1. Accumulated depreciation of property, plant and equipment	103,229 million yen	105,732 million yen
2. Guaranteed liabilities	8,099 million yen	6,636 million yen
3. Notes receivable less discount-trade	4 million yen	1 million yen
4. Endorsed notes receivable-trade	112 million yen	94 million yen

5. Revaluation of land for business use
The Company has revalued its land for business use pursuant to the law (Law No. 19, announced on March 31, 2001) which revises parts of the law relating to the revaluation of land. The equivalent tax related to the change in the said revaluation has been recorded in the liabilities (non-current liabilities) as a "Deferred tax liabilities for land revaluation" and the deducted amount has been recorded under net assets as "Revaluation reserve for land."
   - Revaluation method ………………………… The revaluation of land has been determined using a reasonable adjustment to the assessed value of the non-current assets for property tax as stipulated in Paragraph 3, Article 2 of the enforcement order (Government ordinance No. 119, announced on March 31, 1998)
   - Revaluation date ………………………… March 31, 2001
   - Variance between the market value of the revalued land at the end of the period and the revalued book value ………………………… (12,294) million yen (12,493) million yen

6. Notes to mature on the last day of the fiscal year, etc.
Notes to mature on the last day of the fiscal year, etc. are settled as of the clearing date. Since the last day of the fiscal year ended December 31, 2016 fell on a holiday of financial institutions, the balance at the end of period includes the following notes to mature on the last day of the fiscal year, etc.

	FY ended Dec. 31, 2015	FY ended Dec. 31, 2016
Notes receivable-trade	280 million yen	276 million yen
Note payable-trade	1,916 million yen	1,710 million yen
Electronically recorded obligations-operating	858 million yen	1,030 million yen
Other (Notes payable-facilities)	372 million yen	91 million yen
Other (Electronically recorded obligations-non-operating)	50 million yen	162 million yen

(Consolidated Statements of Income Information)

	FY ended Dec. 31, 2015	FY ended Dec. 31, 2016
1. Research and development expenses	2,666 million yen	2,981 million yen

2. Impairment loss

Fiscal year ended December 31, 2015 (April 1, 2015–December 31, 2015)

The Company recorded impairment losses on the following assets.

(Millions of yen)

Usage	Type	Location	Impairment loss
Idle property	Buildings, Structures, Land	Uonuma, Niigata Pref.	19
	Buildings, Land	Akita, Akita Pref.	38
		Matsuyama, Ehime Pref.	19
	Land	Hitachinaka, Ibaraki Pref.	3
		Niigata, Niigata Pref.	1
		Shinano-machi, Kamiminochi-gun, Nagano Pref.	2
		Matsusaka, Mie Pref.	2
		Mitoyo, Kagawa Pref.	3
		Kirishima, Kagoshima Pref.	7
Total			99

(Reason to record impairment loss)

The Company recorded an impairment loss on the above assets because idle properties are not being used and have no prospect for use in the future. In addition, their market price is declining.

(Measurement of recoverable amount)

Recoverable amount is measured using net selling price. The price is determined by applying reasonable adjustments to the assessed value of non-current assets for property tax.

Fiscal year ended December 31, 2016 (January 1, 2016–December 31, 2016)

The Company recorded impairment losses on the following assets.

(Millions of yen)

Usage	Type	Location	Impairment loss
Idle property	Buildings, Structures, Land	Kanazawa, Ishikawa Pref.	48
		Niigata, Niigata Pref.	32
		Kumenan-cho, Kume-gun, Okayama Pref.	7
		Kawaminami-cho, Koyu-gun, Miyazaki Pref.	7
	Buildings, Structures	Minamiaizu-machi, Minamiaizu-gun, Fukushima Pref.	3
	Land	Yonago, Tottori Pref.	2
		Taragi-machi, Kuma-gun, Kumamoto Pref.	2
		Mimata-cho, Kitamorokata-gun, Miyazaki Pref.	2
Total			106

(Reason to record impairment loss)

The Company recorded an impairment loss on the above assets because idle properties are not being used and have no prospect for use in the future. In addition, their market price is declining.

(Measurement of recoverable amount)

Recoverable amount is measured using net selling price. The price is determined by applying reasonable adjustments to the assessed value of non-current assets for property tax.

(Consolidated Statements of Changes in Equity Information)

Fiscal year ended December 31, 2015 (April 1, 2015–December 31, 2015)

1. Matters concerning the classes and number of outstanding stock and classes and number of treasury shares

	Number of shares (as of Apr. 1, 2015)	Increase in number of shares during period	Decrease in number of shares during period	Number of shares (as of Dec. 31, 2015)
(Number of outstanding shares) Common stock	229,849,936	—	—	229,849,936
(Treasury shares) Common stock	3,959,147	5,019	—	3,964,166

The increase in the number of shares by 5,019 shares during the period was due to the purchasing of shares below stock trading unit.

2. Dividends

(1) Cash dividends paid

Resolution	Type of shares	Total amount of dividend paid (millions of yen)	Dividend per share (yen)	Record date	Effective date
Regular Meeting of Shareholders on Jun. 24, 2015	Common stock	677	3.00	Mar. 31, 2015	Jun. 25, 2015

(2) Of the dividends for which the record date belongs to the fiscal year ended December 31, 2015, those for which the effective date of the dividends will be in the fiscal year ending December 31, 2016.

Resolution	Type of shares	Source of funds for dividends	Total amount of dividend paid (millions of yen)	Dividend per share (yen)	Record date	Effective date
Regular Meeting of Shareholders on Mar. 25, 2016	Common stock	Retained earnings	338	1.50	Dec. 31, 2015	Mar. 28, 2016

Fiscal year ended December 31, 2016 (January 1, 2016–December 31, 2016)

1. Matters concerning the classes and number of outstanding stock and classes and number of treasury shares

	Number of shares (as of Jan. 1, 2016)	Increase in number of shares during period	Decrease in number of shares during period	Number of shares (as of Dec. 31, 2016)
(Number of outstanding shares) Common stock	229,849,936	—	—	229,849,936
(Treasury shares) Common stock	3,964,166	11,957	—	3,976,123

The increase in the number of shares by 11,957 shares during the period was due to the purchasing of shares below stock trading unit.

2. Dividends

(1) Cash dividends paid

Resolution	Type of shares	Total amount of dividend paid (millions of yen)	Dividend per share (yen)	Record date	Effective date
Regular Meeting of Shareholders on Mar. 25, 2016	Common stock	338	1.50	Dec. 31, 2015	Mar. 28, 2016

(2) Of the dividends for which the record date belongs to the fiscal year ended December 31, 2016, those for which the effective date of the dividends will be in the fiscal year ending December 31, 2017.

Resolution	Type of shares	Source of funds for dividends	Total amount of dividend paid (millions of yen)	Dividend per share (yen)	Record date	Effective date
Regular Meeting of Shareholders on Mar. 30, 2017	Common stock	Retained earnings	338	1.50	Dec. 31, 2016	Mar. 31, 2017

(Consolidated Statements of Cash Flows Information)

Reconciliation between cash and cash equivalents at the end of period and the amount reported in the Consolidated Balance Sheet.

	FY ended Dec. 31, 2015	FY ended Dec. 31, 2016
Cash and deposits	8,788 million yen	13,936 million yen
Time deposits with terms of more than 3 months	(27) million yen	(27) million yen
Total cash and cash equivalents	8,761 million yen	13,909 million yen

(Segment Information)

Since the Group had the only "agriculture-related business" segment, the segment information is omitted.

(Per Share Information)

(Yen)

	FY ended Dec. 31, 2015	FY ended Dec. 31, 2016
Net assets per share	293.87	289.68
Profit (loss) per share	(6.49)	3.80
Fully diluted profit per share	—	3.79

Notes:

1. Because the Company reported loss per share, the Company has not presented fully diluted profit per share for the fiscal year ended December 31, 2015.
2. Non-diluted profit per share or non-diluted loss per share and the basis of calculation, and fully diluted profit per share and the basis of calculation are as follows:

(Millions of yen)

	FY ended Dec. 31, 2015	FY ended Dec. 31, 2016
Profit (loss) per share		
Profit (loss) attributable to owners of parent reported in the Consolidated Statements of Income	(1,465)	858
Profit (loss) not attributable to common shares	—	—
Profit (loss) attributable to owners of parent attributed to common shares	(1,465)	858
During period average number of common shares (shares)	225,887,727	225,880,761
Fully diluted profit per share		
Adjustment of profit attributable to owners of parent reported in the Consolidated Statements of Income	—	—
Increase in common shares (shares)	—	399,170
[Portion of subscription rights to shares] (shares)	—	[399,170]
Dilutive securities that were not included in the computation of fully diluted profit per share because of their anti-dilutive effect	—	—

(Significant Subsequent Events)

Not applicable

6. Non-consolidated Financial Statements

(1) Non-consolidated Balance Sheets

(Millions of yen)

	FY ended Dec. 31, 2015 (as of Dec. 31, 2015)	**FY ended Dec. 31, 2016** (as of Dec. 31, 2016)
Assets		
Current assets		
Cash and deposits	3,828	8,992
Notes receivable-trade	3,599	2,701
Accounts receivable-trade	21,762	27,490
Merchandise and finished goods	15,603	13,411
Work in process	51	28
Raw materials and supplies	364	335
Advance payments-trade	179	214
Prepaid expenses	268	271
Deferred tax assets	473	594
Short-term loans receivable	11,104	11,634
Other	2,445	2,598
Allowance for doubtful accounts	(7)	(4)
Total current assets	59,674	68,267
Non-current assets		
Property, plant and equipment		
Buildings, net	6,082	6,699
Structures, net	610	643
Machinery and equipment, net	2,120	1,989
Vehicles, net	2	1
Tools, furniture and fixtures, net	1,373	1,150
Land	25,395	25,399
Leased assets, net	329	327
Construction in progress	495	886
Total property, plant and equipment	36,410	37,098
Intangible assets		
Leasehold right	85	85
Software	210	220
Leased assets	189	167
Other	85	42
Total intangible assets	571	515
Investments and other assets		
Investment securities	8,292	6,013
Shares of subsidiaries and associates	18,637	19,037
Investments in capital	95	92
Investments in capital of subsidiaries and associates	1,941	1,941
Long-term loans receivable	3,023	2,941
Long-term prepaid expenses	583	534
Other	837	381
Allowance for doubtful accounts	(88)	(22)
Allowance for investment loss	(825)	(825)
Total investments and other assets	32,497	30,095
Total non-current assets	69,479	67,708
Total assets	129,154	135,976

	FY ended Dec. 31, 2015 (as of Dec. 31, 2015)	FY ended Dec. 31, 2016 (as of Dec. 31, 2016)
Liabilities		
Current liabilities		
Notes payable-trade	8,316	7,488
Electronically recorded obligations-operating	5,282	5,784
Accounts payable-trade	18,011	20,232
Short-term loans payable	6,000	6,000
Current portion of long-term loans payable	4,703	4,862
Lease obligations	167	178
Account payable-other	698	656
Accrued expenses	2,284	2,277
Income taxes payable	—	206
Advances received	79	150
Deposits received	308	227
Provision for bonuses	95	82
Provision for loss on disaster	—	15
Other	937	551
Total current liabilities	46,886	48,713
Non-current liabilities		
Long-term loans payable	16,469	21,257
Lease obligations	389	353
Deferred tax liabilities	1,069	524
Deferred tax liabilities for land revaluation	6,074	5,790
Provision for retirement benefits	2,654	2,341
Asset retirement obligations	112	112
Long-term deposits received	625	596
Other	42	147
Total non-current liabilities	27,438	31,124
Total liabilities	74,324	79,837
Net assets		
Shareholders’ equity		
Capital stock	23,344	23,344
Capital surplus		
Legal capital surplus	11,554	11,554
Other capital surplus	2,450	2,450
Total capital surplus	14,004	14,004
Retained earnings		
Other retained earnings		
Retained earnings brought forward	3,476	5,789
Total retained earnings	3,476	5,789
Treasury shares	(988)	(990)
Total shareholders’ equity	39,838	42,147
Valuations and translation adjustments		
Valuation difference on available-for-sale securities	2,497	1,212
Revaluation reserve for land	12,401	12,686
Total valuation and translation adjustments	14,899	13,898
Subscription rights to shares	91	91
Total net assets	54,829	56,138
Total liabilities and net assets	129,154	135,976

(2) Non-consolidated Statements of Income

(Millions of yen)

	FY ended Dec. 31, 2015 (Apr. 1, 2015– Dec. 31, 2015)	FY ended Dec. 31, 2016 (Jan. 1, 2016– Dec. 31, 2016)
Net sales	66,073	95,873
Cost of sales	59,328	83,040
Gross profit	6,745	12,833
Selling, general and administrative expenses	9,346	11,911
Operating income (loss)	(2,600)	921
Non-operating income		
Interest income	219	312
Dividend income	1,069	1,116
Rent income	976	1,301
Other	805	785
Total non-operating income	3,071	3,515
Non-operating expenses		
Interest expenses	238	227
Sales discounts	34	44
Rent expenses	799	1,064
Other	368	354
Total non-operating expenses	1,441	1,690
Ordinary income (loss)	(971)	2,746
Extraordinary income		
Gain on sales of non-current assets	24	24
Gain on sales of investment securities	303	1,113
Total extraordinary income	327	1,137
Extraordinary losses		
Loss on sales and retirement of non-current assets	100	57
Impairment loss	2	—
Loss on disaster	—	659
Surcharges	151	315
Total extraordinary losses	255	1,032
Income (loss) before income taxes	(899)	2,851
Income taxes-current	18	223
Income taxes-deferred	670	(23)
Total income taxes	689	200
Profit (loss)	(1,588)	2,651

(3) Non-consolidated Statements of Changes in Equity

Fiscal Year Ended December 31, 2015 (Apr. 1, 2015–Dec. 31, 2015)

(Millions of yen)

	Shareholders' equity							
	Capital stock	Capital surplus			Retained earnings		Treasury shares	Total shareholders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings: Retained earnings brought forward	Total retained earnings		
Balance at beginning of period	23,344	11,554	2,450	14,004	5,743	5,743	(986)	42,105
Changes of items during period								
Dividends of surplus					(677)	(677)		(677)
Loss					(1,588)	(1,588)		(1,588)
Purchase of treasury shares							(1)	(1)
Net changes of items other than shareholders' equity								—
Total changes of items during period	—	—	—	—	(2,266)	(2,266)	(1)	(2,267)
Balance at end of period	23,344	11,554	2,450	14,004	3,476	3,476	(988)	39,838

	Valuation and translation adjustments			Subscription rights to shares	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Total valuation and translation adjustments		
Balance at beginning of period	2,965	12,401	15,366	68	57,541
Changes of items during period					
Dividends of surplus					(677)
Loss					(1,588)
Purchase of treasury shares					(1)
Net changes of items other than shareholders' equity	(467)	—	(467)	22	(444)
Total changes of items during period	(467)	—	(467)	22	(2,711)
Balance at end of period	2,497	12,401	14,899	91	54,829

Fiscal Year Ended December 31, 2016 (Jan. 1, 2016–Dec. 31, 2016)

(Millions of yen)

	Shareholders' equity							
		Capital surplus			Retained earnings			
	Capital stock	Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings: Retained earnings brought forward	Total retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	23,344	11,554	2,450	14,004	3,476	3,476	(988)	39,838
Changes of items during period								
Dividends of surplus					(338)	(338)		(338)
Profit					2,651	2,651		2,651
Purchase of treasury shares							(2)	(2)
Net changes of items other than shareholders' equity								—
Total changes of items during period	—	—	—	—	2,312	2,312	(2)	2,309
Balance at end of period	23,344	11,554	2,450	14,004	5,789	5,789	(990)	42,147

	Valuation and translation adjustments			Subscription rights to shares	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Total valuation and translation adjustments		
Balance at beginning of period	2,497	12,401	14,899	91	54,829
Changes of items during period					
Dividends of surplus					(338)
Profit					2,651
Purchase of treasury shares					(2)
Net changes of items other than shareholders' equity	(1,284)	284	(1,000)	—	(1,000)
Total changes of items during period	(1,284)	284	(1,000)	—	1,309
Balance at end of period	1,212	12,686	13,898	91	56,138

(4) Notes Regarding the Non-consolidated Financial Statements

(Notes Regarding the Going Concern Assumption)

Not applicable

7. Others

(1) Production, Orders & Sales

Note: The fiscal year of the Company, previously from April 1 to March 31 of the following year, has been changed to January 1 to December 31 of the year, effective as of the fiscal year ended December 31, 2015. Accordingly, the previous fiscal year, which is the transitional period of the fiscal year change, is nine months from April 1, 2015 to December 31, 2015. Because year-on-year comparisons are impossible, changes in production results per product-type from the previous period are not mentioned. Sales results per product-type are compared with the results for January 1, 2015, to December 31, 2015, which is the same period of the previous year.

1) Production results per product-type

(Millions of yen)

Product-type	FY ended Dec. 31, 2015 (Apr. 1, 2015–Dec. 31, 2015)	FY ended Dec. 31, 2016 (Jan. 1, 2016–Dec. 31, 2016)
Cultivating & mowing machinery	39,986	59,356
Planting machinery	8,776	12,034
Harvesting and processing machinery	16,103	22,164
Parts and farming implements	1,488	1,992
Other agriculture related business	5,303	5,460
Total	71,658	101,009

Note: Figures are shown in terms of sales values.

2) Orders

We operate a system whereby production is based mostly on projected demand. We hardly ever produce on order.

3) Sales results per product-type

(a) Total

(Millions of yen)

Product-type	FY ended Dec. 31, 2015 (Apr. 1, 2015–Dec. 31, 2015)		(Reference) Same period of the previous year (Jan. 1, 2015–Dec. 31, 2015)		FY ended Dec. 31, 2016 (Jan. 1, 2016–Dec. 31, 2016)		Change from previous period	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
		%		%		%		%
Cultivating & mowing machinery	48,993	33.7	56,468	36.0	52,092	34.0	(4,375)	(7.7)
Planting machinery	10,447	7.2	11,756	7.5	12,406	8.1	649	5.5
Harvesting and processing machinery	22,082	15.2	22,232	14.2	21,282	13.9	(949)	(4.3)
Parts and farming implements, and repair fees	37,833	26.1	39,251	25.0	40,645	26.6	1,394	3.6
Other agriculture related business	25,853	17.8	27,085	17.3	26,670	17.4	(415)	(1.5)
Total	145,210	100	156,794	100	153,097	100	(3,696)	(2.4)

(b) Domestic

(Millions of yen)

Product-type	FY ended Dec. 31, 2015 (Apr. 1, 2015– Dec. 31, 2015)		(Reference) Same period of the previous year (Jan. 1, 2015– Dec. 31, 2015)		FY ended Dec. 31, 2016 (Jan. 1, 2016– Dec. 31, 2016)		Change from previous period	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
		%		%		%		%
Cultivating & mowing machinery	29,441	24.0	30,098	24.0	27,580	22.8	(2,518)	(8.4)
Planting machinery	9,674	7.9	9,864	7.9	9,124	7.5	(739)	(7.5)
Harvesting and processing machinery	21,816	17.8	21,913	17.5	20,891	17.3	(1,021)	(4.7)
Parts and farming implements, and repair fees	36,120	29.5	36,954	29.4	38,558	31.8	1,603	4.3
Other agriculture related business	25,455	20.8	26,569	21.2	24,887	20.6	(1,682)	(6.3)
Total	122,508	100	125,400	100	121,041	100	(4,358)	(3.5)

(c) Overseas

(Millions of yen)

Product-type	FY ended Dec. 31, 2015 (Apr. 1, 2015– Dec. 31, 2015)		(Reference) Same period of the previous year (Jan. 1, 2015– Dec. 31, 2015)		FY ended Dec. 31, 2016 (Jan. 1, 2016– Dec. 31, 2016)		Change from previous period	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
		%		%		%		%
Cultivating & mowing machinery	19,552	86.1	26,369	84.0	24,512	76.5	(1,857)	(7.0)
Planting machinery	772	3.4	1,892	6.0	3,281	10.2	1,388	73.4
Harvesting and processing machinery	266	1.2	318	1.0	390	1.2	72	22.6
Parts and farming implements	1,712	7.5	2,296	7.3	2,087	6.5	(208)	(9.1)
Other agriculture related business	398	1.8	516	1.7	1,783	5.6	1,266	245.4
Total	22,701	100	31,394	100	32,055	100	661	2.1