



Supplementary Information to Consolidated Financial Results

(January 1, 2020 – March 31, 2020)

ISEKI & CO., LTD.

May 15, 2020

1. Impact of the Novel Coronavirus Infection
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Fiscal Year Ending December, 2020
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December 31, 2020

1. Impact of the Novel Coronavirus Infection

Measures to prevent spread of the infection

Group-wide	<ul style="list-style-type: none"> ✓ Thorough mask wearing, hand washing, gargling, and use of alcohol disinfectant during work ✓ Reducing staff density at workplaces by curbing staff numbers through work at home or taking leave, and by separating workspaces ✓ Flexibly implementing flexwork and staggered working hours ✓ Generally prohibiting domestic and international business trips ✓ Postponing or cancelling group training
Domestic Sales Companies	<ul style="list-style-type: none"> ✓ Postponing or cancelling exhibitions, etc.
Domestic Manufacturing Companies	<ul style="list-style-type: none"> ✓ Suspending factory tours
Overseas Sales/Production Bases	<ul style="list-style-type: none"> ✓ Europe, U.S., and Thailand: work at home ✓ PT. ISEKI INDONESIA (manufacturing subsidiary): a two-shift system implemented

Impact of the Novel Coronavirus Infection



<Sales>

Impact on ISEKI's business

Domestic Sales Companies		<ul style="list-style-type: none"> ✓ Lower sales in agricultural machinery related business centered on agricultural machinery and farming implements, due to cancelation of exhibitions/demonstrations nationwide in Jan. to Mar., shorter business hours, restricted visit activities, etc. ✓ Strong sales for rice planting and other full-scale work in spring. Although restrictions on movement will still be in place after April due to declarations of a state of emergency, we will continue and strengthen sales and services while taking measures to prevent infection.
Overseas Sales Bases	North America	<ul style="list-style-type: none"> ✓ Constraints on OEM partners' sales activities due to restrictions on movement ✓ Trends in the market to which we supply compact tractors (Jan. to Mar. : unit base) : 9% decrease year-on-year, 7% decrease at OEM partners. We will monitor the situation.
	Europe	<ul style="list-style-type: none"> ✓ Adjusting shipments due to temporary closure of local distributors' retail outlets under lockdowns ✓ Local distributors' actual sales (Jan. to Mar. : unit base) : 10% decrease year-on-year. Restrictions have been relaxed in various countries from Apr. and May, but the situation is uncertain.
	China	<ul style="list-style-type: none"> ✓ Restrictions on movement across provinces in sales activities due to restriction on going out, but our equity-method affiliate (Dongfeng Iseki) is providing online technical support services. Sales of ride-on rice transplanters are robust as the government is strongly promoting grain production centered on rice to secure food, and restrictions on movement of contractors is stimulating demand for agricultural machinery in Hubei Province.
	ASEAN	<ul style="list-style-type: none"> ✓ In Thailand, there is concern that agricultural machinery sales will be affected if household incomes decline in rural areas due to the inability to work away from home from rural areas to urban areas (including Bangkok) because of the impact of the novel coronavirus infection (COVID-19), in addition to the effects of a drought.
	Other	<ul style="list-style-type: none"> ✓ Sales of large-scale agricultural machinery continue to be strong in South Korea and Taiwan, despite restrictions on activities.

<Production>	Impact on ISEKI's business
Domestic Manufacturing Companies	<ul style="list-style-type: none"> ✓ Continuing production activities while taking thorough infection countermeasures, and almost no impact on production is seen as of March. ✓ Concerned about an impact from delayed procurement from overseas suppliers, they will implement adjustment of production models based on sales trends so as to minimize the impact.
Overseas Manufacturing Companies	<p>(Indonesian Manufacturing subsidiary (PT. ISEKI INDONESIA))</p> <ul style="list-style-type: none"> ✓ Continuing production activities while taking thorough measures to prevent spread of the infection, including a production line with a two-shift system. ✓ Considering and implementing initiatives to minimize the effect of such factors as difficulty in procurement from overseas suppliers, including changing procurement partners, although suppliers near Jakarta are continuing to operate. <hr/> <p>(Chinese equity-method affiliate (Dongfeng Iseki))</p> <ul style="list-style-type: none"> ✓ Chinese equity-method affiliate (Dongfeng Iseki) has reopened production bases that had temporarily stopped operations <ul style="list-style-type: none"> ▪ Changzhou Plant (Changzhou City, Jiangsu Province) restarted production on Feb. 13. Sales of ride-on rice transplacers are strong, having almost recovered to the level seen before operations were stopped. ▪ Xiangyang Plant (Xiangyang City, Hubei Province) restarted production on March 16. The insufficient recovery of nearby suppliers is having an effect on some production.

2. Outline of Financial Results for the First Quarter Fiscal Year Ending December, 2020

Outline of Consolidated Business Performance



(January 1, 2020 to March 31, 2020)

(JPY bn, %)

	1Q of FY ended Dec. 2019		1Q of FY ending Dec. 2020		YoY Change
	Actual	%	Actual	%	
Net Sales	33.3	100.0	31.9	100.0	(1.4)
(Domestic)	25.4	76.2	25.1	78.4	(0.3)
(Overseas)	7.9	23.8	6.8	21.6	(1.1)
Operating Income	(0.8)	(2.2)	(1.1)	(3.5)	(0.3)
Ordinary Income	(1.1)	(3.3)	(1.3)	(4.0)	(0.2)
Profit (Loss) attributable to owners of parent	(0.4)	(1.4)	(0.4)	(1.5)	± 0.0
Average exchange rate	US\$	110.5	109.6		(0.9)
	Euro	126.3	120.8		(5.5)

Domestic Sales



YoY
-¥0.3 billion

Sales of agricultural machinery and farming implements decreased due to pullback in demand after the consumption tax increase, cancelation of exhibitions, and self-restraint in sales activities, but sales of spare parts and repair fees were strong and sales of construction of facilities increased, resulting in a slight decrease overall.

(JPY bn)		1Q of FY ended Dec. 2019	1Q of FY ending Dec. 2020	YoY Change		
		Actual	Actual		Notes	
Agricultural Machinery Related	Agricultural Machinery	Cultivating & Mowing Machinery	6.7	5.7	(1.0)	Tractors: (0.9)
		Planting Machinery	2.2	1.8	(0.4)	Rice transplanters:(0.4)
		Harvesting & Processing Machinery	2.8	2.1	(0.7)	Combine harvesters : (0.6)
		Total	11.7	9.6	(2.1)	
	Farming Implements	Farming Implements	4.9	4.2	(0.7)	
		Spare Parts	2.8	2.9	0.1	
		Repair Fees	1.0	1.1	0.1	
		Total	8.7	8.2	(0.5)	
	Total	20.4	17.8	(2.6)		
	Construction of Facilities	0.6	2.7	2.1		
Others	4.4	4.6	0.2			
Total	25.4	25.1	(0.3)			

Main factors of YoY change

- ✓ Sales of agricultural machinery decreased ¥2.1 billion YoY due to continued pullback in demand after the tax increase, cancelations of exhibitions since February, and self-restraint in sales activities owing to the impact of the novel coronavirus (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 ¥2.1 billion YoY due to completion of large-scale facilities.

Overseas Sales



YoY
-¥1.1 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)	1Q of FY ended Dec. 2019	1Q of FY ending Dec. 2020	YoY Change	
	Actual	Actual		Notes
North America	2.8	2.3	(0.5)	Tractors: (0.5)
Europe	2.4	1.9	(0.5)	Tractors: (0.2) Lawn mowers: (0.3)
China	0.0	0.2	0.2	Rice transplanters: 0.2
ASEAN	0.6	0.4	(0.2)	Tractors: (0.2)
Others	1.1	1.2	0.1	South Korea: 0.1
Product Sales Total	6.9	6.0	(0.9)	
Parts & Others	1.0	0.8	(0.2)	
Total Sales	7.9	6.8	(1.1)	

Main factors of YoY change

- ✓ **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 rice transplanters to Dongfeng Iseki.
- ✓ **ASEAN:** Lower sales due to decreased shipments of tractors to Indonesia.
- ✓ **Others:** Higher sales due to increased shipments of tractors to South Korea.

Operating Income

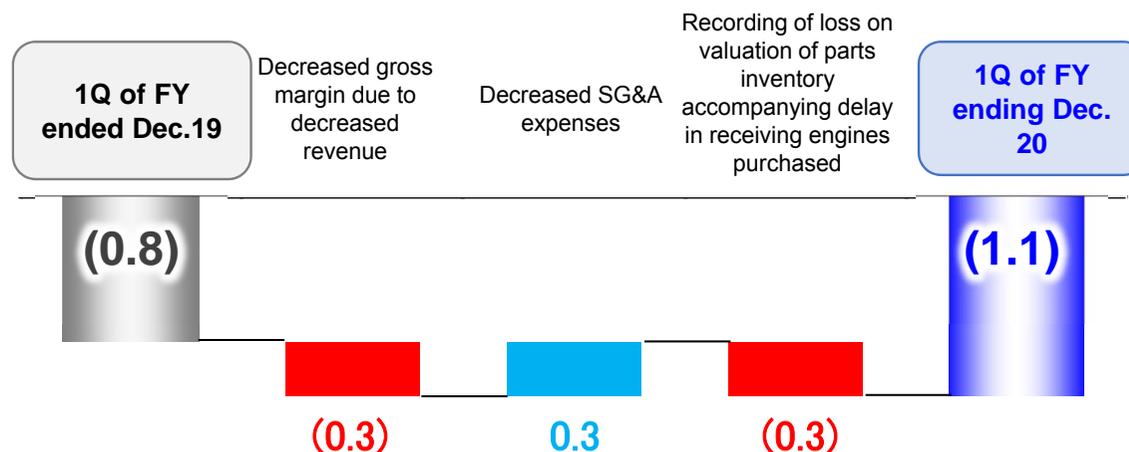


YoY
-¥0.3 billion

- In the three months ended March 31, 2020, which is the off-demand season, we recorded loss in all income items from operating income and below.
- We covered the decrease in gross profit stemming from revenue decline with a reduction in selling, general and administrative expenses, but there was a YoY decrease in operating income due to recording of loss on valuation of parts inventory.

(JPY bn, %)	1Q of FY ended Dec. 2019 Actual	1Q of FY ending Dec. 2020 Actual	YoY Change
Net Sales	33.3	31.9	(1.4)
Gross Profit	9.6	9.0	(0.6)
Gross Profit Margin	28.9%	28.2%	(0.7)%
SG&A Expenses	10.4	10.1	(0.3)
Personnel Expenses	6.1	6.1	±0.0
Other Expenses	4.3	4.0	(0.3)
Operating Income	(0.8)	(1.1)	(0.3)

[Breakdown of YoY Change]



[Effect of forex fluctuations (JPY bn)]

Net Sales	Cost of Sales	SG&A Expenses	Operating Income
(0.1)	(0.1)	-	±0.0

Ordinary Income, Quarterly Net Income

Ordinary
income
YoY
-¥0.2 billion

Achieved a smaller decrease in operating income compared to the previous fiscal year due to a reduction in the share of loss of entities using equity method accompanying improved revenue of Dongfeng Iseki and a change in our investment ratio, despite deterioration in foreign exchange gain (loss).

(JPY bn)	1Q of FY ended Dec. 19 Actual	1Q of FY ending Dec. 20 Actual	Y o Y Change
Operating Income	(0.8)	(1.1)	(0.3)
Balance of Financial Income	(0.2)	(0.2)	±0.0
Other Non-operating Income	(0.1)	0.0	0.1
Ordinary Income	(1.1)	(1.3)	(0.2)
Extraordinary Income	0.0	0.1	0.1
Extraordinary Losses	0.0	0.0	±0.0
Income before Income Taxes	(1.1)	(1.2)	(0.1)
Income Taxes - Deferred	0.7	0.8	0.1
Profit (Loss) Attributable to Owners of Parent	(0.4)	(0.4)	±0.0

Non-operating Income (YoY change)	
Decrease in share of loss of entities using equity method	+ ¥0.3 billion
Deterioration in foreign exchange losses	- ¥0.1 billion
Other	- ¥0.1 billion

(Reference) Related to equity method (JPY bn)

	1Q of FY ended 2019 Actual	1Q of FY ending 2020 Actual	Change
Share of profit or loss of entities using equity method (non-operating)	(0.4)	(0.1)	0.3
Loss (gain) on change in equity (extraordinary)	-	0.1	0.1

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

[Consolidated Performance Forecast]

Risks accompanying the spread of the novel coronavirus (COVID-19)

Sales = Concerns of a decline in domestic and overseas sales

- ✓ Domestic sales companies' cancelations of exhibitions and other forms of self-constraint in sales activities
- ✓ Restricted sales activities due to temporary closure of local distributors' shops amid lockdowns and regulations on going out

Production = Risks such as production decline due to supply chain stagnation both in Japan and overseas



It is difficult to calculate future financial results forecasts, and therefore, the financial results forecasts and dividend forecasts for the current fiscal year announced on February 14, 2020 have been withdrawn for the time being and are undecided.

⇒ We will carefully examine trends of the novel coronavirus infection (COVID-19) and again announce financial results forecasts when it is possible to calculate them.

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.



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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”.