



August 6, 2020

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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, 2020 (Japanese GAAP)**

### **I. Consolidated Financial Results for the Six Months Ended June 30, 2020 (January 1, 2020—June 30, 2020)**

#### **A. Consolidated Results of Operations (Cumulative Total)**

(Rounded down to millions of yen, % indicates changes from the previous corresponding period)

	Six Months Ended June 30, 2020	%	Six Months Ended June 30, 2019	%
Net Sales	72,245	(6.8)	77,552	(5.7)
Operating Income	1,270	(22.4)	1,637	(25.5)
Ordinary Income	1,068	25.8	849	(53.8)
Profit Attributable to Owners of Parent	979	47.3	665	(59.6)
Earnings per Share (yen)				
Basic	43.35		29.45	
Diluted	43.31		29.41	

Note: Comprehensive income

Six months ended June 30, 2020: ¥413 million [21.1%]

Six months ended June 30, 2019: ¥341 million [(49.9)%]

## B. Consolidated Financial Position

(Rounded down to millions of yen)

	As of June 30, 2020	As of December 31, 2019
Total Assets	206,978	197,511
Net Assets	68,985	69,252
Shareholder's Equity to Total Assets Ratio (%)	32.5	34.2
Net Assets per Share (yen)	2,974.66	2,987.19

Reference: Shareholder's equity

As of June 30, 2020: ¥67,247 million

As of December 31, 2019: ¥67,481 million

## II. Dividends

	Dividend per Share (yen)				
	1Q-end	2Q-end	3Q-end	Year-end	Total
FY Ended December 31, 2019	—	—	—	30.00	30.00
FY Ending December 31, 2020	—	—			
FY Ending December 31, 2020 (Forecast)			—	—	—

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

The year-end dividend forecast for the fiscal year ending December 31, 2020 has been undetermined at this moment.

## III. Consolidated Financial Results Forecast for the Fiscal Year Ending December 31, 2020 (January 1, 2020—December 31, 2020)

(Rounded down to millions of 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	144,500	(3.6)	1,100	(59.9)	200	(82.0)	200	(72.3)	8.85

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, 2020	22,984,993 shares
As of December 31, 2019	22,984,993 shares

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

As of June 30, 2020	378,073 shares
As of December 31, 2019	394,565 shares

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

Six months ended June 30, 2020	22,601,354 shares
Six months ended June 30, 2019	22,590,565 shares

\* 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, 2020, the Japanese economy remained in a difficult condition primarily attributable to voluntary restraints put on economic activities in response to the government's declaration of a state of emergency, etc. due to the impact of the spread of the novel coronavirus infection (COVID-19). Overseas as well, the overall global economy was also in a severe situation, mainly resulting from the restricted economic activities due to expanding lockdowns, including various governments' restraints on business, in response to the spread of COVID-19.

Under these circumstances, the ISEKI Group continued its initiatives to strengthen the responsiveness to structural changes in agriculture in Japan, including launch of new products and improvement in customer service, while working to strengthen its sales in its mainstay overseas markets of North America, Europe, China, and ASEAN. The Group's consolidated financial results are summarized as follows.

Net sales for the six months ended June 30, 2020 were ¥72,245 million, a decrease of ¥5,307 million (6.8%) year on year. Domestic sales in Japan were ¥57,249 million, a decrease of 2,718 million (4.5%) year on year, as a result of decreased sales of agricultural machinery, etc. due to voluntary restraints put on sales activities, including the cancelation of exhibitions, owing to the uncertain demand environment following the consumption tax rate increase and the impact of the spread of COVID-19, in spite of ongoing steady sales of maintenance fees including spare parts and repairs, and an increase in construction of facilities including the completion of large-scale construction. Overseas sales were ¥14,995 million, a decrease of ¥2,588 million (14.7%) year on year. This was due to decreased shipments of tractors owing to a delay in receiving engines purchased for installation in some products in North America, the effect of currency exchange rates and a decline in sales from shipment adjustment owing to temporary closures of local distributors' shops as a countermeasure to COVID-19 in Europe, and decreased shipments of tractors in Indonesia in the ASEAN region, despite increased shipments of semi-finished rice transplanters to China and tractors and combine harvesters to South Korea.

Operating income was ¥1,270 million, a decrease of ¥367 million (22.4%) year on year, mainly due to the recording of loss on valuation of parts inventory accompanying the delay in receiving engines purchased for installation, in addition to the decrease in gross profit stemming from revenue decline, despite a reduction in selling, general and administrative expenses. Ordinary income was ¥1,068 million, an increase of ¥218 million (25.8%) year on year, due to reductions in foreign exchange losses and share of loss of entities accounted for using equity method. Income before income taxes was ¥1,607 million, an increase of ¥815 million (103.0%) year on year, primarily owing to the recording of gain on change in equity accompanying a decrease in our investment ratio in an equity method affiliate in China. Profit attributable to owners of parent was ¥979 million, an increase of ¥314 million (47.3%) year on year.

Sales by product are as follows.

[Domestic]

Sales of cultivating and mowing machinery (tractors, high-clearance multipurpose vehicles, among others) were ¥13,358 million (a decrease of 11.6% year on year). Sales of planting machinery (rice transplanters and vegetable transplanters) were ¥5,515 million (a decrease of 10.4% year on year). Sales of harvesting and processing machinery (combine harvesters, among others) were ¥4,325 million (a decrease of 19.8% year on year). Sales of farming implements, spare parts and repair fees were ¥20,619 million (a decrease of 4.0% year on year). Sales of other agriculture-related business (construction of facilities, among others) were ¥13,430 million (an increase of 13.6% year on year).

[Overseas]

Sales of cultivating and mowing machinery (tractors, among others) were ¥10,895 million (a decrease of 19.7% year on year). Sales of planting machinery (rice transplanters, among others) were ¥1,301 million (an increase of 27.4% year on year). Sales of harvesting and processing machinery (combine harvesters, among others) were ¥887 million (an increase of 19.1% year on year). Sales of farming implements and spare parts were ¥1,358 million (a decrease of 9.1% year on year). Sales of other agriculture-related business were ¥553 million (a decrease of 26.2% year on year).

## **(2) Explanation on Financial Position**

### **[Assets]**

Total assets at the end of the second quarter ended June 30, 2020 increased by ¥9,466 million from the end of the previous fiscal year to ¥206,978 million. This was mainly due to a decrease of ¥788 million in cash and deposits, an increase of ¥10,549 million in notes and accounts receivable – trade, an increase of ¥2,454 million in inventory, a decrease of ¥645 million in other current assets, and a decrease of ¥725 million in investment securities.

### **[Liabilities]**

Total liabilities at the end of the second quarter ended June 30, 2020 increased by ¥9,733 million from the end of the previous fiscal year to ¥137,992 million. This was mainly due to an increase of ¥3,589 million in notes and accounts payable – trade and electronically recorded obligations – operating, an increase of ¥7,724 million in the net amount of short-term loans payable and long-term loans payable, and a decrease of ¥1,540 million in other current liabilities.

### **[Net assets]**

Total net assets at the end of the second quarter ended June 30, 2020 decreased by ¥267 million from the end of the previous fiscal year to ¥68,985 million. This was mainly due to ¥979 million of profit attributable to owners of parent, ¥677 million of dividends of surplus, a decrease of ¥459 million in valuation difference on available-for-sale securities, and a decrease of ¥135 million in foreign currency translation adjustment.

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

The spread of COVID-19 has put various restrictions on the Group's business activities both in Japan and overseas and impacted its financial results. The consolidated financial results forecast for the fiscal year ending December 31, 2020 (January 1, 2020 through December 31, 2020) was temporarily withdrawn on May 15, 2020 and remained "Undetermined" as it was difficult to reasonably calculate the impact of COVID-19 on the Group's business activities. Today we announced the consolidated financial results forecast based on the information and estimates available at this time. Under the assumption that COVID-19 will come to an end in the first half of the fiscal year ending December 31, 2021, and given that the economic activities have been resuming in Japan and overseas, the Company expects that the Group's sales will gradually recover in and after the third quarter of this fiscal year. As for income and profit, we factored inventory adjustment in response to the recent increase in distribution inventory into the calculation of the consolidated financial results forecast.

The financial results forecast presented above was calculated based on the information available at this time and may change due to various factors. The dividend forecast remains undetermined due to the uncertainty about the economic impact of COVID-19.

## **2. Quarterly Consolidated Financial Statements and Principal Notes**

### **(1) Quarterly Consolidated Balance Sheets**

(Millions of yen)

	As of December 31, 2019	As of June 30, 2020
<hr/>		
Assets		
Current assets		
Cash and deposits	8,404	7,616
Notes and accounts receivable - trade	19,675	30,224
Merchandise and finished goods	46,426	48,446
Work in process	6,580	7,086
Raw materials and supplies	1,171	1,101
Other	4,952	4,307
Allowance for doubtful accounts	(52)	(96)
Total current assets	87,159	98,685
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	26,050	25,726
Land	50,759	50,860
Other, net	21,535	20,830
Total property, plant and equipment	98,346	97,417
Intangible assets	1,288	1,365
Investments and other assets		
Investment securities	5,303	4,578
Other	5,542	5,089
Allowance for doubtful accounts	(128)	(158)
Total investments and other assets	10,717	9,509
Total non-current assets	110,352	108,292
Total assets	197,511	206,978

(Millions of yen)

	As of December 31, 2019	As of June 30, 2020
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	22,142	23,748
Electronically recorded obligations - operating	15,610	17,594
Short-term loans payable	28,633	37,125
Current portion of long-term loans payable	10,717	12,333
Income taxes payable	356	404
Provision for bonuses	443	579
Other	11,830	10,290
Total current liabilities	<u>89,735</u>	<u>102,075</u>
Non-current liabilities		
Long-term loans payable	21,525	19,142
Deferred tax liabilities for land revaluation	5,759	5,759
Provision for directors' retirement benefits	140	140
Net defined benefit liability	3,059	3,093
Asset retirement obligations	325	327
Other	7,713	7,453
Total non-current liabilities	<u>38,524</u>	<u>35,917</u>
Total liabilities	<u>128,259</u>	<u>137,992</u>
Net assets		
Shareholders' equity		
Capital stock	23,344	23,344
Capital surplus	13,452	13,449
Retained earnings	17,025	17,327
Treasury shares	(982)	(940)
Total shareholders' equity	<u>52,840</u>	<u>53,181</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	380	(78)
Deferred gains or losses on hedges	(0)	20
Revaluation reserve for land	12,622	12,622
Foreign currency translation adjustment	648	513
Remeasurements of defined benefit plans	989	989
Total accumulated other comprehensive income	<u>14,641</u>	<u>14,066</u>
Subscription rights to shares	75	37
Non-controlling interests	1,694	1,699
Total net assets	<u>69,252</u>	<u>68,985</u>
Total liabilities and net assets	<u>197,511</u>	<u>206,978</u>



**(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, 2020

(Millions of yen)

	Six months ended June 30, 2019	Six months ended June 30, 2020
Net sales	77,552	72,245
Cost of sales	55,016	50,801
Gross profit	22,535	21,444
Selling, general and administrative expenses	20,898	20,173
Operating income	1,637	1,270
Non-operating income		
Interest income	101	95
Dividend income	121	91
Other	441	392
Total non-operating income	664	578
Non-operating expenses		
Interest expenses	364	324
Foreign exchange losses	182	60
Share of loss of entities accounted for using equity method	689	181
Other	215	213
Total non-operating expenses	1,452	780
Ordinary income	849	1,068
Extraordinary income		
Gain on sales of non-current assets	16	15
Gain on sales of investment securities	104	—
Gain on change in equity	—	650
Total extraordinary income	120	666
Extraordinary losses		
Loss on sales and retirement of non-current assets	98	74
Impairment loss	79	1
Loss on valuation of investment securities	1	52
Other	0	—
Total extraordinary losses	179	128
Income before income taxes	791	1,607
Income taxes - current	727	383
Income taxes - deferred	(610)	234
Total income taxes	117	617
Profit	673	989
Profit attributable to non-controlling interests	8	9
Profit attributable to owners of parent	665	979

Quarterly Consolidated Statements of Comprehensive Income  
For the Six Months Ended June 30, 2020

(Millions of yen)

	Six months ended June 30, 2019	Six months ended June 30, 2020
Profit	673	989
Other comprehensive income		
Valuation difference on available-for-sale securities	(175)	(459)
Deferred gains or losses on hedges	2	20
Foreign currency translation adjustment	(116)	(8)
Remeasurements of defined benefit plans, net of tax	8	(0)
Share of other comprehensive income of entities accounted for using equity method	(50)	(127)
Total other comprehensive income	(331)	(575)
Comprehensive income	341	413
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	335	405
Comprehensive income attributable to non-controlling interests	6	8

**(3) Quarterly Consolidated Statements of Cash Flows**

(Millions of yen)

	<b>Six months ended June 30, 2019</b>	<b>Six months ended June 30, 2020</b>
<b>Cash flows from operating activities</b>		
Income before income taxes	791	1,607
Depreciation	3,546	4,144
Amortization of goodwill	1	1
Impairment loss	79	1
Increase (decrease) in net defined benefit liability	(280)	33
Loss (gain) on sales of investment securities	(104)	—
Interest and dividend income	(223)	(186)
Interest expenses	364	324
Foreign exchange losses (gains)	33	(16)
Loss (gain) on sales of property, plant and equipment and intangible assets	81	58
Loss (gain) on change in equity	—	(650)
Decrease (increase) in notes and accounts receivable - trade	(11,538)	(10,556)
Decrease (increase) in inventories	(1,303)	(2,421)
Increase (decrease) in notes and accounts payable - trade	6,155	3,570
Other, net	3,661	1,276
Subtotal	1,265	(2,813)
Interest and dividend income received	202	194
Interest expenses paid	(364)	(322)
Income taxes paid	(124)	(154)
Net cash provided by (used in) operating activities	978	(3,096)
<b>Cash flows from investing activities</b>		
Acquisition of property, plant and equipment and intangible assets	(5,125)	(4,972)
Proceeds from sales of property, plant and equipment and intangible assets	174	153
Acquisition of investment securities	(0)	(0)
Proceeds from sales of investment securities	348	—
Decrease (increase) in time deposits	(199)	(253)
Other, net	69	452
Net cash provided by (used in) investing activities	(4,733)	(4,620)

(Millions of yen)

	<b>Six months ended June 30, 2019</b>	<b>Six months ended June 30, 2020</b>
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	4,920	8,511
Proceeds from long-term loans payable	3,582	3,100
Repayments of long-term loans payable	(4,015)	(3,849)
Proceeds from sales and leasebacks	1,708	634
Repayments of lease obligations	(1,147)	(1,058)
Purchase of treasury shares	(0)	(0)
Cash dividends paid	(670)	(671)
Other, net	(4)	(3)
Net cash provided by (used in) financing activities	4,371	6,664
Effect of exchange rate change on cash and cash equivalents	(53)	10
Net increase (decrease) in cash and cash equivalents	562	(1,041)
Cash and cash equivalents at beginning of period	7,387	8,369
Cash and cash equivalents at end of period	7,949	7,327

**(4) Notes to Quarterly Consolidated Financial Statements**

(Notes to Going Concern Assumption)

Not applicable

(Notes to Material Changes in Shareholders' Equity)

Not applicable