



Supplementary Information to Consolidated Financial Results

(January 1, 2022 – December 31, 2022)

ISEKI & CO., LTD.

February 20, 2023

1. Outline of Financial Results for the Fiscal Year Ended December 31, 2022
2. Performance Forecast for the Fiscal Year Ending December 31, 2023



Solution Provider

for Agriculture & Landscape

1. Outline of Financial Results for the Fiscal Year Ended December 31, 2022



Key Points

<Financial Results For the FY Ended Dec. 2022>

Overseas sales hit a record high for the second consecutive year

Domestic sales decreased mainly due to the impact of a pullback effect with withdrawal of subsidies, weak rice prices, and soaring material prices

Domestic:	Decreased willingness to buy due to weak rice prices and soaring material prices Pullback effect with withdrawal of government subsidies for business continuity in the previous fiscal year
Overseas:	Overseas sales hit a record high
Operating Income:	Price revisions implemented in each region were unable to fully cover the impact of soaring raw material prices, putting pressure on earnings
Extraordinary Income/Losses:	Gain on change in equity and impairment loss recorded

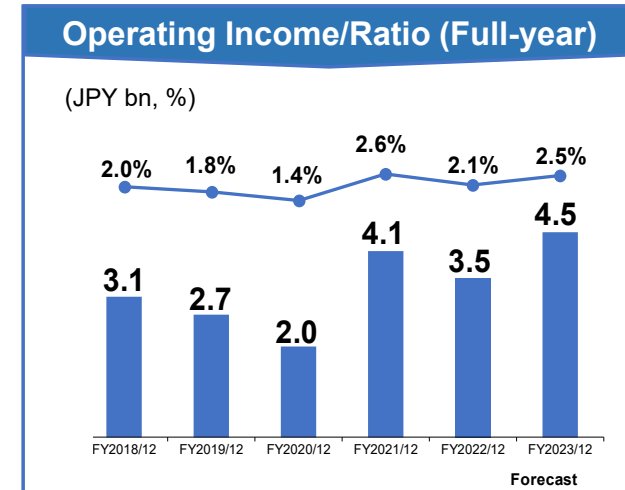
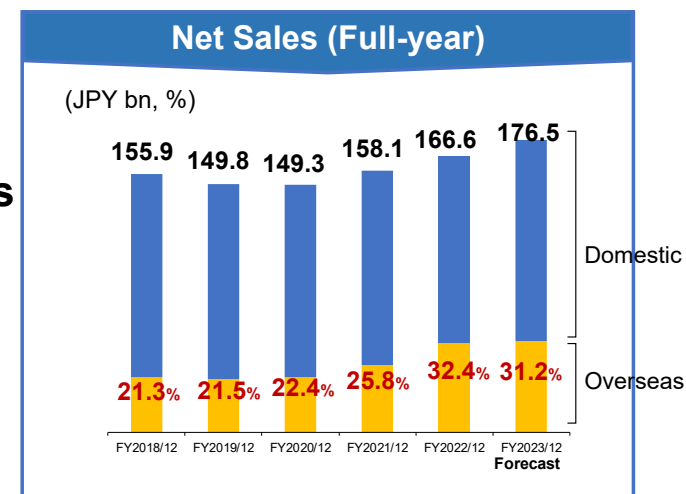
<Forecast For the FY Ending Dec. 2023>

Increase in net sales & operating income

Year-end dividend: 30 yen per share

Net sales: YoY increase in both domestic and overseas sales

Profits: Profits expected to increase due to higher gross profit resulting from higher sales and price revisions, as well as further efforts for structural reform and management efficiency improvement, despite pressure on earnings due to soaring raw material prices



[Legend] ✓ = Market environment ➤ = Business environment

Market & Business Environments	
✓ Impact of COVID-19	
<Overall>	<ul style="list-style-type: none"> ➤ Supply chain disruption (delayed procurement of parts for production, etc.) ➤ 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
<Overseas>	<ul style="list-style-type: none"> ➤ North America: Compact tractors market entered an adjustment phase, but our shipments continued to grow to recover the local inventory levels ➤ Europe: Increased demand due to lifestyle changes, sales to professionals also recovered
✓ Weak rice prices, soaring material prices	
<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"> ➤ Operating income improved
✓ Soaring prices of crude oil and other fuels	
<Overall>	<ul style="list-style-type: none"> ➤ Increased logistics and operating costs

Outline of Consolidated Business Performance



(January 1, 2022 to December 31, 2022)

(JPY bn, %)

	FY2018/12		FY2019/12		FY2020/12		FY2021/12		FY2022/12		YoY Change	Diff. (Target /Actual)*
	Actual	Actual	Actual	Actual	%	Actual	%					
Net Sales	155.9	149.8	149.3	158.1	100.0	166.6	100.0	8.4	0.1			
(Domestic)	122.8	117.7	115.9	117.3	74.2	112.6	67.6	(4.7)	1.2			
(Overseas)	33.1	32.1	33.3	40.7	25.8	53.9	32.4	13.1	(1.1)			
Operating Income	3.1	2.7	2.0	4.1	2.6	3.5	2.1	(0.6)	(0.1)			
Ordinary Income	2.6	1.1	1.7	4.6	3.0	3.7	2.3	(0.9)	(0.8)			
Profit (Loss) Attributable to Owners of Parent	1.0	0.7	(5.6)	3.1	2.0	4.1	2.5	0.9	0.6			
Average Exchange Rate (JPY)	US\$	110.2	109.3	107.0	109.0	131.3	22.3	(0.9)				
	Euro	130.9	121.6	121.5	129.8	136.9	7.1	(0.1)				

* Difference from the forecast announced on 14th November 2022

Domestic Sales

YoY
JPY4.7 billion
decrease

Production delay due to supply chain disruptions and decreased willingness to buy due to weak rice prices and soaring material prices
Maintenance revenues remained at the same level year on year

(JPY bn)		FY2018/12	FY2019/12	FY2020/12	FY2021/12	FY2022/12	YoY Change	Diff. (Target /Actual)*
		Actual	Actual	Actual	Actual	Actual		
Agricultural Machinery Related	Agricultural Machinery							
	Cultivating & Mowing Machinery	27.4	25.3	22.8	23.9	22.9	(1.0)	
	Planting Machinery	9.1	9.0	8.8	9.0	7.9	(1.1)	
	Harvesting & Processing Machinery	19.9	18.5	16.8	16.6	16.0	(0.5)	
	Subtotal	56.5	53.0	48.6	49.6	46.9	(2.7)	(0.3)
	Farming Implements	20.2	20.0	20.4	22.0	20.5	(1.4)	1.0
	Spare Parts	14.8	15.0	15.6	15.3	15.6	0.2	0.2
	Repair Fees	5.5	5.7	5.8	5.9	5.8	0.0	(0.2)
	Subtotal	40.6	40.8	42.0	43.3	42.0	(1.3)	1.1
	Total	97.1	93.8	90.6	93.0	88.9	(4.0)	0.8
Construction of Facilities	5.6	4.5	6.1	4.2	4.3	0.0	0.0	
Others	19.9	19.3	19.1	20.1	19.3	(0.7)	0.3	
Total	122.8	117.7	115.9	117.3	112.6	(4.7)	1.2	

Main factors for changes (In comparison with the previous year)

- ✓ Sales of agricultural machinery declined due to production delay resulting from supply chain disruptions, decreased willingness to buy caused by weak rice prices and soaring material prices, as well as a pullback effect with withdrawal of government subsidies for business continuity
- ✓ Farming implements experienced a pullback effect with withdrawal of government subsidies for business continuity
- ✓ Maintenance revenues, such as spare parts sales and repair fee revenues, remained at the same level year on year

* Difference from the forecast announced on 14th November 2022

Overseas Sales

YoY
JPY13.1 billion
increase

Sales hit a record high for the second consecutive year
Sales increased mainly in North America and Europe. Sales increased due to ISEKI Germany becoming a consolidated subsidiary (+JPY3.6 billion)

(JPY bn)	FY2018/12 Actual	FY2019/12 Actual	FY2020/12 Actual	FY2021/12 Actual	FY2022/12 Actual	YoY Change
North America	11.5	13.2	12.8	15.1	19.5	4.3
Europe	13.8	12.8	13.9	15.9	25.1	9.1
Asia	7.3	5.5	6.2	9.1	8.6	(0.5)
Others	0.4	0.5	0.3	0.5	0.6	0.1
Total Sales	33.1	32.1	33.3	40.7	53.9	13.1

Diff. (Target /Actual)*
(0.7)
(0.4)
(0.1)
(0.1)
(1.2)

Main factors for changes (In comparison with the previous year)	
✓ North America:	Compact tractors market entered an adjustment phase, but our shipments continued to grow to recover the local inventory levels
✓ Europe:	Sales increased, mainly to consumers, as we captured market developments associated with lifestyle changes, and sales to professionals also increased as demand for landscaping recovered. Sales also rose due to ISEKI Germany becoming a consolidated subsidiary (approx. +JPY3.6 billion)
✓ Asia:	Sales decreased as higher shipments to South Korea could not offset lower shipments of semi-finished goods to China and other factors

* Difference from the forecast announced on 14th November 2022

Operating Income

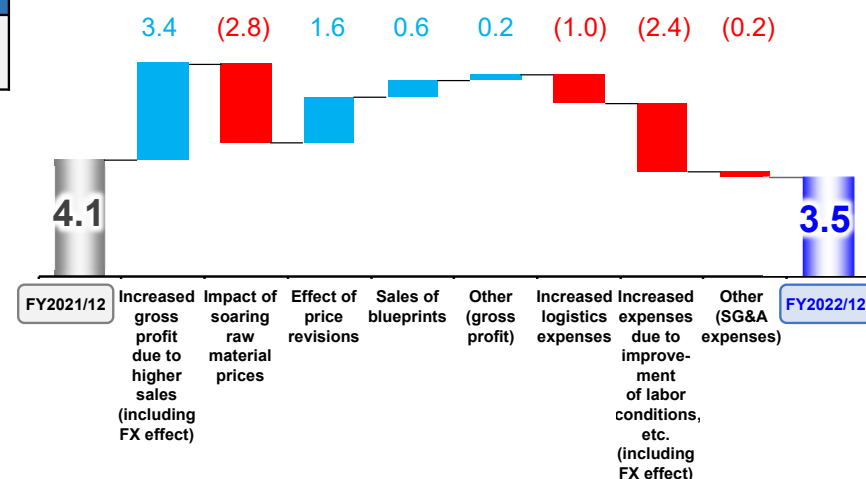
YoY
JPY0.6 billion
decrease

Price revisions implemented in each region were unable to fully cover the impact of soaring raw material prices, putting pressure on earnings

(JPY bn, %)	FY2018/12 Actual	FY2019/12 Actual	FY2020/12 Actual	FY2021/12 Actual	FY2022/12 Actual	YoY Change
Net Sales	155.9	149.8	149.3	158.1	166.6	8.4
Gross Profit	45.9	44.5	43.4	46.8	49.8	3.0
Gross Profit Margin	29.5%	29.7%	29.1%	29.6%	29.9%	0.3%
SG&A Expenses	42.7	41.7	41.3	42.6	46.3	3.6
Personnel Expenses	25.3	24.6	25.1	25.2	26.4	1.1
Other Expenses	17.4	17.0	16.2	17.4	19.9	2.5
Operating Income	3.1	2.7	2.0	4.1	3.5	(0.6)
Operating Margin	2.0%	1.8%	1.4%	2.6%	2.1%	(0.5)%

Diff. (Target /Actual)*
0.1

[Breakdown of YoY Change]



(0.1)
(0.1)%

[Effect of FOREX Fluctuations (JPY bn)]

Net Sales	Cost of Sales	SG&A Expenses	Operating Income
3.7	(2.7)	(0.4)	0.6

* Difference from the forecast announced on 14th November 2022

Ordinary Income & Profit

Ordinary income
YoY
JPY0.9 billion
decrease

Ordinary Income: Decreased due to the absence of one-time non-operating income recorded in the previous fiscal year and an increase in share of loss of entities accounted for using the equity method, despite an increase in foreign exchange gains

Profit: Increased due to extraordinary income such as the impact of making ISEKI Germany a consolidated subsidiary and gain on change in equity related to a Chinese associate accounted for using the equity method, despite impairment loss

(JPY bn)	FY2018/12 Actual	FY2019/12 Actual	FY2020/12 Actual	FY2021/12 Actual	FY2022/12 Actual	YoY Change
Operating Income	3.1	2.7	2.0	4.1	3.5	(0.6)
Balance of Financial Income	(0.7)	(0.7)	(0.6)	(0.6)	(0.7)	(0.1)
Other Non-operating Income	0.2	(0.8)	0.3	1.1	0.9	(0.1)
Ordinary Income	2.6	1.1	1.7	4.6	3.7	(0.9)
Extraordinary Income	0.1	0.5	0.6	0.0	3.3	3.3
Extraordinary Losses	(0.5)	(0.3)	(9.4)	(0.4)	(1.9)	(1.4)
Income Before Income Taxes	2.2	1.3	(7.1)	4.3	5.2	0.8
Income Taxes - Deferred	(1.1)	(0.5)	1.4	(1.1)	(1.1)	0.0
Profit (Loss) Attributable to Owners of Parent	1.0	0.7	(5.6)	3.1	4.1	0.9

Diff. (Target /Actual)*	Non-operating Income (YoY Change)
(0.1)	<ul style="list-style-type: none"> Foreign exchange gains 0.3 Absence of settlement received (0.4) Share of loss of entities accounted for using equity method (0.2)
(0.8)	Extraordinary Income/Losses (YoY Change) <ul style="list-style-type: none"> Impact of making ISEKI Germany a consolidated subsidiary 0.7 <ul style="list-style-type: none"> (Gain on step acquisitions) 0.5 (Gain on bargain purchase) 0.2 Gain on change in equity 2.5 Impairment loss (1.6)
0.6	

* Difference from the forecast announced on 14th November 2022

■ Extraordinary Income

- Gain on change in equity: 2.5 Recorded due to a third-party allotment of shares by a Chinese associate accounted for using the equity method
- Gain on step acquisitions: 0.5 } Recorded as a result of acquiring additional shares of ISEKI Germany and making it a consolidated subsidiary
- Gain on bargain purchase: 0.2 }

■ Extraordinary Losses

- Impairment loss (1.5) Impairment loss recorded on business assets at ISEKI-Matsuyama MFG. Co., Ltd. due to decreased profitability caused by changes in the business environment
[Changes in the business environment]
 - Production of lawn mowers transferred to PT. ISEKI Indonesia as part of efforts to build an optimal production system
 - Production of drying machines discontinued (selection & concentration)

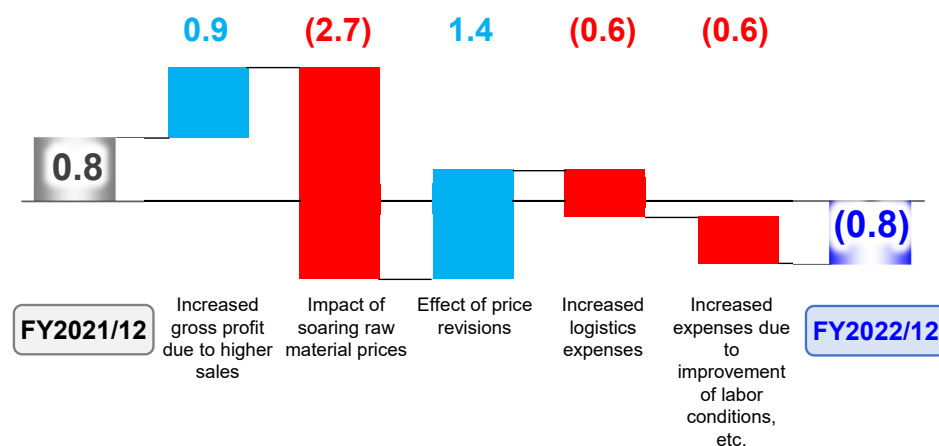
Non-Consolidated Financial Results

Operating income YoY
JPY1.6 billion decrease

As with the consolidated results, price revisions were unable to fully cover the impact of soaring raw material prices, putting pressure on earnings

(JPY bn, %)	FY2018/12 Actual	FY2019/12 Actual	FY2020/12 Actual	FY2021/12 Actual	FY2022/12 Actual	YoY Change
Net Sales	93.1	90.0	79.2	91.7	97.4	5.6
Domestic	65.7	61.7	53.9	59.8	58.0	(1.7)
Overseas	37.4	28.2	25.2	31.9	39.3	7.4
Gross Profit	12.3	12.4	9.4	12.1	11.7	(0.4)
Gross Profit Margin	13.2%	13.8%	11.9%	13.3%	12.0%	(1.3)%
SG&A Expenses	11.8	11.4	10.7	11.3	12.5	1.2
Operating Income	0.5	0.9	(1.3)	0.8	(0.8)	(1.6)
Ordinary Income	2.4	2.2	(0.2)	3.8	1.2	(2.5)
Profit	1.8	1.5	(13.2)	2.9	(0.1)	(3.0)

[Breakdown of YoY Change]



Extraordinary Income/Losses (YoY Change)

• Loss on valuation of shares of subsidiaries and associates	(1.2)
• Provision of allowance for doubtful accounts	(0.2)

Balance Sheet

YoY Change

[Inventories]

- **Merchandise & Finished Goods:** Increased mainly due to receipt delays caused by shortages of locally sourced parts in North America and the impact of consolidation of ISEKI Germany
- **Work in Progress:** Inventories of work in progress increased due to supply chain disruptions

(JPY bn)	As of Dec. 31, 2021	As of Dec. 31, 2022	YoY Change		As of Dec. 31, 2021	As of Dec. 31, 2022	YoY Change
Cash & Deposits	14.8	10.7	(4.1)	Accounts Payable - Trade	39.2	45.4	6.2
Accounts Receivable - Trade	21.5	27.5	6.0	Interest-bearing Liabilities	62.1	68.1	6.0
Inventories	49.8	65.3	15.4	(Loans Payable)	54.9	61.1	6.1
(Merchandise & Finished Goods)	41.5	53.5	12.0	Other Liabilities	19.6	20.4	0.7
(Work in Progress)	7.0	10.3	3.2				
Other Current Assets	4.8	5.7	0.9				
Total Current Assets	91.1	109.4	18.3	Total Liabilities	121.1	134.1	13.0
Property, Plant and Equipment	84.9	83.9	(1.0)	Net Assets	66.5	72.3	5.7
Intangible Assets	2.2	2.3	0.0	(Retained Earnings)	17.6	21.1	3.4
Investments and Other Assets	9.3	10.8	1.5				
Total Non-current Assets	96.5	97.0	0.4				
Total Assets	187.6	206.4	18.8	Total Liabilities and Net Assets	187.6	206.4	18.8

Interest-bearing Liabilities / Equity / Dividend

Interest-bearing liabilities, equity, dividend

Interest-bearing liabilities increased in line with the increase in inventories
Year-end dividend to be 30 yen per share

1. Interest-bearing liabilities & Equity



	FY2019/12	FY2020/12	FY2021/12	FY2022/12
D/E Ratio	1.0	1.1	0.9	0.9
Equity Ratio	34.2%	32.4%	34.5%	32.9%
Interest-bearing Liabilities (JPY bn)	69.3	69.3	62.1	68.1
Net Assets (JPY bn)	69.2	62.4	66.5	72.3

2. Dividend

(JPY)

	FY2021/12 Actual	FY2022/12 Plan
Year-end Dividend	30	30

Cash flows

Cash flows from operating activities were ¥(3.3) billion due to an increase in inventories

(JPY bn)	FY2018/12 Actual	FY2019/12 Actual	FY2020/12 Actual	FY2021/12 Actual	FY2022/12 Actual	YoY Change
Cash flows from operating activities	7.6	10.5	9.6	14.2	(3.3)	(17.6)
Profit before income taxes	2.2	1.3	(7.1)	4.3	5.2	0.8
Depreciation	6.7	6.8	6.9	6.5	6.1	(0.4)
Impairment loss, gain on bargain purchase, loss (gain) on step acquisitions, loss (gain) on change in equity	0.1	0.1	8.6	0.1	(1.5)	(1.6)
Decrease (increase) in trade receivables	1.8	3.5	(1.8)	0.4	(5.1)	(5.5)
Decrease (increase) in inventories	(0.2)	(0.7)	3.2	2.4	(11.4)	(13.8)
Increase (decrease) in trade payables	(1.0)	(1.8)	(0.8)	2.1	5.4	3.3
Cash flows from investing activities	(9.9)	(7.1)	(5.1)	(2.0)	(2.9)	(0.9)
Purchase of property, plant and equipment and intangible assets	(6.8)	(8.3)	(6.6)	(4.6)	(4.8)	(0.1)
Free Cash Flow	(2.3)	3.4	4.5	12.1	(6.3)	(18.5)
Cash flows from financing activities	1.9	(2.3)	(2.1)	(8.3)	2.0	10.3
Net increase (decrease) in cash and cash equivalents	(0.4)	0.9	2.3	4.0	(4.1)	(8.1)

2. Performance Forecast for the Fiscal Year Ending December 31, 2023



Forecast of Consolidated Financial Results for the Fiscal Year Ending December 31, 2023



Consolidated
Financial Results
Forecasts

YoY increase both in net sales and operating income
Year-end dividend: 30 yen per share

(JPY bn, %)		FY2018/12	FY2019/12	FY2020/12	FY2021/12		FY2022/12		FY2023/12		YoY Change
		Actual	Actual	Actual	Actual	%	Actual	%	Forecast	%	
Net Sales		155.9	149.8	149.3	158.1	100.0	166.6	100.0	176.5	100.0	9.8
(Domestic)		122.8	117.7	115.9	117.3	74.2	112.6	67.6	121.5	68.8	8.8
(Overseas)		33.1	32.1	33.3	40.7	25.8	53.9	32.4	55.0	31.2	1.0
Operating Income		3.1	2.7	2.0	4.1	2.6	3.5	2.1	4.5	2.5	0.9
Ordinary Income		2.6	1.1	1.7	4.6	3.0	3.7	2.3	4.0	2.3	0.2
Profit Attributable to Owners of Parent		1.0	0.7	(5.6)	3.1	2.0	4.1	2.5	2.6	1.5	(1.5)
Average Exchange Rate (JPY)	US\$	110.2	109.3	107.0	109.0		131.3		130.0		(1.3)
	Euro	130.9	121.6	121.5	129.8		136.9		140.0		3.1
Year-end Dividend (JPY)		30	30	0	30		30		30		—

Domestic Sales Forecast

Domestic Sales

Sales are expected to increase due to higher sales of large-sized machinery and smart agricultural machinery that respond to the structural changes in agriculture and the effect of price revisions

(JPY bn)		FY2018/12	FY2019/12	FY2020/12	FY2021/12	FY2022/12	FY2023/12	YoY Change
		Actual	Actual	Actual	Actual	Actual	Forecast	
Agricultural Machinery Related	Agricultural Machinery	56.5	53.0	48.6	49.6	46.9	52.5	5.5
	Faming Implements	20.2	20.0	20.4	22.0	20.5	21.5	0.9
	Spare Parts	14.8	15.0	15.6	15.3	15.6	16.1	0.4
	Repair Fees	5.5	5.7	5.8	5.9	5.8	6.2	0.3
	Subtotal	40.6	40.8	42.0	43.3	42.0	43.8	1.7
Total		97.1	93.8	90.6	93.0	88.9	96.3	7.3
Construction of Facilities		5.6	4.5	6.1	4.2	4.3	5.6	1.2
Others		19.9	19.3	19.1	20.1	19.3	19.6	0.2
Total		122.8	117.7	115.9	117.3	112.6	121.5	8.8

Overseas Sales Forecast

Overseas Sales

The compact tractor market in North America is expected to remain in the adjustment phase
Higher sales are expected in Europe and Asia

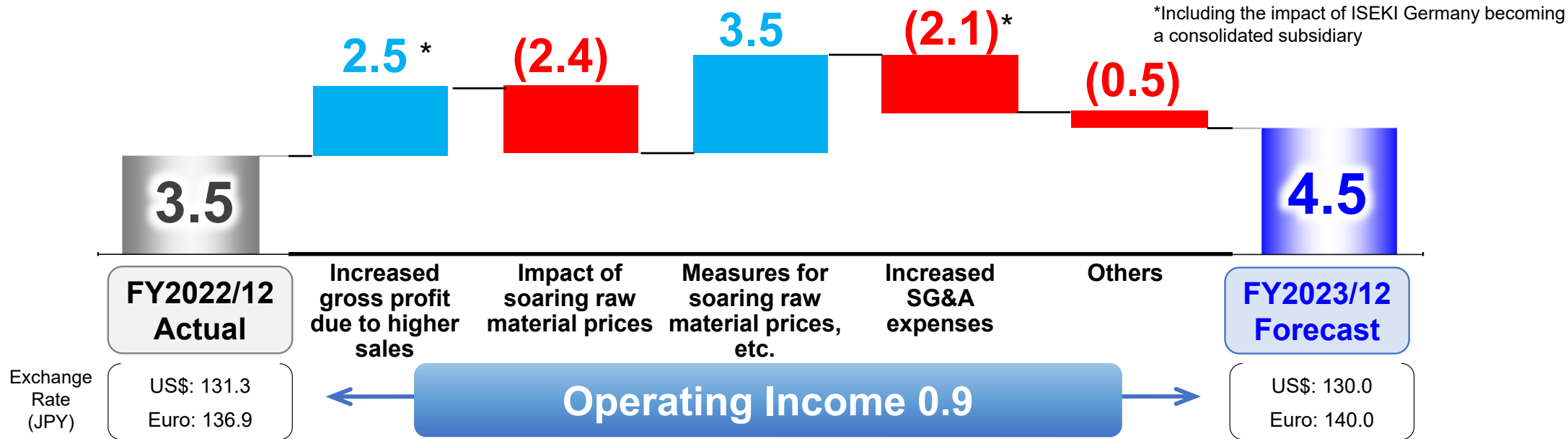
(JPY bn)	FY2018/12 Actual	FY2019/12 Actual	FY2020/12 Actual	FY2021/12 Actual	FY2022/12 Actual	FY2023/12 Forecast	YoY Change
North America	11.5	13.2	12.8	15.1	19.5	18.8	(0.7)
Europe	13.8	12.8	13.9	15.9	25.1	26.2	1.0
Asia	7.3	5.5	6.2	9.1	8.6	9.4	0.7
Others	0.4	0.5	0.3	0.5	0.6	0.6	0.0
Total Sales	33.1	32.1	33.3	40.7	53.9	55.0	1.0

Main Factors for Changes in Operating Income Forecast

YoY
JPY0.9 billion

Despite pressure on earnings coming from the sharp rise in raw material prices, higher operating income is expected due to an increase in gross profit resulting from higher sales and price revisions, as well as further efforts for structural reform and management efficiency improvement

(JPY bn, %)	FY2021/12		FY2022/12		FY2023/12		YoY Change	
	Actual	%	Actual	%	Forecast	%	Diff.	%
Operating Income	4.1	2.6	3.5	2.1	4.5	2.5	0.9	0.4%



Notes on the Future Forecast

- 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.



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。

**NIPPON
FOOD
SHIFT**