

# **Supplementary Information to Consolidated Financial Results**

**(January 1, 2021 – September 30, 2021)**

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**ISEKI & CO., LTD.**

**November 12, 2021**

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

# 1. Outline of Financial Results for the Third Quarter Fiscal Year Ending December 31, 2021

## <Third Quarter Financial Results>

### YoY increases to both sales and profit

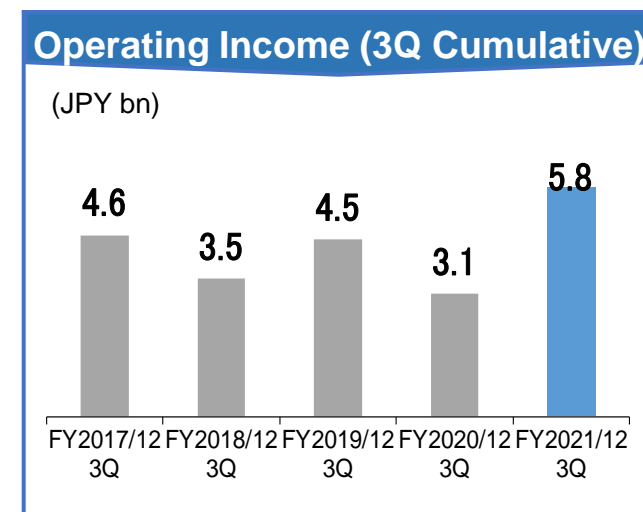
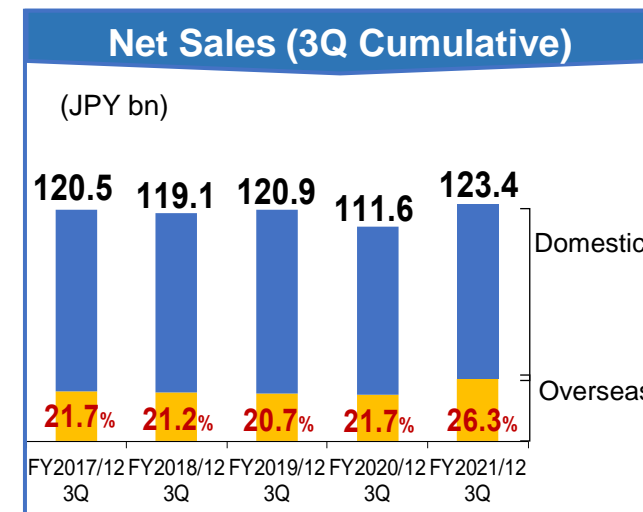
#### (Results Breakdown)

- Domestic:** Recovery from the reactionary decline after the consumption tax hike  
Demand stimulated by government subsidies for agricultural business continuity, and a rebound since May  
Decreased willingness to buy due to falling rice prices
- Overseas:** Increased demand in North America and Europe in line with lifestyle changes, but a shortage of containers for marine transportation led to unfulfilled shipments and expansions of other backorders.  
In Asia, positive impact seen from making a Thai distributor a consolidated subsidiary at the end of the previous fiscal year and increased sales of production parts to China
- Earnings:** Gross profit buoyed by increased sales, but soaring raw material prices put pressure on earnings

## <Full-year Forecast>

### Upwardly revised sales and profit, resumed dividends (30 yen)

- Upwardly revised from the previous forecast (February) despite emergence of expected risks in Japan and overseas
- Plan to resume dividend payment of 30 yen



|                 |                      | YoY<br>(FY2020/12 3Q)  | Current Quarter<br>(FY2021/12 3Q)  |
|-----------------|----------------------|--|--|
| <b>Domestic</b> |                      | <ul style="list-style-type: none"> <li>✓ Reactionary decline after consumption tax hike</li> <li>✓ Self restraint on sales activities due to COVID-19</li> </ul>   | <ul style="list-style-type: none"> <li>✓ Recovery from post-consumption tax hike reactionary decline</li> <li>✓ Impact of self restraint on sales activities due to COVID-19 eased compared to previous year</li> <li>✓ Demand stimulated by government subsidies for agricultural business continuity, and a rebound since May</li> <li>✓ Decreased willingness to buy due to falling rice prices</li> </ul>  |
| <b>Overseas</b> | <b>North America</b> | <ul style="list-style-type: none"> <li>✓ Robust demand owing to growing demand resulting from consumers staying at home</li> <li>✓ Delays in shipments of parts led to decreased shipments of tractors (temporary factors of the Company)</li> </ul>   | <ul style="list-style-type: none"> <li>✓ Increased demand due to lifestyle changes</li> <li>✓ A shortage of containers for marine transportation led to unfulfilled shipments and expansions of other backorders</li> </ul>  |
|                 | <b>Europe</b>        | <ul style="list-style-type: none"> <li>✓ Temporary closure of local retail outlets due to lockdowns⇒the Company adjusted shipments</li> <li>✓ Partial recovery seen after store operations gradually resumed from May onwards</li> </ul>   | <ul style="list-style-type: none"> <li>✓ Robust demand for consumer goods newly uncovered owing to lifestyle changes</li> <li>✓ Local distributors continued operations as essential retail</li> <li>✓ Sales activities gradually returned to normal as vaccination progressed</li> </ul>  |
|                 | <b>Asia</b>          | <ul style="list-style-type: none"> <li>✓ China                             <ul style="list-style-type: none"> <li>▪ Demand for agricultural machinery stimulated by government policies to secure food and travel restrictions</li> </ul> </li> <li>✓ ASEAN (Thailand)                             <ul style="list-style-type: none"> <li>▪ Drought affected farmers' household income and demand for agricultural machinery, but rainfall has generally recovered since September.</li> </ul> </li> <li>✓ South Korea                             <ul style="list-style-type: none"> <li>▪ Demand for large agricultural machinery continued</li> </ul> </li> <li>✓ Taiwan                             <ul style="list-style-type: none"> <li>▪ Increased demand due to subsidies for large agricultural machinery</li> </ul> </li> </ul> | <ul style="list-style-type: none"> <li>✓ China                             <ul style="list-style-type: none"> <li>▪ Robust market continued, owing to factors including the continuation of government policies to secure food and stabilization of grain prices</li> </ul> </li> <li>✓ ASEAN (Thailand)                             <ul style="list-style-type: none"> <li>▪ Demand for agricultural machinery was on a recovery track, as the volume of agricultural produce and crop prices began to recover last year</li> </ul> </li> <li>✓ South Korea                             <ul style="list-style-type: none"> <li>▪ Demand for large agricultural machinery continued</li> </ul> </li> <li>✓ Taiwan                             <ul style="list-style-type: none"> <li>▪ A pullback effect with the withdrawal of subsidies</li> </ul> </li> </ul> |

# Outline of Consolidated Business Performance

(January 1, 2021 to September 30, 2021)

| (JPY bn, %)                                    | FY2019/12 |       | FY2020/12 |       | FY2021/12    |              | YoY Change |
|--|-----------|-------|-----------|-------|--------------|--------------|------------|
|  | 3Q Actual | %     | 3Q Actual | %     | 3Q Actual    | %            |            |
| Net Sales                                      | 120.9     | 100.0 | 111.6     | 100.0 | <b>123.4</b> | <b>100.0</b> | 11.8       |
| (Domestic)                                     | 95.9      | 79.3  | 87.4      | 78.3  | <b>90.9</b>  | <b>73.7</b>  | 3.5        |
| (Overseas)                                     | 24.9      | 20.7  | 24.1      | 21.7  | <b>32.4</b>  | <b>26.3</b>  | 8.2        |
| Operating Income                               | 4.5       | 3.7   | 3.1       | 2.8   | <b>5.8</b>   | <b>4.7</b>   | 2.6        |
| Ordinary Income                                | 3.2       | 2.7   | 2.8       | 2.5   | <b>6.5</b>   | <b>5.3</b>   | 3.6        |
| Profit (Loss) Attributable to Owners of Parent | 2.1       | 1.8   | 2.4       | 2.2   | <b>4.7</b>   | <b>3.9</b>   | 2.3        |
| Average Exchange Rate (JPY)                    | US\$      | 109.6 | 107.7     |       | <b>107.7</b> |              | 0.0        |
|  | Euro      | 123.2 | 120.6     |       | <b>129.6</b> |              | 9.0        |

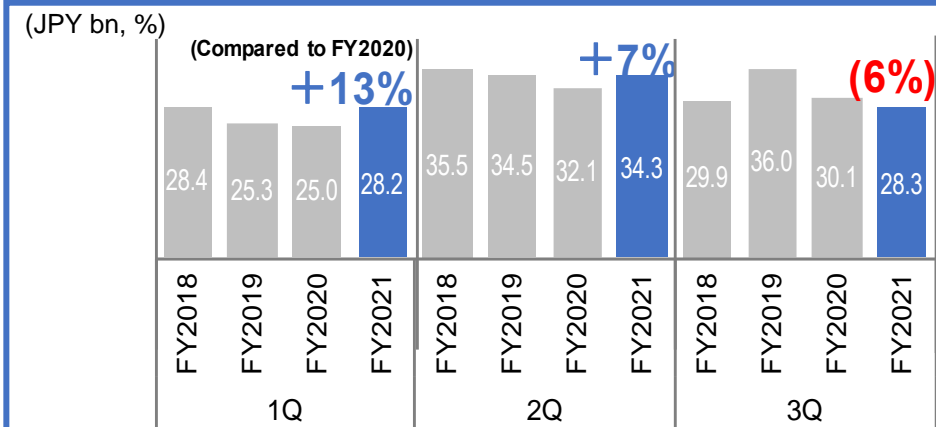
# Domestic Sales

YoY  
¥3.5 billion

With agricultural machinery and farming implements recovering from the reactionary decline following the consumption tax hike, and demand stimulated by government subsidies for agricultural business continuity, etc., domestic sales increased overall.

| (JPY bn)                       |                            | FY2018/12                         | FY2019/12 | FY2020/12 | FY2021/12 | YoY Change |       |
|--------------------------------|----------------------------|-----------------------------------|-----------|-----------|-----------|------------|-------|
|                                |                            | 3Q Actual                         | 3Q Actual | 3Q Actual | 3Q Actual |            |       |
| Agricultural Machinery Related | Agricultural Machinery     | Cultivating & Mowing Machinery    | 21.0      | 21.3      | 17.3      | 18.8       | 1.4   |
|                                |                            | Planting Machinery                | 7.4       | 8.0       | 6.4       | 7.2        | 0.8   |
|                                |                            | Harvesting & Processing Machinery | 13.7      | 14.1      | 11.9      | 11.7       | (0.2) |
|                                |                            | Subtotal                          | 42.2      | 43.4      | 35.7      | 37.8       | 2.0   |
|                                | Farming Implements         | Farming Implements                | 16.0      | 17.1      | 15.2      | 17.9       | 2.6   |
|                                |                            | Spare Parts                       | 11.3      | 11.8      | 11.9      | 11.8       | (0.0) |
|                                |                            | Repair Fees                       | 4.1       | 4.3       | 4.4       | 4.5        | 0.1   |
|                                | Subtotal                   | 31.5                              | 33.3      | 31.6      | 34.3      | 2.6        |       |
|                                | Total                      | 73.7                              | 76.7      | 67.4      | 72.1      | 4.7        |       |
|                                | Construction of Facilities | 4.9                               | 4.0       | 5.6       | 3.6       | (1.9)      |       |
| Others                         | 15.1                       | 15.2                              | 14.3      | 15.1      | 0.7       |            |       |
| Total                          | 93.9                       | 95.9                              | 87.4      | 90.9      | 3.5       |            |       |

## Sales by Quarter



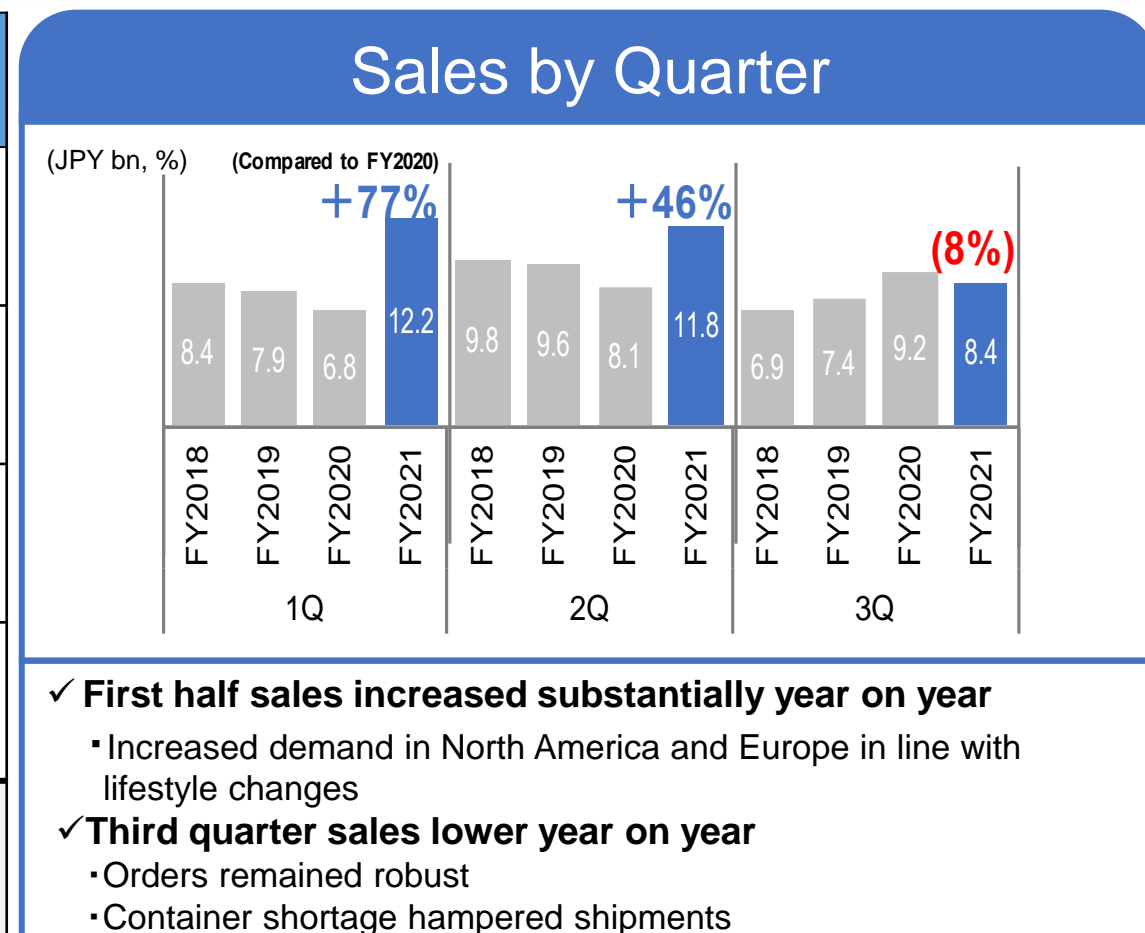
- ✓ **First half sales increased substantially year on year**
  - Recovery from reactionary decline following consumption tax hike
  - Demand stimulated by government subsidies for agricultural business continuity
- ✓ **Third quarter sales lower year on year**
  - A pullback effect with the withdrawal of government subsidies for agricultural business continuity
  - Decreased willingness to buy due to falling rice prices

# Overseas Sales

YoY  
¥8.2 billion

Sales in North America and Europe increased owing to rising demand in line with lifestyle changes. In Asia, making a Thai distributor a consolidated subsidiary had a positive impact (at the end of the previous fiscal year), and sales to China increased.

| (JPY bn)           | FY2018/12<br>3Q Actual | FY2019/12<br>3Q Actual | FY2020/12<br>3Q Actual | FY2021/12<br>3Q Actual | YoY<br>Change |
|--------------------|------------------------|------------------------|------------------------|------------------------|---------------|
| North America      | 8.6                    | 10.1                   | 9.2                    | 11.3                   | 2.1           |
| Europe             | 10.8                   | 9.9                    | 9.2                    | 13.3                   | 4.0           |
| Asia               | 5.5                    | 4.4                    | 5.4                    | 7.3                    | 1.9           |
| Others             | 0.2                    | 0.3                    | 0.2                    | 0.3                    | 0.0           |
| <b>Total Sales</b> | <b>25.2</b>            | <b>24.9</b>            | <b>24.1</b>            | <b>32.4</b>            | <b>8.2</b>    |





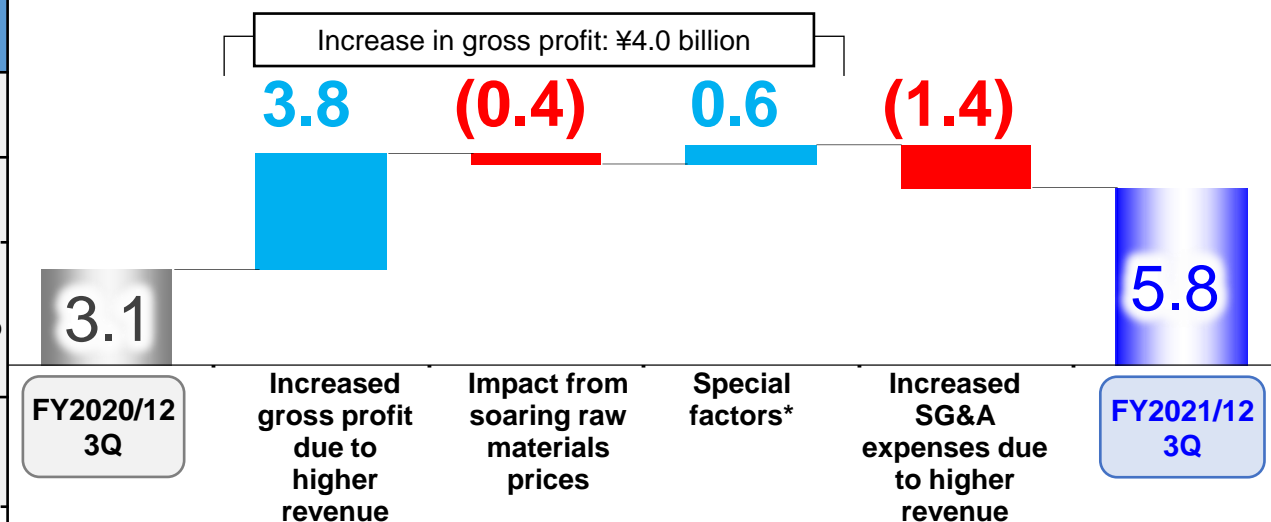
# Operating Income

YoY  
¥2.6 billion

In addition to increased gross profit buoyed by higher sales, operating income increased owing to special factors, including the absence of a loss on valuation of parts inventory recorded in the previous fiscal year, but soaring raw material prices are putting pressure on earnings

| (JPY bn, %)         | FY2018/12<br>3Q Actual | FY2019/12<br>3Q Actual | FY2020/12<br>3Q Actual | FY2021/12<br>3Q Actual | YoY<br>Change |
|---------------------|------------------------|------------------------|------------------------|------------------------|---------------|
| Net Sales           | 119.1                  | 120.9                  | 111.6                  | 123.4                  | 11.8          |
| Gross Profit        | 35.3                   | 35.8                   | 33.1                   | 37.2                   | 4.0           |
| Gross Profit Margin | 29.7%                  | 29.6%                  | 29.7%                  | 30.1%                  | 0.4%          |
| SG&A Expenses       | 31.7                   | 31.2                   | 29.9                   | 31.3                   | 1.4           |
| Personnel Expenses  | 18.7                   | 18.3                   | 17.9                   | 18.5                   | 0.5           |
| Other Expenses      | 13.0                   | 12.9                   | 11.9                   | 12.8                   | 0.9           |
| Operating Income    | 3.5                    | 4.5                    | 3.1                    | 5.8                    | 2.6           |

[Breakdown of YoY Change]



\*Special factors

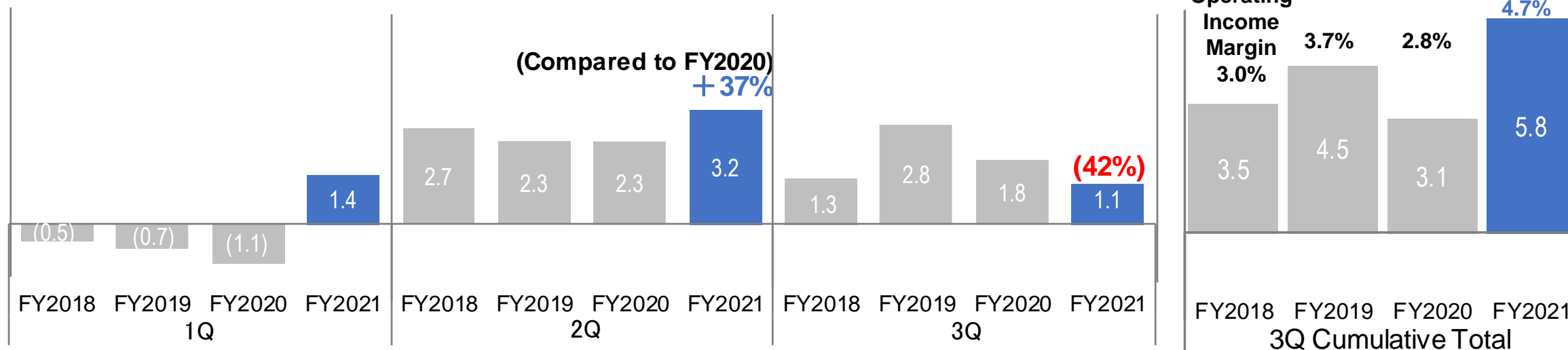
- Absence of loss on valuation of parts inventory included in the previous fiscal year 0.2
- Decline in depreciation in line with posting an impairment loss in the previous fiscal year 0.4

[Effect of FOREX Fluctuations (JPY bn)]

| Net Sales | Cost of Sales | SG&A Expenses | Operating Income |
|-----------|---------------|---------------|------------------|
| 0.8       | (0.5)         | (0.1)         | 0.2              |

## Operating Income by Quarter

(JPY bn, %)



### ✓ Profit in the first half increased substantially year on year

- Strong sales in Japan and overseas

### ✓ Third quarter sales lower year on year

- YoY decline in Japan and overseas
- Raw material price hikes in full swing

### ✓ 3Q cumulative

- Due to measures to stimulate demand and other factors, profitability is on an upward trend, although there are special factors in each fiscal year.

# Ordinary Income and Profit

Ordinary  
income YoY  
¥3.6 billion

In addition to favorable shifts in foreign exchange gain (loss) and smaller share of loss of entities accounted for using the equity method, profit increased due mainly to one-off posting of non-operating income.

| (JPY bn)                                       | FY2019/12<br>3Q Actual | FY2020/12<br>3Q Actual | FY2021/12<br>3Q Actual | YoY<br>Change |
|--|------------------------|------------------------|------------------------|---------------|
| Operating Income                               | 4.5                    | 3.1                    | <b>5.8</b>             | 2.6           |
| Balance of Financial Income                    | (0.5)                  | (0.5)                  | <b>(0.4)</b>           | 0.0           |
| Other Non-operating Income                     | (0.6)                  | 0.1                    | <b>1.1</b>             | 0.9           |
| Ordinary Income                                | 3.2                    | 2.8                    | <b>6.5</b>             | 3.6           |
| Extraordinary Income                           | 0.1                    | 0.6                    | <b>0.0</b>             | (0.6)         |
| Extraordinary Losses                           | (0.2)                  | (0.0)                  | <b>(0.2)</b>           | (0.1)         |
| Income Before Income Taxes                     | 3.1                    | 3.4                    | <b>6.3</b>             | 2.9           |
| Income Taxes - Deferred                        | (1.0)                  | (1.0)                  | <b>(1.5)</b>           | (0.5)         |
| Profit (Loss) Attributable to Owners of Parent | 2.1                    | 2.4                    | <b>4.7</b>             | 2.3           |

## Non-operating Income (YoY Change)

|   |              |
|---|--------------|
| Foreign exchange gain (loss)                                    | ¥0.3 billion |
| Share of loss of entities accounted for using the equity method | ¥0.1 billion |
| Settlement received   | ¥0.4 billion |

## (Reference) Related to equity method

| (JPY bn)   | FY2020/12<br>3Q Actual | FY2021/12<br>3Q Actual | Change |
|--|------------------------|------------------------|--------|
| Share of profit (loss) of entities accounted for using the equity method (non-operating) | (0.25)                 | <b>(0.12)</b>          | 0.13   |
| Gain (loss) on change in equity (extraordinary)  | 0.65                   | <b>-</b>               | (0.65) |

\*Entities accounted for using the equity method

Previous fiscal year: Dongfeng Iseki, IST

Current fiscal year: Dongfeng Iseki

2 companies

1 company

# Balance Sheet (Consolidated)

## YoY Change:

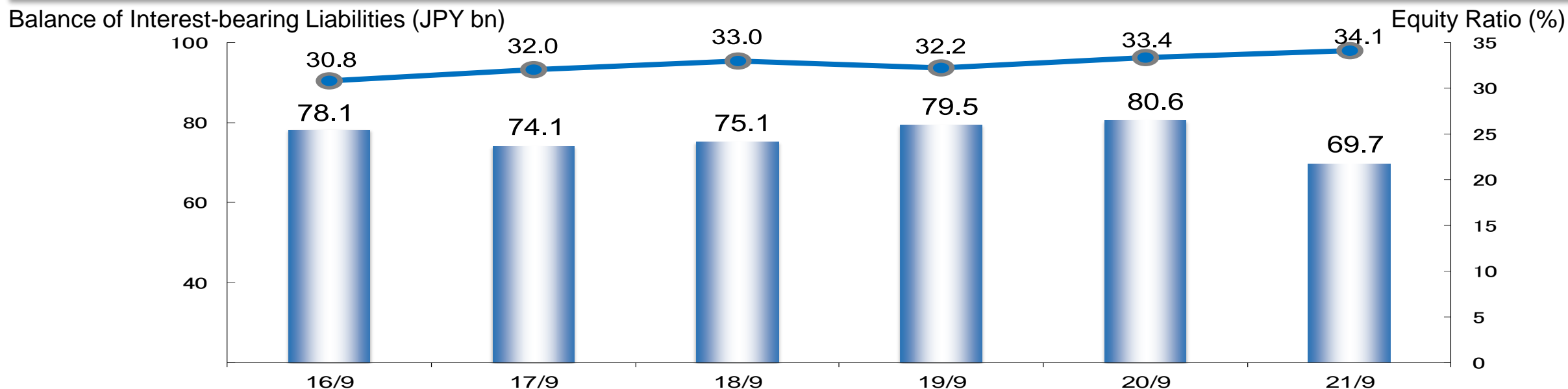
Higher sales and lower inventories this year led to improved balance of income ⇒ Cash & deposits increased  
 Non-current assets decreased ⇔ Interest-bearing liabilities and capital decreased

| (JPY bn)                       | As of<br>Sep. 30,<br>2020 | As of<br>Sep. 30,<br>2021 | YoY<br>Change |   | As of<br>Sep. 30,<br>2020 | As of<br>Sep. 30,<br>2021 | YoY<br>Change |
|--------------------------------|---------------------------|---------------------------|---------------|---|---------------------------|---------------------------|---------------|
| Cash & Deposits                | 7.5                       | <b>12.5</b>               | 4.9           | Accounts Payable - Trade                        | 35.8                      | <b>37.1</b>               | 1.3           |
| Accounts Receivable – Trade    | 33.2                      | <b>31.3</b>               | (1.8)         | Interest-bearing Liabilities                    | 80.6                      | <b>69.7</b>               | (10.9)        |
| Inventories                    | 53.4                      | <b>48.2</b>               | (5.1)         | (Loans Payable)                                 | 72.7                      | <b>62.2</b>               | (10.4)        |
| (Merchandise & Finished Goods) | 45.6                      | <b>39.9</b>               | (5.7)         | Other Liabilities                               | 19.1                      | <b>18.8</b>               | (0.3)         |
| Other Current Assets           | 4.2                       | <b>4.2</b>                | 0.0           | (Deferred Tax Liabilities for Land Revaluation) | 5.7                       | <b>4.0</b>                | (1.6)         |
| Total Current Assets           | 98.4                      | <b>96.4</b>               | (2.0)         | Total Liabilities                               | 135.6                     | <b>125.6</b>              | (9.9)         |
| Property, Plant and Equipment  | 96.6                      | <b>85.0</b>               | (11.6)        | Net Assets                                      | 70.5                      | <b>67.7</b>               | (2.7)         |
| Intangible Assets              | 1.5                       | <b>2.2</b>                | 0.7           | (Retained Earnings)                             | 18.7                      | <b>19.2</b>               | 0.5           |
| Investments and Other Assets   | 9.5                       | <b>9.6</b>                | 0.1           | (Revaluation Reserve for Land)                  | 12.6                      | <b>8.8</b>                | (3.7)         |
| Total Non-current Assets       | 107.7                     | <b>97.0</b>               | (10.6)        | Total Liabilities and Net Assets                | 206.1                     | <b>193.4</b>              | (12.7)        |
| Total Assets                   | 206.1                     | <b>193.4</b>              | (12.7)        |   |                           |                           |               |

# Equity Ratio / Interest-bearing Liabilities

Interest-bearing liabilities, D/E ratio

**A decrease in loans payable led to a decrease in interest-bearing liabilities**  
**D/E ratio improved to 1.03**



|                                |      |      |      |      |      |      |
|--------------------------------|------|------|------|------|------|------|
| Loans payable, corporate bonds | 69.6 | 67.0 | 68.8 | 72.3 | 72.7 | 62.2 |
| Lease obligations              | 8.4  | 7.0  | 6.3  | 7.1  | 7.9  | 7.4  |
| Total                          | 78.1 | 74.1 | 75.1 | 79.5 | 80.6 | 69.7 |
| D/E Ratio                      | 1.19 | 1.05 | 1.05 | 1.14 | 1.14 | 1.03 |

Note: D/E Ratio = Interest-bearing liabilities (incl. Lease liabilities) / Net assets

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

## <Predictions on the business environment>

- ✓ The spread of COVID 19 is coming under control, but economic activity remains disrupted, and we need to be wary of a sixth wave of infections.
- ✓ Demand will be stimulated by government subsidies for agricultural business continuity but there will be decreased willingness to buy due to the falling price of rice
- ✓ Raw material price hikes will be in full swing

|             | Incorporated Risks  |
|-------------|---|
| Domestic    | <ul style="list-style-type: none"> <li>✓ Reactionary pullback after demand stimulated by government subsidies for agricultural business continuity, etc.</li> <li>✓ Decreased willingness to purchase due to lower price of rice</li> <li>✓ Production delays due to delays in delivery of parts</li> </ul> |
| Overseas    | <ul style="list-style-type: none"> <li>✓ Shortage of containers leads to unfulfilled shipments and expansions of other backorders</li> </ul>  |
| Cost aspect | <ul style="list-style-type: none"> <li>✓ Raw material price hikes are in full swing</li> </ul>  |

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

Consolidated  
Financial Results  
Forecasts

**Upward revision of both sales and profits**  
**Resumption of dividend payment of 30 yen**

\*1 Announced Feb. 15, 2021

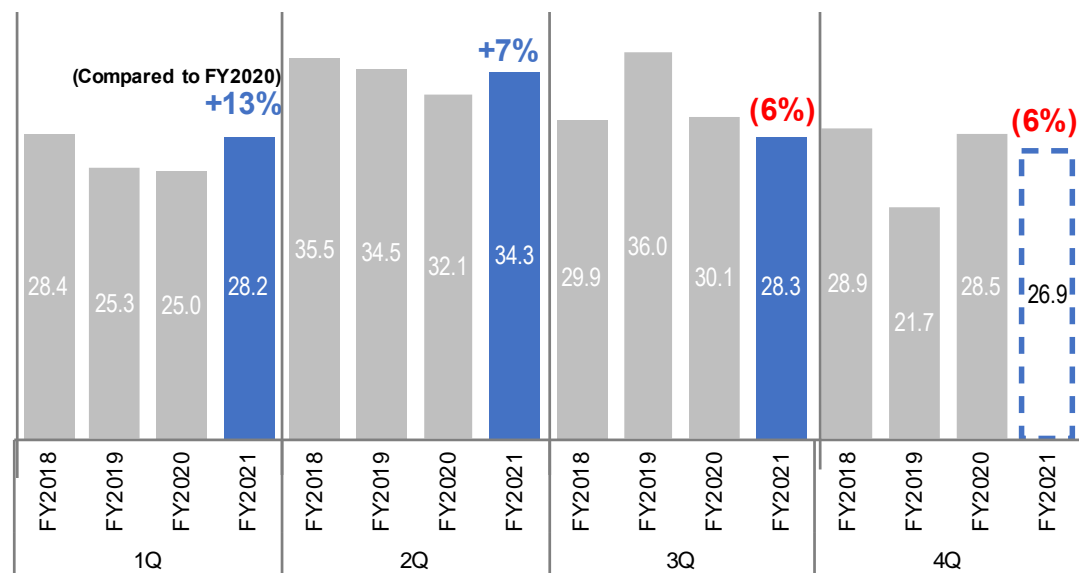
\*2 Announced Nov. 12, 2021

| (JPY bn)                                   |            | FY2018/12<br>Actual | FY2019/12<br>Actual | FY2020/12<br>Actual | FY2021/12<br>Forecast*1 | FY2021/12<br>Forecast*2 | YoY Change | Change from<br>previous forecast |
|--|------------|---------------------|---------------------|---------------------|-------------------------|-------------------------|------------|----------------------------------|
| Net Sales                                  |            | 155.9               | 149.8               | 149.3               | 153.5                   | <b>159.0</b>            | 9.6        | 5.5                              |
|  | (Domestic) | 122.8               | 117.7               | 115.9               | 117.9                   | <b>117.9</b>            | 1.9        | 0.0                              |
|  | (Overseas) | 33.1                | 32.1                | 33.3                | 35.6                    | <b>41.1</b>             | 7.7        | 5.5                              |
| Operating Income                           |            | 3.1                 | 2.7                 | 2.0                 | 3.6                     | <b>4.0</b>              | 1.9        | 0.4                              |
| Operating Income Margin                    |            | 2.0%                | 1.8%                | 1.4%                | 2.3%                    | <b>2.5%</b>             | 1.1%       | 0.2%                             |
| Ordinary Income                            |            | 2.6                 | 1.1                 | 1.7                 | 3.5                     | <b>4.7</b>              | 2.9        | 1.2                              |
| Profit Attributable to<br>Owners of Parent |            | 1.0                 | 0.7                 | (5.6)               | 2.4                     | <b>3.4</b>              | 9.0        | 1.0                              |
| Average<br>Exchange Rate<br>(JPY)          | US\$       | 110.2               | 109.3               | 107.0               | 105.0                   | <b>108.0</b>            | 1.0        | 3.0                              |
|  | Euro       | 130.9               | 121.6               | 121.5               | 123.0                   | <b>130.0</b>            | 8.5        | 7.0                              |
| Year-end Dividend (JPY)                    |            | 30.0                | 30.0                | 0.0                 | Undetermined            | <b>30.0</b>             | 30.0       | —                                |



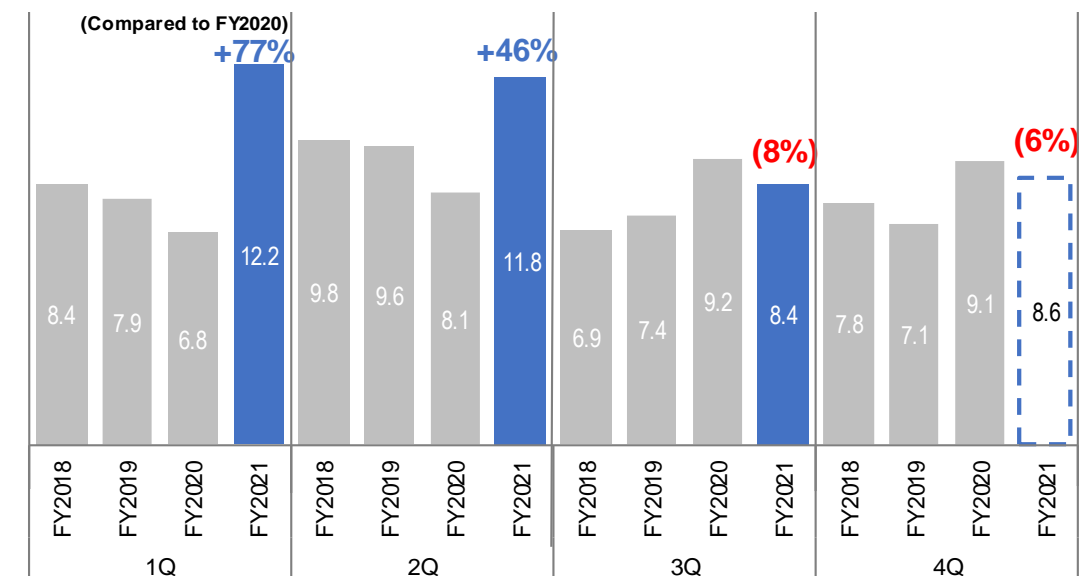
## Domestic Sales

(JPY bn, %)



## Overseas Sales

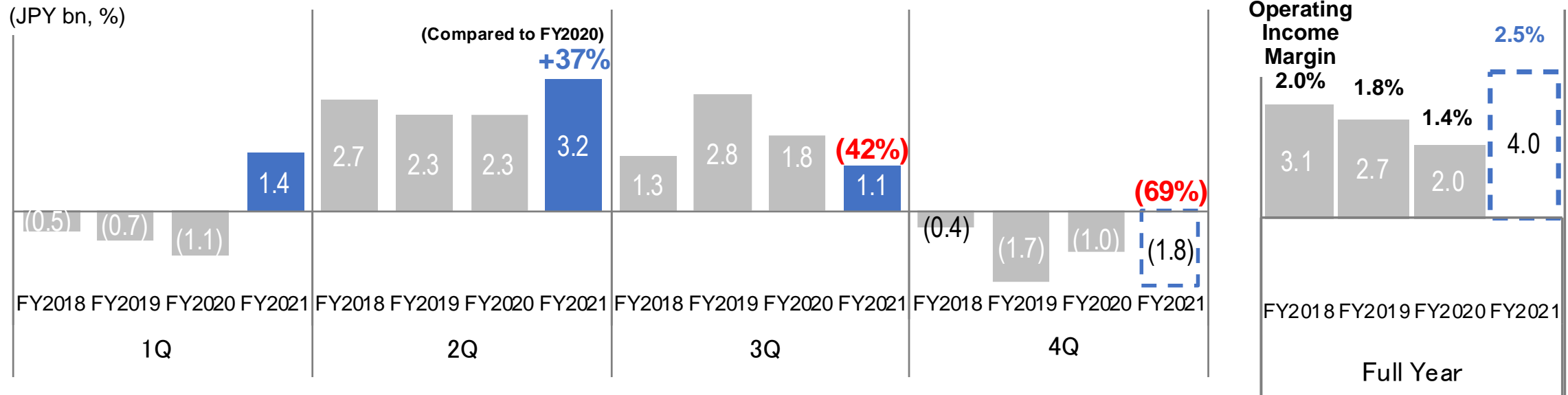
(JPY bn, %)



✓ Sales in the fourth quarter are expected to be lower year on year both in Japan and overseas

- Reactionary decline with the withdrawal of government subsidies for agricultural business continuity
- Decreased willingness to buy due to lower price of rice
- Stagnant shipments due to the container shortage

## Operating Income by Quarter



- ✓ YoY decline in sales in the fourth quarter
- ✓ Full-year targets for the first year of the Mid-Term Management Plan are expected to be achieved.

- 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.



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”.