

## ISEKI & CO., LTD.

6310

Tokyo Stock Exchange Prime Market

19-May-2022

FISCO Ltd. Analyst

**Yoichiro Shimizu**



FISCO Ltd.

<https://www.fisco.co.jp>

## ■ Index

■ <b>Summary</b> .....	<b>01</b>
1. Overview of FY12/21 results .....	01
2. Outlook for FY 12/22 .....	02
■ <b>Company profile</b> .....	<b>04</b>
1. Company profile .....	04
2. Business description .....	06
3. The Company's strengths .....	11
■ <b>Results trends</b> .....	<b>14</b>
1. Overview of FY12/21 results .....	14
2. Financial condition and management indicators .....	15
■ <b>Outlook</b> .....	<b>16</b>
● Outlook for FY 12/22 .....	16
■ <b>Medium- to long-term growth strategy</b> .....	<b>17</b>
1. New Mid-term Management Plan: Establishing a foundation of “change” for the next 100 years .....	17
2. Selection & concentration .....	17
3. Business model transformation .....	19
4. Improving profitability .....	20
5. ESG .....	20
■ <b>Shareholder return policy</b> .....	<b>21</b>

## Summary

### **Integrated manufacturer specializing in agricultural machinery headed toward its 100th anniversary of foundation in 2025, achieved increased YoY sales and profits in FY12/21**

ISEKI & CO., LTD. <6310> (hereafter, “the Company”) is an integrated manufacturer specializing in agricultural machinery that was founded in August 1926 under the principle of “free farmers from exhausting labor,” and has its Head Office in Matsuyama City, Ehime Prefecture. The Company is engaged in a wide variety of businesses and the development and manufacture, sales, and provision of after-sales service for cultivating and mowing machinery such as tractors and riding mowers, harvesting and processing machinery such as combine harvesters, and planting machinery such as rice transplanters and vegetable transplanters, and also sells imported implements and OEM products, mainly centered on farmers and large farming corporations in Japan and the rest of Asia, and landscape developers, hobby farmers and general consumers in Europe and North America. For Japanese agriculture, the Company’s feature is that it provides products in all phases of farming from plowing to rice harvesting onto drying and conditioning.

The Company has three strengths: “technological capabilities,” “support capabilities to offer farm business proposals,” and “innovation based on collaboration.” In the number of published and registered patents by specialty field, the Company ranked No. 1 from 2000 to 2006 in “agriculture and fishery” and since 2007 in “other special machinery,” remaining in top place almost constantly since 2000 (it was in second place in 2018 and 2020). In recent years it has also focused on strengthening services aspects in addition to sales of agricultural machinery. The Company provides useful information for farmers, its customers, on its website and, in 2021, launched “Amoni,” a farm business solutions portal site providing weather information and data related to growth forecasts. In 2015, the Company established the Dream Agricultural Research Institute under the slogan of “We will support new-age agriculture through assistance to farmers: Come and see advanced farm business technologies”. The Company conducts research, demonstrations and dissemination activities for smart agriculture in collaboration with outside stakeholders such as governments, research institutes, universities and companies.

The three strengths of the Company are combined with its two basic strategies of “providing the best solutions” and “Increase corporate value by strengthening earnings and governance” in the New Mid-term Management Plan as the Company lays the foundation for the next 100 years and achieve the goal of an operating margin of 5% by 2025, the 100th anniversary of its foundation.

As of December 31, 2021, the Company had share capital of ¥23,344,740,000. The total number of Group employees was 5,371 and its Group companies were 21 consolidated subsidiaries (9 domestic sales companies, 7 manufacturing-related companies, and 5 other companies, 2 in Japan and 3 overseas), and 1 equity-method affiliated company. The Company’s domestic sales network comprises 11 sales subsidiaries, including non-consolidated companies, and its overseas sales network has 8 companies as it rolls out business globally.

#### **1. Overview of FY12/21 results**

In FY12/21 results, the Company achieved increased sales and profits, as net sales increased 6.0% year on year (YoY) to ¥158,192mn, operating profit increased 99.0% to ¥4,147mn, ordinary profit increased dramatically by 175.3% to ¥4,687mn and profit attributable to owners of parent was ¥3,196mn, returning to profitability.

### Summary

Net sales were robust both domestically and overseas. Domestic net sales increased steadily by 3.2% YoY to ¥43,358mn, due to recovery from the reactionary decline of surging demand that occurred before the consumption tax hike and strong sales of implements, spare parts and repair fees, while in North America and Europe, the COVID-19 pandemic triggered lifestyle changes that increased demand among private users for such items as compact tractors. Overseas net sales increased 22.2% YoY marking a record high of ¥40,795mn.

Amid strong net sales domestically and overseas as mentioned above, operating profit also surged, falling just short of doubling YoY, due to an improvement in the cost of sales ratio caused by factors such as the absence of a loss on valuation of parts inventory recorded in the previous fiscal year. With regard to ordinary profit and profit attributable to owners of parent, profits increased significantly and profit attributable to owners of parent achieved profitability due to factors including the recording ¥539mn upon subtracting non-operating expenses from non-operating income, and impairment loss of ¥9,301mn related to non-current assets that had been recorded in the previous fiscal year was reduced to impairment loss of ¥115mn.

What was noteworthy about these financial results was how the Company had been able to gain a grasp of lifestyle changes overseas (Europe and the U.S.) and steadily link them to increased sales. For private users in Europe and the U.S., the Company responded rapidly to changing needs, centering on compact tractors in North America and handheld products in Europe, incorporating the increased demand that became the driving force for overseas sales as a whole. Overseas sales achieved a record high as in Asia, a Thai sales agency was made a consolidated subsidiary at the end of the year before last, and there was an increase in production parts shipments to China, among other factors. As the Company has made “expand overseas businesses” in “3 key regions” one strategy in its New Mid-term Management Plan, this can be said to be a bright sign.

## 2. Outlook for FY 12/22

The outlook for FY12/22 consolidated results is net sales to increase 5.3% YoY to ¥166,500mn, operating profit to increase 13.3% to ¥4,700mn, ordinary profit to decrease by 1.9% to ¥4,600mn and profit attributable to owners of parent to decrease 3.0% to ¥3,100mn, with forecast increases in sales and operating profit and profits at each level below ordinary profit to be on a par with the previous fiscal year.

In the domestic business, the Company plans to increase sales by focusing on sales of large-scale agricultural machinery in conjunction with the increasing size of agricultural land, such as the T. Japan (T.J) series of tractors, the HJ series of combine harvesters and Sanae Japan PRJ8 rice transplanters, and steadily securing spare parts and repair fees by strengthening services and support. (Domestic net sales are forecast to increase 1.4% YoY to ¥119.0bn.) In the overseas business, the Company is planning a second consecutive year of record high net sales by achieving a 16.4% YoY increase to ¥47.5bn by continuing to ascertain individual consumer needs newly generated by COVID-19 and, in Asia (ASEAN), strengthening sales by the Thai consolidated subsidiary, IST FARM MACHINERY CO., LTD.

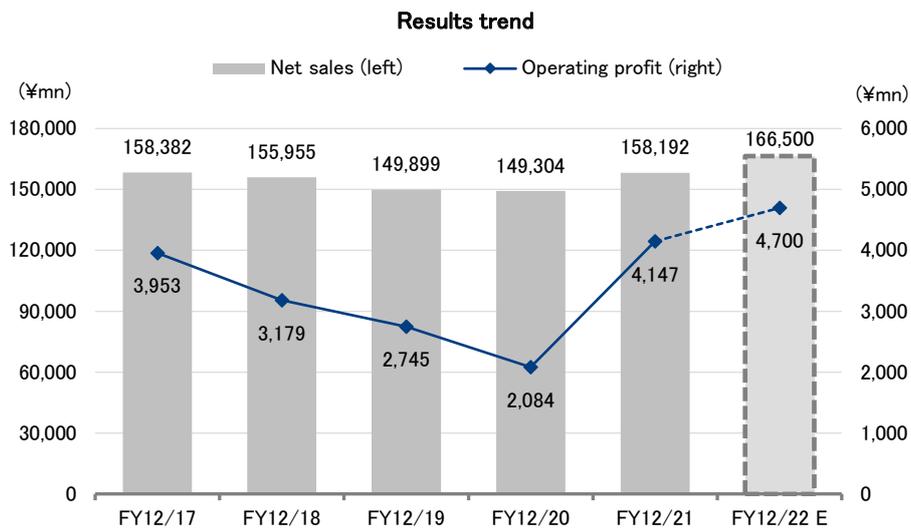
The Company's New Mid-term Management Plan started from FY12/21 and it is being implemented right now to change business activities under the two basic strategies of “providing the best solutions” and “Increase corporate value by strengthening earnings and governance” and encompassing the four perspectives of “selection & concentration,” “business model transformation,” “improving profitability” and “ESG.” We at FISCO believe if the Company focuses firmly on these four perspectives and is able to steadily implement reforms, it will achieve its forecast results for FY12/22 and can be expected to grow even further in the future.

Summary

With these four approaches under the New Mid-term Management Plan, we at FISCO are of the understanding that the Company has an appropriate perspective in terms of ascertaining the external environment changes encompassing it. “Selection & concentration” is one example. Agricultural management is shifting from small-scale farmers such as family-run or farmers also performing other jobs to large-scale management by organizations such as corporations, and this flow is expected to continue going forward. As this goes on, the Company is concentrating its resources to focus on large-scale products, smart agricultural machinery, vegetable farming machinery and low-priced products. For large products, the Company will probably be able to gain maximum benefit by focusing on sales of the Japan series, its mainstay large-scale machinery.

**Key Points**

- Integrated manufacturer specializing in agricultural machinery headed toward its 100th anniversary of foundation in 2025
- Achieved higher sales and profits YoY in FY12/21
- Steady implementation of the New Mid-term Management Plan raises expectations of future growth



Source: Prepared by FISCO from the Company's financial results

# Company profile

**Integrated manufacturer specializing in agricultural machinery headed toward its 100th anniversary of foundation in 2025, supporting agricultural management for customers from both tangible and intangible aspects**

## 1. Company profile

The Company was founded in August 1926 under the principle of “free farmers from exhausting labor,” and has contributed to the modernization, laborsaving and efficiency improvement of Japanese agriculture, and also developing overseas. Starting with the development of a fully-automated rice huller in 1926, the Company has developed many types of original agricultural machinery that have been world-firsts, or industry-firsts. In 2014, the Company began developing “smart agricultural machinery” using ICT such as robot tractors to make agriculture more laborsaving and more efficient. By utilizing ICT to promote greater laborsaving and efficiency, the Company aims to contribute to the realization of profitable agriculture and at the same time enhance the attractiveness of its agricultural machinery and its competitiveness. Moreover, the Company does not stop just at sales of agricultural machinery, but provides farm business support in various forms under the concept of “supporting agriculture full of dreams (i.e., profitable agriculture).” In 2015, it established the Dream Agricultural Research Institute and conducts research, demonstrations and dissemination activities for smart agriculture utilizing robotic technologies and ICT in collaboration with outside stakeholders such as governments, research institutes, universities and companies, in addition to the “Supporter for the farming industry full of dreams” group delivering useful farm business information to farmers through its website, producing an information magazine and helping farm producers to obtain JGAP\* certification promoted by the Japan GAP Foundation. It can be said that one of the Company’s major features is that it supports the farmers who are its customers and its agriculture management from both tangible and intangible aspects.

\* GAP is an acronym of good agricultural practices and refers to agricultural production process management methods recommended by the Ministry of Agriculture, Forestry and Fisheries (MAFF). Introducing the methods enables producers such benefits as standardization of agricultural management, enhanced trust as a farm and realization of stable business.

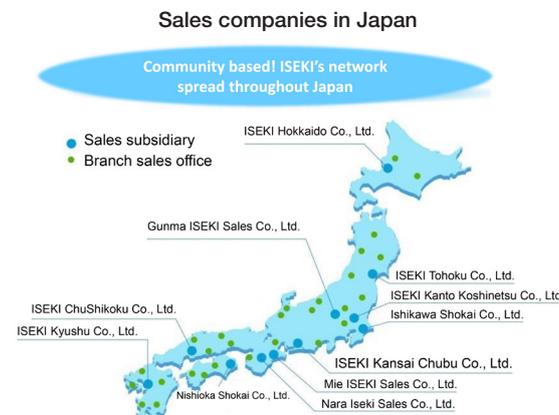
### ISEKI's product development history

<p>1926&gt; Established with fully-automated rice hullers “Iseki Farm Implement Trading Co.” was established and a fully-automated rice huller was produced as the first product.</p> 	<p>1966&gt; Development of world's first auto-threshing combine harvesters Enabled the process from reaping to threshing to finish 16 times faster. Popularity was achieved due to its high efficiency, small-size and light weight, and reasonable price, with production unable to satisfy the high demand.</p> 	<p>1971&gt; Development of two-wheel rice transplanters equipped with backward-tilting seeding tanks After much trial and error, succeeded in developing two-wheel rice transplanters equipped with backward-tilting seeding tanks that used a plastic float. Birth of Iseki, a synonym for rice transplanters.</p> 	<p>1988&gt; Birth of Naueru System for the mechanization of vegetable farming Developed our original “Naueru Pot Seeding” vegetable seeding that mainly used paper pots and nursery soil and the “Naueru PV101” fully-automated vegetable transplanter for planting the seedlings.</p> 	<p>2014&gt; Center collect-type riding mower (lawn mower) for Europe A high horse power, Japan's first center collect-type front mower SF4 series with superior flexible maneuvering. ISEKI Group's flagship series of landscaping machinery for Europe that can respond to the needs of professional users.</p> 	<p>2016&gt; Development of industry's first variable fertilizing rice transplanter Groundbreaking rice transplanter that adjusts to the appropriate amount of fertilizer while rice planting. Contributes to lower fertilizer costs and reduced plant lodging.</p> 
<p>1965&gt; Tractor suitable for Japanese wet paddies Developed 1B20, a Japanese tractor with exceptional performance that even climbed Mt. Fuji.</p> 	<p>1967&gt; Sales of tillers to Europe Began export and sale of tillers, the start of ISEKI's European business. Deployment of technology fostered in Japan to overseas.</p> 	<p>1988&gt; ISEKI's first riding mower (lawn mower) A full-spec riding mower installed with a diesel engine. It established ISEKI brand in the landscaping market of Europe.</p> 	<p>2009&gt; Development of the industry's fastest auto-threshing combine harvesters Developed the industry's fastest combine harvester capable of six-row reaping with a maximum working speed of 2.0m/s. Also developed the industry's first combine harvester capable of seven-row reaping.</p> 	<p>2015&gt; Development of industry's first plant growth diagnosis device Measures the photosynthetic abilities of plants and visualizes the conditions of plants available to the human eye. Contributes to optimal control and growing by preventing disease.</p> 	<p>2018&gt; Development of manned monitoring-based robot tractors Realized significant labor saving in farming. This type of agricultural machinery was the first big step toward the future of agriculture.</p> 

Source: ISEKI Report 2021

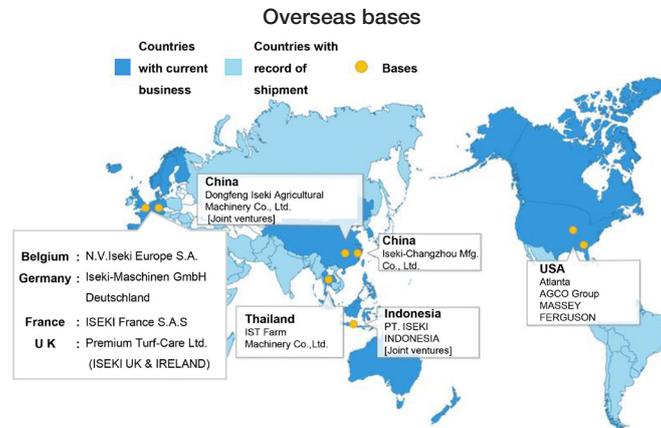
Company profile

The Company is engaged in a wide variety of businesses and the development and manufacture, sales, and provision of after-sales service for cultivating and mowing machinery such as tractors and riding mowers, harvesting and processing machinery such as combine harvesters, and planting machinery such as rice transplanters and vegetable transplanters. It also sells imported implements and OEM products, mainly centered on farmers and large farming corporations in Japan and the rest of Asia, and landscape developers, hobby farmers and general consumers in Europe and North America. For Japanese agriculture, the Company's feature is that it provides products in all phases of farming from plowing to rice harvesting onto drying and conditioning. In Japan, the Company has 11 sales subsidiaries (of which 6 companies are wide-area direct dealers) covering the entire country, selling agricultural machinery to customers throughout all of Japan and appropriately absorbing the needs of the front lines. Overseas, the Company develops business while stipulating the three key regions of North America, Europe and Asia. The Company is rolling out business globally through production bases such as PT. ISEKI INDONESIA and has set up sales bases like N.V. ISEKI EUROPE S.A. For net sales by region in FY12/21, Europe was highest at ¥15.9bn, followed by North America at ¥15.1bn and Asia with ¥9.1bn. Although Asia currently trails Europe and the U.S. in terms of sales size, we at FISCO believe it is noteworthy as a growing market for the future. This is because the Company will be able to leverage the technological capabilities and experience it has cultivated in Japan against a backdrop of these countries where rice cultivation is popular and food culture resembles that of Japan, and governments in the countries having policies to promote the modernization of agriculture. In fact, the Company is steadily increasing its presence in the Asian region, having established PT. ISEKI INDONESIA in 2012 to serve as a regional production base, and making a subsidiary of its Thai sales agent, IST FARM MACHINERY CO., LTD., in 2020.



Source: The Company's website

Company profile



Source: The Company's website

History

Date	Major events
August 1926	Founded as Iseki Farm Implement Trading Co. in Aratama-cho, Matsuyama City, Ehime Prefecture
April 1936	Incorporated as ISEKI & CO., LTD. Commenced production of ISEKI rice hullers and automatic rice graders
May 1946	Established new plant in Yashiro-machi, Matsuyama City, Ehime Prefecture
October 1949	Newly constructed Kumamoto Plant in Kengun-machi, Kumamoto City, Kumamoto Prefecture
June 1961	Listed shares on the Tokyo Stock Exchange
March 1967	Started production of rice transplanters, combine harvesters and binders Accomplished mechanized integrated system for rice cultivation using those and tractors
February 1971	Established N.V. ISEKI Europe S.A. in Brussels
September 1972	Expanded Matsuyama Plant (Wake) and relocated Head Office to the same place
April 2001	Separated Matsuyama and Kumamoto plants and established Iseki-Kumamoto Mfg. and Iseki-Matsuyama Mfg. co., Ltd.
July 2011	Established Dongfeng Iseki Agricultural Machinery (Hubei) Co., Ltd. in Hubei, China
October 2012	Established PT. ISEKI Indonesia in Indonesia
October 2013	Established ISEKI SALES (THAILAND) Co., Ltd. in Thailand (now IST FARM MACHINERY) Established ISEKI Technical Training Center (ITTC) inside ISEKI-Matsuyama MFG. Co., Ltd.
May 2014	Integrated Iseki-Changzhou Mfg. Co., Ltd. with Dongfeng Iseki Agricultural Machinery (Hubei) Co., Ltd and established Dongfeng Iseki Agricultural Machinery (Hubei) Co., Ltd.
July 2014	Acquired ownership of French sales agencies Yvan Beal S.A. and YB Holding S.A.S (now ISEKI France S.A.S.)
October 2015	Established Dream Agricultural Research Institute in Tsukubamirai City, Ibaraki Prefecture
April 2016	Established Iseki Basic Engineering Training Center (IETC) in the Tobe Office
January 2017	Established ISEKI Global Training Center (IGTC) in Tsukubamirai City, Ibaraki Prefecture

Source: Prepared by FISCO from the Company's website

2. Business description

(1) Cultivating and mowing machinery

In the cultivating and mowing machinery category, the Company handles tractors and tillers used for soil cultivation before planting for agriculture, as well as high-clearance multipurpose vehicles used for pest control and other purposes. Sales of tractors for civil engineering use, tractors for landscaping and riding mowers have been strong, particularly among landscaping developers, hobby farmers and general consumers in Europe and the U.S., and accounted for 34.6% of Company-wide net sales in FY12/21, the highest ratio. Cultivating and mowing machinery accounted for 75.5% of all overseas net sales.

Company profile

Landscaping machinery and other machinery selling strongly overseas

Tractor for overseas markets  
(for light civil engineering)



Tractor for overseas markets  
(for landscaping)



Riding lawnmower



Source: ISEKI Report 2021

In the tractor category, the flagship model is the T. Japan (TJ) series. The lineup is comprised of the three series of TJV5, TJX3 and TJW3, ranging from 65 to 130 horsepower. In addition to being highly efficient, highly durable and high performance, a feature of this series is its installation of ICT. For example, the TJV5 and TJW3 series can collect information on farm machinery using GPS antennas and communication terminals mounted on the machinery, as well as provide theft deterrent functions and operational information management tools. In the TJX3 series, ISEKI AGRI-SUPPORT, which provides work management support and machine maintenance support through the use of ICT, can be introduced to the machinery. Furthermore, the robot tractor TJV series equipped with the most advanced automated driving technology, allows the operator to select the mode that suits the situation from the following three operation modes: (1) robot mode, in which the tractor is operated without boarding and under manned monitoring; (2) auto mode, in which the operator boards the tractor and operates it automatically onboard; and (3) automatic steering mode, which assists the operator in straight travel operations. Launching agricultural machinery utilizing ICT onto the market has contributed significantly to greater efficiency and laborsaving in agricultural work.

A robot tractor quipped with the advanced automated driving technology



Source: The Company's website

(2) Harvesting and processing machinery

In the harvesting and processing machinery category, the Company handles such machinery as combine harvesters that combine grain harvesting and threshing, dryers for drying harvested rice, rice hullers and vegetable harvesting machinery. In FY12/21, the category accounted for 12.0% of Company-wide net sales, forming a net sales pillar following the cultivating and mowing machinery and implements, spare parts and repair fees categories. In addition, it accounts for 5.8% of overseas sales, once again following the cultivating and mowing machinery and implements, spare parts and repair fees categories in size.

Company profile

Product examples

**Frontier Fighter**  
(auto-threshing combine harvester)



Source: The Company's website

**Common rail turbo engine**



**HC1153**  
(general purpose combine harvester)



This category's flagship models are the HJ series of combine harvesters. Like the tractors, it goes without saying that they are highly efficient, highly durable and high performance, but ISEKI AGRI-SUPPORT, which enables efficient work management and machinery management through the use of the latest ICT, is equipped as a standard feature. Moreover, ISEKI REMOTE is also equipped depending on the type, providing remote monitoring to deter theft of agricultural machinery and management services for operational information.

Japan HJ series are flagship models for combine harvesters



Source: The Company's website

**(3) Planting machinery**

The planting machinery category includes products such as rice transplanters used for transplanting seedlings into rice paddies and vegetable transplanters. In FY12/21 the category accounted for 7.1% of Company-wide net sales.

The flagship models of the category are the Sanae Japan PRJ8 and Sanae Japan PRJ8 robot rice transplanter. In addition to being highly efficient, highly durable and high performance, the Sanae Japan PRJ8 is equipped with the ISEKI straight travel and turning assisting system, a steering operation assisting system using GPS technology. In addition, the robot rice transplanter model also has a function that enables unmanned operation under remotely controlled manned monitoring.

Company profile

The addition of the Japan series to the rice transplanter in FY12/21 now means that all main product categories of tractors, combine harvesters and rice transplanters finally have a complete array of products bearing the “Japan” name. These can all be classified as large-scale agricultural machinery. With the increasing size of agricultural land in the future, the sales of Japan series products are expected to grow, contributing to greater efficiency and laborsaving in agriculture.

Sanae Japan PRJ8, a flagship model of rice transplanter



Source: The Company's website

Main features of Sanae Japan PRJ8

■ Remote control switch

Use for automated operation. Visible color LCD display with a signal range extending to 300 meters.



■ Automatic differential lock

Maintains propulsive force when tire idling is detected when turning by activating an automatic differential lock.



■ Forced four-wheel drive control

Forced four-wheel drive control can be applied automatically when further propulsive force is needed. And this can be operated remotely.



Source: The Company's website

(4) Implements, spare parts and repair fees

Implements refers to work tools fixed to agricultural machinery, of which “Eco unemaze kun” ridge-making tool is one kind. Other operations at its maintenance bases throughout Japan include repairing breakdowns in agricultural machinery it has sold and maintenance repairs to prevent breakdowns from occurring. In FY12/21, the category accounted for a ratio of 29.7% of Company-wide net sales, giving it a sales size following the cultivating and mowing machinery category. The Company rigorously conducts maintenance repairs to prevent breakdowns and earn trust from customers, ensuring stable earnings unaffected by the external environment, such as unseasonable weather, and for that reason is focusing on and increasing added services such as repairs and maintenance.

Company profile

“Eco unemaze kun” implements attached to agricultural machinery



Source: The Company's website

**(5) “Supporter for the farming industry full of dreams,” ICT for agriculture**

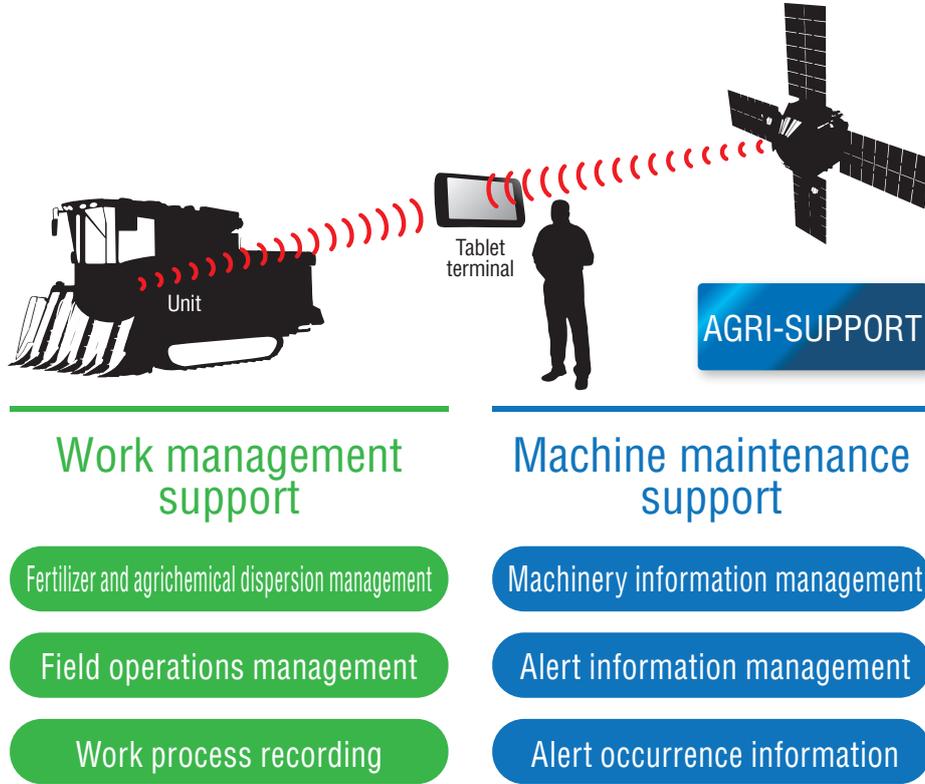
In addition to tangible aspects such as sales of agricultural machinery, the Company also focuses on intangible aspects such as disseminating beneficial farm business information. The “Supporter for the farming industry full of dreams” group is involved in activities to propose or support farm business mainly through the Dream Agricultural Research Institute under the concept of “supporting agriculture full of dreams (i.e., profitable agriculture).” Moreover, it uses its website to send out information related to low-cost rice cultivation technologies and proactively disseminates articles related to the latest technical trends in the form of the “Yume Soken Dayori” newsletter. Currently, the main objective of the activities is to transmit information to farmers and create contact points with them, but in the future, it has an eye on commercializing this in the form of consulting services.

Moreover, it also proactively utilizes ICT to make agriculture more laborsaving and more efficient. In addition to providing ISEKI AGRI-SUPPORT and ISEKI AGRI-SUPPORT linked with farm business support software agri-note as farm management systems and the ISEKI REMOTE service for remote monitoring, it also provides services such as IROHA drone related to growth management and that sends farm images taken by drone to be saved on the cloud, and Up-a-ray, which makes agricultural work more efficient by utilizing analyses of images taken by drone and satellite.

The functions that ISEKI AGRI-SUPPORT provides can be divided into the two major sections of work management support and machine maintenance support. Work management support helps achieve more efficient farming by breaking away from the conventional reliance on experience and intuition by recording, analyzing and managing data obtained through ICT-equipped agricultural machinery. Machine management support ascertains the state of agricultural machinery using data obtained from the agricultural machinery. These can be inspected and undergo maintenance in advance, enabling the prevention of breakdowns by stopping them before they can happen.

Company profile

ISEKI AGRI-SUPPORT



Source: The Company's website

We at FISCO believe that farm business support utilizing ICT will become increasingly important in the future. According to a survey conducted by MAFF in 2021, 45.7% of respondents to a question of what they use to manage farm business information replied, “writing notes in a business diary or the like,” which accounted for the highest ratio of responses. In addition, 84.9% said they are “not utilizing” smart agricultural machinery in their farm business. Meanwhile, 51.8% of respondents said they “intend to utilize” a farm business management system. The survey results show how much room there is to improve agricultural efficiency and how much room for growth there is through the use of ICT-based farm business support and smart agricultural machinery.

In light of this situation, the Company has indicated that it will focus on providing information-based services and new business creation in the Business Model Transformation section of its New Mid-term Management Plan. For agriculture where ICT utilization has not made progress there are many areas where ISEKI AGRI-SUPPORT can contribute to making farm business more efficient, increasing the attractiveness of the Company’s agricultural machinery and raising expectations of a contribution to expanding sales.

**3. The Company's strengths**

The strengths that the Company has cultivated over a long business history since its founding in 1926 can be divided into three broad categories. There will be more in detail below on each of the strengths, but we at FISCO believe that the important point is that each strength works with and complements the others, creating a virtuous cycle.

Company profile

**The Company's three strengths**

<b>Technological capabilities</b>	Capability as a front runner to develop groundbreaking agricultural machinery and landscaping machinery, and to create innovation
<b>Support capabilities to offer farm business proposals</b>	Capability to solve customers' issues from both tangible (agricultural machinery) and intangible (production management and advanced farm business technologies) aspects
<b>Innovation based on collaboration</b>	Capability to work together with partners in each field and each region in Japan and overseas to develop and provide groundbreaking products and services and create new value for new markets

Source: Prepared by FISCO from ISEKI Report 2021

**(1) Technological capabilities**

The first of the Company's strengths is its advanced technological capabilities that have enabled it to introduce to the market many "industry firsts" and "world firsts" since its founding in 1926. It has developed many products that have been industry leading from a functional aspect, starting in 1926 with its fully-automated rice hullers, the world-first autothreshing combine harvesters in 1966, its first riding mower in 1988 and the industry's fastest auto-threshing combine harvesters in 2009. The Company has also maintained its competitive edge through the technologies it has developed, and its consistent intellectual property strategy has been to acquire patents. In the number of published and registered patents by specialty field, the Company ranked No. 1 from 2000 to 2006 in "agriculture and fishery" and since 2007 in "other special machinery," remaining in top place almost constantly since 2000 (it was in second place in 2018 and 2020), and it has remained in the top 2 in the industry for patent allowance rates since 2004 (the patent allowance rate has consistently exceeded 90%. In 2019, it left an extremely high result of 97.7%)

**The Company's position in the number of published and registered patents by specialty field and patent allowance rate**

Number of laid-open application per specialty field/Number of patent application registrations per specialty field					
Year	2000~2006	2007~2014	2016~2017	2018	2019
Field	Agriculture and fishery	Other special machinery			
Rank	No. 1		No. 2		No. 1

Patent allowance rate					
Year	2004~2010	2011	2012~2017	2018	2019
Patent allowance rate	83.7~91.8%	91.8%	94.7~100%	96.4%	97.7%
Rank	No. 1	No. 2	No. 1	No. 2	No. 1

Number of invention awards received  
(The Japan Institute of Invention and Innovation)

---

National Awards for Inventions: **19**

---

Regional Awards for Inventions: **208**

(As of June 2021)

Source: ISEKI Report 2021

We at FISCO believe that the factors that made these advanced technological capabilities possible are the Company's R&D base, in-house systems and sales framework. On a daily basis, the Company conducts latest research as a matter of course at its R&D base in Ehime Prefecture and at the Dream Agricultural Research Institute in Ibaraki Prefecture, but it also proactively engages in invention proposal activities where employees in development departments submit ideas matching market needs, and invention creation activities in which veteran engineers pass on invention creativity know-how to younger engineers. These activities make it possible for young employees to come up with innovative ideas, while at the same time ensuring that expertise, which can tend to become tacit knowledge, is properly shared throughout all the Company's engineers, enabling a higher level of innovation creation output overall. We at FISCO believe that the invention creation activities in particular, which are conducted to share tacit knowledge within the Company, and the company culture, are not something that competitors can imitate overnight, which gives the Company a powerful competitive edge. In fact, as a result of these activities, the Company was able to develop and introduce to the market a variable fertilizing rice transplanter that plants rice at the same time as adjusts the amount of fertilizer applied by using a sensor (real-time sensing), as well as, in recent years, the Sanae Japan PRJ series equipped with advanced, straight travel and turning-assist functions.

We encourage readers to review our complete legal statement on "Disclaimer" page.

#### Company profile

Moreover, a sales network spanning nationwide also enables technological development that meets farmers' needs. Sales employees at sales stores communicate closely with farmers to accurately ascertain their needs and properly pass on that information to development departments, which enables development of technologies that are attractive to customers. Development departments also conduct direct market surveys, so efforts to ascertain market needs can also be given as a feature.

Looking ahead, it seems that the Company wants to proactively engage in ICT-related R&D. In the belief that it should raise the rate of ICT-related invention proposals to 60% by 2025 (currently at approximately 40%), it is implementing in-house training and proactively employing outside expert human resources.

#### **(2) Support capabilities to offer farm business proposals**

The next matter to raise is "support capabilities to offer farm business proposals." The Company leverages the experience it has built up over many years of involvement in agriculture to proactively aid in achieving profitable agriculture. Specifically, this is support for farm business from intangible aspects such as providing information and proposals on low-cost agriculture via the Dream Agricultural Research Institute, supporting acquisition of JGAP certification and delivering farm business information via its website. In addition, the "Supporter for the farming industry full of dreams" established in 2015 conducts research, demonstrations and dissemination activities for smart agriculture utilizing advanced farm business and robot technologies and ICT, then spreading information about this on the corporate website in the form of the "Yume Soken Dayori" newsletter.

It seems that one of the factors that enables the Company to realize advanced proposal and support capabilities is a sales network spanning nationwide. By having a wide network rooted in communities it enables frequent communication with customers and allows for rapid support and proposals on agricultural efficiency to be carried out.

In addition to tangible sales, it is extremely important to also focus on intangible aspects. The Company can expand its contact points with customers and increase the number of its fans by showing an attitude of friendly support for agricultural management.

#### **(3) Innovation based on collaboration**

Finally, let's look at "innovation based on collaboration." The Company naturally engages in development of new technologies at its own R&D base, and aggressively conducts research, and development activities in collaboration with outside stakeholders such as governments, research institutes, universities and companies. We at FISCO believe that this will enhance the speed of R&D activities and add new perspectives within the Company, and it will also enable generation of groundbreaking innovation. (Generally, the effectiveness of open innovation is widely known.)

Actually, the Company has been proactively collaborating with Ehime University and set up the "Design Engineering for Horticultural and High-technology Greenhouse" endowed course in the university in 2010. As a result, it succeeded in the industry's first commercialization of the "plant diagnosis system 'PD6C'" in 2015. Going forward, the Company plans to deepen its collaboration with Ehime University in cutting edge technologies such as ICT and AI.

Considering the Company's strengths, the important thing about these three strengths is that they influence each other and are complementary. It is easy to understand how technological capabilities could improve by innovation based on collaboration, but if advanced technological capabilities are not used for developments that meet needs, they are a wasted treasure. By accurately absorbing front line needs during activities for farm business proposals and support and providing that information to development divisions it enables those advanced technological capabilities to be used in a form that meets needs.

## Results trends

### Achieved higher sales and profits YoY in FY12/21. Accurately perceived changes in lifestyles and marked record highs for overseas sales

#### 1. Overview of FY12/21 results

In FY12/21, the Company achieved increased sales and profits, as net sales increased 6.0% YoY to ¥158,192mn, operating profit increased 99.0% to ¥4,147mn, ordinary profit increased dramatically by 175.3% to ¥4,687mn and profit attributable to owners of parent was ¥3,196mn, returning to profitability.

Domestic net sales performed well, as net sales of cultivating and mowing machinery such as tractors increased by 4.6% YoY to ¥23,937mn and net sales of planting machinery such as rice transplanters increased by 2.3% YoY to ¥9,076mn due to the weakening of the impact from the reactionary decline of surging demand that occurred before the consumption tax hike, the stirring demand from farmers caused by the government subsidies for farm business continuity provided by MAFF to support farm management during the COVID-19 pandemic, and activities such as using online sales during the pandemic. Net sales of implements, spare parts and repair fees were also favorable, and contributed to the expansion of net sales with an increase of 3.2% YoY to ¥43,358mn.

In overseas net sales, the Company achieved record high net sales with an increase of 22.2% YoY to ¥40,795mn. This was mainly because the Company seized on increased demand in North America and Europe for products geared toward private users such as compact tractors and handheld products due to lifestyle changes triggered by COVID-19.

Business in Asia also expanded steadily. The Company achieved higher sales YoY against the backdrop of the continuation of Chinese government policies to secure food and stirring demand brought on by subsidy policies enacted by the Thai government, among other factors.

Amid strong net sales domestically and overseas as mentioned above, there were improvements to the cost of sales ratio due in part to the absence of a loss on valuation of parts inventory recorded in the previous fiscal year, while operating profit grew rapidly and nearly doubled YoY. With regard to ordinary profit and profit attributable to owners of parent, profits increased significantly and profit attributable to owners of parent achieved profitability due to factors including the recording of ¥539mn after subtracting non-operating expenses from non-operating income, and impairment loss of ¥9,301mn related to non-current assets that had been recorded in the previous fiscal year was reduced to impairment loss of ¥115mn.

In spite of tailwinds in the external environment, the New Mid-term Management Plan was put into action beginning in FY12/21, and sales of tractors and rice transplanters performed well partly because the Company concentrated resources on sales of “Japan” series, which are large-size agricultural machinery equipped with ICT, through “selection & concentration,” and was able to increase sales effectively, we at FISCO believe.

The steady sales of implements, spare parts and repair fees must also not go overlooked. We at FISCO believe that the steady performance of this category is proof that the policies of the Company, which has promoted “further increase revenue from maintenance” in the New Mid-term Management Plan, are succeeding.

**ISEKI & CO., LTD.** | 19-May-2022  
 6310 Tokyo Stock Exchange Prime Market | <https://www.iseki.co.jp/english/ir/>

## Results trends

## Overview of FY12/21 results

	FY12/20		FY12/21		Change
	Results	vs. Net sales	Results	vs. Net sales	
Net sales	149,304	-	158,192	-	6.0%
Gross profit	43,476	29.1%	46,841	29.6%	7.7%
SG&A	41,392	27.7%	42,693	27.0%	3.1%
Operating profit	2,084	1.4%	4,147	2.6%	99.0%
Ordinary profit	1,702	1.1%	4,687	3.0%	175.3%
Profit attributable to owners of parent	-5,641	-	3,196	2.0%	-

Source: Prepared by FISCO from the Company's financial results

**2. Financial condition and management indicators**

In FY12/21, profit attributable to owners of parent returned to profitability with ¥3,196mn, which led to an increase in retained earnings to ¥17,690mn. Cash and deposits at the end of the period increased ¥4,062mn YoY to ¥14,850mn. Looking at retained earnings, they show a trend toward increasing, with the exception of FY12/20 when the Company recorded loss attributable to owners of parent, and it can be seen that the Company has steadily continued to produce profit.

The equity ratio remains consistently between 33-35%, which may appear relatively low. However, the current ratio, which indicates liquidity on hand, is 112.0%, while the fixed assets ratio, an indicator of long-term stability, is 149.1%. Based on this, we at FISCO see no problems with the Company's financial condition.

ROA, ROE, and operating margin in FY12/21 were 2.5%, (1.3% in FY12/18), 5.1% (1.6%), and 2.6% (2.0%) respectively. We at FISCO view these indices, which illustrate profitability, as showing room for improvement. In the New Mid-term Management Plan, the Company raised improvement of the fixed cost ratio as one target, and there are expectations that ROA and the operating margin will improve (an operating margin of 5% for fiscal 2025 has been set in the New Mid-term Management Plan). It is also expected that ROE will increase as the Company works on reducing inventory and improving fixed cost ratio.

**Consolidated balance sheets and management indicators**

					(¥mn)
	FY12/18	FY12/19	FY12/20	FY12/21	Change
Current assets	91,791	87,159	89,979	91,103	1,123
Cash and deposits	7,475	8,404	10,787	14,850	4,062
Non-current assets	109,365	110,352	97,449	96,581	-867
Total assets	201,156	197,511	187,428	187,684	256
Total liabilities	132,197	128,259	125,009	121,123	-3,885
Net assets	68,959	69,252	62,419	66,561	4,141
Retained earnings	16,932	17,025	14,493	17,690	3,196
Stability					
Equity ratio	33.4%	34.2%	32.4%	34.5%	
Profitability					
ROA (return on assets)	1.3%	0.6%	0.9%	2.5%	
ROE (return on equity)	1.6%	1.1%	-8.8%	5.1%	
Operating margin	2.0%	1.8%	1.4%	2.6%	

Source: Prepared by FISCO from the Company's financial results

## ■ Outlook

### Forecasts increased sales and operating profit in FY12/22. Expects the New Mid-term Management Plan will be carried out steadily

#### ● Outlook for FY 12/22

The outlook for the FY12/22 consolidated results is net sales to increase 5.3% YoY to ¥166,500mn, operating profit to increase 13.3% to ¥4,700mn, ordinary profit to decrease by 1.9% to ¥4,600mn and profit attributable to owners of parent to decrease 3.0% to ¥3,100mn, with forecast increases in sales and operating profit and profits at each level below ordinary profit to be on a par with the previous fiscal year.

In the domestic business, the Company plans to increase sales by focusing on sales of large-scale agricultural machinery in conjunction with the increasing size of agricultural land such as the TJ series of tractors, the HJ series of combine harvesters and Sanae Japan PRJ8 rice transplanters, utilizing the internet and strengthening individual visits and product demonstrations in place of exhibition sales which had become difficult to hold due to COVID-19, and steadily securing spare parts and repair fees by strengthening services and support at each maintenance base (domestic net sales are forecast to increase 1.4% YoY to ¥119.0bn.) In the overseas business, the Company is planning a second consecutive year of record high net sales and achieving a 16.4% YoY increase to ¥47.5bn by ascertaining the continued expansion of demand brought on by lifestyle changes in North America and Europe and, in Asia (ASEAN), strengthening sales by the Thai consolidated subsidiary, IST FARM MACHINERY CO., LTD.

In terms of sales, it is anticipated that sales activities will become more efficient through the use of i-Magazine. i-Magazine is a cloud-based mobile tool that enables sales carried out while presenting product videos or together with personnel from other departments (mainly the Dream Agricultural Research Institute which is knowledgeable about technology), in addition to enabling things like inventory management and managing the activities of those in sales positions. The Company intends to improve the efficiency of sales activities by spreading this tool throughout all sales companies nationwide beginning in FY12/22.

In regard to securing sales of parts and repair fees, the Company also plans to move ahead with establishing a structure for sales and maintenance centered on large-scale maintenance bases by implementing a block strategy. If agricultural machinery breaks down during the proper harvesting season and work cannot be done, it will result in significant losses, which is why the Company says that a structure for corporate support and maintenance will become a key index for decision making when purchasing agricultural machinery. It intends to gain customers' trust by securely carrying out inspection and maintenance before storage after the end of the harvesting season, mainly at large-scale maintenance bases, and preventing breakdowns from occurring. That will subsequently lead to repeat purchases.

The Company's New Mid-term Management Plan started in FY12/21 and changes to business activities are being implemented right now, encompassing the four perspectives of "selection & concentration," "business model transformation," "improving profitability" and "ESG." We at FISCO believe that if the Company focuses firmly on these four perspectives and is able to steadily implement reforms, it will achieve its business results forecast for FY12/22 and can be expected to grow even further in the future.

## ■ Medium- to long-term growth strategy

**Aim to be a company that continues for another 100 years, and achieve its targets through the four main pillars of “selection & concentration,” “business model transformation,” “improving profitability” and “ESG” based on the keyword of “change”**

### 1. New Mid-term Management Plan: Establishing a foundation of “change” for the next 100 years

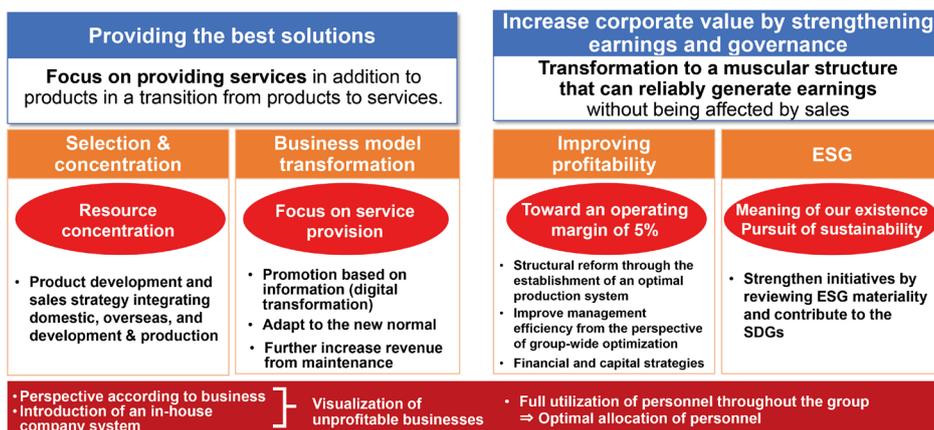
In FY12/21, the Company formulated the New Mid-term Management Plan, which establishes 2025 as the final year, in anticipation of the 100th anniversary of its foundation. A Companywide effort is being made to achieve the plan.

The keyword of the New Mid-term Management Plan is “change.” The Company will aim to be one that continues for another 100 years beyond 2025, and the main objective of the plan is to lay a foundation for that purpose. It is largely divided into the following two basic strategies.

- Providing the best solutions: Focus on providing not only products but also services from tangible to intangible
- Increase corporate value by strengthening earnings and governance: Make a profitable corporate structure that can surely raise profits beyond sales ups and downs

Under the two basic strategies listed above, the Company intends to move toward implementing a strategy encompassing the four perspectives of “selection & concentration,” “business model transformation” (these two are included in “providing the best solutions”), “improving profitability” and “ESG” (these two are included in “Increase corporate value by strengthening earnings and governance”).

Direction of the basic strategies and initiatives in the New Mid-term Management Plan



Source: The Company's New Mid-term Management Plan

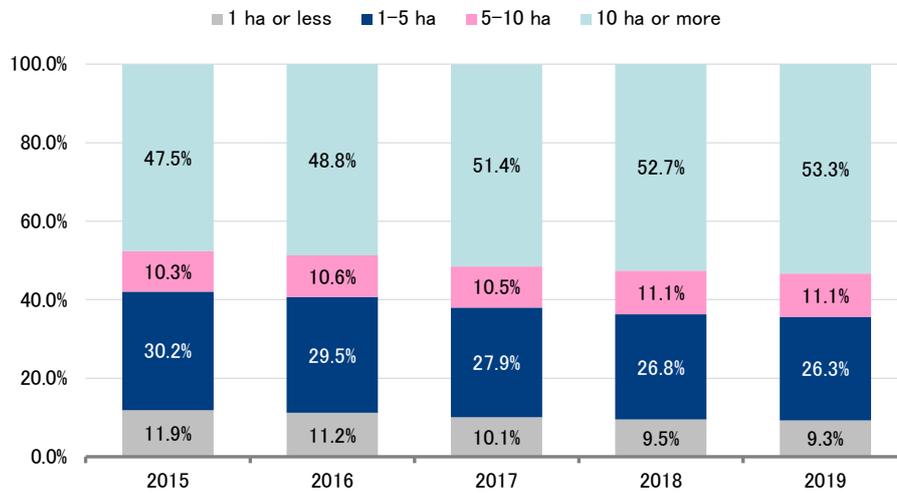
### 2. Selection & concentration

The first example of a concrete initiative is “selection & concentration.” The Company will aim to efficiently utilize the limited in-house resources in accordance with changes in the external environment.

Medium- to long-term growth strategy

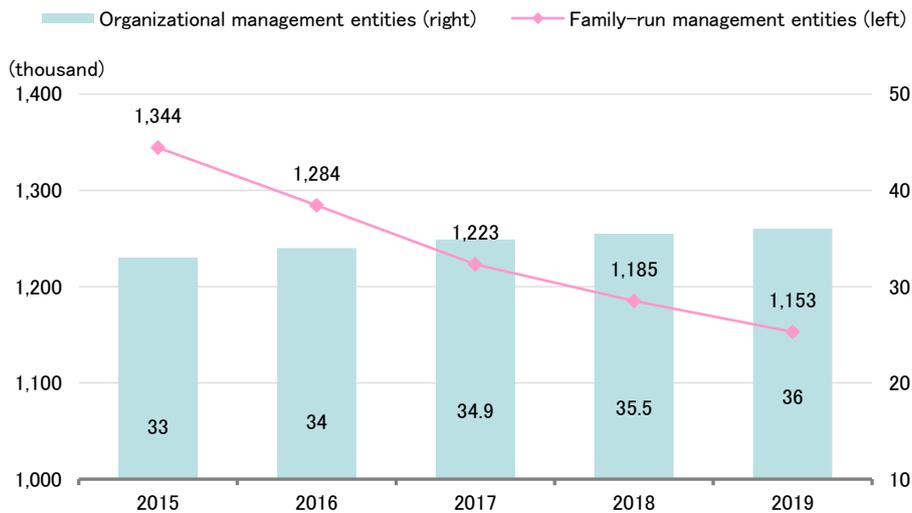
In sales activities for the domestic market, as agricultural management entities continue to expand in scale, the Company has established further increases in large-scale farming customers and a focus on sales of the flagship model Japan series, which consists of large-scale agricultural machinery in the categories of tractors, combine harvesters, and rice transplanters, as its basic policies. Based on the recent flow of introducing ICT to agriculture, it is also planning to concentrate resources on sales of smart agricultural machinery such as robot tractor TJV series and “Sanae Japan PRJ8 robot rice transplanter.” By looking at data presented by MAFF, it can be seen that cultivated agricultural land is increasing in size as family-run management entities are decreasing and organizational management entities are on the rise.

**Changes in size of agricultural land**



Source: Prepared by FISCO based on statistical information from MAFF

**Change in number of agricultural management entities**



Source: Prepared by FISCO based on statistical information from MAFF

We encourage readers to review our complete legal statement on “Disclaimer” page.

Medium- to long-term growth strategy

In sales activities for the overseas market, the Company will focus on sales of products matched to demand in each region. In North America, it will focus on sales of products such as compact tractors from AGCO, a partner in its global strategy, in an aim to expand its share of the compact market. In Europe, it will aim to further expand its share of the landscaping market and intends to focus on sales of landscaping machinery tractors, as well as on new launches onto the market of electrified products in response to heightening environmental awareness (making preparations to rebuild its sales network with an eye on consolidation to expand shares). In the Asian market, it plans to expand and accelerate business with its Thai company IST FARM MACHINERY CO., LTD. as a starting point while developing the rice cultivation expertise and its agricultural machinery it has amassed in Japan.

In product development, particularly advanced development aimed at the future, the Company has set three important measures: “development of globally strategic machines,” “development of electrified products,” and “development of smart agricultural machinery.” For globally strategic machines, it intends to reduce costs and improve the efficiency of development by developing common platforms for the categories of tractors, combine harvesters, and rice transplanters. In development of smart agricultural machinery, it will focus on developing agricultural machinery adapted to Level 3 (fully unmanned and remotely monitored robotic agricultural machinery models) for full-scale use. Going forward, more efficient agriculture will become necessary as the size of farms increases, and there is a possibility that various new businesses based on data will be generated. Taking these and other factors into consideration, we at FISCO believe that focusing on the development of smart agricultural machinery will be extremely important.

### 3. Business model transformation

It is becoming widely recognized that business models to earn sales continually through services are superior to businesses in which items are completely sold off. Amid these conditions, the Company plans to shift from its existing business model focused on completely selling all its agricultural machinery to one in which it will continually increase earnings through the provision of services focused on “data,” repairs, and maintenance, etc.

Specifically, it provides low-cost and advanced location information service (required to operate robotic agricultural machinery or agricultural machinery equipped with automatic steering functions) utilizing GNSS (Global Navigation Satellite System) for ¥3,300 per month, and offers services that reduce the initial costs of antenna construction for customers. Furthermore, going forward, new businesses such as consulting services based on data obtained from smart agricultural machinery, outside sales of data and fee-based information provided by Amoni may be considered. The Company currently launches agricultural machinery equipped with ICT in the market, and establishes structures that enable it to collect data related to agricultural machinery and agricultural work. We at FISCO think that in the future, the Company will be able to generate a great number of businesses that turn data into earnings, depending on the idea.

The Company will also collect data from this type of ICT agricultural machinery, and accelerate the flow of use by customers. Alternatively, it will utilize data at sales sites and work to develop new services including maintenance, as well as bridge the data to improvements in work styles. It also intends to utilize data for product development and accelerate DX in such ways as improving productivity.

Additionally, it will strive for steady expansion of sales of spare parts and repair fees, which are an after-sales service. In concrete terms, it plans to transition to a service structure focused on large-scale maintenance bases and enhance these large-scale maintenance bases.

Medium- to long-term growth strategy

**4. Improving profitability**

The Company will work on structural overhaul to stably increase earnings unaffected by external environment including unseasonable weather, and is aiming to increase the operating margin to 5% by 2025.

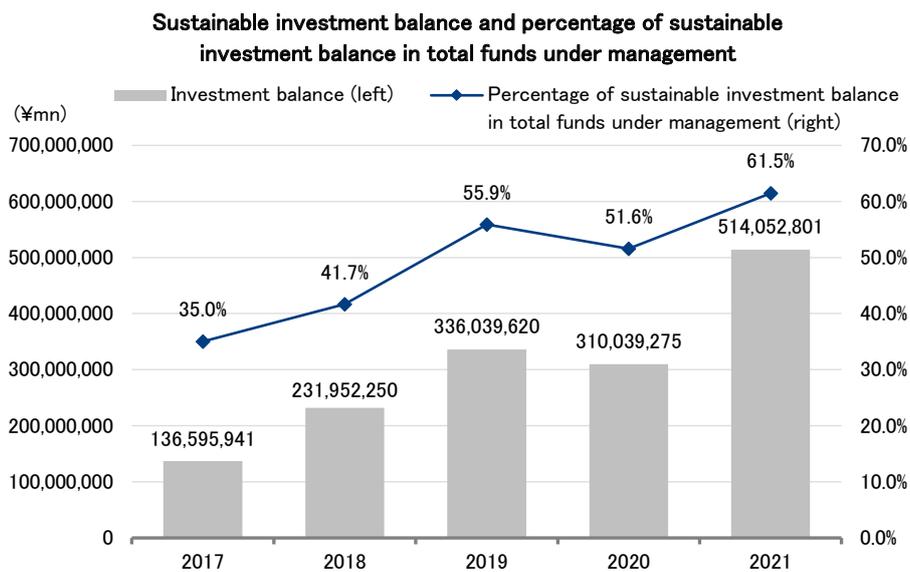
In specific terms, it will improve the fixed cost ratio by consolidating functions, etc. that were overlapping at each production factory and review segregation of in-house and external production, reduce workloads by placing outside orders for a portion of parts, make business activities more efficient by introducing IT, and improve asset efficiency by reducing inventory. By doing so, the Company intends to achieve an operating margin of 5%, ROE of 8%, and operating cash flows of ¥60.0bn (5-year aggregate).

**5. ESG**

The fourth initiative is to conduct business with ESG in mind. Specifically, the Company is working to reduce its environmental impact with goals of a 26% reduction in CO<sub>2</sub> emission volumes generated by production activities in Japanese manufacturing locations by 2030 compared to FY2013 (in 2019, the Company achieved a reduction rate of 12%, exceeding its target of 9%), and increasing the eco-product ratio in domestic net sales to 50% or more by 2030. In addition, it aims to contribute to the realization of SDGs through its business based on three aspects of “supporting resilient agriculture,” “landscaping for livable villages and towns,” and “environmental conservation for a recycling-oriented society.” The Company is also working on revising and formulating environmental mid- and long-term targets in accordance with the Japanese government’s 2050 Carbon Neutral Declaration.

For in-house activities, the Company intends to increase employee engagement by enhancing the work-life balance and ensuring diversity, among other things.

ESG investment is a concept that has been spreading rapidly in recent years among institutional and private investors in response to frequent natural disasters and human rights issues in supply chains, etc. In this environment, we at FISCO predict that companies that do not take ESG into consideration will experience increasing difficulty with funding in the future. In that sense, conducting business activities with ESG in mind will certainly be important.



Source: Prepared by FISCO from the Japan Sustainable Investment Forum

We encourage readers to review our complete legal statement on “Disclaimer” page.

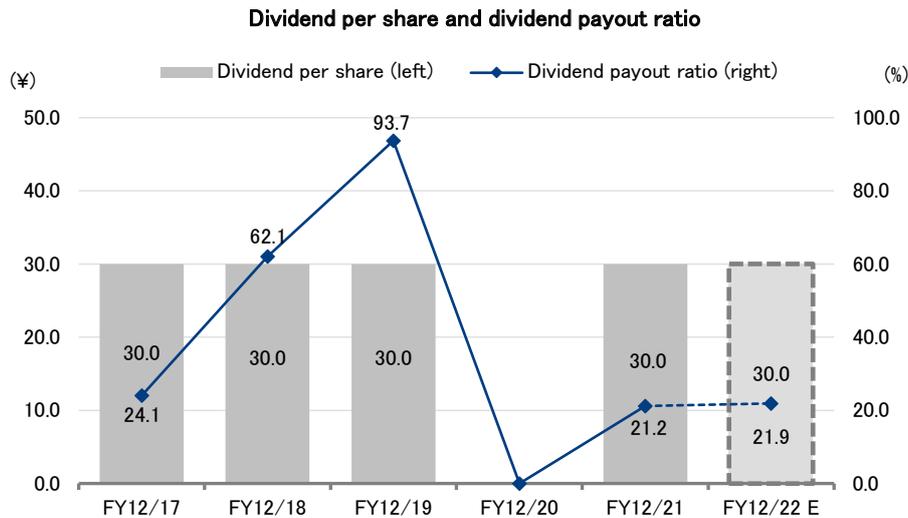
Medium- to long-term growth strategy

Specific activities have already been implemented under the New Mid-term Management Plan since FY12/21, including a focus on sales activities for the large-scale flagship model Japan series, market launch of subscription services, and enhancing the functions of the Head Office’s Purchasing Department. It is projected that these activities will accelerate even more from FY12/22 onward.

## Shareholder return policy

### Positions shareholder return policy as a key policy, and pays stable dividends

As a policy for profit distribution, the Company positions the allocation of stable dividend payments to shareholders as a key policy. Dividends were ¥30 in FY12/17, ¥30 in FY12/18, ¥30 in FY12/19, ¥0 in FY12/20, and ¥30 in FY12/21. The Company forecasts a dividend of ¥30 in FY12/22. Due to the recording of a net loss in FY12/20, no dividend was paid, but a dividend of ¥30 has been paid during all other periods. The dividend payout ratio during these periods was respectively 24.1%, 62.1%, 93.7%, and 21.2% (no dividend in FY12/20).



Source: Prepared by FISCO from the Company’s financial results



## Disclaimer

FISCO Ltd. ("FISCO") offer stock price and index information for use under the approval of the Tokyo Stock Exchange, the Osaka Stock Exchange and Nikkei Inc.

This report is provided solely for the purpose of offering information, and is not a solicitation of investment nor any other act or action.

FISCO prepared and published this report based on information which it considered reliable; however, FISCO does not warrant the accuracy, completeness, fitness nor reliability of the contents of this report or the said information.

The issuers' securities, currencies, commodities, securities and other financial instruments mentioned in this report may increase or decrease in value or lose their value due to influence from corporate activities, economic policies, world affairs and other factors. This report does not make any promises regarding any future outcomes. If you use this report or any information mentioned herein, regardless of the purpose therefor, such use shall be made based on your judgment and responsibility, and FISCO shall not be liable for any damage incurred by you as a result of such use, irrespective of the reason.

This report has been prepared at the request of the company subject hereto based on the provision of information by such company through telephone interviews and the like. However, the hypotheses, conclusions and all other contents contained herein are based on analysis by FISCO. The contents of this report are as of the time of the preparation hereof, and are subject to change without notice. FISCO is not obligated to update this report.

The intellectual property rights, including the copyrights to the main text hereof, the data and the like, belong to FISCO, and any revision, reprocessing, reproduction, transmission, distribution or the like of this report and any duplicate hereof without the permission of FISCO is strictly prohibited.

FISCO and its affiliated companies, as well as the directors, officers and employees thereof, may currently or in the future trade or hold the financial instruments or the securities of issuers that are mentioned in this report.

Please use the information in this report upon accepting the above points.

■ For inquiry, please contact: ■

FISCO Ltd.

5-13-3 Minami Aoyama, Minato-ku, Tokyo, Japan 107-0062

Phone: 03-5774-2443 (IR Consulting Business Division)

Email: [support@fisco.co.jp](mailto:support@fisco.co.jp)