

Supplementary Information to Consolidated Financial Results

(January 1, 2023 – September 30, 2023)

ISEKI & CO., LTD.

November 14, 2023

1. Outline of Financial Results for the Third Quarter
Fiscal Year Ending December 31, 2023
2. Performance Forecast for the Fiscal Year Ending
December 31, 2023



Solution Provider
for Agriculture & Landscape

1. Outline of Financial Results for the Third Quarter Fiscal Year Ending December 31, 2023

<Third Quarter Financial Results>

Both domestic and overseas sales increased.

Operating income increased

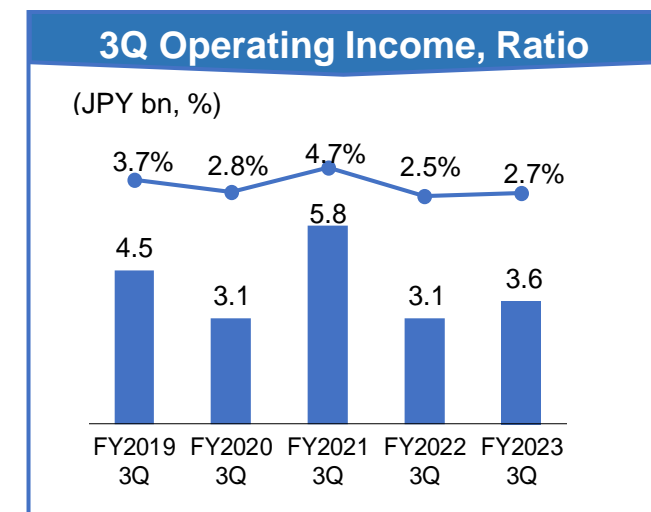
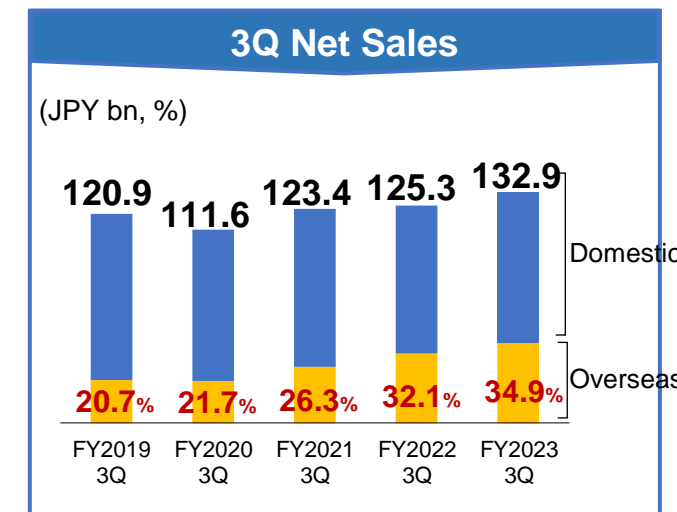
Domestic: Overall sales rose partially due to increases in maintenance revenues and construction of facilities, despite a pullback from the last-minute demand before the April price revisions

Overseas: Sales increased as a whole due to increases in Europe and Asia, despite a continued adjustment phase in the North American compact tractors market

Earnings: Gross profit increased and margin improved mainly due to higher sales and the effect of price revisions
The increase in operating income narrowed partially due to higher SG&A Expenses

<Full-year Forecast>

Revised downwards in light of current conditions, etc.



Outline of Consolidated Business Performance

(January 1, 2023 to September 30, 2023)

(JPY bn, %)

		FY2019/12	FY2020/12	FY2021/12	FY2022/12	FY2023/12	YoY
		3Q Actual	3Q Actual	3Q Actual	3Q Actual	3Q Actual	Change
Net Sales		120.9	111.6	123.4	125.3	132.9	7.5
	(Domestic)	95.9	87.4	90.9	85.0	86.5	1.4
	(Overseas)	24.9	24.1	32.4	40.2	46.4	6.1
Gross Profit		35.8	33.1	37.2	37.2	39.8	2.5
	Gross Profit Margin	29.6%	29.7%	30.1%	29.7%	30.0%	0.3%
Operating Income		4.5	3.1	5.8	3.1	3.6	0.4
	Operating Margin	3.7%	2.8%	4.7%	2.5%	2.7%	0.2%
Ordinary Income		3.2	2.8	6.5	3.8	3.8	0
Profit (Loss) Attributable to Owners of Parent		2.1	2.4	4.7	3.4	2.0	(1.4)
Average Exchange Rate (JPY)	US\$	109.6	107.8	107.8	124.9	136.4	11.5
	Euro	123.2	120.6	120.6	133.9	147.1	13.2

YoY
JPY1.4 billion
increase

Overall sales increased due to growth in maintenance revenues and construction of facilities, despite lower sales of agricultural machinery mainly due to a pullback from the last-minute demand before the April price revisions

(JPY bn)		FY2019/12 3Q Actual	FY2020/12 3Q Actual	FY2021/12 3Q Actual	FY2022/12 3Q Actual	FY2023/12 3Q Actual	YoY Change	
Agricultural Machinery Related	Agricultural Machinery	Cultivating & Mowing Machinery	21.3	17.3	18.8	18.1	17.0	(1.1)
		Planting Machinery	8.0	6.4	7.2	6.5	5.9	(0.5)
		Harvesting & Processing Machinery	14.1	11.9	11.7	11.4	11.3	0.0
		Subtotal	43.4	35.7	37.8	36.1	34.4	(1.7)
		Farming Implements	17.1	15.2	17.9	15.2	15.4	0.1
		Spare Parts	11.8	11.9	11.8	11.9	12.3	0.4
		Repair Fees	4.3	4.4	4.5	4.4	4.5	0.1
		Subtotal	33.3	31.6	34.3	31.6	32.3	0.7
	Total		76.7	67.4	72.1	67.7	66.7	(0.9)
	Construction of Facilities		4.0	5.6	3.6	3.2	4.8	1.6
Others		15.2	14.3	15.1	14.0	14.8	0.7	
Total		95.9	87.4	90.9	85.0	86.5	1.4	

Main factors of YoY changes

- ✓ **Sales of agricultural machinery dropped mainly due to a pullback after April following price revisions**
- ✓ **Maintenance revenues (spare parts sales and repair fee revenues) grew, which are a pillar in reform of revenue and cost structure**
- ✓ **Construction of facilities increased due to large-scale construction**

YoY
JPY6.1 billion
increase

Sales increased as a whole due to increases in Europe and Asia, despite a continued adjustment phase in the North American compact tractors market

(JPY bn)	FY2019/12 3Q Actual	FY2020/12 3Q Actual	FY2021/12 3Q Actual	FY2022/12 3Q Actual	FY2023/12 3Q Actual	YoY Change
North America	10.1	9.2	11.3	13.1	10.7	(2.3)
Europe	9.9	9.2	13.3	19.8	27.6	7.7
Asia	4.4	5.4	7.3	6.7	7.0	0.2
Others	0.3	0.2	0.3	0.5	1.0	0.4
Total sales	24.9	24.1	32.4	40.2	46.4	6.1

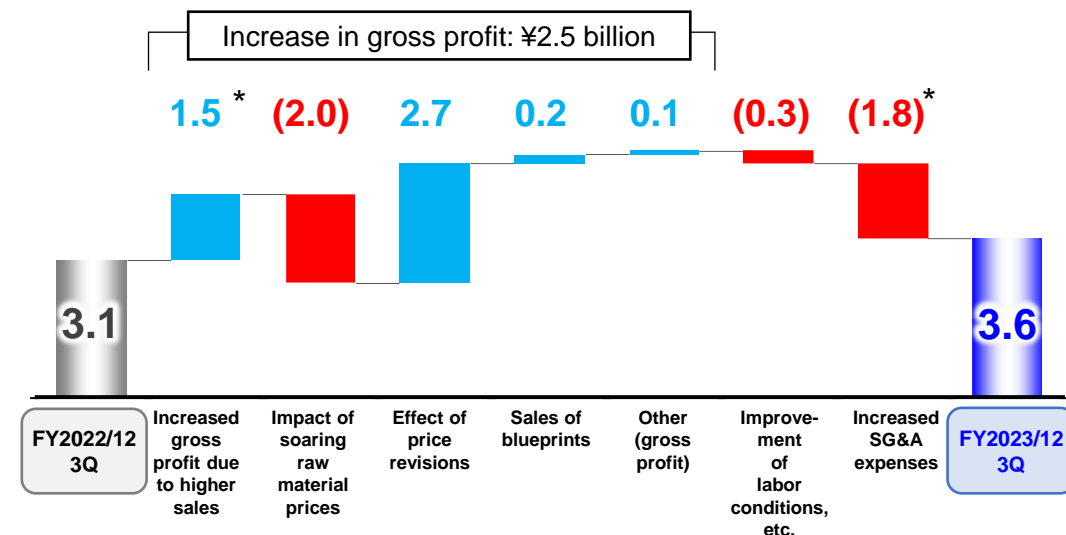
Main factors of YoY changes

- ✓ **North America:** Adjustment phase continued in compact tractors market, which led to decreased sales
- ✓ **Europe:** Sales increased due to firm demand from retailers even after the price hikes, as well as ISEKI Germany becoming a consolidated subsidiary in the second half of the previous fiscal year
- ✓ **Asia:** Sales increased due to higher shipments of parts for production to China

YoY
JPY0.4 billion
increase

Gross profit increased and margin improved mainly due to higher sales and the effect of price revisions
The increase in operating income narrowed partially due to higher SG&A expenses

[Breakdown of YoY Change]



*Including figures of ISEKI Germany that became a consolidated subsidiary

[Effect of FOREX Fluctuations (JPY bn)]

Net Sales	Cost of Sales	SG&A Expenses	Operating Income
2.5	(1.7)	(0.4)	0.4

(JPY bn, %)	FY2019/12 3Q Actual	FY2020/12 3Q Actual	FY2021/12 3Q Actual	FY2022/12 3Q Actual	FY2023/12 3Q Actual	YoY Change
Net Sales	120.9	111.6	123.4	125.3	132.9	7.5
Gross Profit	35.8	33.1	37.2	37.2	39.8	2.5
Gross Profit Margin	29.6%	29.7%	30.1%	29.7%	30.0%	0.3%
SG&A Expenses	31.2	29.9	31.3	34.1	36.2	2.1
Personnel Expenses	18.3	17.9	18.5	19.3	20.6	1.2
Other Expenses	12.9	11.9	12.8	14.7	15.6	0.8
Operating Income	4.5	3.1	5.8	3.1	3.6	0.4
Operating Margin	3.7%	2.8%	4.7%	2.5%	2.7%	0.2%

Ordinary Income & Profit

Ordinary income
YoY
JPY0.0 billion
change

Ordinary income: Financial expenses rose due to the origination of ESG finance and increased interest-bearing liabilities

Income before income taxes: Absence of extraordinary income from ISEKI Germany becoming a consolidated subsidiary in the same period of the previous year

(JPY bn)	FY2019/12 3Q Actual	FY2020/12 3Q Actual	FY2021/12 3Q Actual	FY2022/12 3Q Actual	FY2023/12 3Q Actual	YoY Change
Operating Income	4.5	3.1	5.8	3.1	3.6	0.4
Balance of Financial Income	(0.5)	(0.5)	(0.4)	(0.5)	(1.1)	(0.6)
Other Non-operating Income	(0.6)	0.1	1.1	1.2	1.4	0.1
Ordinary Income	3.2	2.8	6.5	3.8	3.8	0.0
Extraordinary Income	0.1	0.6	0.0	0.8	0.0	(0.7)
Extraordinary Losses	(0.2)	0.0	(0.2)	(0.2)	(0.1)	0.0
Income Before Income Taxes	3.1	3.4	6.3	4.4	3.7	(0.6)
Income Taxes - Deferred	(1.0)	(1.0)	(1.5)	(0.9)	(1.6)	(0.7)
Profit (loss) Attributable to Owners of Parent	2.1	2.4	4.7	3.4	2.0	(1.4)

[Main Components of Other Non-operating Income]

(JPY bn)	FY2022/12 3Q Actual	FY2023/12 3Q Actual
Foreign exchange gains	1.0	1.1
Share of loss of entities accounted for using equity method	(0.4)	(0.3)

[Main Components of Extraordinary Income]

(JPY bn)	FY2022/12 3Q Actual	FY2023/12 3Q Actual
Gain on step acquisitions	0.5	-
Gain on bargain purchase	0.2	-

YoY Change

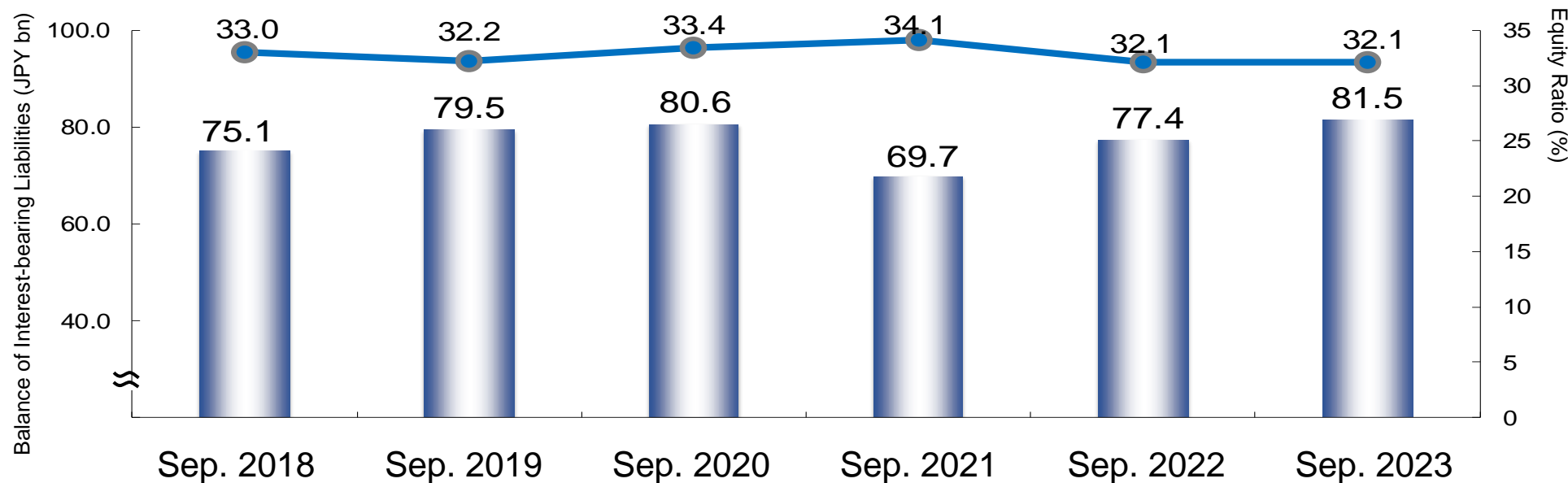
Inventories increased due to lower sales of domestic agricultural machinery, as well as a build-up of inventories of new tractors for Japan that went on sale from the second half of the year and inventories for Europe that were at a low level in the previous fiscal year

(JPY bn)	As of Sep. 30, 2022	As of Sep. 30, 2023	YoY Change		As of Sep. 30, 2022	As of Sep. 30, 2023	YoY Change
Cash & Deposits	15.1	9.3	(5.7)	Accounts Payable – Trade	42.0	43.3	1.2
Accounts Receivable – Trade	33.1	37.9	4.7	Interest-bearing Liabilities	77.4	81.5	4.1
Inventories	62.0	71.8	9.8	(Loans Payable)	70.0	74.4	4.4
(Merchandise & Finished Goods)	50.4	60.9	10.4	Other Liabilities	20.3	21.5	1.1
(Work in Progress)	10.0	9.4	(0.6)				
Other Current Assets	4.2	4.0	(0.1)				
Total Current Assets	114.5	123.2	8.6	Total Liabilities	139.8	146.3	6.4
Property, Plant and Equipment	85.8	84.5	(1.2)	Net Assets	72.5	76.0	3.5
Intangible Assets	2.4	2.3	(0.0)	(Retained Earnings)	20.4	22.5	2.0
Investments and Other Assets	9.5	12.2	2.6				
Total Non-current Assets	97.8	99.1	1.3				
Total Assets	212.3	222.4	10.0	Total Liabilities and Net Assets	212.3	222.4	10.0

Equity Ratio / Interest-bearing Liabilities

Interest-bearing liabilities, D/E ratio

Interest-bearing liabilities increased in line with the increase in inventories
D/E ratio was 1.07



	Sep. 2018	Sep. 2019	Sep. 2020	Sep. 2021	Sep. 2022	Sep. 2023
Loans payable, corporate bonds	68.8	72.3	72.7	62.2	70.0	74.4
Lease obligations	6.3	7.1	7.9	7.4	7.4	7.0
Total	75.1	79.5	80.6	69.7	77.4	81.5
D/E ratio	1.05	1.14	1.14	1.03	1.07	1.07

Note: D/E Ratio=Interest bearing liabilities (incl. Lease obligations) / Net assets

2. Performance Forecast for the Fiscal Year Ending December 31, 2023

Forecast of Consolidated Financial Results for the Fiscal Year Ending December 31, 2023

Consolidated Financial Results Forecasts

[Comparison to previous forecast]

Domestic net sales: Decrease in agricultural machinery mainly due to a pullback following price revisions

Operating income: Decrease in gross profit due to lower domestic net sales

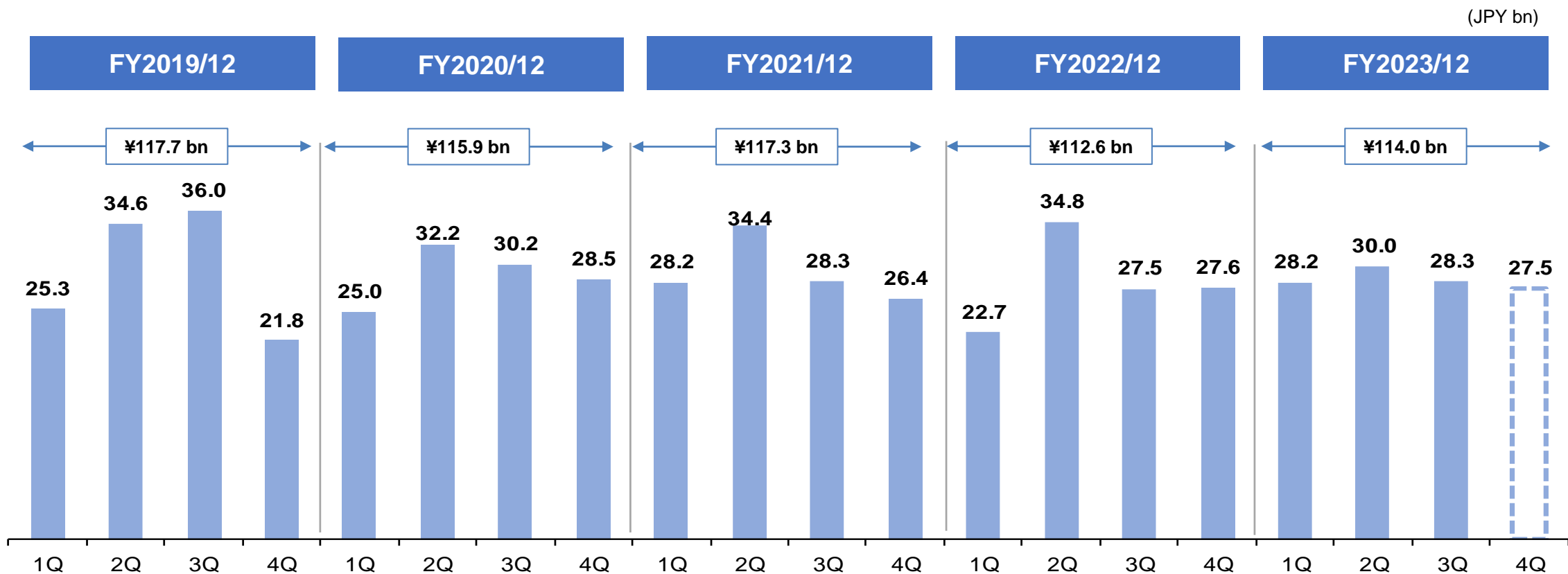
*1 Initial forecast announced on Feb. 14, 2023

*2 Previous forecast announced on Aug. 9, 2023

*3 Revised forecast announced on Nov. 14, 2023

(JPY bn, %)	FY2019/12	FY2020/12	FY2021/12	FY2022/12	FY2023/12			YoY change	Change from previous forecast	
	Actual	Actual	Actual	Actual	Initial forecast*1	Previous forecast*2	Revised forecast*3			
Net Sales	149.8	149.3	158.1	166.6	176.5	176.5	169.0	2.3	(7.5)	
(Domestic)	117.7	115.9	117.3	112.6	121.5	121.5	114.0	1.3	(7.5)	
(Overseas)	32.1	33.3	40.7	53.9	55.0	55.0	55.0	1.0	0.0	
Operating Income	2.7	2.0	4.1	3.5	4.5	4.5	2.5	(1.0)	(2.0)	
Operating Margin	1.8%	1.4%	2.6%	2.1%	2.5%	2.5%	1.5%	(0.6)%	(1.0)%	
Ordinary Income	1.1	1.7	4.6	3.7	4.0	4.0	2.3	(1.4)	(1.7)	
Profit (loss) Attributable to Owners of Parent	0.7	(5.6)	3.1	4.1	2.6	2.6	0.5	(3.6)	(2.1)	
Average Exchange Rate (JPY)	US\$	109.3	107.0	109.0	131.3	130.0	136.8	139.3	8.0	2.5
	Euro	121.6	121.5	129.8	136.9	140.0	146.5	148.3	11.4	1.8
Year-end Dividend (JPY)	30	0	30	30	30	30	30	-	-	

➤ Domestic sales

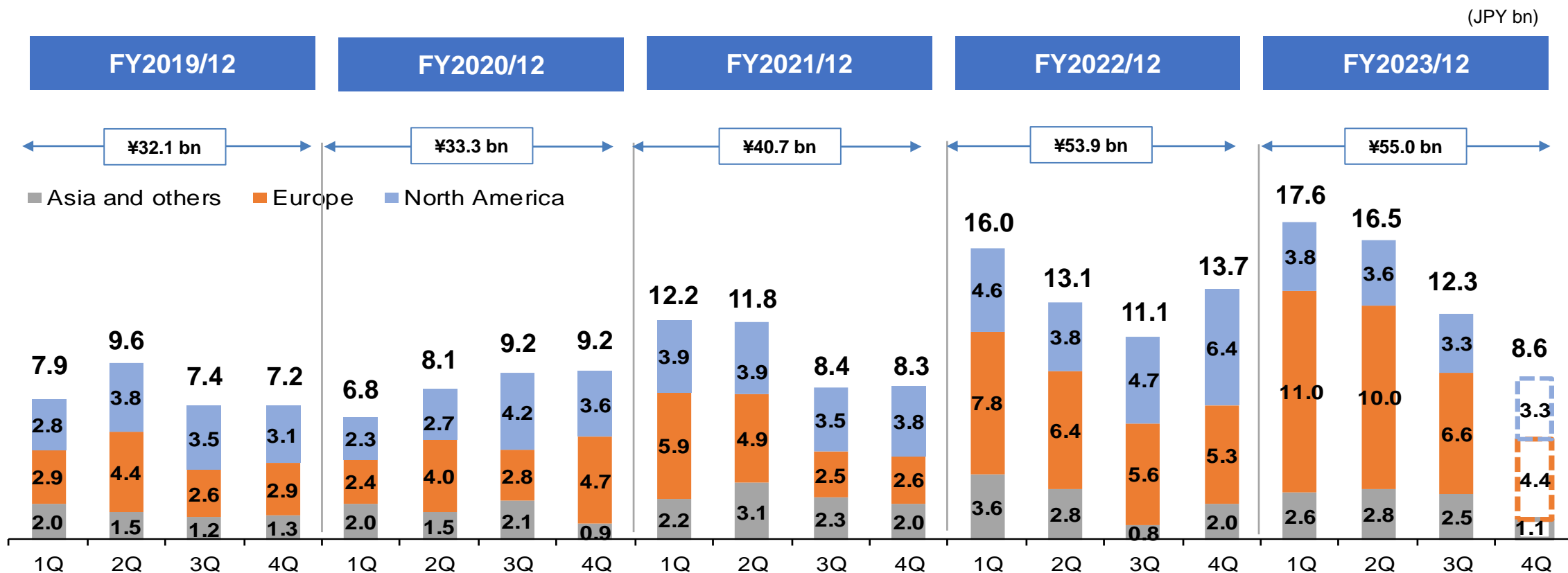


FY2023/12 outlook

- ✓ Sales increased year on year in 1Q as a result of capturing last-minute demand before price revisions, but 2Q saw a pullback from it, resulting in a slight sales increase in 1H
- ✓ Sales were projected to rise in 3Q with new products, etc., but the year-on-year increase was small
- ✓ 4Q sales are expected to remain flat year on year. Sales for the full-year are expected to increase only slightly year on year

Forecast of Quarterly Financial Results

➤ Overseas sales

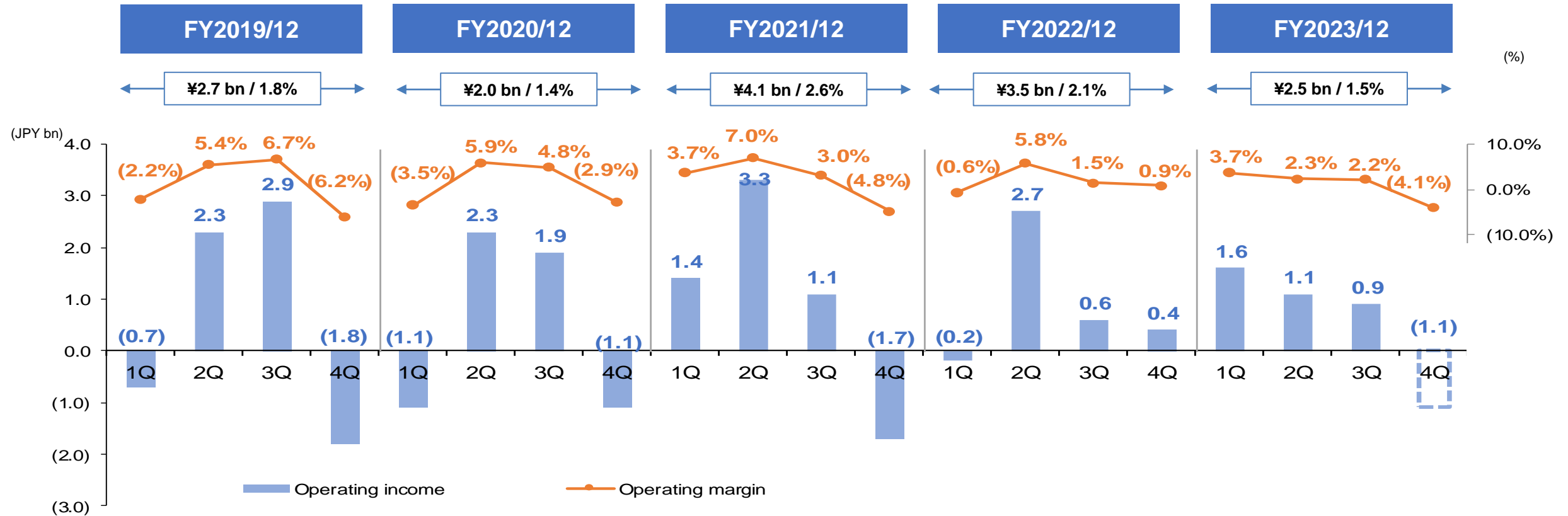


FY2023/12 outlook

- ✓ Sales are expected to reach a new record high in a row despite the impact of the weaker yen
- ✓ Sales in 4Q will decrease year on year mainly due to a decline in North America

Forecast of Quarterly Financial Results

➤ Operating income and operating margin



FY2023/12 outlook

- ✓ Operating income increased in 1Q due to higher domestic sales as a result of capturing last-minute demand before price revisions but decreased from 2Q onward due to a pullback from the last-minute demand
- ✓ Operating loss is expected for 4Q partially due to lower sales. Operating income for the full-year will decrease year on year

- Establishment of structural reform “Project Z” (November 14, 2023)
 - Purpose:
Carry out fundamental structural reforms of development, production, and sales in anticipation of the next 100 years
 - Members:
“Project Z” Leader - Hajime Odagiri, Representative Director and Senior Corporate Executive Officer
“Project Z” Deputy Leader - Kazuma Takahashi, Corporate Officer

- “Action to Implement Management that is Conscious of Cost of Capital and Stock Price”
 - Under consideration (included in the CG report published on November 14, 2023)
 - Scheduled to be disclosed in February 2024 (at the time of fiscal year-end financial results announcement)

- The objective of this presentation document is to provide information and never intends to induce any action.
- The document was created by ISEKI with currently available information and it involves potential risks and uncertainties. The forecast may not be consistent with actual results depending on fluctuation of the economic situation and market trends.
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未来の
ために、
いま選ぼう。

ISEKI Group joins the nationwide action called “COOL CHOICE” run by the Ministry of the Environment Government of Japan, which promotes to make “smart choices” for the global warming. As a proposal of “smart choices”, we develop and deliver environmental-friendly products like “eco products”.

食から日本を考える。
**NIPPON
FOOD
SHIFT**