



August 8, 2018

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Scheduled Date to Commence Dividend Payment: —
Supplementary Information for Quarterly Financial Results: Yes
Quarterly Financial Results Briefing: Yes (for institutional investors and analysts)

Summary Announcement of Consolidated Financial Results **for the Six Months Ended June 30, 2018 (Japanese GAAP)**

I. Consolidated Financial Results for the Six Months Ended June 30, 2018 (January 1, 2018—June 30, 2018)

A. Consolidated Results of Operations (Cumulative Total)

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

	Six Months Ended June 30, 2018	%	Six Months Ended June 30, 2017	%
Net Sales	82,228	2.6	80,175	(1.1)
Operating Income	2,199	(22.6)	2,840	62.2
Ordinary Income	1,839	(45.5)	3,375	167.0
Profit Attributable to Owners of Parent	1,648	(24.9)	2,195	296.8
Earnings per Share (yen)				
Basic	72.97		97.20	
Diluted	72.86		97.03	

Note: Comprehensive income

Six months ended June 30, 2018: ¥681 million [(70.6)%]

Six months ended June 30, 2017: ¥2,322 million [—%]

* The Company has consolidated shares of its common stock (one-for-ten share consolidation), effective July 1, 2017. The amounts stated for basic earnings per share are calculated based on the assumption that shares of the common stock were consolidated at the beginning of the previous fiscal year.

B. Consolidated Financial Position

(Rounded down to a million yen)

	As of June 30, 2018	As of December 31, 2017
Total Assets	214,067	201,348
Net Assets	70,915	70,916
Shareholder's Equity to Total Assets Ratio (%)	32.3	34.4
Net Assets per Share (yen)	3,061.27	3,061.84

Reference: Shareholder's equity

As of June 30, 2018: ¥69,150 million

As of December 31, 2017: ¥69,164 million

II. Dividends

	Dividend per Share(yen)				
	1Q-end	2Q-end	3Q-end	Year-end	Total
FY Ended December 31, 2017	—	—	—	30.00	30.00
FY Ending December 31, 2018	—	—			
FY Ending December 31, 2018 (Forecast)			—	30.00	30.00

Note: Revision of the most recently announced dividend forecast: No

III. Consolidated Financial Results Forecast for the Fiscal Year Ending December 31, 2018 (January 1, 2018 – December 31, 2018)

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

	Net Sales	%	Operating Income	%	Ordinary Income	%	Profit Attributable to Owners of Parent	%	Earnings per Share (yen)
Full Year	158,000	(0.2)	4,500	13.8	4,300	1.2	3,200	14.0	141.66

Note: Revision of the most recently announced financial results forecast: Yes

* Notes

A. Changes in significant subsidiaries during the period under review (changes in specified subsidiaries resulting in changes in the scope of consolidation): No

New: - (), Exclusion: - ()

B. Adoption of special accounting treatment for preparing the quarterly consolidated financial statements: No

C. Changes in accounting policies, changes in accounting estimates and restatements

- | | |
|--------------------------------------------------------------------------------------|----|
| 1) Changes in accounting policies due to the revision of accounting standards, etc.: | No |
| 2) Any changes other than 1) above: | No |
| 3) Changes in accounting estimates: | No |
| 4) Restatements: | No |

D. Total number of shares issued (common stock)

1) Total number of shares issued at the end of the period (including treasury shares):

As of June 30, 2018	22,984,993 shares
As of December 31, 2017	22,984,993 shares

2) Total number of treasury shares at the end of the period:

As of June 30, 2018	396,096 shares
As of December 31, 2017	395,946 shares

3) Average number of shares during the period (cumulative total):

Six months ended June 30, 2018	22,588,983 shares
Six months ended June 30, 2017	22,587,943 shares

* The Company has consolidated shares of its common stock (one-for-ten share consolidation), effective July 1, 2017. The amounts stated for the total number of shares issued (common stock) are calculated based on the assumption that shares of the common stock were consolidated at the beginning of the previous fiscal year.

- * These quarterly financial results are outside the scope of quarterly review procedures to be performed by certified public accountants or an audit corporation.
- * Explanation on the proper use of financial results forecasts and other notes
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 differ significantly from the forecasts, however, as a result of various factors. For details on the preconditions on the financial results forecasts of the Company and notes on the use of financial results forecasts, please see "1. Qualitative Information on Consolidated Financial Results for the Period under Review" on page 2 of the Appendix.

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1. Qualitative Information on Consolidated Financial Results for the Period under Review

(1) Explanation on Results of Operations

During the six months ended June 30, 2018, the Japanese economy saw signs of recovery in consumer spending while corporate earnings and employment conditions remained on an improving trend. Meanwhile, the world economy continued its slow recovery as a whole. The U.S. economy experienced steady growth against a backdrop of improved corporate performance and employment environment. The European economy remained on a strong recovery track, while the Chinese economy was underpinned by expanding personal consumption backed by an improved income environment.

On the other hand, in the domestic agricultural environment, the market for agricultural machinery is bottoming out and could potentially move into a recovery phase amid ongoing structural changes in agriculture.

Under these circumstances, ISEKI Group continued its initiatives to expand sales volume mainly by launching new products and improving customer service in Japan, while working to strengthen its sales in its mainstay overseas markets of North America, Europe, China and ASEAN. As a result, the Group's consolidated financial results are summarized as follows.

Net sales for the six months ended June 30, 2018 were ¥82,228 million, an increase of ¥2,052 million (2.6%) year on year. Domestic sales in Japan were ¥63,920 million, an increase of ¥1,156 million (1.8%) year on year, mainly as a result of favorable sales of rice transplanters thanks to the launch of new products, with added help from favorable sales of farming implements, spare parts, and repair fees. Overseas sales were ¥18,307 million, an increase of ¥895 million (5.1%) year on year. This was mainly due to increased sales in North America attributable to the disappearance of the effect of changes in business terms with OEM partner and increased sales at ISEKI France S.A.S. in Europe, despite the decreased shipments of semi-finished rice transplanters in China stemming from local inventory adjustments.

Operating income was ¥2,199 million, a decrease of ¥641 million (22.6%) year on year, mainly due to 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 and increased personnel expenses.

Ordinary income was ¥1,839 million, a decrease of ¥1,535 million (45.5%) year on year, 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 recorded in the same period of the previous fiscal year.

Profit attributable to owners of parent was ¥1,648 million, a decrease of ¥547 million (24.9%) year on year, resulting from decreased tax expenses.

Sales by product are as follows.

[Domestic]

Sales of cultivating machinery (tractors, high-clearance multipurpose vehicles, among others) were ¥16,324 million (a decrease of 3.5% year on year). Sales of planting machinery (rice transplanters and vegetable transplanters) were ¥6,472 million (an increase of 14.9% year on year). Sales of harvesting and processing machinery (combine harvesters, among others) were ¥5,496 million (an increase of 0.2% year on year). Sales of farming implements, spare parts and repair fees were ¥21,266 million (an increase of 2.9% year on year). Sales of other agriculture-related business (construction of facilities, among others) were ¥14,360 million (an increase of 2.2% year on year).

[Overseas]

Sales of cultivating and mowing machinery (tractors, among others) were ¥13,729 million (an increase of 23.4% year on year). Sales of planting machinery (rice transplanters, among others) were ¥1,762 million (a decrease of 42.1% year on year). Sales of harvesting and processing machinery (combine harvesters, among others) were ¥131 million (a decrease of 87.3% year on year). Sales of farming implements and spare parts were ¥1,369 million (an increase of 7.0% year on year). Sales of other agriculture-related business were ¥1,314 million (an increase of 42.3% year on year).

(2) Explanation on Financial Position

[Assets]

Total assets at the end of the second quarter ended June 30, 2018 increased by ¥12,719 million from the end of the previous fiscal year to ¥214,067 million. This was mainly due to an increase of ¥2,824 million in cash and deposits, an increase of ¥12,073 million in notes and accounts receivable - trade, a decrease of ¥1,134 million in other current assets, and a decrease of 1,213 million in investment securities.

[Liabilities]

Total liabilities at the end of the second quarter ended June 30, 2018 increased by ¥12,719 million from the end of the previous fiscal year to ¥143,152 million. This was mainly due to an increase of ¥5,693 million in notes and accounts payable - trade and electronically recorded obligations - operating, an increase of ¥8,174 million in short-term loans payable and long-term loans payable, and a decrease of ¥869 million in other non-current liabilities.

[Net assets]

Total net assets at the end of the second quarter ended June 30, 2018 were ¥70,915 million, an amount almost

unchanged from the end of the previous fiscal year. This was mainly due to ¥1,648 million of profit attributable to owners of parent, ¥677 million of dividends of surplus, and a decrease of ¥806 million in valuation difference on available-for-sale securities.

(3) Explanation on Consolidated Financial Results Forecasts and Other Forecast Information

With regard to the consolidated financial results forecasts for the fiscal year ending December 31, 2018, we have made a downward revision of net sales in the amount of ¥6,500 million from the previous forecast (released on February 13, 2018) 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.

These financial results forecasts are calculated based on the exchange rates at ¥110 per U.S. dollar (unchanged) and ¥130 per euro (unchanged) for the second half of the fiscal year ending December 31, 2018.

[Consolidated financial results forecasts for the fiscal year ending December 31, 2018 (January 1, 2018 through December 31, 2018)]

(Millions of yen, unless otherwise stated)

	Net sales	Operating income	Ordinary income	Profit attributable to owners of parent	Earnings per share (yen)
Previous Forecast (A)	164,500	4,500	4,300	3,200	141.66
Latest Forecast (B)	158,000	4,500	4,300	3,200	141.66
Difference (B – A)	(6,500)	—	—	—	—
Rate of Change (%)	(4.0)	—	—	—	—
(Ref.) Results for the Fiscal Year Ended December 31, 2017	158,382	3,953	4,250	2,807	124.29

3. Quarterly Consolidated Financial Statements and Principal Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of December 31, 2017	As of June 30, 2018
<hr/>		
Assets		
Current assets		
Cash and deposits	7,981	10,806
Notes and accounts receivable - trade	25,113	37,187
Merchandise and finished goods	45,410	45,387
Work in process	6,728	6,776
Raw materials and supplies	1,267	1,200
Other	5,310	4,175
Allowance for doubtful accounts	(60)	(102)
Total current assets	<hr/> 91,751	<hr/> 105,431
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	24,343	25,172
Land	50,773	51,049
Other, net	20,476	19,949
Total property, plant and equipment	<hr/> 95,592	<hr/> 96,171
Intangible assets	1,025	1,035
Investments and other assets		
Investment securities	7,146	5,932
Other	5,990	5,644
Allowance for doubtful accounts	(158)	(146)
Total investments and other assets	<hr/> 12,978	<hr/> 11,429
Total non-current assets	<hr/> 109,596	<hr/> 108,636
Total assets	<hr/> 201,348	<hr/> 214,067

	As of December 31, 2017	As of June 30, 2018
Liabilities		
Current liabilities		
Notes and accounts payable - trade	26,532	29,118
Electronically recorded obligations - operating	14,140	17,248
Short-term loans payable	27,216	32,069
Current portion of long-term loans payable	8,004	7,975
Income taxes payable	894	508
Provision for bonuses	446	484
Provision for loss on construction contracts	391	—
Other	12,018	12,353
Total current liabilities	89,644	99,758
Non-current liabilities		
Long-term loans payable	24,354	27,705
Deferred tax liabilities for land revaluation	5,780	5,780
Provision for directors' retirement benefits	122	127
Net defined benefit liability	3,312	3,415
Asset retirement obligations	315	332
Other	6,902	6,032
Total non-current liabilities	40,787	43,393
Total liabilities	130,432	143,152
Net assets		
Shareholders' equity		
Capital stock	23,344	23,344
Capital surplus	13,453	13,453
Retained earnings	16,519	17,489
Treasury shares	(986)	(986)
Total shareholders' equity	52,330	53,301
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,818	1,011
Deferred gains or losses on hedges	(16)	12
Revaluation reserve for land	12,670	12,670
Foreign currency translation adjustment	1,115	928
Remeasurements of defined benefit plans	1,244	1,226
Total accumulated other comprehensive income	16,833	15,849
Subscription rights to shares	80	80
Non-controlling interests	1,671	1,684
Total net assets	70,916	70,915
Total liabilities and net assets	201,348	214,067

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

Quarterly Consolidated Statements of Income
For the Six Months Ended June 30, 2018

(Millions of yen)

	Six months ended June 30, 2017	Six months ended June 30, 2018
Net sales	80,175	82,228
Cost of sales	56,421	58,682
Gross profit	23,754	23,545
Selling, general and administrative expenses	20,913	21,346
Operating income	2,840	2,199
Non-operating income		
Interest income	77	59
Dividend income	104	87
Foreign exchange gains	31	—
Share of profit of entities accounted for using equity method	163	—
Subsidy income	356	—
Other	372	486
Total non-operating income	1,105	633
Non-operating expenses		
Interest expenses	297	303
Foreign exchange losses	—	146
Share of loss of entities accounted for using equity method	—	302
Other	273	239
Total non-operating expenses	570	992
Ordinary income	3,375	1,839
Extraordinary income		
Gain on sales of non-current assets	16	39
Gain on sales of investment securities	—	52
Gain on step acquisitions	—	16
Subsidy income	29	—
Total extraordinary income	45	107
Extraordinary losses		
Loss on sales and retirement of non-current assets	79	82
Impairment loss	21	10
Total extraordinary losses	100	92
Income before income taxes	3,320	1,855
Income taxes - current	819	452
Income taxes - deferred	291	(284)
Total income taxes	1,111	168
Profit	2,208	1,686
Profit attributable to non-controlling interests	13	38
Profit attributable to owners of parent	2,195	1,648

Quarterly Consolidated Statements of Comprehensive Income
For the Six Months Ended June 30, 2018

(Millions of yen)

	Six months ended June 30, 2017	Six months ended June 30, 2018
Profit	2,208	1,686
Other comprehensive income		
Valuation difference on available-for-sale securities	155	(826)
Deferred gains or losses on hedges	(1)	28
Foreign currency translation adjustment	38	(67)
Remeasurements of defined benefit plans, net of tax	(30)	(18)
Share of other comprehensive income of entities accounted for using equity method	(47)	(120)
Total other comprehensive income	113	(1,004)
Comprehensive income	2,322	681
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	2,309	664
Comprehensive income attributable to non-controlling interests	12	17

(3) Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	Six months ended June 30, 2017	Six months ended June 30, 2018
Cash flows from operating activities		
Income before income taxes	3,320	1,855
Depreciation	3,542	3,327
Amortization of goodwill	—	1
Impairment loss	21	10
Subsidy income	(386)	—
Increase (decrease) in net defined benefit liability	(236)	105
Increase (decrease) in provision for loss on disaster	(13)	—
Loss (gain) on sales of investment securities	—	(52)
Interest and dividend income	(181)	(146)
Interest expenses	297	303
Foreign exchange losses (gains)	37	(58)
Loss (gain) on sales of property, plant and equipment and intangible assets	63	43
Loss (gain) on step acquisitions	—	(16)
Decrease (increase) in notes and accounts receivable - trade	(11,701)	(12,069)
Decrease (increase) in inventories	(4,585)	19
Increase (decrease) in notes and accounts payable - trade	3,177	5,618
Other, net	979	1,660
Subtotal	(5,665)	601
Interest and dividend income received	189	146
Interest expenses paid	(292)	(300)
Proceeds from subsidy income	356	373
Payments for loss on disaster	(524)	—
Penalty paid	—	(427)
Income taxes paid	(571)	(834)
Net cash provided by (used in) operating activities	(6,507)	(441)
Cash flows from investing activities		
Acquisition of property, plant and equipment and intangible assets	(3,302)	(3,655)
Proceeds from sales of property, plant and equipment and intangible assets	198	161
Acquisition of investment securities	(0)	(12)
Proceeds from sales of investment securities	—	77
Decrease (increase) in time deposits	(454)	(204)
Other, net	59	(91)
Net cash provided by (used in) investing activities	(3,499)	(3,723)

(Millions of yen)

	Six months ended June 30, 2017	Six months ended June 30, 2018
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	5,495	4,927
Proceeds from long-term loans payable	2,825	7,691
Repayments of long-term loans payable	(4,850)	(4,367)
Proceeds from sales and leasebacks	343	315
Repayments of lease obligations	(1,332)	(1,145)
Purchase of treasury shares	(0)	(0)
Cash dividends paid	(339)	(670)
Other, net	(2)	(4)
Net cash provided by (used in) financing activities	2,138	6,745
Effect of exchange rate change on cash and cash equivalents	35	40
Net increase (decrease) in cash and cash equivalents	(7,832)	2,620
Cash and cash equivalents at beginning of period	13,909	7,795
Cash and cash equivalents at end of period	6,076	10,416

(4) Notes to Quarterly Consolidated Financial Statements

(Notes to Going Concern Assumption)

Not applicable

(Notes to Material Changes in Shareholders' Equity)

Not applicable