August 8, 2018

ISEKI & CO., LTD.

Supplementary Information to Consolidated Financial Results

(January 1, 2018 – June 30, 2018)

I. Consolidated results of operations for the six months ended June 30, 2018

(Billions of yen, %)

	2Q of FY ended December 31, 2017	**2Q of FY ending December 31, 2018**	Year-on-year change		2Q of FY ending December 31, 2018 Forecast*	Difference (forecast /actual)
			Amount	%		
Net sales	80.2	**82.2**	2.0	2.6	86.0	(3.8)
Domestic	62.8	**63.9**	1.1	1.8	64.4	(0.5)
Overseas	17.4	**18.3**	0.9	5.1	21.6	(3.3)
Gross profit	23.7	**23.5**	(0.2)	(0.9)	24.0	(0.5)
Gross profit margin	29.6%	**28.6%**	(1.0)%	—	27.9%	0.7%
Selling, general and administrative expenses	20.9	**21.3**	0.4	2.1	22.0	(0.7)
Operating income	2.8	**2.2**	(0.6)	(22.6)	2.0	0.2
Balance of financial income	(0.3)	**(0.4)**	(0.1)	—	(0.3)	(0.1)
Other non-operating income	0.9	**0.0**	(0.9)	—	0.1	(0.1)
Ordinary income	3.4	**1.8**	(1.6)	(45.5)	1.8	0.0
Extraordinary income	0.0	**0.1**	0.1	—	0.0	0.1
Extraordinary losses	(0.1)	**(0.1)**	0.0	—	(0.2)	0.1
Income before income taxes	3.3	**1.8**	(1.5)	(44.1)	1.6	0.2
Income taxes	(1.1)	**(0.2)**	0.9	—	0.0	(0.2)
Profit attributable to owners of parent	2.2	**1.6**	(0.6)	(24.9)	1.6	0.0

* the forecast released on February 13, 2018

(Sales breakdown) (Billions of yen)

	2Q of FY ended December 31, 2017	**2Q of FY ending December 31, 2018**	Year-on-year change	2Q of FY ending December 31, 2018 Forecast*	Difference (forecast /actual)
Agricultural machinery	28.1	**28.3**	0.2	29.1	(0.8)
Farming implements	11.3	**11.8**	0.5	11.5	0.3
Spare parts	6.8	**6.8**	0.0	7.0	(0.2)
Repair fees	2.5	**2.6**	0.1	2.6	0.0
Totals agricultural machinery related	48.7	**49.5**	0.8	50.2	(0.7)
Construction of facilities	3.3	**3.3**	0.0	3.2	0.1
Others	10.8	**11.1**	0.3	11.0	0.1
Domestic sales total	62.8	**63.9**	1.1	64.4	(0.5)
North America	3.5	**5.6**	2.1	6.9	(1.3)
Europe	5.6	**6.0**	0.4	7.4	(1.4)
China	2.6	**0.9**	(1.7)	0.8	0.1
ASEAN	1.8	**2.0**	0.2	3.0	(1.0)
Others	1.7	**1.1**	(0.6)	1.3	(0.2)
Product sales total	15.2	**15.6**	0.4	19.4	(3.8)
Spare parts	1.2	**1.3**	0.1	1.1	0.2
Others	1.0	**1.4**	0.4	1.1	0.3
Overseas sales total	17.4	**18.3**	0.9	21.6	(3.3)
Total net sales	80.2	**82.2**	2.0	86.0	(3.8)

* the forecast released on February 13, 2018

1) Year-on-year change

(1) Net sales: ¥82.2 billion (up ¥2.0 billion (2.6%) year on year)

- Sales in Japan: ¥63.9 billion (up ¥1.1 billion (1.8%) year on year)

  Overall sales related to agricultural machinery increased by ¥0.8 billion as a result of increased sales of rice transplanters thanks to the launch of new products and ongoing favorable sales of farming implements. Sales of other products and services, including agricultural materials, increased by ¥0.3 billion

- Sales overseas: ¥18.3 billion (up ¥0.9 billion (5.1%) year on year)

  Sales in North America increased by ¥2.1 billion due to the disappearance of the effects of partial changes in business terms with an OEM partner in the same period of the previous fiscal year.

  Sales in Europe increased by ¥0.4 billion due to the effects of the launch of new products.

  Sales in China decreased by ¥1.7 billion due mainly to decreased shipments of semi-finished rice transplanters stemming from local inventory adjustment.

  Sales in ASEAN increased by ¥0.2 billion due mainly to increased shipments of tractors for Indonesia, though shipments for Thailand decreased.

(2) Revenue: worsening performance year on year partly due to temporary factors such as the unprofitable construction of facilities, as well as other factors such as increased development costs and personnel expenses.

- Operating income: ¥2.2 billion (down ¥0.6 billion year on year)
- Ordinary income: ¥1.8 billion (down ¥1.6 billion year on year)
- Income before income taxes: ¥1.6 billion (down ¥0.6 billion year on year)

  Operating income decreased by ¥0.6 billion primarily as a result of temporary factors such as unprofitable construction of facilities and expenses resulting from the application of the principle of calculating retirement benefits upon the merger of subsidiaries, as well as other factors such as increased development costs for products responsive to the emission gas regulations, etc. and increased personnel expenses.

  Ordinary income decreased by ¥1.6 billion mainly due to a worsening in foreign exchange gains or losses and in the share of profit or loss of entities using equity method, as well as the disappearance of subsidy income (non-operating income) recorded in the same period of the previous fiscal year.

  Profit decreased by ¥0.6 billion due to decreased tax expenses resulting from the application of the consolidated taxation system effective from the fiscal year ending December 31, 2018.

2) Comparison with the forecast

(1) Net sales: ¥3.8 billion lower than the forecast (Japan: ¥(0.5) billion, overseas: ¥(3.3) billion)

- Overall sales in Japan were ¥0.5 billion lower than the forecast, as a result of overall agricultural machinery sales that were ¥0.8 billion lower than the forecast due to delays in shipment schedules for tractors and combine harvesters, despite the increased sales of rice transplanters thanks to the launch of new products, as well as farming implements sales that were ¥0.3 billion higher than the forecast.
- Overall sales overseas were ¥3.3 billion lower than the forecast, as a result of sales in the North America that were ¥1.3 billion lower than the forecast because a portion of the locally consigned inventories based on orders received in OEM partner did not lead to sales for the fiscal year under review, sales in Europe that were ¥1.4 billion lower than the forecast mainly due to deferred sales of the off-demand season in a French subsidiary, and sales in ASEAN that were ¥1.0 billion lower than the forecast mainly due to decreased shipments of tractors stemming from inventory adjustments in a sales agent in Thailand.

(2) Revenue:

- Operating income: ¥0.2 billion higher than the forecast
- Ordinary income: Almost in line (¥0.0 billion) with the forecast
- Profit: Almost in line (¥0.0 billion) with the forecast

Operating income was ¥0.2 billion higher than the forecast, as a result of an earlier improvement in profitability in the Indonesian business and a reduction in selling, general, and administrative expenses and other expenses, despite the decrease in gross profit due to the failure to reach the sales target.

Ordinary income and profit were almost in line with the forecast mainly due to a worsening in the share of profit or loss of entities using equity method.

II. Consolidated financial results forecast for the fiscal year ending December 31, 2018

・ We have revised the consolidated financial results forecast for the fiscal year ending December 31, 2018 announced on February 13, 2018 as follows.

[Consolidated financial results forecast for the fiscal year ending December 31, 2018]

(January 1, 2018 through December 31, 2018) (Billions of yen)

	FY ended December 31, 2017	Previous forecast for FY ending December 31, 2018	**Latest forecast for FY ending December 31, 2018**	Year-on-year change	Difference (previous/ latest)
Net sales	158.4	164.5	**158.0**	(0.4)	(6.5)
Domestic	123.1	126.2	**125.2**	2.1	(1.0)
Overseas	35.3	38.3	**32.8**	(2.5)	(5.5)
Operating income	4.0	4.5	**4.5**	0.5	0.0
Ordinary income	4.2	4.3	**4.3**	0.1	0.0
Profit attributable to owners of parent	2.8	3.2	**3.2**	0.4	0.0

(Reason for revision)

We have made a downward revision of net sales in the amount of ¥6.5 billion from the previous forecast, in consideration of the actual financial results for the six months ended June 30, 2018, the current trends of orders received, and other factors. There are no revisions in any of the other income items from operating income onward thanks to ongoing cost reductions, though gross profit fell due to decreased net sales.

・ Sales in Japan have been revised downward in the amount of ¥1.0 billion from the previous forecast, in consideration of the current trends of orders received for construction of facilities and other factors.

・ Sales overseas have been revised downward in the amount of ¥5.5 billion from the previous forecast, taking into account the expected decrease in orders received mainly resulting from inventory adjustments in North America, ASEAN and China.

* The assumed foreign exchange rates for the second half: ¥110 per U.S. dollar (continued)
¥130 per euro (continued)

* Explanation on the proper use of financial results forecasts

The financial results forecasts and other forward-looking statements contained in this report are based on information available to the Company on the date of this report's release and certain preconditions that the Company deems to be reasonable. Actual results, etc. may significantly differ from the forecasts, however, as a result of various factors.