

February 14, 2020

ISEKI & CO., LTD.**Supplementary Information to Consolidated Financial Results****(January 1, 2019 – December 31, 2019)****I. Consolidated results of operations for the fiscal year ended December 31, 2019** (Billions of yen, %)

	FY ended December 31, 2018	FY ended December 31, 2019	Year-on-year change		Forecast for FY ended December 31, 2019 forecast announced on November 13, 2019	Change vs. forecast
			Amount	%		
Net sales	156.0	149.9	(6.1)	(3.9)	155.5	(5.6)
Domestic	122.8	117.7	(5.1)	(4.1)	122.7	(5.0)
Overseas	33.2	32.2	(1.0)	(2.9)	32.8	(0.6)
Gross profit	46.0	44.5	(1.5)	(3.1)	—	—
Gross profit margin	29.5%	29.7%	0.2%	—	—	—
Selling, general and administrative expenses	42.8	41.8	(1.0)	—	—	—
Operating income	3.2	2.7	(0.5)	(13.6)	4.0	(1.3)
Operating income ratio	2.0%	1.8%	(0.2)%	—	2.6%	(0.8)%
Balance of financial income	(0.8)	(0.8)	±0.0	—	—	—
Other non-operating income	0.2	(0.8)	(1.0)	—	—	—
Ordinary income	2.6	1.1	(1.5)	(57.8)	2.6	(1.5)
Ordinary income ratio	1.7%	0.7%	(1.0)%	—	1.7%	(1.0)%
Extraordinary income	0.1	0.5	0.4	—	—	—
Extraordinary losses	(0.5)	(0.3)	0.2	—	—	—
Income before income taxes	2.2	1.3	(0.9)	(41.6)	—	—
Income taxes	(1.1)	(0.6)	0.5	—	—	—
Profit attributable to owners of parent	1.1	0.7	(0.4)	(33.7)	1.6	(0.9)

(Sales breakdown)

(Billions of yen)

	FY ended December 31, 2018	FY ended December 31, 2019	Year-on-year change	Forecast for FY ended December 31, 2019 forecast announced on November 13, 2019	Change vs. forecast
Agricultural machinery	56.6	53.0	(3.6)	56.3	(3.3)
Farming implements	20.2	20.1	(0.1)	20.5	(0.4)
Spare parts	14.8	15.0	0.2	15.2	(0.2)
Repair fees	5.6	5.7	0.1	5.8	(0.1)
Totals agricultural machinery related	97.2	93.8	(3.4)	97.8	(4.0)
Construction of facilities	5.7	4.6	(1.1)	4.9	(0.3)
Other agriculture-related business	19.9	19.3	(0.6)	20.0	(0.7)
Domestic sales total	122.8	117.7	(5.1)	122.7	(5.0)
North America	10.8	12.7	1.9	13.0	(0.3)
Europe	10.9	10.2	(0.7)	10.7	(0.5)
China	1.0	0.1	(0.9)	0.1	0.0
ASEAN	3.9	1.7	(2.2)	1.7	0.0
Others	1.8	3.5	1.7	3.4	0.1
Product sales total	28.4	28.2	(0.2)	28.9	(0.7)
Spare parts	2.6	2.4	(0.2)	2.3	0.1
Others	2.2	1.6	(0.6)	1.6	0.0
Overseas sales total	33.2	32.2	(1.0)	32.8	(0.6)
Total net sales	156.0	149.9	(6.1)	155.5	(5.6)

1) Year-on-year change

(1) Net sales: ¥149.9 billion (down ¥6.1 billion (3.9%) year on year)

In Japan, until the third quarter, there was a rush-demand before increase in VAT, but sales of agricultural machinery, farming implements, etc. decreased from the fourth quarter due to pullback in demand after the tax increase.

Sales overseas decreased overall due to sales decreases in Europe, China and ASEAN despite steady sales in North America and an increase in shipments to South Korea.

i) Sales in Japan: ¥117.7 billion (down ¥5.1 billion (4.1%) year on year)

Overall sales related to agricultural machinery decreased by ¥3.4 billion as sales of agricultural machinery such as tractors and combine harvesters decreased due to pullback in demand after the tax increase, despite strong sales of spare parts and repair fees.

Sales of construction of facilities decreased by ¥1.1 billion due to the absence of the completion of the construction of large-scale facilities recorded in the previous year.

ii) Sales overseas: ¥32.2 billion (down ¥1.0 billion (2.9%) year on year)

Sales in North America increased by ¥1.9 billion due to favorable sales of new compact tractors.

Sales in Europe decreased by ¥0.7 billion on a yen basis due to the effect of currency exchange rates linked to the higher yen, despite strong sales of landscaping products.

Sales in China decreased by ¥0.9 billion mainly due to decreased shipments of semi-finished rice transplanters accompanying local inventory adjustments.

Sales in ASEAN decreased by ¥2.2 billion due to a decrease in Indonesian government tendering and decreased shipments of tractors for Thailand.

Sales in other regions increased by ¥1.7 billion mainly due to increased deliveries to South Korea.

(2) Revenue: although gross profit decreased owing to a decline in revenue, the effects were partially offset by a reduction in selling, general and administrative expenses.

i) Operating income: ¥2.7 billion (down ¥0.5 billion year on year)

ii) Ordinary income: ¥1.1 billion (down ¥1.5 billion year on year)

iii) Profit: ¥0.7 billion (down ¥0.4 billion year on year)

Operating income was ¥2.7 billion, a decrease of ¥0.5 billion, due to a decrease in gross profit owing to a decline in revenue, although it was partially offset mainly by an improvement in profitability by virtue of revenue and cost structure overhaul at domestic dealers and a reduction in selling, general and administrative expenses.

Ordinary income was ¥1.1 billion, a decrease of ¥1.5 billion mainly due to the disappearance of technical support fee recorded in the previous year and appropriation of loss on equity method, in addition to a decrease in operating income.

Profit was ¥0.7 billion, a decrease of ¥0.4 billion, as a result of partially offsetting of the decrease in profits mainly by decreased tax expenses as well as the recording of extraordinary income including reversal of provision incurred from business combination and gain on sales of investment securities.

2) Comparison with the forecast

(1) Net sales: ¥5.6 billion lower than the forecast (Japan: ¥5.0 billion lower, overseas: ¥0.6 billion lower)

i) Overall sales in Japan were ¥5.0 billion lower than the forecast, as the pullback after the rush-demand before increase in VAT surpassed projections.

ii) Overall sales overseas did not meet the forecast due to decreased sales in North America and Europe.

(2) Revenue: a decrease in gross profit due to the failure to reach the sales forecast was partially offset by a reduction in selling, general and administrative expenses.

i) Operating income: ¥2.7 billion (¥1.3 billion lower than the forecast)

ii) Ordinary income: ¥1.1 billion (¥1.5 billion lower than the forecast)

iii) Profit: ¥0.7 billion (¥0.9 billion lower than the forecast)

Operating income was ¥2.7 billion, ¥1.3 billion lower than the forecast, as a result of a decrease in gross profit due to the failure to reach the sales forecast, although it was partially offset by a reduction in selling, general and administrative expenses.

Ordinary income was ¥1.1 billion, ¥1.5 billion lower than the forecast, due to appropriation of loss on equity method, in addition to the failure to reach the operating income forecast.

Profit was ¥0.7 billion, ¥0.9 billion lower than the forecast, as a result of partially offsetting the amount falling below the forecast described above by a decrease in tax expenses.

3) Dividends: We plan to pay year-end dividends in the amount of ¥30.0 per share.

II. Consolidated financial results forecast for the fiscal year ending December 31, 2020

[Consolidated financial results forecast for the fiscal year ending December 31, 2020]

(January 1, 2020 – December 31, 2020)

(Billions of yen, %)

	FY ended December 31, 2018	FY ended December 31, 2019	Forecast for FY ending December 31, 2020	Year-on-year change	
				Amount	%
Net sales	156.0	149.9	156.0	6.1	4.1
Domestic	122.8	117.7	120.3	2.6	2.2
Overseas	33.2	32.2	35.7	3.5	10.9
Operating income	3.2	2.7	3.6	0.9	31.1
Operating income ratio	2.0%	1.8%	2.3%	0.5%	—
Ordinary income	2.6	1.1	2.8	1.7	152.5
Ordinary income ratio	1.7%	0.7%	1.8%	1.1%	—
Profit attributable to owners of parent	1.1	0.7	1.7	1.0	135.1

* The assumed foreign exchange rates for the fiscal year: ¥105 per U.S. dollar
¥118 per euro

[Rationale for the financial results forecast]

1) Net sales

(1) Sales in Japan: ¥120.3 billion (up ¥2.6 billion year on year)

Overall sales in Japan are expected to increase by ¥2.6 billion year on year, due to continued strong sales of farming implements, spare parts and repair fees, and increased revenue from orders for construction of facilities, while demand is projected to be bearish and flat for agricultural machinery due to the uncertain demand environment following the increase in VAT.

(2) Sales overseas: ¥35.7 billion (up ¥3.5 billion year on year)

Overall sales overseas are expected to increase by ¥3.5 billion year on year as higher revenue is projected owing to continued strong sales in North America and a recovery in ASEAN.

2) Revenue

(1) Operating income: ¥3.6 billion (up ¥0.9 billion year on year)

Operating income is expected to increase by ¥0.9 billion year on year to ¥3.6 billion due to an increase in gross profit as a result of increased revenue, as well as further improvements in the revenue and cost structure at domestic dealers, improved profitability in products for overseas markets, and other factors, which will offset an increase in retirement benefit expenses upon the merger of dealers.

(2) Ordinary income: ¥2.8 billion (up ¥1.7 billion year on year)

Ordinary income is expected to increase by ¥1.7 billion to ¥2.8 billion due to a decrease in share of loss of entities accounted for using equity method.

[Year-end dividend forecast for the fiscal year ending December 31, 2020]

We plan to pay year-end dividends in the amount of ¥30.0 per share for the fiscal year ending December 31, 2020.

*As it is difficult at this time to project how the spread of novel coronavirus (COVID-19) will affect financial results, it has not been reflected in these forecasts. Any revisions to the forecasts will be promptly disclosed.

* Explanation on the proper use of financial results forecasts
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.