

# **Supplementary Information to Consolidated Financial Results**

**(January 1, 2020 – December 31, 2020)**

---

**ISEKI & CO., LTD.**

**February 15, 2021**

1. Outline of Financial Results for the Fiscal Year Ended December 31, 2020
2. Performance Forecast for the Fiscal Year Ending December 31, 2021

# 1. Outline of Financial Results for the Fiscal Year Ended December 31, 2020

## <Domestic>

Sales declined due to the pullback against the last-minute demand ahead of the consumption tax rate increase and self-restraints on sales activities owing to the impact of COVID-19, including the cancelation of exhibitions.

## <Overseas>

North America : Sales declined as a result of reduced shipments of tractors to OEM partners owing to a delay in receiving engines purchased for installation in the first half. This was despite the growing demand for compact tractors by consumers staying at home due to COVID-19.

Europe : Sales were affected by the spring lockdown but recovered from the second half onwards. In addition, sales rose as a result of unifying the accounting periods of consolidated subsidiaries (15-month accounting period) and the effect of forex fluctuations.

China : Sales of rice transplanters were robust.

ASEAN : In Thailand, the impact of adverse weather conditions, such as drought, has gradually diminished, but sales fell due to lower farmers' income owing to the impact of COVID-19. In Indonesia, sales declined due to the decrease in the number of bids.

Asia : Sales in South Korea and Taiwan were strong.

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

Impact on net sales: Japan: ¥(3.3) billion, Overseas: ¥(0.9) billion, Total: ¥(4.2) billion

# Outline of Consolidated Business Performance

FY2020/12 (January 1, 2020 to December 31, 2020)

(JPY bn, %)	FY2019/12		FY2020/12		YoY Change	Diff. (Target/Actual)*
	Actual	%	Actual	%		
Net Sales	149.8	100.0	<b>149.3</b>	<b>100.0</b>	(0.5)	4.8
(Domestic)	117.7	78.5	<b>115.9</b>	<b>77.6</b>	(1.8)	1.4
(Overseas)	32.1	21.5	<b>33.3</b>	<b>22.4</b>	1.2	3.3
Operating Income	2.7	1.8	<b>2.0</b>	<b>1.4</b>	(0.6)	0.9
Ordinary Income	1.1	0.7	<b>1.7</b>	<b>1.1</b>	0.5	1.5
Profit (Loss) Attributable to Owners of Parent	0.7	0.5	<b>(5.6)</b>	<b>-</b>	(6.3)	(5.8)
Average Exchange Rate (JPY)	US\$	109.3	<b>107.0</b>		(2.3)	0.5
	Euro	121.6	<b>121.5</b>		(0.1)	2.7

\*Comparison with the forecast announced on August 6, 2020

YoY  
- ¥1.8 billion

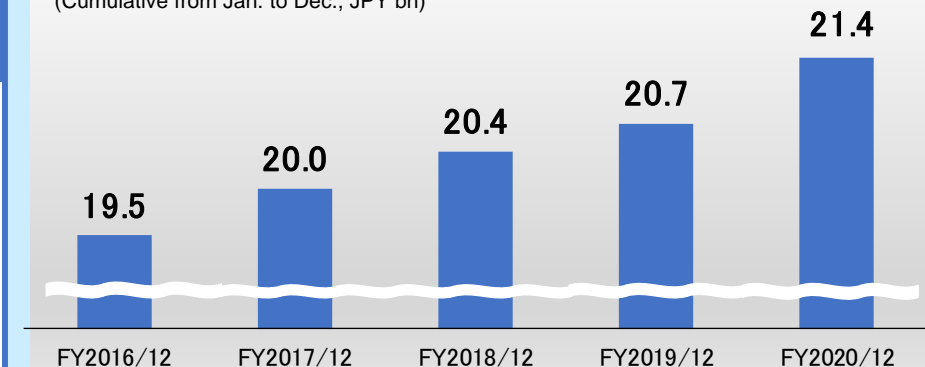
Sales of agricultural machinery decreased due to the pullback against the last-minute demand ahead of the consumption tax rate increase and the impact of COVID-19. Sales declined overall, even though sales of spare parts and revenue from repair fees were strong and the construction of a large-scale facility was completed.

(JPY bn)		FY2019/12	FY2020/12	YoY Change		Diff. (Target/ Actual)*	
		Actual	Actual		Notes		
Agricultural Machinery Related	Agricultural Machinery	Cultivating & Mowing Machinery	25.3	<b>22.8</b>	(2.4)	Tractors: (2.3)	(0.8)
		Planting Machinery	9.0	<b>8.8</b>	(0.1)		0.4
		Harvesting & Processing Machinery	18.5	<b>16.8</b>	(1.7)	Combine harvesters: (1.3)	± 0.0
		Subtotal	53.0	<b>48.6</b>	(4.3)		(0.2)
	Farming Implements	Farming Implements	20.0	<b>20.4</b>	0.3		1.4
		Spare Parts	15.0	<b>15.6</b>	0.6		0.3
		Repair Fees	5.7	<b>5.8</b>	0.1		± 0.0
		Subtotal	40.8	<b>42.0</b>	1.1		1.8
	Total		93.8	<b>90.6</b>	(3.1)		1.5
	Construction of Facilities		4.5	6.1	1.5		(0.1)
Others		19.3	19.1	(0.2)		± 0.0	
Total		117.7	<b>115.9</b>	(1.8)		1.4	

## Main factors of YoY changes

- ✓ Sales of agricultural machinery decreased ¥4.3 billion due to the pullback against the last-minute demand ahead of the consumption tax rate increase, cancellations of exhibitions and self-restraints on sales activities owing to the impact of COVID-19.
- ✓ Sales of farming implements increased, benefiting from government subsidies for agricultural business continuity.
- ✓ Sales of spare parts and revenue from repair fees continued to be strong.
- ✓ In construction of facilities, large-scale property was successfully completed.

Sales of spare parts and revenue from repair fees  
(Cumulative from Jan. to Dec., JPY bn)



\*Comparison with the forecast announced on August 6, 2020

YoY  
¥1.2 billion

Increased sales to South Korea, Taiwan and China pushed up overall sales, although sales to North America and ASEAN decreased.

(JPY bn)	FY2019/12	FY2020/12	YoY Change		Diff. (Target /Actual)*
	Actual	Actual		Notes	
North America	12.6	<b>12.2</b>	(0.4)	Tractors: (0.4)	0.5
Europe	10.2	<b>10.3</b>	0.1	Tractors: 0.4 Lawn mowers: (0.3)	1.0
China	0.1	<b>0.8</b>	0.6	Rice transplanters: 0.6	0.2
ASEAN	1.6	<b>0.7</b>	(0.8)	Tractors: (0.6)	± 0.0
Others	3.4	<b>4.4</b>	0.9	Tractors: 0.2 Combine harvesters: 0.8	± 0.0
Product Sales Total	28.2	<b>28.6</b>	0.4		1.7
Parts & Others	3.9	<b>4.7</b>	0.7		1.6
Total Sales	32.1	<b>33.3</b>	1.2		3.3

## Main factors of YoY changes

- ✓ North America: Lower sales due to the impact of decreased shipments, owing to a delay in receiving engines in the first half, despite the growing demand for tractors by consumers staying at home.
- ✓ Europe: Sales were affected by the spring lockdown but recovered from the second half onwards, and rose as a result of unifying the accounting periods of consolidated subsidiaries (15-month accounting period) and the effect of forex fluctuations.
- ✓ China: Increased sales due to increased shipments of semi-finished rice transplanters.
- ✓ ASEAN: Lower sales owing to unseasonable weather and a decrease in farmers' income and restrictions on sales activities due to the impact of COVID-19 in Thailand, as well as a decrease in shipments of tractors to Indonesia,
- ✓ Others: Higher sales due to increased shipments to South Korea and Taiwan.

\*Comparison with the forecast announced on August 6, 2020

# Operating Income

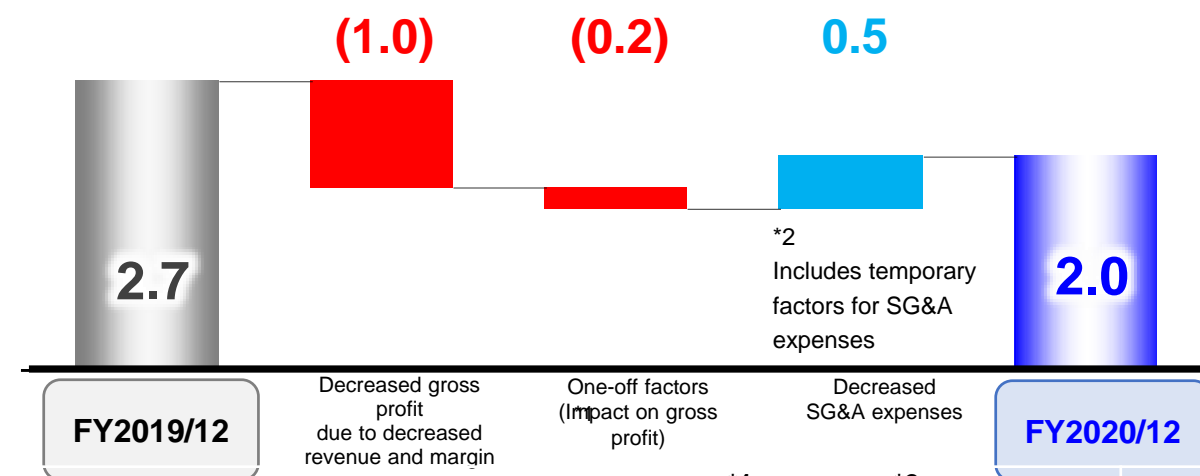
YoY  
-¥0.6 billion

YoY decrease in operating income due to decrease in gross profit stemming from a revenue decline and the recording of loss on valuation of parts inventory, along with temporary expenses incurred by application of the principle for calculating retirement benefits upon the merger of a subsidiary, despite the reduction of selling, general and administrative expenses.

(JPY bn, %)	FY2019/12 Actual	FY2020/12 Actual	YoY Change	Diff. (Target/ Actual)*
Net Sales	149.8	<b>149.3</b>	(0.5)	4.8
Gross Profit	44.5	<b>43.4</b>	(1.0)	1.1
Gross Profit Margin	29.7%	<b>29.1%</b>	(0.6)%	(0.2)%
SG&A Expenses	41.7	<b>41.3</b>	(0.3)	0.1
Personnel Expenses	24.6	<b>25.1</b>	0.4	0.3
Other Expenses	17.0	<b>16.2</b>	(0.7)	(0.1)
Operating Income	2.7	<b>2.0</b>	(0.6)	0.9

\*Comparison with the forecast announced on August 6, 2020

## [Breakdown of YoY Change]



### <Temporary factors (on profits)>

	*1 Gross Profit	*2 SG&A Expenses	Operating Income
Recording of loss on valuation of parts inventory due to delay in receiving engines purchased for installation	(0.2)	—	(0.2)
Temporary impact of the application of the principle for calculating retirement benefits upon the merger of sales subsidiary.	—	(0.3)	(0.3)

### [Effect of forex fluctuations (JPY bn)]

Net Sales	Cost of Sales	SG&A Expenses	Operating Income
0.55	0.29	0.16	<b>0.9</b>



# Ordinary Income and Profit

Ordinary  
Income YoY  
¥0.5 billion

**Ordinary Income: Increased profit due to reduced foreign exchange losses and a reduction in the share of loss of entities accounted for using equity method**  
**Income before Income Taxes: Decrease in profit due to recording of impairment loss, although a gain on change in equity was reported**

(JPY bn, %)	FY2019/12 Actual	FY2020/12 Actual	YoY Change	Diff. (Target/ Actual)*
Operating Income	2.7	<b>2.0</b>	(0.6)	0.9
Balance of Financial Income	(0.7)	<b>(0.6)</b>	0.0	0.0
Other Non-operating Income	(0.8)	<b>0.3</b>	1.1	0.5
Ordinary Income	1.1	<b>1.7</b>	0.5	1.5
Extraordinary Income	0.5	<b>0.6</b>	0.1	0.0
Extraordinary Losses	(0.3)	<b>(9.4)</b>	(9.1)	(9.0)
Income before Income Taxes	1.3	<b>(7.1)</b>	(8.4)	(7.5)
Income Taxes - Deferred	(0.5)	<b>1.4</b>	2.0	1.6
Profit (Loss) Attributable to Owners of Parent	0.7	<b>(5.6)</b>	(6.3)	(5.8)

## Non-operating Income (YoY change)

Decrease in share of loss of entities accounted for using equity method      ¥1.0 billion

(Reference) Related to equity method

(JPY bn, %)	FY2019/12 Actual	FY2020/12 Actual	YoY Change
Share of profit (loss) of entities accounted for using equity method (non-operating)	(1.4)	<b>(0.4)</b>	1.0
Gain (loss) on change in equity (extraordinary)	—	<b>0.6</b>	0.6

\*Comparison with the forecast announced on August 6, 2020

# Impairment Loss on Non-current Assets

## ■ Recording of Impairment Losses

- (1) Non-consolidated: Decline in the market value of land in respect of real estate leased to consolidated subsidiaries (Iseki-Matsuyama Mfg. Co., Ltd. and Iseki-Kumamoto Mfg. Co., Ltd.)
- (2) Consolidated subsidiaries: Decline in profitability of business assets owned by Iseki Matsuyama and Iseki Kumamoto caused by changes in the business environment
- (3) Consolidated financial results: Revision of impairment losses based on consolidated business earnings

[Recording Extraordinary Losses]

(JPY bn)	ISEKI & CO., LTD., Iseki Matsuyama, Iseki Kumamoto			Consolidated financial results Subtotal	Others	Consolidated financial results Total
	Non-consolidated	Non-consolidated results of consolidated subsidiaries	Consolidation adjustment			
Impairment loss on non-current assets	(10.7)	(3.5)	5.3	(9.0)	(0.3)	(9.3)
Loss on valuation of shares of subsidiaries and associates and provision of allowance for doubtful accounts	(4.9)	—	4.9	—	—	—
Total	(15.6)	(3.5)	10.2	(9.0)	(0.3)	(9.3)

## ■ Result

Recording of impairment losses enabled the Company to reduce non-current assets, which together with the reduction in inventory has led to an improvement in the balance sheet. In addition, this will also reduce depreciation and other expenses from 2021 onwards.

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

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

(JPY bn)	FY2019/12		FY2020/12		FY2021/12		YoY change
	Actual	%	Actual	%	Forecast	%	
Net Sales	149.8	100.0	149.3	100.0	<b>153.5</b>	<b>100.0</b>	4.1
(Domestic)	117.7	78.5	115.9	77.6	<b>117.9</b>	<b>76.8</b>	1.9
(Overseas)	32.1	21.5	33.3	22.4	<b>35.6</b>	<b>23.2</b>	2.2
Operating Income	2.7	1.8	2.0	1.4	<b>3.6</b>	<b>2.3</b>	1.5
Ordinary Income	1.1	0.7	1.7	1.1	<b>3.5</b>	<b>2.3</b>	1.7
Profit attributable to owners of the parent	0.7	0.5	(5.6)	-	<b>2.4</b>	<b>1.6</b>	8.0
Average Exchange Rate (JPY)							
Average Exchange Rate (JPY)	US\$	109.3	107.0		<b>105.0</b>		(2.0)
	Euro	121.6	121.5		<b>123.0</b>		1.5
Foreign Exchange Sensitivity (Operating Income Basis)							
Foreign Exchange Sensitivity (Operating Income Basis)	US\$				<b>(5)</b>		(JPY mn)
	Euro				<b>12</b>		

## Domestic Sales

Sales are expected to increase due to improving service and support capabilities, as well as strong sales of spare parts and revenue from repair fees, in addition to sales of large machinery and smart agricultural machinery in response to structural changes in agriculture.

		(JPY bn)	FY2019/12 Actual	FY2020/12 Actual	FY2021/12 Forecast	YoY Change
Agricultural Machinery Related	Agricultural Machinery	Cultivating & Mowing Machinery	25.3	22.8	<b>23.8</b>	0.9
		Planting Machinery	9.0	8.8	<b>9.3</b>	0.4
		Harvesting & Processing Machinery	18.5	16.8	<b>17.8</b>	0.9
		Subtotal	53.0	48.6	<b>50.9</b>	2.2
		Farming Implements	20.0	20.4	<b>20.1</b>	(0.3)
		Spare Parts	15.0	15.6	<b>15.7</b>	± 0.0
		Repair Fees	5.7	5.8	<b>6.1</b>	0.2
		Subtotal	40.8	42.0	<b>41.9</b>	(0.1)
	Total		93.8	90.6	<b>92.8</b>	2.1
	Construction of Facilities		4.5	6.1	<b>5.5</b>	(0.6)
Others		19.3	19.1	<b>19.6</b>	0.4	
Total		117.7	115.9	<b>117.9</b>	1.9	

## Overseas Sales

Sales are expected to increase as a result of continued demand from consumers staying at home in North America and the impact of the conversion of an ASEAN distributor into a consolidated subsidiary in December 2020.

(JPY bn)	FY2019/12	FY2020/12	FY2021/12	YoY
	Actual	Actual	Forecast	Change
North America	13.2	12.8	<b>13.8</b>	0.9
Europe	12.8	13.9	<b>14.0</b>	± 0.0
Asia	5.5	6.2	<b>7.4</b>	1.1
Others	0.5	0.3	<b>0.4</b>	± 0.0
Total Sales	32.1	33.3	<b>35.6</b>	2.2

\* China, ASEAN, East Asia

\* Oceania and others

Notes: From FY2021/12, overseas sales will be aggregated in the following unit:

1. Change to regional classifications:  
Asia: China, ASEAN, East Asia  
Others: Oceania and others
2. Parts and Others will be aggregated by region

## Performance Forecast

Despite an increase in SG&A expenses, operating income is expected to increase as a result of structural reforms and improved management efficiency company-wide, in addition to the increase in gross profit due to increased sales.

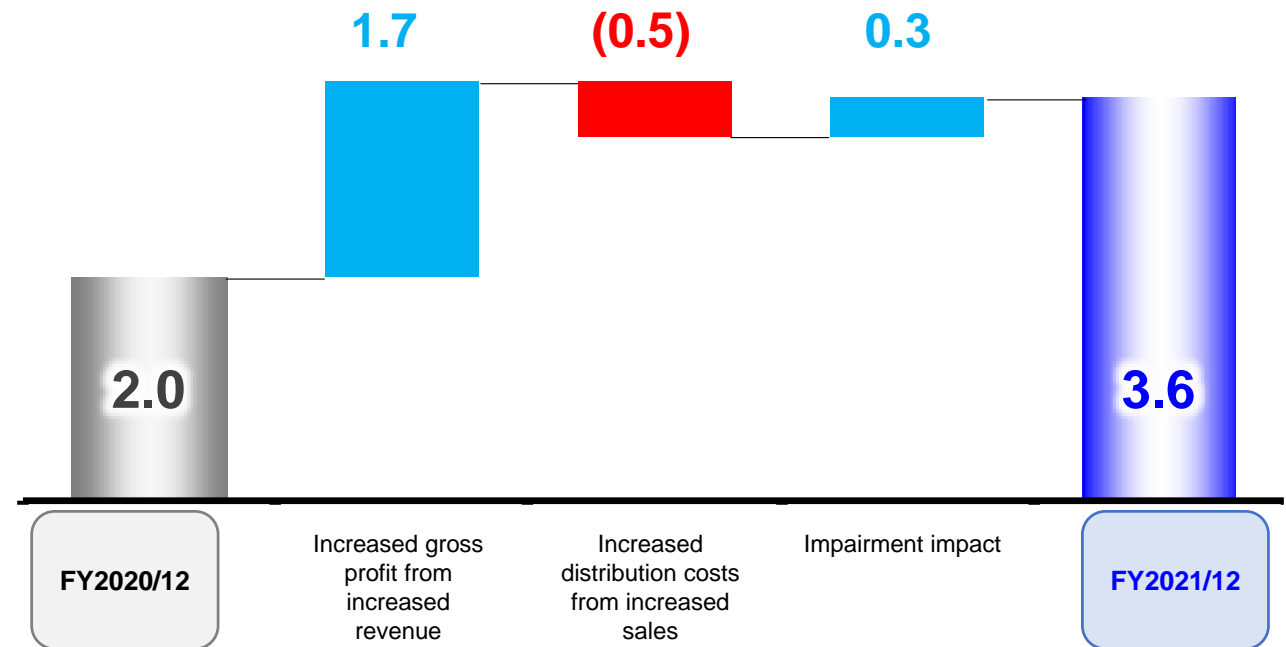
### 1. Operating Income

(JPY bn)	FY2019/12 Actual	FY 2020/12 Actual	FY 2021/12 Forecast	YoY Change
Net Sales	149.8	149.3	153.5	4.1
Gross profit	44.5	43.4	46.4	2.9
Gross Profit Margin	29.7%	29.1%	30.2%	1.1%
SG&A Expenses	41.7	41.3	42.8	1.4
Personnel Expenses	24.6	25.1	24.9	(0.2)
Other Expenses	17.0	16.2	17.9	1.6
Operating Income	2.7	2.0	3.6	1.5

### 2. Dividend Forecast

(JPY)	FY2019/12 Actual	FY2020/12 Plan	FY2021/12 Forecast
Year-end dividend	30	0	Undetermined

[Breakdown of YoY Change]



- 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.



安心を、未来へつなぐ食料自給率1%アップ運動  
**FOOD ACTION NIPPON**

ISEKI group is a promotional partner of FOOD ACTION NIPPON



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".