



Supplementary Information to Consolidated Financial Results

(January 1, 2022 – June 30, 2022)

ISEKI & CO., LTD.

August 10, 2022

1. Outline of Financial Results for the Second Quarter
Fiscal Year Ending December 31, 2022
2. Performance Forecast for the Fiscal Year Ending
December 31, 2022



Solution Provider
for Agriculture & Landscape

1. Outline of Financial Results for the Second Quarter Fiscal Year Ending December 31, 2022

Key Points

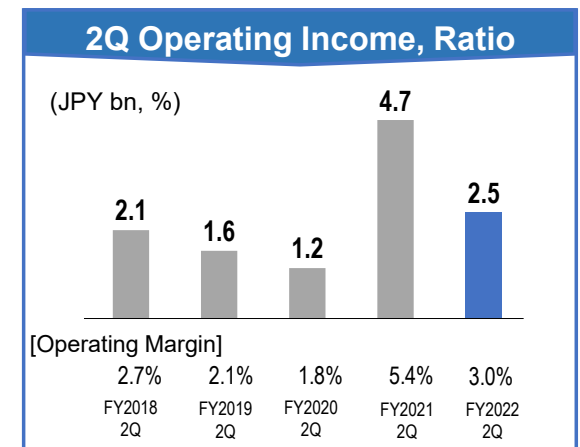
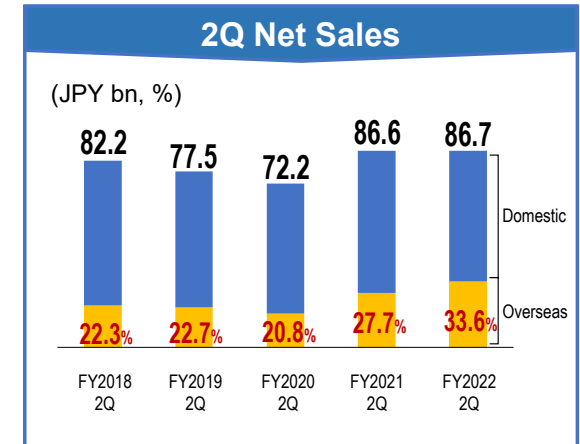
<Second Quarter Financial Results>

Strong sales overseas, but domestic sales decreased due to the impact of a pullback effect with withdrawal of subsidies and falling rice prices.

Domestic: Pullback effect with withdrawal of government subsidies for business continuity, etc., which had stimulated demand in the same period of the previous year
Decrease in purchasing power due to falling rice prices

Overseas: Sales increase in all regions
(North America) Compact tractors market entered an adjustment phase, but orders to recover the local inventory levels were brisk.
Delay in recording part of sales due to a system failure at an OEM partner
(Europe) Strong sales as we catered to lifestyle changes

Earnings: Soaring raw material prices and supply chain disruption put pressure on earnings
Increase in SG&A expenses, such as distribution cost



<Full-year Forecast>

No revision to the initial forecast

[Legend] ✓ = Market environment ➤ = Business environment

Market & Business Environments	
✓ Impact of COVID-19	
<Overall>	<ul style="list-style-type: none"> ➤ Supply chain disruption (shortage of containers for marine transportation, delayed procurement of parts for production) ➤ Soaring raw material prices
<Domestic>	<ul style="list-style-type: none"> ➤ Impact on sales activities, including exhibition cancellations ➤ Pullback effect with withdrawal of government subsidies for business continuity, which had stimulated demand in the same period of the previous year.
<Overseas>	<ul style="list-style-type: none"> ➤ North America: Compact tractors market entered an adjustment phase, but orders to recover the local inventory levels were brisk. ➤ Europe: Increased demand due to lifestyle changes
✓ Falling domestic rice prices (June 2020: ¥14,225/60kg ⇒ June 2021: ¥12,618/60kg) *1	
<Domestic>	<ul style="list-style-type: none"> ➤ Decrease in farmers' willingness to buy
✓ Russia's invasion of Ukraine	
<Overall>	<ul style="list-style-type: none"> ➤ Sales: No direct impact as we do not conduct sales activities in this region. ➤ Purchasing: Supply chain disruption, concern that raw material prices will soar further
✓ Yen depreciation	
<Overall>	<ul style="list-style-type: none"> ➤ Minor impact on operating income

*1 Relative trading price (average of all grades) Source: Monthly Report on Rice, Ministry of Agriculture, Forestry and Fisheries

Outline of Consolidated Business Performance



(January 1, 2022 to June 30, 2022)

(JPY bn, %)

		FY2018/12	FY2019/12	FY2020/12	FY2021/12	FY2022/12	YoY Change
		2Q Actual	2Q Actual	2Q Actual	2Q Actual	2Q Actual	
Net Sales		82.2	77.5	72.2	86.6	86.7	0.0
	(Domestic)	63.9	59.9	57.2	62.6	57.5	(5.0)
	(Overseas)	18.3	17.5	14.9	24.0	29.1	5.1
Operating Income		2.1	1.6	1.2	4.7	2.5	(2.1)
	Operating Margin	2.7%	2.1%	1.8%	5.4%	3.0%	(2.4)%
Ordinary Income		1.8	0.8	1.0	5.5	3.3	(2.1)
Profit (Loss) Attributable to Owners of Parent		1.6	0.6	0.9	4.1	2.5	(1.5)
Average Exchange Rate (JPY)	US\$	108.8	110.7	108.5	106.8	119.2	12.4
	Euro	133.1	125.7	119.7	129.1	131.6	2.5

Domestic Sales

YoY
JPY5.0 billion
decrease

Pullback effect with withdrawal of government subsidies for business continuity, etc., which had stimulated demand, and decreased willingness to buy due to falling rice prices
Maintenance revenues maintained

(JPY bn)		FY2018/12	FY2019/12	FY2020/12	FY2021/12	FY2022/12	YoY Change
		2Q Actual	2Q Actual	2Q Actual	2Q Actual	2Q Actual	
Agricultural Machinery Related	Agricultural Machinery						
	Cultivating & Mowing Machinery	16.3	15.1	13.3	14.7	14.3	(0.3)
	Planting Machinery	6.4	6.1	5.5	6.4	5.5	(0.9)
	Harvesting & Processing Machinery	5.4	5.3	4.3	4.8	5.4	0.5
	Subtotal	28.2	26.6	23.1	25.9	25.3	(0.6)
	Farming Implements	11.7	11.9	10.6	13.5	10.9	(2.5)
	Spare Parts	6.8	6.8	7.1	7.2	7.2	(0.0)
	Repair Fees	2.6	2.6	2.7	2.8	2.8	(0.0)
	Subtotal	21.2	21.4	20.6	23.6	21.0	(2.6)
	Total	49.5	48.1	43.8	49.6	46.3	(3.2)
Construction of Facilities	3.3	1.3	3.0	1.9	1.2	(0.6)	
Others	11.0	10.4	10.3	11.0	9.8	(1.1)	
Total	63.9	59.9	57.2	62.6	57.5	(5.0)	

Main factors of YoY changes

- ✓ Sales of agricultural machinery and farming implements declined due to decreased willingness to buy caused by falling rice prices, in addition to a pullback effect with withdrawal of government subsidies for business continuity, etc., which had stimulated demand.
- ✓ Although revenues from machinery and farming implements declined, maintenance revenues, such as spare parts sales and repair fee revenues, maintained the same level year on year.

Overseas Sales

YoY
JPY5.1 billion

Sales increased in all regions due to sales promotion that meets market needs and yen depreciation

(JPY bn)	FY2018/12 2Q Actual	FY2019/12 2Q Actual	FY2020/12 2Q Actual	FY2021/12 2Q Actual	FY2022/12 2Q Actual	YoY Change
North America	5.8	6.6	5.0	7.8	8.4	0.5
Europe	7.7	7.3	6.4	10.8	14.2	3.4
Asia	4.5	3.3	3.4	5.1	6.1	0.9
Others	0.1	0.2	0.1	0.2	0.3	0.1
Total sales	18.3	17.5	14.9	24.0	29.1	5.1

Main factors of YoY changes

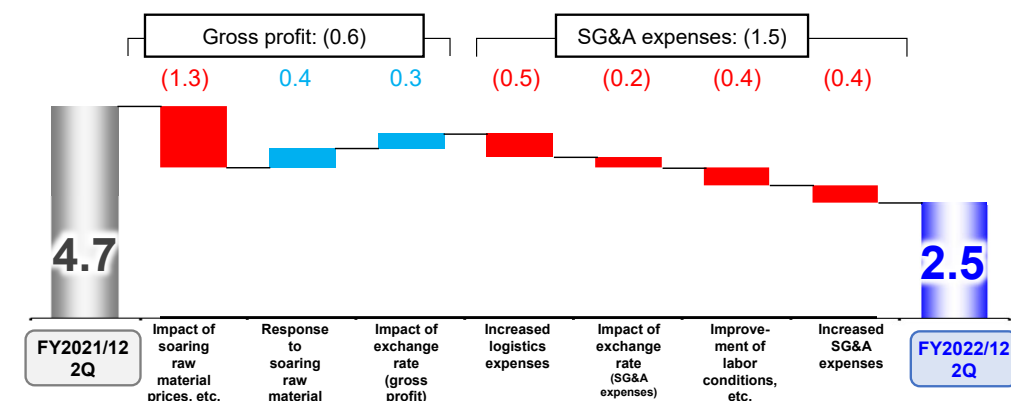
- ✓ **North America:** Sales increased as orders to recover the local inventory levels were brisk, although compact tractors market entered an adjustment phase
There was a delay in recording part of sales due to a system failure at an OEM partner
- ✓ **Europe:** Sales increased due to strong sales, mainly to consumers, as we catered to lifestyle changes, and sales to professionals also increased as demand for landscaping recovered
- ✓ **Asia:** Sales increased due to concentration of shipments due to Stage 5 emission standards in South Korea

Operating Income

YoY
JPY2.1 billion
decrease

Decrease in gross profit due to the impact of higher raw material prices
Increase in SG&A expenses, such as distribution cost

[Breakdown of YoY Change]



[Effect of FOREX Fluctuations (JPY bn)]

Net Sales	Cost of Sales	SG&A Expenses	Operating Income
1.5	(1.2)	(0.2)	0.1

(JPY bn, %)	FY2018/12 2Q Actual	FY2019/12 2Q Actual	FY2020/12 2Q Actual	FY2021/12 2Q Actual	FY2022/12 2Q Actual	YoY Change
Net Sales	82.2	77.5	72.2	86.6	86.7	0.0
Gross Profit	23.5	22.5	21.4	25.7	25.1	(0.6)
Gross Profit Margin	28.6%	29.1%	29.7%	29.8%	29.0%	(0.8)%
SG&A Expenses	21.3	20.8	20.1	21.0	22.6	1.5
Personnel Expenses	12.4	12.2	12.0	12.3	12.8	0.4
Other Expenses	8.9	8.6	8.1	8.7	9.7	1.0
Operating Income	2.1	1.6	1.2	4.7	2.5	(2.1)
Operating Margin	2.7%	2.1%	1.8%	5.4%	3.0%	(2.4)%

Ordinary Income & Profit

Ordinary income
YoY
JPY2.1 billion
decrease

Ordinary income decreased by approximately the same amount as operating income due to an increase in foreign exchange gains, despite the absence of one-time non-operating income recorded in the same period of the previous year

(JPY bn)	FY2018/12 2Q Actual	FY2019/12 2Q Actual	FY2020/12 2Q Actual	FY2021/12 2Q Actual	FY2022/12 2Q Actual	YoY Change
Operating Income	2.1	1.6	1.2	4.7	2.5	(2.1)
Balance of Financial Income	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	0.0
Other Non-operating Income	0.0	(0.4)	0.1	1.1	1.0	(0.0)
Ordinary Income	1.8	0.8	1.0	5.5	3.3	(2.1)
Extraordinary Income	0.1	0.1	0.6	0.0	0.0	0.0
Extraordinary Losses	0.0	(0.1)	(0.1)	(0.1)	(0.2)	(0.0)
Income Before Income Taxes	1.8	0.7	1.6	5.4	3.1	(2.2)
Income Taxes - Deferred	(0.2)	(0.1)	(0.6)	(1.2)	(0.6)	0.6
Profit (Loss) Attributable to Owners of Parent	1.6	0.6	0.9	4.1	2.5	(1.5)

Non-operating Income (YoY Change)	
Foreign exchange gains	0.4
Absence of settlement received, etc.	(0.4)

Balance Sheet

YoY Change

Inventories

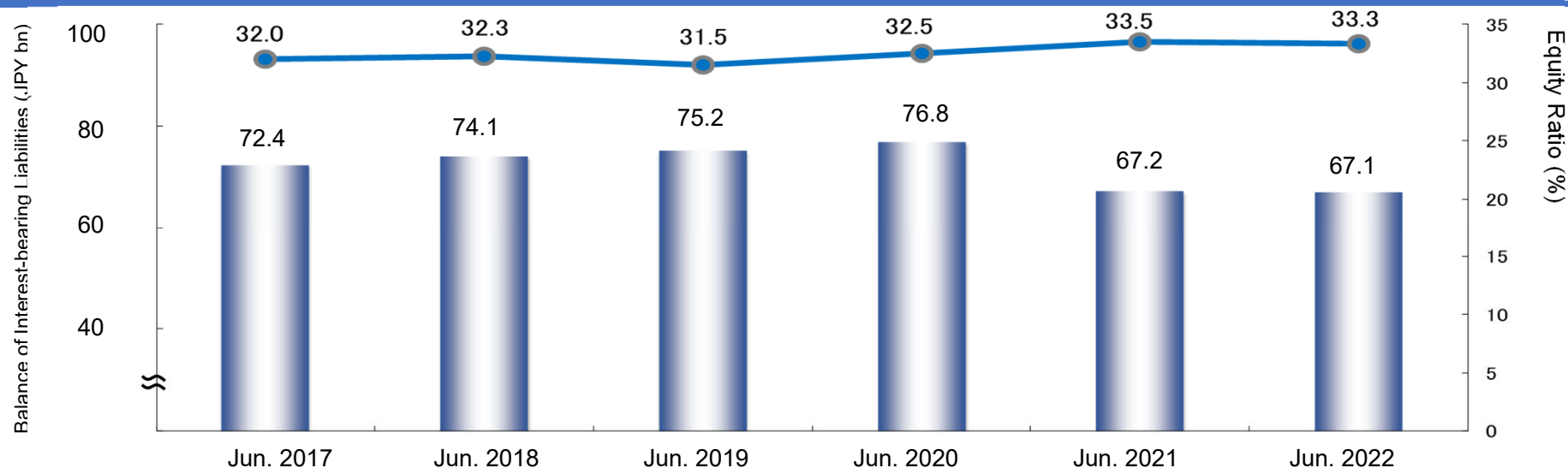
- **Merchandise & Finished Goods:** Increased as we responded to shortages of local distribution inventories
- **Work in Progress:** Inventories of work in progress increased due to supply chain disruptions

(JPY bn)	As of Jun. 30, 2021	As of Dec. 31, 2021	As of Jun. 30, 2022	Change from Dec. 31, 2021	YoY Change		As of Jun. 30, 2021	As of Dec. 31, 2021	As of Jun. 30, 2022	Change from Dec. 31, 2021	YoY Change
Cash & Deposits	14.3	14.8	13.2	(1.6)	(1.0)	Accounts Payable - Trade	41.1	39.2	44.4	5.1	3.3
Accounts Receivable - Trade	32.1	21.5	34.3	12.7	2.1	Interest-bearing Liabilities	67.2	62.1	67.1	4.9	(0.1)
Inventories	47.7	49.8	53.1	3.2	5.3	(Loans Payable)	59.4	54.9	60.1	5.1	0.6
(Merchandise & Finished Goods)	40.0	41.5	42.2	0.7	2.2	Other Liabilities	19.6	19.6	20.9	1.2	1.2
(Work in Progress)	6.5	7.0	9.5	2.4	2.9						
Other Current Assets	3.5	4.8	3.6	(1.1)	0.0						
Total Current Assets	97.8	91.1	104.3	13.2	6.5	Total Liabilities	127.9	121.1	132.4	11.3	4.4
Property, Plant and Equipment	85.4	84.9	84.6	(0.3)	(0.8)	Net Assets	67.0	66.5	68.8	2.3	1.8
Intangible Assets	2.2	2.2	2.3	0.1	0.1						
Investments and other Assets	9.5	9.3	9.9	0.6	0.4	(Retained Earnings)	18.6	17.6	19.5	1.9	0.9
Total Non-current Assets	97.2	96.5	96.9	0.4	(0.2)						
Total Assets	195.0	187.6	201.3	13.6	6.2	Total Liabilities and Net Assets	195.0	187.6	201.3	13.6	6.2

Equity Ratio / Interest-bearing Liabilities

Interest-bearing liabilities, D/E ratio

Interest-bearing liabilities remained at the same level year on year
D/E ratio was 0.97



	Jun. 2017	Jun. 2018	Jun. 2019	Jun. 2020	Jun. 2021	Jun. 2022
Loans payable, corporate bonds	64.8	67.8	67.8	68.6	59.4	60.1
Lease obligations	7.6	6.3	7.4	8.2	7.7	6.9
Total	72.4	74.1	75.2	76.9	67.2	67.1

	Jun. 2017	Jun. 2018	Jun. 2019	Jun. 2020	Jun. 2021	Jun. 2022
D/E ratio	1.05	1.04	1.10	1.11	1.00	0.97

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

Statements of Cash Flows

Cash flows

Cash flows from operating activities for the period were ¥(2.0) billion due to increases in trade receivables and inventories

(JPY bn)	FY2018/12 2Q Actual	FY2019/12 2Q Actual	FY2020/12 2Q Actual	FY2021/12 2Q Actual	FY2022/12 2Q Actual	YoY Change
Cash flows from operating activities	(0.4)	0.9	(3.0)	7.4	(2.0)	(9.5)
Profit before income taxes	1.8	0.7	1.6	5.4	3.1	(2.2)
Depreciation	3.3	3.5	4.1	3.1	3.0	(0.1)
Impairment loss	0.0	0.0	0.0	0.0	0.1	0.1
Decrease (increase) in trade receivables	(12.0)	(11.5)	(10.5)	(10.2)	(12.2)	(2.0)
Decrease (increase) in inventories	0.0	(1.3)	(2.4)	4.4	(2.2)	(6.7)
Increase (decrease) in trade payables	5.6	6.1	3.5	4.0	4.4	0.3
Cash flows from investing activities	(3.7)	(4.7)	(4.6)	(1.3)	(3.3)	(1.9)
Purchase of property, plant and equipment and intangible assets	(3.6)	(5.1)	(4.9)	(2.5)	(3.1)	(0.5)
Free Cash Flow	(4.1)	(3.7)	(7.7)	6.1	(5.4)	(11.5)
Cash flows from financing activities	6.7	4.3	6.6	(2.9)	3.2	6.2
Net increase (decrease) in cash and cash equivalents	2.6	0.5	(1.0)	3.2	(1.8)	(5.1)

2. Performance Forecast for the Fiscal Year Ending December 31, 2022

Forecast of Consolidated Financial Results for the Fiscal Year Ending December 31, 2022



Consolidated Financial Results Forecasts

- **No change to overall initial forecast**
- **Revised the breakdown of net sales considering the 2Q results and orders received at this time**

[Full-year consolidated financial results forecasts] (JPY bn, %)

	Previous forecast	Note Revised forecast	Difference
Net Sales	166.5	166.5	—
Operating Income	4.7	4.7	—
Operating Margin	2.8%	2.8%	—
Ordinary Income	4.6	4.6	—
Profit Attributable to Owners of Parent	3.1	3.1	—

[Breakdown of net sales] (JPY bn)

	Previous forecast	Note Revised forecast	Difference
Net Sales	166.5	166.5	—
[Domestic]	119.0	112.8	(6.2)
[Overseas]	47.5	53.7	6.2

Note: Average exchange rates for the full year in the revised forecast:
¥128.7 against US dollar, ¥135.8 against Euro

Forecast of Consolidated Financial Results for the Fiscal Year Ending December 31, 2022



[Full-year consolidated financial results forecasts]

(JPY bn, %)

	FY2018/12 Actual	FY2019/12 Actual	FY2020/12 Actual	FY2021/12 Actual	FY2022/12 Revised forecast	YoY change	
Net Sales	155.9	149.8	149.3	158.1	166.5	8.3	
Operating Income	3.1	2.7	2.0	4.1	4.7	0.5	
Operating Margin	2.0%	1.8%	1.4%	2.6%	2.8%	0.2%	
Ordinary Income	2.6	1.1	1.7	4.6	4.6	(0.0)	
Profit Attributable to Owners of Parent	1.0	0.7	(5.6)	3.1	3.1	(0.0)	
Year-end Dividend (JPY)	30	30	0	30	30	0	
Breakdown of Net Sales	Domestic	122.8	117.7	115.9	117.3	112.8	(4.5)
	Overseas	33.1	32.1	33.3	40.7	53.7	12.9
Average Exchange Rate (JPY)	US\$	110.2	109.3	107.0	109.0	128.7	19.7
	Euro	130.9	121.6	121.5	129.8	135.8	6.0

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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”.

食から日本を考える。

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