

Supplementary Information to Consolidated Financial Results

(January 1, 2021 – June 30, 2021)

ISEKI & CO., LTD.

August 6, 2021

1. Outline of Financial Results for the Second Quarter
Fiscal Year Ending December, 2021
2. Performance Forecast for the Fiscal Year Ending
December 31, 2021

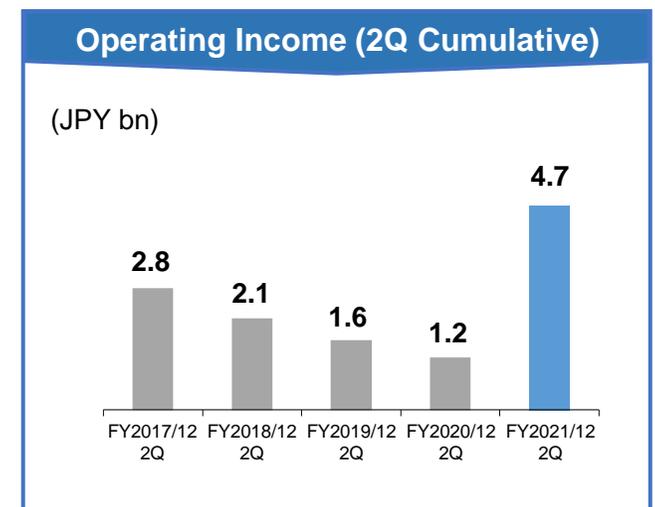
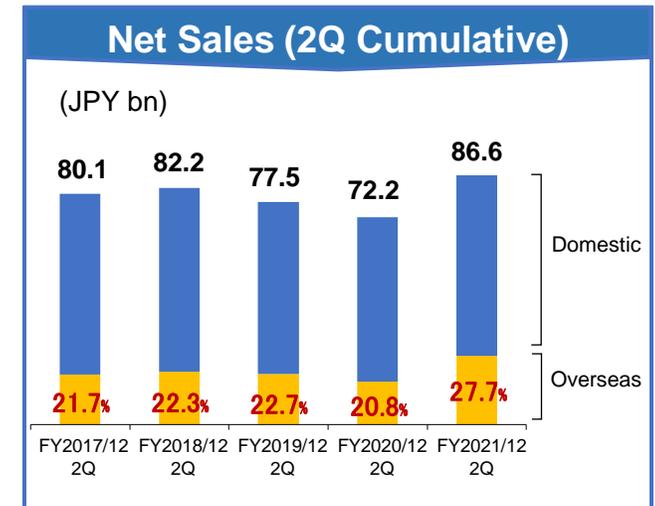
1. Outline of Financial Results for the Second Quarter Fiscal Year Ending December, 2021

<Second Quarter Financial Results>

Significant YoY increases to both sales and profit

(Results Breakdown)

- Domestic:** Recovery from the reactionary decline after the consumption tax hike
Demand stimulated by government subsidies for agricultural business continuity, etc.
- Overseas:** Increased sales in North America and Europe owing to increased demand in line with lifestyle changes
In Asia, positive impact seen from making a Thai distributor a consolidated subsidiary at the end of the previous fiscal year and increased sales to China
- Earnings:** Gross profit buoyed by increased sales



<Full-year Forecast>

Consolidated Results Forecast Unchanged from Initial Estimates

(Risks in the second half)

- In Japan, reactionary pullback after demand stimulated by government subsidies for agricultural business continuity, etc., and decreased purchase intention due to concerns over lower price of rice
- Disruption of the supply chain due to the impact of the Novel Coronavirus (COVID-19) pandemic
- Raw material prices will soar and remain high

		YoY (FY2020/12 2Q)	Current Quarter (FY2021/12 2Q)
Domestic		<ul style="list-style-type: none"> ✓ Reactionary decline after consumption tax hike ✓ Self restraint on sales activities due to COVID-19 	<ul style="list-style-type: none"> ✓ Recovery from post-consumption tax hike reactionary decline ✓ Impact of self restraint on sales activities eased compared to previous year ✓ Demand stimulated by government subsidies for agricultural business continuity, etc.
Overseas	North America	<ul style="list-style-type: none"> ✓ Robust demand owing to growing demand resulting from consumers staying at home ✓ Delays in shipments of parts led to decreased shipments of tractors (temporary factors of the Company) 	<ul style="list-style-type: none"> ✓ Increased demand due to lifestyle changes ✓ A shortage of containers for marine transportation led to unfulfilled shipments and other backorder generation
	Europe	<ul style="list-style-type: none"> ✓ Temporary closure of local retail outlets due to lockdowns⇒the Company adjusted shipments ✓ Partial recovery seen after store operations gradually resumed from May onwards 	<ul style="list-style-type: none"> ✓ Robust demand for consumer goods owing to lifestyle changes ✓ Local distributors continued operations as essential retail ✓ Sales activities gradually returned to normal as vaccination progressed
	Asia	<ul style="list-style-type: none"> ✓ China <ul style="list-style-type: none"> • Demand for agricultural machinery stimulated by government policies to secure food and travel restrictions ✓ ASEAN (Thailand) <ul style="list-style-type: none"> • Low-level purchasing sentiment due to lower volume of agricultural produce, and sluggish crop prices ✓ South Korea <ul style="list-style-type: none"> • Demand for large agricultural machinery continued, despite the impact of restrictions on activities ✓ Taiwan <ul style="list-style-type: none"> • Subsidies in place for purchase of large agricultural machinery 	<ul style="list-style-type: none"> ✓ China <ul style="list-style-type: none"> • Robust market continued, owing to factors including the continuation of government policies to secure food and stabilization of grain prices ✓ ASEAN (Thailand) <ul style="list-style-type: none"> • Demand for agricultural machinery was on a recovery track, as the volume of agricultural produce and crop prices began to recover last year ✓ South Korea <ul style="list-style-type: none"> • Demand for large agricultural machinery continued ✓ Taiwan <ul style="list-style-type: none"> • A pullback effect with the withdrawal of subsidies

Outline of Consolidated Business Performance

(January 1, 2021 to June 30, 2021)

(JPY bn, %)	FY2019/12		FY2020/12		FY2021/12		YoY Change
	2Q Actual	%	2Q Actual	%	2Q Actual	%	
Net Sales	77.5	100.0	72.2	100.0	86.6	100.0	14.4
(Domestic)	59.9	77.3	57.2	79.2	62.6	72.3	5.3
(Overseas)	17.5	22.7	14.9	20.8	24.0	27.7	9.0
Operating Income	1.6	2.1	1.2	1.8	4.7	5.4	3.4
Ordinary Income	0.8	1.1	1.0	1.5	5.5	6.4	4.4
Profit (Loss) Attributable to Owners of Parent	0.6	0.9	0.9	1.4	4.1	4.8	3.1
Average Exchange Rate (JPY)	US\$	110.7	108.5		106.8		(1.7)
	Euro	125.7	119.7		129.1		9.4

YoY
¥5.3 billion

With agricultural machinery and farming implements recovering from the reactionary decline following the consumption tax hike, and demand stimulated by government subsidies for agricultural business continuity, etc., domestic sales increased overall.

(JPY bn)		FY2019/12	FY2020/12	FY2021/12	YoY Change		
		2Q Actual	2Q Actual	2Q Actual		Notes	
Agricultural Machinery Related	Agricultural Machinery	Cultivating & Mowing Machinery	15.1	13.3	14.7	1.3	Tractors: 1.0
		Planting Machinery	6.1	5.5	6.4	0.9	Rice Transplanters: 0.4
		Harvesting & Processing Machinery	5.3	4.3	4.8	0.5	Combine Harvesters: 0.4
	Subtotal		26.6	23.1	25.9	2.7	
	Farming Implements	Farming Implements	11.9	10.6	13.5	2.8	
		Spare Parts	6.8	7.1	7.2	0.1	
		Repair Fees	2.6	2.7	2.8	0.0	
		Subtotal		21.4	20.6	23.6	3.0
	Total		48.1	43.8	49.6	5.8	
	Construction of Facilities		1.3	3.0	1.9	(1.1)	
Others		10.4	10.3	11.0	0.6		
Total		59.9	57.2	62.6	5.3		

Main factors of YoY changes

- ✓ Sales of agricultural machinery and farming implements rose, having recovered from the post-consumption tax hike slump, and demand was stimulated by government subsidies for agricultural business continuity, etc.
- ✓ YoY easing of the impact of exhibition cancellations and shrinking scale on account of COVID-19
- ✓ Spare parts sales and repair fee revenues remained strong
- ✓ For construction of facilities, orders received and completed for large-scale facilities declined
- ✓ Overall domestic sales increased substantially compared to the year before last

YoY
¥9.0 billion

Sales in North America and Europe increased owing to rising demand in line with lifestyle changes
In Asia, making a Thai distributor a consolidated subsidiary had a positive impact (at the end of the previous fiscal year), and sales to China increased

(JPY bn)	FY2019/12	FY2020/12	FY2021/12	YoY Change	
	2Q Actual	2Q Actual	2Q Actual		Notes
North America	6.6	5.0	7.8	2.8	Tractors: 2.8
Europe	7.3	6.4	10.8	4.4	Tractors: 1.2 Lawn mowers: 2.1
Asia	3.3	3.4	5.1	1.7	Tractors: 1.0 Rice Transplanters: 0.4
Others	0.2	0.1	0.2	0.0	
Total Sales	17.5	14.9	24.0	9.0	

Main factors of YoY changes

- ✓ **North America:** Sales increased against the backdrop of a favorable compact tractor market
A shortage of containers for marine transportation led to unfulfilled shipments and other backorder generation
- ✓ **Europe:** Sales, mainly of consumer goods, were robust owing to lifestyle changes, and sales increased from the impact of a weak yen
A shortage of containers for marine transportation led to unfulfilled shipments and other backorder generation
- ✓ **Asia:** Sales increased due to the impact from making a Thai distributor a consolidated subsidiary at the end of the previous fiscal year, tender-related activities in the Philippines, and increased shipments of semi-finished products to China

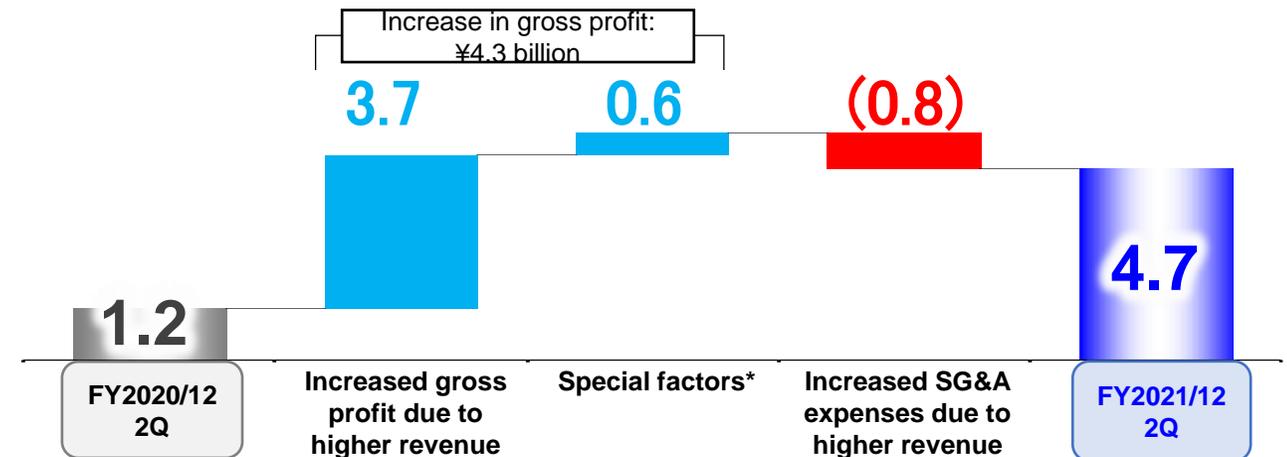
Operating Income

YoY
¥3.4 billion

In addition to increased gross profit buoyed by higher sales, operating income increased owing to special factors, including the absence of a loss on valuation of parts inventory recorded in the previous fiscal year.

(JPY bn, %)	FY2019/12 2Q Actual	FY2020/12 2Q Actual	FY2021/12 2Q Actual	YoY Change
Net Sales	77.5	72.2	86.6	14.4
Gross Profit	22.5	21.4	25.7	4.3
Gross Profit Margin	29.1%	29.7%	29.8%	0.1%
SG&A Expenses	20.8	20.1	21.0	0.8
Personnel Expenses	12.2	12.0	12.3	0.3
Other Expenses	8.6	8.1	8.7	0.5
Operating Income	1.6	1.2	4.7	3.4

[Breakdown on YoY Change]



*Special Factors

- Absence of loss on valuation of parts inventory included in the previous fiscal year 0.3
- Decline in depreciation in line with posting an impairment loss in the previous fiscal year 0.3

[Effect of FOREX Fluctuations (JPY bn)]

Net Sales	Cost of Sales	SG&A Expenses	Operating Income
0.7	(0.4)	(0.1)	0.2

Ordinary Income and Profit

Ordinary
Income
YoY
¥4.4 billion

In addition to favorable shifts in foreign exchange gain (loss) and share of profit (loss) of entities accounted for using the equity method, profit increased due mainly to one-off posting of non-operating income.

(JPY bn)	FY2019/12 2Q Actual	FY2020/12 2Q Actual	FY2021/12 2Q Actual	YoY Change
Operating Income	1.6	1.2	4.7	3.4
Balance of Financial Income	(0.3)	(0.3)	(0.3)	(0.0)
Other Non-Operating Income	(0.4)	0.1	1.1	0.9
Ordinary Income	0.8	1.0	5.5	4.4
Extraordinary Income	0.1	0.6	0.0	(0.6)
Extraordinary Losses	(0.1)	(0.1)	(0.1)	0.0
Income Before Income Taxes	0.7	1.6	5.4	3.8
Income Taxes - Deferred	(0.1)	(0.6)	(1.2)	(0.6)
Profit (Loss) Attributable to Owners of Parent	0.6	0.9	4.1	3.1

Non-operating Income (YoY Change)	
Foreign exchange gain (loss)	¥0.3 billion
Share of profit (loss) of entities accounted for using the equity method	¥0.2 billion
Settlement received	¥0.4 billion

(Reference) Related to Equity Method

(JPY bn)	FY2020/12 2Q Actual	FY2021/12 2Q Actual	Change
Share of profit (loss) of entities accounted for using the equity method (non-operating)	(0.18)	0.03	0.21
Gain (loss) on change in equity (extraordinary)	0.65	-	(0.65)

*Entities accounted for using the equity method
Previous fiscal year: Dongfeng Iseki, IST
Current fiscal year: Dongfeng Iseki

2 companies
1 company

2. Performance Forecast for the Fiscal Year Ending December 31, 2021

<Predictions on the business environment>

- ✓ Although the spread of COVID-19 will continue, it is expected to be alleviated by the end of the fiscal year owing to an increased rate of vaccination
- ✓ Reactionary pullback after demand stimulated by government subsidies for agricultural business continuity, etc., and decreased purchase intention due to concerns over lower price of rice
- ✓ Raw material prices will soar and remain high

Outlook for 3Q and beyond

	Outlook for 3Q and beyond
Domestic	<ul style="list-style-type: none"> ✓ Reactionary pullback after demand stimulated by government subsidies for agricultural business continuity, etc. ✓ Decreased purchase intention due to concerns over lower price of rice
Overseas	<ul style="list-style-type: none"> ✓ Continuation of robust orders in North America and Europe ✓ Backorders will increase, including unfulfilled shipments, resulting from disruption of the supply chain due to the impact of the COVID-19 pandemic
Cost aspect	<ul style="list-style-type: none"> ✓ Raw material prices will soar and remain high

Forecast of Consolidated Financial Results for the Fiscal Year Ending December 31, 2021

Consolidated Financial Results Forecasts

After incorporating risk factors in the second half, initial consolidated financial results forecasts remain unchanged.

(JPY bn)	FY2019/12		FY2020/12		FY2021/12		YoY Change
	Actual	%	Actual	%	Forecast	%	
Net Sales	149.8	100.0	149.3	100.0	153.5	100.0	4.1
(Domestic)	117.7	78.5	115.9	77.6	117.9	76.8	1.9
(Overseas)	32.1	21.5	33.3	22.4	35.6	23.2	2.2
Operating Income	2.7	1.8	2.0	1.4	3.6	2.3	1.5
Ordinary Income	1.1	0.7	1.7	1.1	3.5	2.3	1.7
Profit Attributable to Owners of Parent	0.7	0.5	(5.6)	-	2.4	1.6	8.0
Average Exchange Rate (JPY)	US\$	109.3	107.0		105.0		(2.0)
	Euro	121.6	121.5		123.0		1.5

*Forecast for year ending Dec. 2021: Forecast announcement on Feb. 15, 2021

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