

Supplementary Information to Consolidated Financial Results

(January 1, 2021 – December 31, 2021)

ISEKI & CO., LTD.

February 15, 2022

1. Outline of Financial Results for the Fiscal Year Ended December 31, 2021
2. Performance Forecast for the Fiscal Year Ending December 31, 2022



Solution Provider

for Agriculture & Landscape

1. Outline of Financial Results for the Fiscal Year Ended December 31, 2021

<Financial Results For the FY Ended Dec. 2021 >

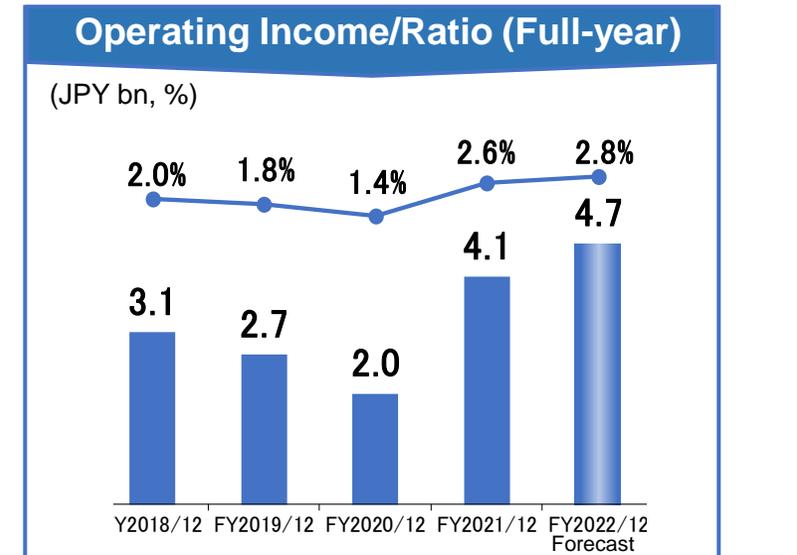
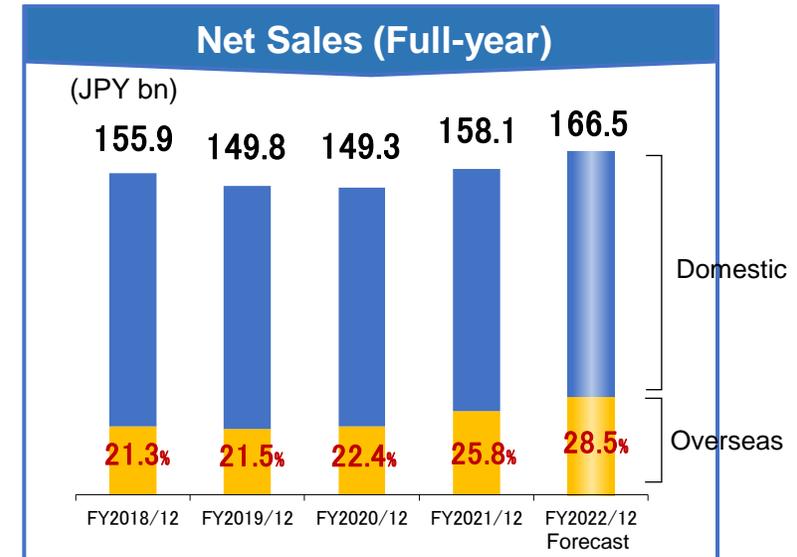
Increase in both sales & profits Almost in line with the forecast

- Domestic** : Recovery from the reactionary decline after the consumption tax hike
Demand stimulated by government subsidies for agricultural business continuity and a drop
- Overseas** : Overseas sales reached a record high
A shortage of shipping containers for North America & Europe led to unfulfilled shipments and expansions of backorders
- Profits** : Increase in gross profit thanks to higher sales
However, soaring raw material prices put pressure on earnings

<Forecast For the FY Ending Dec. 2022 >

Increase in net sales & operating income Year-end dividend:30 yen per share

- Net Sales** : Increase from the previous fiscal year, mainly due to overseas sales
- Profits** : Increase in gross profit due to higher sales due to our structural reforms and efforts to improve management efficiency, in spite of pressure on earnings due to the sharp rise in raw material prices



		FY Ended Dec. 2020	FY Ended Dec. 2021
Overseas	Domestic	<ul style="list-style-type: none"> ✓ Reactionary decline after consumption tax hike ✓ Restraint on sales activities due to COVID-19 	<ul style="list-style-type: none"> ✓ Recovery from post-consumption tax hike reactionary decline ✓ Impact of restraint on sales activities due to COVID-19 eased compared to the previous year ✓ Demand stimulated by government subsidies for agricultural business continuity, and a rebound ✓ Decreased willingness to buy due to falling rice prices
	North America	<ul style="list-style-type: none"> ✓ Robust demand resulting from stay-at-home demand ✓ Delays in delivery of parts led to a decrease in shipments (temporary factor) 	<ul style="list-style-type: none"> ✓ Increased demand due to lifestyle changes ✓ A shortage of shipping containers led to unfulfilled shipments and expansions of backorders.
	Europe	<ul style="list-style-type: none"> ✓ Sales affected by the lockdown in the spring season, but showed recovery from the second half. 	<ul style="list-style-type: none"> ✓ Robust demand for consumer products newly generated owing to lifestyle changes ✓ Sales activities gradually returned to normal thanks to progress in vaccination & reduction of the newly infected. => Professional market demand gradually recovered.
	Asia	<ul style="list-style-type: none"> ✓ China Demand for agricultural machinery stimulated by government policies to secure food and travel restrictions ✓ ASEAN (Thailand) <ul style="list-style-type: none"> - Drought affected farmers' household income & agricultural machinery demand. - Rainfall has generally recovered since Sep. ✓ South Korea Demand for large agricultural machinery continued ✓ Taiwan Increased demand due to subsidies for large agricultural machinery 	<ul style="list-style-type: none"> ✓ China Steady strong market due to continued government policies to secure food & stabilize grain prices. ✓ ASEAN (Thailand) Robust demand due to the government's measures & subsidies to stimulate the market demand ✓ South Korea Demand for large agricultural machinery continued ✓ Taiwan A pullback effect with the withdrawal of subsidies

Outline of Consolidated Business Performance

(January 1, 2021 to December 31, 2021)

(JPY bn, %)	FY2018/12	FY2019/12	FY2020/12		FY2021/12		YoY Change	Diff. (Target /Actual)*
	Actual	Actual	Actual	%	Actual	%		
Net Sales	155.9	149.8	149.3	100.0	158.1	100.0	8.8	(0.8)
(Domestic)	122.8	117.7	115.9	77.6	117.3	74.2	1.4	(0.5)
(Overseas)	33.1	32.1	33.3	22.4	40.7	25.8	7.3	(0.3)
Operating Income	3.1	2.7	2.0	1.4	4.1	2.6	2.0	0.1
Ordinary Income	2.6	1.1	1.7	1.1	4.6	3.0	2.9	(0.0)
Profit (Loss) Attributable to Owners of Parent	1.0	0.7	(5.6)	-	3.1	2.0	8.8	(0.2)
Average Exchange Rate (JPY)	US\$	110.2	109.3	107.0	109.0		2.0	1.0
	Euro	130.9	121.6	121.5	129.8		8.3	(0.2)

* Difference from the forecast announced on 12th November 2021

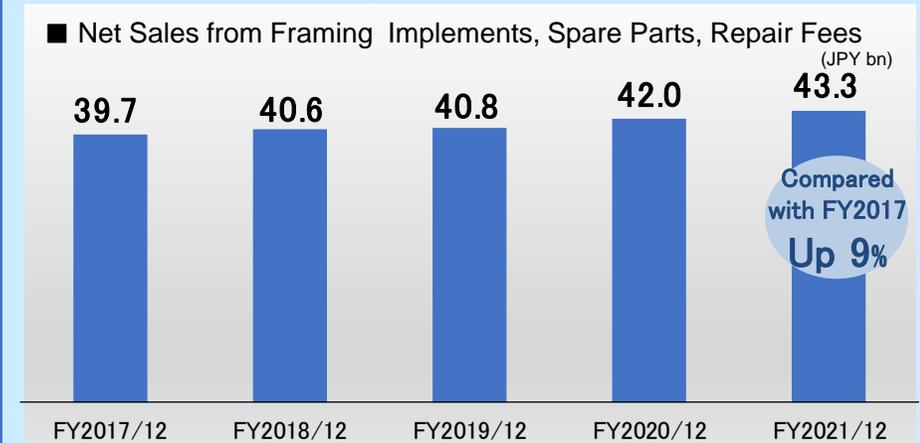
YoY
JPY1.4 billion

Domestic sales increased due to a recover from the reactionary decline following the consumption tax hike, and demand stimulated by government subsidies for agricultural business continuity, etc.,

(JPY bn)		FY2018/12	FY2019/12	FY2020/12	FY2021/12	YoY Change	Diff. (Target /Actual)*	
		Actual	Actual	Actual	Actual			
Agricultural Machinery Related	Agricultural Machinery	Cultivating & Mowing Machinery	27.4	25.3	22.8	23.9	1.0	0.1
		Planting Machinery	9.1	9.0	8.8	9.0	0.2	(0.2)
		Harvesting & Processing Machinery	19.9	18.5	16.8	16.6	(0.2)	(0.2)
		Subtotal	56.5	53.0	48.6	49.6	1.0	(0.3)
	Farming Implements	Farming Implements	20.2	20.0	20.4	22.0	1.5	0.2
		Spare Parts	14.8	15.0	15.6	15.3	(0.2)	(0.2)
		Repair Fees	5.5	5.7	5.8	5.9	0.0	(0.1)
		Subtotal	40.6	40.8	42.0	43.3	1.3	(0.1)
	Total		97.1	93.8	90.6	93.0	2.3	(0.4)
	Construction of Facilities		5.6	4.5	6.1	4.2	(1.8)	(0.2)
Others		19.9	19.3	19.1	20.1	1.0	0.2	
Total		122.8	117.7	115.9	117.3	1.4	(0.5)	

Main factors for changes (In comparison with the previous year)

- ✓ Agricultural machinery & Framing Implements: Increased due to a recover from the reactionary decline from the consumption tax hike, and demand stimulated by government subsidies etc.,
- ✓ Framing Implements, Spare Parts, Repair Fees: Continue growing strong



* Difference from the forecast announced on 12th November 2021

Overseas Sales

YoY
JPY7.3 billion

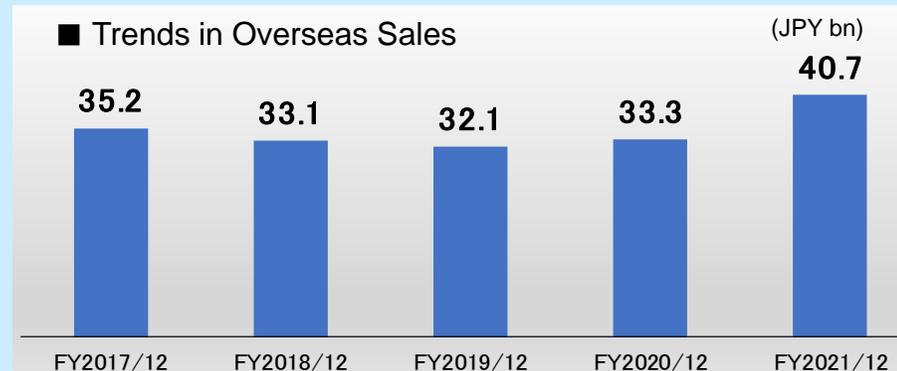
Overseas sales reached a record high
North America & Europe: a shortage of shipping containers led to unfulfilled shipments & expansions of backorders

(JPY bn)	FY2018/12 Actual	FY2019/12 Actual	FY2020/12 Actual	FY2021/12 Actual	YoY Change
North America	11.5	13.2	12.8	15.1	2.3
Europe	13.8	12.8	13.9	15.9	1.9
Asia	7.3	5.5	6.2	9.1	2.9
Others	0.4	0.5	0.3	0.5	0.1
Total Sales	33.1	32.1	33.3	40.7	7.3

Diff. (Target /Actual)*
0.1
(0.2)
(0.2)
0.0
(0.3)

Main factors for changes (In comparison with the previous year)

- ✓ North America: Sales increased on the back of a robust market for compact tractors driven by changes in lifestyle
- ✓ Europe: Sales increased due to strong demand, especially for consumer products newly generated by lifestyle changes
- ✓ Asia: Sales increased due to the consolidation of a distributor in Thailand at the end of the previous fiscal year and an increase in shipments of production parts to China.



* Difference from the forecast announced on 12th November 2021

Operating Income

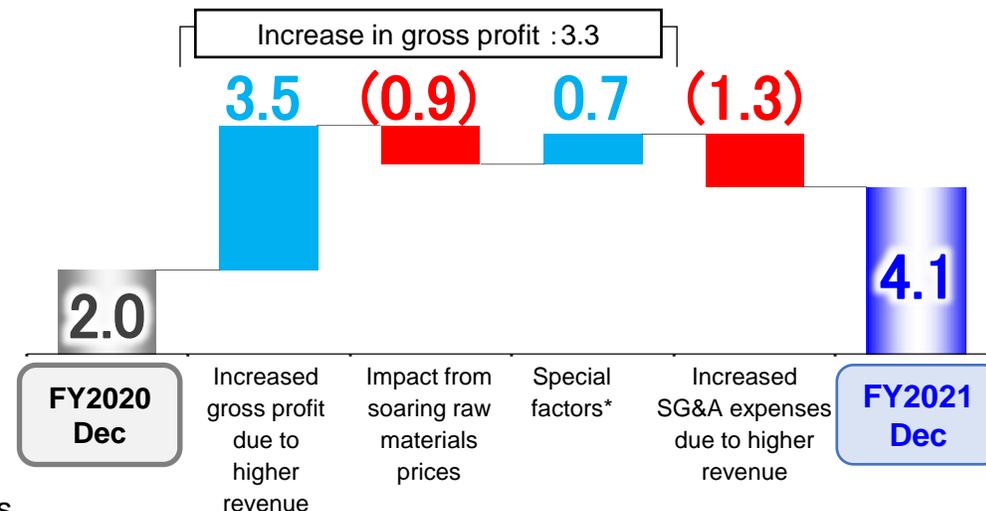
YoY
JPY2.0 billion

In addition to an increase in gross profit resulting from higher sales, operating income increased due to the absence of a loss on valuation of parts inventory recorded in the previous fiscal year. However, soaring raw material prices put pressure on earnings.

(JPY bn, %)	FY2018/12 Actual	FY2019/12 Actual	FY2020/12 Actual	FY2021/12 Actual	YoY Change
Net Sales	155.9	149.8	149.3	158.1	8.8
Gross Profit	45.9	44.5	43.4	46.8	3.3
Gross Profit Margin	29.5%	29.7%	29.1%	29.6%	0.5%
SG&A Expenses	42.7	41.7	41.3	42.6	1.3
Personnel Expenses	25.3	24.6	25.1	25.2	0.1
Other Expenses	17.4	17.0	16.2	17.4	1.1
Operating Income	3.1	2.7	2.0	4.1	2.0

Diff. (Target /Actual)*
(0.8)

[Breakdown of YoY Change]



*Special factors

- Absence of loss on valuation of parts inventory included in the previous fiscal year : 0.2
- Decline in depreciation in line with posting an impairment loss in the previous fiscal year : 0.5

[Effect of FOREX Fluctuations (JPY bn)]

Net Sales	Cost of Sales	SG&A Expenses	Operating Income
0.6	(0.5)	(0.1)	(0.0)

* Difference from the forecast announced on 12th November 2021

Ordinary Income & Profit

Ordinary
income YoY
JPY2.9billion

Ordinary Income: Increased due to favorable shifts in foreign exchange gain (loss) & decrease in share of loss of entities accounted for using the equity method, as well as a temporary recording of non-operating income
Income Before Income Taxes: Increased due to an absence of an impairment loss on fixed assets recorded in the previous fiscal year.

(JPY bn)	FY2018/12 Actual	FY2019/12 Actual	FY2020/12 Actual	FY2021/12 Actual	YoY Change	Diff. (Target /Actual)*	Non-operating Income (YoY Change)			
Operating Income	3.1	2.7	2.0	4.1	2.0	0.1	Foreign exchange gain (loss)		0.4	
Balance of Financial Income	(0.7)	(0.7)	(0.6)	(0.6)	0.0		Decrease in share of loss of entities accounted for using the equity method		0.1	
Other Non-operating Income	0.2	(0.8)	0.3	1.1	0.8		Settlement received		0.4	
Ordinary Income	2.6	1.1	1.7	4.6	2.9	(0.0)	Absence of gain on change in equity		(0.6)	
Extraordinary Income	0.1	0.5	0.6	0.0	(0.5)		Decrease in impairment loss		9.0	
Extraordinary Losses	(0.5)	(0.3)	(9.4)	(0.4)	9.0		(Reference)			
Income Before Income Taxes	2.2	1.3	(7.1)	4.3	11.4	(0.0)		FY2020/12 Actual	FY2021/12 Actual	YoY Change
Income Taxes - Deferred	(1.1)	(0.5)	1.4	(1.1)	(2.6)		Share of profit (loss) of entities accounted for using the equity method (non-operating)	(0.46)	(0.32)	0.14
Profit (Loss) Attributable to Owners of Parent	1.0	0.7	(5.6)	3.1	8.8	(0.2)	Gain (loss) on change in equity (extraordinary)	0.65	—	(0.65)

* Difference from the forecast announced on 12th November 2021

Entities accounted for using the equity method
FY2020: 2 companies (Dongfeng Iseki, IST Farm Machinery)
FY2021: 1 company (Dongfeng Iseki)

Balance Sheet (Consolidated)

YoY Change:

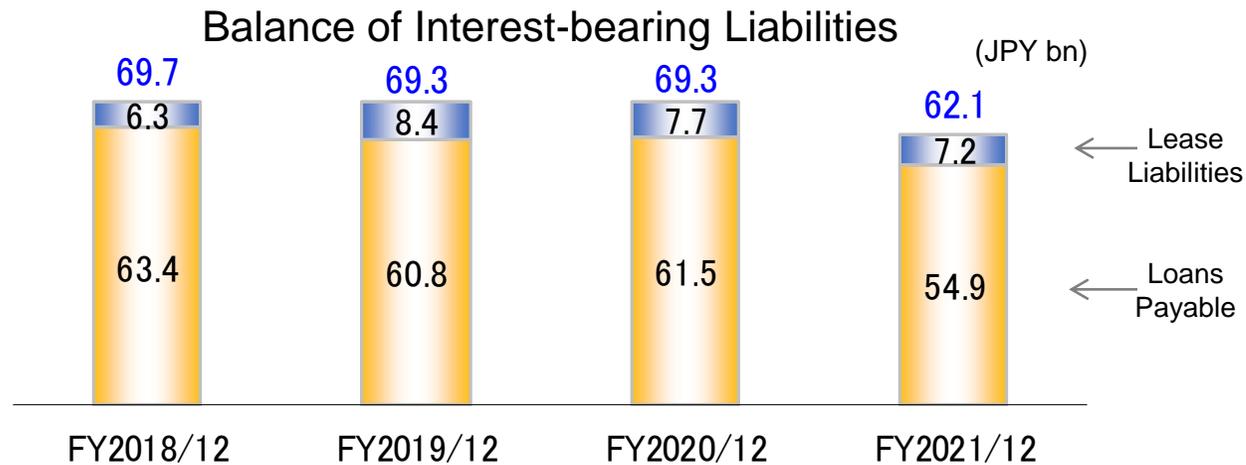
In addition to the increase in sales and profits, interest-bearing debt was reduced due to a decrease in trade receivables and inventories and an increase in trade payables. As a result, cash and deposits increased.

(JPY bn)	As of Dec. 31, 2020	As of Dec 31, 2021	YoY Change		As of Dec. 31, 2020	As of Dec 31, 2021	YoY Change
Cash & Deposits	10.7	14.8	4.0	Accounts Payable - Trade	36.8	39.2	2.4
Accounts Receivable – Trade	21.7	21.5	(0.2)	Interest-bearing Liabilities	69.3	62.1	(7.1)
Inventories	51.8	49.8	(1.9)	(Loans Payable)	61.5	54.9	(6.6)
(Merchandise & Finished Goods)	43.8	41.5	(2.3)	Other Liabilities	18.7	19.6	0.8
Other Current Assets	5.5	4.8	(0.7)	(Deferred Tax Liabilities for Land Revaluation)	4.0	4.0	0.0
Total Current Assets	89.9	91.1	1.1	Total Liabilities	125.0	121.1	(3.8)
Property, Plant and Equipment	86.2	84.9	(1.3)	Net Assets	62.4	66.5	4.1
Intangible Assets	1.9	2.2	0.3	(Retained Earnings)	14.4	17.6	3.1
Investments and Other Assets	9.1	9.3	0.1	(Revaluation Reserve for Land)	8.8	8.8	0.0
Total Non-current Assets	97.4	96.5	(0.8)	Total Liabilities and Net Assets	187.4	187.6	0.2
Total Assets	187.4	187.6	0.2				

Interest-bearing liabilities, D/E ratio
Capital ratio
Dividend

D/E ratio improved to below 1.0 owing to a decrease interest-bearing liabilities
Year-end dividend to be resumed at 30 yen per share

1. interest-bearing liabilities & Equity



2. Dividend

(JPY)

	FY2020/12 Actual	FY2021/12 Plan
Year-end Dividend	0	30

D/E Ratio	1.0	1.0	1.1	0.9
Equity Ratio	33.4%	34.2%	32.4%	34.5%
interest-bearing liabilities (JPY bn)	69.7	69.3	69.3	62.1
Net Assets (JPY bn)	68.9	69.2	62.4	66.5

Cash flows(Consolidated)

Cash flows

Operating cash flow increased by JPY 4.5 billion yen from the previous fiscal year due to an increase in profit and continued efforts to reduce inventories.

We aim to generate JPY 60 billion in operating cash flow over the period in our medium-term business plan (FY2021-FY2025)

(JPY bn)	FY2017/12 Actual	FY2018/12 Actual	FY2019/12 Actual	FY2020/12 Actual	FY2021/12 Actual	YoY Change
Cash flows from operating activities	3.3	7.6	10.5	9.6	14.2	4.5
Profit before income taxes	3.8	2.2	1.3	(7.1)	4.3	11.4
Depreciation	7.0	6.7	6.8	6.9	6.5	(0.4)
Impairment loss	0.2	0.1	0.1	9.3	0.1	(9.1)
Decrease (increase) in trade receivables	(0.1)	1.8	3.5	(1.8)	0.4	2.2
Decrease (increase) in inventories	(3.8)	(0.2)	(0.7)	3.2	2.4	(0.8)
Increase (decrease) in trade payables	(1.9)	(1.0)	(1.8)	(0.8)	2.1	2.9
Cash flows from investing activities	(5.2)	(9.9)	(7.1)	(5.1)	(2.0)	3.1
Purchase of property, plant and equipment and intangible assets	(5.6)	(6.8)	(8.3)	(6.6)	4.6	1.9
Free Cash Flow	(1.9)	(2.3)	3.4	4.5	12.1	7.6
Cash flows from financing activities	(4.2)	1.9	(2.3)	(2.1)	(8.3)	(6.1)
Net increase (decrease) in cash and cash equivalents	(6.1)	(0.4)	0.9	2.3	4.0	1.6

2. Performance Forecast for the Fiscal Year Ending December 31, 2022

<Predictions on the business environment>

- ✓ Although the impact of COVID-19 remains both in Japan and overseas, we assume that the the Omicron variant will be under control by the end of the first half of the year, and that social and economic activities will gradually recover.
- ✓ Despite the impact on the sales of ISEKI Groups will be limited, the risks of supply chain disruptions and delay in production will continue.

Forecast of Consolidated Financial Results for the Fiscal Year Ending December 31, 2022

Consolidated
Financial Results
Forecasts

Increase both in net sales & operating income
Year-end Divided: 30 yen per share

(JPY bn)	FY2018/12	FY2019/12	FY2020/12		FY2021/12		FY2022/12		YoY Change
	Actual	Actual	Actual	%	Actual	%	Forecast	%	
Net Sales	155.9	149.8	149.3	100.0	158.1	100.0	166.5	100.0	8.3
(Domestic)	122.8	117.7	115.9	77.6	117.3	74.2	119.0	71.5	1.6
(Overseas)	33.1	32.1	33.3	22.4	40.7	25.8	47.5	28.5	6.7
Operating Income	3.1	2.7	2.0	1.4	4.1	2.6	4.7	2.8	0.5
Ordinary Income	2.6	1.1	1.7	1.1	4.6	3.0	4.6	2.8	(0.0)
Profit Attributable to Owners of Parent	1.0	0.7	(5.6)	—	3.1	2.0	3.1	1.9	(0.0)
Average Exchange Rate (JPY)	US\$	110.2	109.3	107.0	109.0		110.0		1.0
	Euro	130.9	121.6	121.5	129.8		130.0		0.2
Year-end Dividend (JPY)	30	30	0		30		30		0

Domestic Sales Forecast

Domestic Sales

In addition to stable revenue from spare parts & repair fees, sales are expected to increase due to our strengthened sales promotion of large-sized machinery & smart farming machinery that respond to the structural changes in agriculture as well as after-sales services & support

(JPY bn)		FY2018/12	FY2019/12	FY2020/12	FY2021/12	FY2022/12	YoY Change
		Actual	Actual	Actual	Actual	Forecast	
Agricultural Machinery Related	Agricultural Machinery	56.5	53.0	48.6	49.6	51.6	1.9
	Farming Implements	20.2	20.0	20.4	22.0	21.4	(0.6)
	Spare Parts	14.8	15.0	15.6	15.3	15.7	0.3
	Repair Fees	5.5	5.7	5.8	5.9	6.2	0.2
	Subtotal	40.6	40.8	42.0	43.3	43.3	(0.0)
Total		97.1	93.8	90.6	93.0	94.9	1.8
Construction of Facilities		5.6	4.5	6.1	4.2	4.4	0.1
Others		19.9	19.3	19.1	20.1	19.7	(0.4)
Total		122.8	117.7	115.9	117.3	119.0	1.6

Overseas Sales Forecast

Overseas Sales

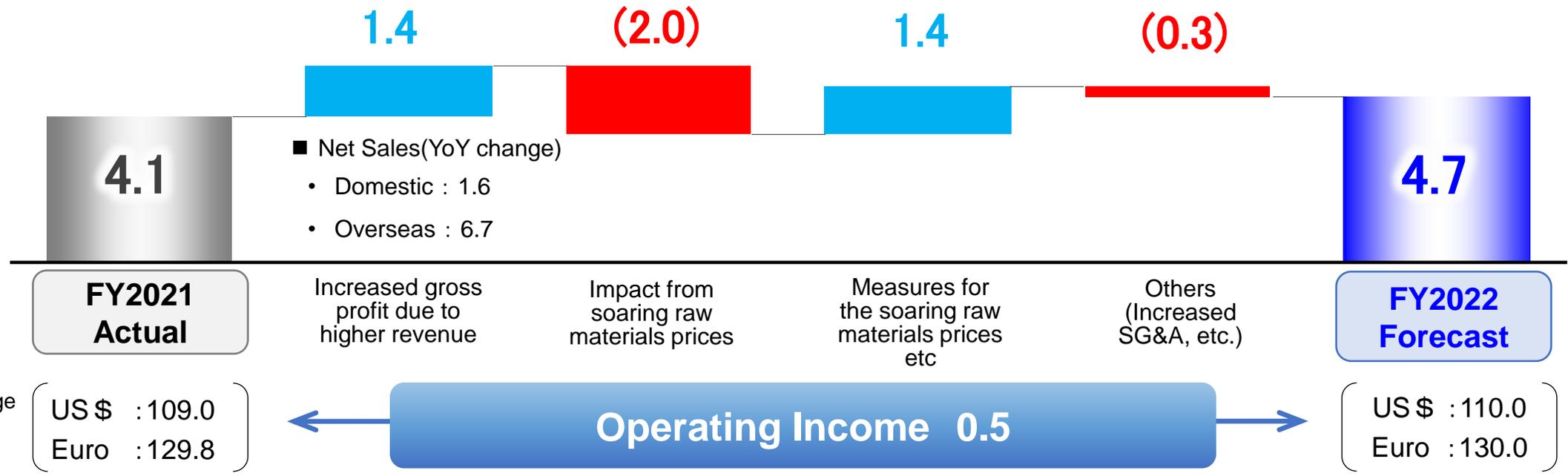
Sales increased owing to a growing market demand driven by lifestyle changes in North America & Europe

(JPY bn)	FY2018/12 Actual	FY2019/12 Actual	FY2020/12 Actual	FY2021/12 Actual	FY2022/12 Forecast	YoY Change
North America	11.5	13.2	12.8	15.1	18.8	3.6
Europe	13.8	12.8	13.9	15.9	17.4	1.4
Asia	7.3	5.5	6.2	9.1	10.8	1.6
Others	0.4	0.5	0.3	0.5	0.5	0.0
Total Sales	33.1	32.1	33.3	40.7	47.5	6.7

Main Factors for Changes in Operating Profit Forecast

YoY JPY 5.0billion Increase in gross profit due to higher sales due to our structural reforms and efforts to improve management efficiency, in spite of pressure on earnings due to the sharp rise in raw material prices

(JPY bn, %)	FY2020/ 12		FY2021/ 12		FY2022/ 12		YoY Change	
	Actual	%	Actual	%	Forecast	%	Diff.	%
Operating Income	2.0	1.4	4.1	2.6	4.7	2.8	0.5	0.2



- 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.
- In using this information, investors are expected to depend on their own judgment. ISEKI is not liable for any losses incurred by investment decision made utilizing the business forecast or targets given in this document.



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**