February 8, 2021

Name of Company: ISEKI & CO., LTD.
Company Representative: President, Shiro Tomiyasu
Company Code: 6310
Enquiries: Investor Relations Section
General Manager, Fumitoshi Suzuki
(Telephone: +81 3 5604 7709)

Notice on Recording Extraordinary Losses, Reversal of Deferred Tax Liabilities Revisions to the Consolidated Financial Results Forecast and Dividend Forecast (No Dividend), and Non-Consolidated Financial Results Forecast

We hereby announce that we expect to record extraordinary losses and reverse deferred tax liabilities as follows in the consolidated and non-consolidated financial statements for the fourth quarter of the fiscal year ended December 31, 2020 (from October 1, 2020 to December 31, 2020).

Accordingly, we revise our full-year consolidated financial results forecast for the fiscal year ended December 31, 2020 (January 1, 2020 to December 31, 2020) which was announced on August 6, 2020, and our dividend forecast, which was announced as ‘undetermined’ on May 15, 2020.

Although we have not disclosed our non-consolidated financial results forecast for the fiscal year ended December 31, 2020 (January 1, 2020 to December 31, 2020), we also hereby announce them, since the difference between the actual results for the previous fiscal year and the forecast above is expected to exceed the disclosure standards.

1. Recording extraordinary losses

(1) Impairment losses

(i) Non-consolidated financial results

In accordance with the “Accounting Standard for Impairment of Fixed Assets,” we have examined the future recoverability of the Company’s own real estate leased to Iseki-Matsuyama Mfg. Co., Ltd. (hereinafter Iseki Matsuyama) and Iseki-Kumamoto Mfg. Co., Ltd. (hereinafter Iseki Kumamoto), which are consolidated subsidiaries of the Company, as there were indications of impairment due to a decline in the market value of land. As a result, we have reduced the book value to the recoverable value based on rental revenue and expect to record impairment loss of ¥10,774 million as extraordinary loss.

(ii) Financial results of consolidated subsidiaries

Regarding business assets owned by Iseki Matsuyama and Iseki Kumamoto, which manufacture agricultural machinery, as there were indications of impairment due to a decline in profitability caused by changes in the business environment, we have reduced the book value to the recoverable value based on business earnings and expect to record impairment loss of ¥3,580 million.

(iii) Consolidated financial results

Regarding the impairment losses recorded in the non-consolidated balance sheets of the Company and its consolidated subsidiaries mentioned in (i) and (ii) above, we expect to record impairment loss of ¥9,033 million as a result of revising the recoverable amount based on the consolidated business earnings of the Company.

(2) Loss on valuation of shares of subsidiaries and associates and provision of allowance for doubtful accounts (non-consolidated financial results)

As for the shares of Iseki Matsuyama and Iseki Kumamoto owned by the Company, due to a significant decrease in real value resulting from the recording of the impairment losses described in (1) (ii) above, we expect to record loss on valuation of shares of subsidiaries and associates of ¥2,948 million and provision of allowance for doubtful accounts of ¥1,958 million as extraordinary losses.

As these extraordinary losses, which will be recorded in non-consolidated financial statements, will be erased from the consolidated financial statements, there will be no impact on the consolidated financial results.

【Expected amounts of extraordinary loss】 (Millions of yen)

	Non-consolidated financial result	Non-consolidated financial results of manufacturing subsidiaries	Consolidated adjustment	Consolidated financial result
(1) Impairment loss on non-current assets	(10,774)	(3,580)	5,321	(9,033)
(2) Loss on valuation of shares of subsidiaries and associates and provision of allowance for doubtful accounts	(4,906)	-	4,906	-
Total	(15,680)	(3,580)	10,226	(9,033)

2. Reversal of deferred tax liabilities

Due to the recording of impairment losses on land revalued in accordance with the Act on Revaluation of Land, the Company expects to record income taxes-deferred (profit) of ¥2,390 million in its non-consolidated financial statements and ¥1,661 million in its consolidated financial statements as a result of the reversal of deferred tax liabilities for land revaluation.

3. Revisions to the consolidated financial results forecast

Consolidated financial results forecast for the fiscal year ended December 31, 2020
(January 1, 2020 through December 31, 2020)

	Net sales	Operating income	Ordinary income	Profit attributable to owners of parent	Earnings per share (yen)
Previous forecast (A)	144,500	1,100	200	200	8.85
Latest forecast (B)	149,300	2,000	1,700	(5,700)	(252.16)
Difference (B – A)	4,800	900	1,500	(5,900)	
Rate of Change (%)	3.3	81.8	750.0	-	
(Ref.) Results for the Fiscal Year Ended December 31, 2019	149,899	2,745	1,108	723	32.01

*Previous forecast: announced on August 6, 2020

<Reason for the revision>

Net sales are now expected to increase by ¥4,800 million (¥1,500 million in Japan and ¥3,300 million overseas).

・Domestic net sales: Increase of farming implements, etc. due to demand boosted by government subsidies for agricultural business continuity

・Overseas net sales: Up ¥500 million due to special nesting demand in North America, up ¥2,600 million due to foreign exchange rates and a change in the fiscal year-end of consolidated subsidiaries in Europe, and up ¥200 million due to increased shipments of semi-finished rice transplanters in China

On the profit side, operating income is expected to increase by ¥900 million due to higher-than-expected net sales, and ordinary income is expected to increase by ¥1,500 million due to the upturn in operating income and a decrease in other non-operating expenses. On the other hand, profit is expected to fall far short of the previous forecast due to the recording of impairment losses.

4. Non-consolidated financial results forecast

Non-consolidated financial results forecast for the fiscal year ended December 31, 2020 (January 1, 2020 through December 31, 2020)

	Net sales	Ordinary income	Net profit	Earnings per share (yen)
Results for the Fiscal Year Ended December 31, 2019(A)	90,016	2,241	1,555	68.84
Latest forecast (B)	79,200	(300)	(13,300)	(588.39)
Difference (B – A)	(10,816)	(2,541)	(14,855)	
Rate of Change (%)	(12.0)	-	-	

<Reason for the revision>

Net sales are expected to decrease in Japan, due to the demand slump that came after the rush in demand before the consumption tax hike, and overseas, due to delays in delivery of purchased engines in North America. A decrease in shipments due to inventory adjustments caused by the spread of the novel coronavirus (COVID-19) in Japan and overseas will also negatively affect sales.

On the profit side, we expect to record ordinary loss since the reduction in selling, general and administrative expenses will not be enough to offset the decline in gross profit, and impairment losses resulting in net loss.

Although we have not disclosed non-consolidated financial results forecast for the fiscal year ended December 31, 2020, we hereby announce them, since the difference compared to the results for the previous fiscal year is expected to exceed the disclosure standards.

5. Revision to the dividend forecast

Dividend forecast for the fiscal year ended December 31, 2020

	Dividend per Share (yen)				
	1Q-end	2Q-end	3Q-end	Year-end	Total
Previous forecast	-	-	-	Undetermined	Undetermined
Latest forecast	-	-	-	0.00	0.00
Results for the Fiscal Year Ended December 31, 2020	-	-	-		
Results for Fiscal Year Ended December 31, 2019	-	-	-	30.00	30.00

*Previous forecast: announced on May 15, 2020

<Reason for the revision>

As a prerequisite for sustainable business activities, our basic policy is to maintain and improve our financial soundness while continuing to pay stable dividends after comprehensively taking into consideration our foundations for revenue and future business developments as well as changes in our managerial environment.

However, due to the significant impact of the impairment losses mentioned above on the company's financial results and the fact that we expect net loss for the current fiscal year, we believe that our top priority at this time is to strengthen our financial structure, and we sincerely regret to announce that we intend to pay no year-end dividend.

We are committed to making Group-wide efforts for structural reform and management efficiency so that we can resume stable shareholder returns as soon as possible.

6. Announcement schedule and future business plans

Non-consolidated Iseki and our domestic manufacturing subsidiaries expect to record impairment losses this time, but as a result, we have been able to reduce our non-current assets, which together with the reduction in inventory has led to an improvement in our balance sheet.

This also resulted in a reduction in depreciation and other expenses.

The consolidated financial results for the fiscal year ended December 31, 2020, and financial results forecast for the fiscal year ending December 31, 2021, are scheduled to be announced on February 15, 2021. In addition, a New Mid-term Management Plan starting from fiscal year 2021 will be announced on the same day.

Inheriting the principle of our founder, "Free farmers from exhausting labor," we will continue to work closely with farmers.

The "New Mid-term Management Plan" to be announced will cover the period up to the 100th anniversary of the Company in 2025 and lay the foundation for the next 100 years. Under the plan we will aim to become a solutions company that creates new value in a rapidly changing business environment.

【Basic Policy】

We strive to contribute to the creation the prosperous and sustainable society through "providing innovative products and higher quality of services to the customers"

【Long-term Vision】

To be solution provider for "Agriculture and landscape

- Supporting "the farming full of dreams" and "beautiful landscapes,
Creating the sustainable future of "Agriculture and Landscape" -

【Basic Strategy】

1. Providing the best solutions
   We will focus on providing not only products but also services from tangible to intangible
2. Increasing corporate value by strengthening profitability and governance
   We will make profitable corporate structure that can surely raise profits beyond sales ups and downs

We will do our utmost to recover business performance in line with this plan, and we appreciate your understanding and continued support.

Note: The above forecasts were made by the Company based on information available as of the date of release of this document. Actual results may differ from forecasts due to various factors in the future.