



Supplementary Information to Consolidated Financial Results

(January 1, 2020 – June 30, 2020)

ISEKI & CO., LTD.

August 6, 2020

1. Outline of Financial Results for the Second Quarter
Fiscal Year Ending December 31, 2020
2. Performance Forecast for the Fiscal Year Ending
December 31, 2020

1. Outline of Financial Results for the Second Quarter Fiscal Year Ending December 31, 2020

Impact of the Novel Coronavirus (COVID-19) and Other Factors on Consolidated Business Performance



<Domestic>

Sales declined due to self-restraints on sales activities including cancelation of exhibitions owing to the impact of COVID-19, pullback in demand after the consumption tax rate increase, etc.

<Overseas>

- North America : There was some impact of COVID-19 in the first quarter, but it was insignificant. Impacted by reduced shipments of tractors to OEM partners owing to a delay in receiving engines purchased for installation.
- Europe : Stagnant local sales primarily due to temporary closure of local distributors' outlets under lockdowns impacted shipments from the Company and our French subsidiary, leading to a decline in sales.
- China : Sales of rice transplanters were robust.
- ASEAN : The number of bids in Indonesia declined.
- Asia : Sales in South Korea and Taiwan were strong.

<Impact of COVID-19 (Analysis by the Company)>

Impact on net sales: Japan: ¥(1.9) billion, Overseas: ¥(0.7) billion, Total: ¥(2.6) billion

Outline of Consolidated Business Performance



(January 1, 2020 to June 30, 2020)

(JPY bn, %)	2Q of FY ended Dec. 2019		2Q of FY ending Dec. 2020		YoY Change
	Actual	%	Actual	%	
Net Sales	77.5	100.0	72.2	100.0	(5.3)
(Domestic)	59.9	77.3	57.2	79.2	(2.7)
(Overseas)	17.6	22.7	15.0	20.8	(2.6)
Operating Income	1.6	2.1	1.3	1.8	(0.3)
Ordinary Income	0.8	1.1	1.1	1.5	0.3
Profit (Loss) attributable to owners of parent	0.7	0.9	1.0	1.4	0.3
Average exchange rate (yen)	US\$	110.7	108.5		(2.2)
	Euro	125.7	119.7		(6.0)

Domestic Sales



YoY
-¥2.7 billion

As sales of agricultural machinery and farming implements decreased due to the pullback in demand after the consumption tax rate increase and the impact of COVID-19, sales declined overall, though sales of spare parts and revenue from repair fees were strong and sales of construction of facilities increased.

(JPY bn)		2Q of FY ended Dec. 2019 Actual	2Q of FY ending Dec. 2020 Actual	YoY Change	Notes
Agricultural Machinery Related	Agricultural Machinery				
	Cultivating & Mowing Machinery	15.1	13.4	(1.7)	Tractors: (1.5)
	Planting Machinery	6.1	5.5	(0.6)	Rice transplanters:(0.5)
	Harvesting & Processing Machinery	5.4	4.3	(1.1)	Combine harvesters: (0.9)
	Total	26.6	23.2	(3.4)	
	Farming Implements	12.0	10.7	(1.3)	
	Spare Parts	6.9	7.2	0.3	
	Repair Fees	2.6	2.7	0.1	
	Total	21.5	20.6	(0.9)	
	Total	48.1	43.8	(4.3)	
Construction of Facilities	1.3	3.0	1.7		
Others	10.5	10.4	(0.1)		
Total	59.9	57.2	(2.7)		

Main factors of YoY changes

- ✓ Sales of agricultural machinery decreased ¥3.4 billion due to the pullback in demand after the consumption tax rate increase, and cancelations of exhibitions and self-restraints on sales activities owing to the impact of COVID-19. Sales of farming implements decreased in tandem with the decreased agricultural machinery sales.
- ✓ Sales of spare parts and revenue from repair fees continued to be strong.
- ✓ Sales of construction of facilities increased ¥1.7 billion due to completion of large-scale facilities.

Overseas Sales



YoY
-¥2.6 billion

Sales declined overall due a decrease in sales to North America, Europe, and ASEAN, despite an increase in those to China and South Korea.

(JPY bn)	2Q of FY ended Dec. 2019 Actual	2Q of FY ending Dec. 2020 Actual	YoY Change	
				Notes
North America	6.4	4.7	(1.7)	Tractors: (1.7)
Europe	5.9	5.1	(0.8)	Tractors: (0.2) Lawn mowers: (0.6)
China	0.1	0.4	0.3	Rice transplanters: 0.3
ASEAN	0.9	0.5	(0.4)	Tractors: (0.3)
Others	2.1	2.4	0.3	South Korea: 0.2
Product Sales Total	15.4	13.1	(2.3)	
Parts & Others	2.2	1.9	(0.3)	
Total Sales	17.6	15.0	(2.6)	

Main factors of YoY changes

- ✓ **North America:** Lower sales due to decreased shipments of tractors owing to a delay in receiving engines.
- ✓ **Europe:** Decline in sales from shipment adjustment owing to temporary closures of local distributors' shops in Germany, Belgium and other countries.
- ✓ **China:** Increased sales due to increased shipments of semi-finished products to Dongfeng Iseki.
- ✓ **ASEAN:** Lower sales due to decreased shipments of tractors to Indonesia.
- ✓ **Others:** Higher sales due to increased shipments of tractors and combine harvesters to South Korea.

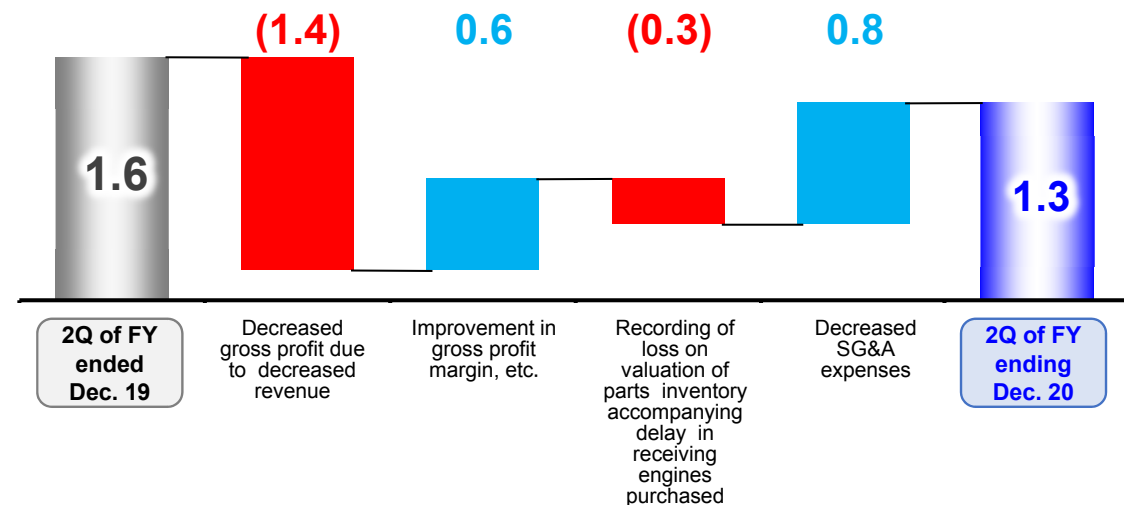
Operating Income

YoY
-¥0.3 billion

We covered the decrease in gross profit stemming from revenue decline with a reduction in selling, general and administrative expenses, improvement in gross profit margin, etc., but there was a YoY decrease in operating income due to recording of loss on valuation of parts inventory.

(JPY bn, %)	2Q of FY ended Dec. 2019 Actual	2Q of FY ending Dec. 2020 Actual	YoY Change
Net Sales	77.5	72.2	(5.3)
Gross Profit	22.5	21.4	(1.1)
Gross Profit Margin	29.1%	29.7%	0.6%
SG&A Expenses	20.9	20.1	(0.8)
Personnel Expenses	12.2	12.0	(0.2)
Other Expenses	8.7	8.1	(0.6)
Operating Income	1.6	1.3	(0.3)

[Breakdown of YoY Change]



[Effect of forex fluctuations (JPY bn)]

Net Sales	Cost of Sales	SG&A Expenses	Operating Income
(0.3)	(0.3)	0.0	±0.0

Ordinary Income, Quarterly Net Income



Ordinary
income
YoY
¥0.3 billion

Increased YoY owing to a decrease in foreign exchange losses and a reduction in share of loss of entities accounted for using equity method accompanying improved revenue of Dongfeng Iseki and a change in our investment ratio.

(JPY bn)	2Q of FY ended Dec. 2019 Actual	2Q of FY ending Dec. 2020 Actual	YoY Change
Operating Income	1.6	1.3	(0.3)
Balance of Financial Income	(0.4)	(0.4)	±0.0
Other Non-operating Income	(0.4)	0.2	0.6
Ordinary Income	0.8	1.1	0.3
Extraordinary Income	0.1	0.6	0.5
Extraordinary Losses	(0.1)	(0.1)	±0.0
Income before Income Taxes	0.8	1.6	0.8
Income Taxes - Deferred	(0.1)	(0.6)	(0.5)
Profit (Loss) Attributable to Owners of Parent	0.7	1.0	0.3

Non-operating Income (YoY change)

Decrease in share of loss of entities accounted for using equity method	0.5 billion
Decrease in foreign exchange losses	0.1 billion

(Reference) Related to equity method

(JPY bn)	2Q of FY ended 2019 Actual	2Q of FY ending 2020 Actual	Change
Share of profit or loss of entities accounted for using equity method (non-operating)	(0.7)	(0.2)	0.5
Loss (gain) on change in equity (extraordinary)	-	0.6	0.6

2. Performance Forecast for the Fiscal Year Ending December 31, 2020

◆ Assumptions on business environment

- ✓ COVID-19 will come to an end in the first half of the fiscal year ending December 31, 2021.
- ✓ Given that the economic activities have been resuming in Japan and overseas, the Group's sales will gradually recover from the third quarter of this fiscal year onward.

◆ Outlook by Market

<Domestic> : The exhibition will resume in stages, and the impact of COVID-19 will gradually diminish.

<Overseas>

North America : New products with engines made in-house will eliminate the impact of the delay in receiving engines in the first half.

Europe : Shipments from the Company will decline due to the expected inventory adjustment for a certain period of time due to the impact of the decrease in sales at local distributors in the first half. The local market, primarily for products for consumers, will recover, and the performance of ISEKI France will pick up.

ASEAN : The number of bids in Indonesia will decline and impact of drought will persist in Thailand, our mainstay market.

Asia : Strong sales in South Korea and Taiwan will continue from the first half.

<Outlook on Production>

As distribution inventory and inventory at distributors increased in the first half due to the stagnant sales in Japan and overseas, we expect inventory adjustment in the second half.

<Impact of COVID-19 (Estimates)>

Impact on net sales: Japan: ¥(2.7) billion, Overseas: ¥(1.6) billion, Total: ¥(4.3) billion

Performance Forecast for the Fiscal Year Ending December 31, 2020



Performance Forecast

- 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 from the third quarter of this fiscal year onward. 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 dividend forecast remains undetermined due to the uncertainty about the economic impact of COVID-19.

1. Consolidated Full-Year Performance Forecast

(JPY bn)	FY ended Dec. 2019 Actual	FY ending Dec. 2020 ※ Forecast	YoY Change
Net Sales	149.9	144.5	(5.4)
(Domestic)	117.7	114.5	(3.2)
(Overseas)	32.2	30.0	(2.2)
Operating Income	2.7	1.1	(1.6)
Ordinary Income	1.1	0.2	(0.9)
Profit (Loss) attributable to owners of parent	0.7	0.2	(0.5)
Foreign exchange rates (yen)			
US\$	109.3	106.5	(2.8)
Euro	121.6	118.8	(2.8)

※ Forecast announced on August 6, 2020

2. Dividend Forecast

(JPY yen)	FY ended Dec. 2018 Actual	FY ended Dec. 2019 Actual	FY ending Dec. 2020 ※ Forecast
Year-End Dividend	30	30	Undetermined

[Net Sales]

- In Japan, overall sales are expected to decline due to a decrease in sales of agricultural machinery and farming implements attributable to the impact of COVID-19 and the pullback in demand after the consumption tax rate increase, despite increases in sales of spare parts, revenue from repair fees, and sales from construction of facilities.
- Overseas, sales are expected to decline as we will not be able to completely cover the decrease in sales due to the impact of COVID-19 (Europe) and the delay in receiving engines (North America) in the first half.

[Income and Profit]

Operating income is expected to decrease owing to temporary negative factors such as retirement benefit expenses associated with the merger of sales companies in addition to a decrease in gross profit due to a decrease in sales attributable to the impact of COVID-19 and the pullback in demand after the consumption tax rate increase.

* Exchange rate forecast from the third quarter onward: US\$ = ¥105, Euro = ¥118

Domestic Sales Forecast



Domestic Sales

Overall sales are expected to decline due to a decrease in sales of agricultural machinery and farming implements attributable to the pullback in demand after the consumption tax rate increase and the impact of COVID-19, despite increases in sales of spare parts, revenue from repair fees, and sales of construction of facilities.

(JPY bn)		FY ended Dec. 2018 Actual	FY ended Dec. 2019 Actual	FY ending Dec. 2020 ※ Forecast	YoY Change	
Agricultural Machinery Related	Agricultural Machinery	Cultivating & Mowing Machinery	27.4	25.4	23.7	(1.7)
		Planting Machinery	9.2	9.0	8.4	(0.6)
		Harvesting & Processing Machinery	20.0	18.6	16.8	(1.8)
		Total	56.6	53.0	48.9	(4.1)
	Farming Implements	Farming Implements	20.2	20.1	19.0	(1.1)
		Spare Parts	14.8	15.0	15.3	0.3
		Repair Fees	5.6	5.7	5.9	0.2
		Total	40.6	40.8	40.2	(0.6)
	Total	97.2	93.8	89.1	(4.7)	
	Construction of Facilities	5.7	4.6	6.3	1.7	
Others	19.9	19.3	19.1	(0.2)		
Total	122.8	117.7	114.5	(3.2)		

※ Forecast announced on August 6, 2020

Overseas Sales Forecast



Overseas Sales

Though recovery trend is anticipated in the second half, sales are expected to decline as we will not be able to completely cover the decrease in sales due to the impact of COVID-19 (Europe) and the delay in receiving engines (North America) in the first half.

(JPY bn)	FY ended Dec. 2018 Actual	FY ended Dec. 2019 Actual	FY ending Dec. 2020 ※ Forecast	YoY Change
North America	10.8	12.7	11.7	(1.0)
Europe	10.9	10.2	9.3	(0.9)
China	1.0	0.1	0.6	0.5
ASEAN	3.9	1.7	0.8	(0.9)
Others	1.8	3.5	4.5	1.0
Product Sales Total	28.4	28.2	26.9	(1.3)
Parts & Others	4.8	4.0	3.1	(0.9)
Total Sales	33.2	32.2	30.0	(2.2)

※ Forecast announced on August 6, 2020

Consolidated Operating Income Forecast

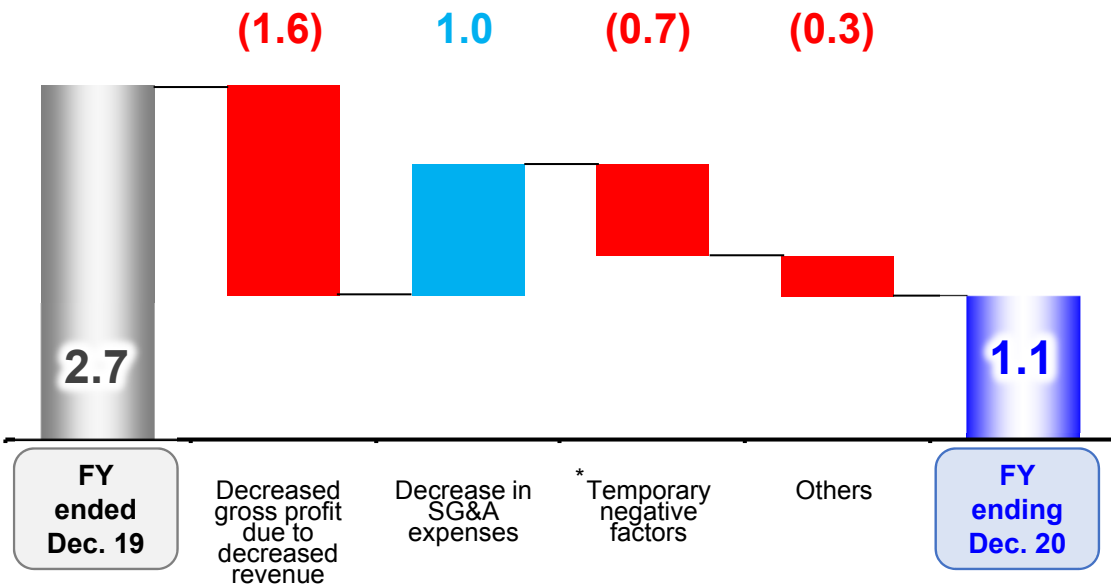
Performance Forecast

Operating income is expected to decrease owing to temporary negative factors in addition to a decrease in gross profit due to a decrease in sales attributable to the impact of COVID-19 and the pullback in demand after the consumption tax rate increase.

(JPY bn, %)	FY ended Dec. 2018 Actual	FY ended Dec. 2019 Actual	FY ending Dec. 2020 ※Forecast	YoY Change
Net Sales	156.0	149.9	144.5	(5.4)
Gross Profit	46.0	44.5	42.3	(2.2)
Gross Profit Margin	29.5%	29.7%	29.3%	(0.4)%
SG&A Expenses	42.8	41.8	41.2	(0.6)
Personnel Expenses	25.4	24.7	24.8	0.1
Other Expenses	17.4	17.1	16.4	(0.7)
Operating Income	3.2	2.7	1.1	(1.6)

※ Forecast announced on August 6, 2020

[Breakdown of YoY Change in operating income]



* Temporary negative factors:
 Temporary expenses incurred by applying the principle method to retirement benefit expense calculation: ¥(0.4) bn
 Recording of loss on valuation of parts inventory accompanying the delay in receiving engines purchased: ¥(0.3) bn

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