

**Financial Results for the Second Quarter  
Fiscal Year Ending March 2010  
Investor Relations Presentation Materials**

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**ISEKI & CO., LTD.**

Seiichiro Gamo, President

November 20, 2009

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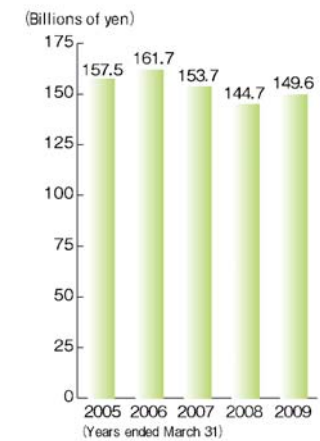
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# 1. Fiscal Year Ending March, 2010 Outline of Financial Results for the Second Quarter

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Net Sales



# Outline of Second Quarter Business Performance

(6 months cumulative)

(JPY bn, %)

Item	08/Apr.-Sep. Actual		09/Apr.-Sep. Actual		10/Apr.-Sep. Actual		Change	10/Apr.-Sep. Announced on Aug .13	Change
				%		%			
Net Sales	71.2	77.0	100.0		69.7	100.0	(7.3)	69.5	0.2
(Domestic)	61.8	64.6	83.8		61.8	88.6	(2.8)	61.5	0.3
(Overseas)	9.4	12.4	16.1		7.9	11.4	(4.5)	8.0	(0.1)
Gross Profit	21.7	23.4	30.3		23.5	33.7	0.1	23.0	0.5
S. G. & A. Expenses	22.0	22.2	28.8		21.0	30.1	(1.2)	21.4	(0.4)
Operating Income	(0.3)	1.2	1.6		2.5	3.6	1.3	1.6	0.9
Ordinary Income	(0.4)	1.1	1.5		2.2	3.2	1.1	1.3	0.9
Net Income	(2.2)	0.7	0.9		1.6	2.3	0.9	0.8	0.8

\* Domestic sales companies, ISEKI-CHANGZHOU MFG. CO. LTD., etc.

Cumulative total: Jan. - Jun.

\* Non- consolidated: Overseas businesses, plants, etc.

Cumulative total: Apr. - Sep.

## Breakdown of Domestic Sales (6 months cumulative)

(JPY bn)

	08/Apr.- Sep.	09/Apr.-Sep.	10/Apr.- Sep.	Change		10/Apr.- Sep. Announced on Aug.13	Change
	Actual	Actual	Actual		Notes		
Cultivating & Mowing Machinery	16.4	17.0	16.1	(0.9)	Tractors: -1.0	15.4	0.7
Planting Machinery	7.4	8.8	8.2	(0.6)	Rice Transplanters : -0.5	8.2	-
Harvesting & Processing Machinery	6.7	7.3	6.9	(0.4)	Combine Harvesters : -0.5	6.6	0.3
<b>Agricultural Machinery Total</b>	<b>30.5</b>	<b>33.1</b>	<b>31.2</b>	<b>(1.9)</b>		<b>30.2</b>	<b>1.0</b>
Parts & Farming Implements	14.5	15.4	15.4	-		15.7	(0.3)
Construction of Facilities	1.8	1.7	1.8	0.1		1.8	-
Agricultural Machinery Related Business <sup>(*)1</sup>	9.7	9.7	9.3	(0.4)		9.7	(0.4)
Others <sup>(*)2</sup>	5.3	4.7	4.1	(0.6)	Stock transfer of an affiliated company	4.1	-
<b>Total</b>	<b>61.8</b>	<b>64.6</b>	<b>61.8</b>	<b>(2.8)</b>		<b>61.5</b>	<b>0.3</b>

\*1 Repair fee, agricultural materials, etc.

\*2 Revenue from coin-operated rice polishing machines, and other items.

## Breakdown of Overseas Sales (6 months cumulative)

(JPY bn)

Item	08/Apr.-Sep. Actual	09/Apr.- Sep. Actual	10/Apr.- Sep. Actual	Change	Notes	10/Apr.- Sep. Announced on Aug.13	Change
North America	2.5	4.5	1.6	(2.9)	Sluggish market due to recession	1.5	0.1
Europe	4.6	4.4	2.4	(2.0)	Sluggish market due to recession	2.3	0.1
Asia	1.4	1.7	2.8	1.1	Market expansion supported by agricultural policy	3.2	(0.4)
(China)*	0.7	1.0	2.3	1.3		2.5	(0.2)
Oceania	0.2	0.6	0.1	(0.5)		0.1	-
Products Total	8.7	11.2	6.9	(4.3)		7.1	(0.2)
Parts & Others	0.7	1.2	1.0	(0.2)		0.9	0.1
Total	9.4	12.4	7.9	(4.5)		8.0	(0.1)

\*Sales for China are actual results (Jan.-Jun.)

## Operating Income (6 months cumulative)

(JPY bn, %)

Item	08/Apr.-Sep. Actual	09/Apr.- Sep. Actual		10/Apr.- Sep. Actual		Change	10/Apr.- Sep. Plan	Change
			%		%			
Net Sales	71.2	77.0	100.0	69.7	100.0	(7.3)	69.5	0.2
Cost of G. S.	49.5	53.6	69.6	46.2	66.3	(7.4)	46.5	(0.3)
Gross Profit	21.7	23.4	30.4	23.5	33.7	0.1	23.0	0.5
S. G. & A. Expenses	22.0	22.2	28.8	21.0	30.1	(1.2)	21.4	(0.4)
Operating Income	(0.3)	1.2	1.6	2.5	3.6	1.3	1.6	0.9

\* Compared with the same period of previous year

[Factors to decrease profit]	▪Decreased gross income by decreased revenue	: (2.2)
	▪Forex loss	: (0.4)
[Factors to increase profit]	▪Improved profitability by price raise of products	: +1.6
	▪Change in inventory valuation method	: +0.4
	▪Reduced raw material price (cost down)	: +0.3
	▪Change in evaluation standard and method of inventory assets	: +0.2
	▪Reduced fixed costs/expenses	: +0.2
	▪S.G.& A. expenses (distribution cost, etc)	: +1.2

## Ordinary Income and Quarterly Net Income (6 months cumulative)

(JPY bn)

Item	08/Apr.-Sep. Actual	09/Apr.- Sep. Actual	09/Apr.- Sep. Actual	Change	10/Apr.- Sep. Plan	Change
Operating Income	(0.3)	1.2	2.5	1.3	1.6	0.9
Net Financial Income	(0.6)	(0.6)	(0.5)	0.1	(0.6)	0.1
Other Non-operating Income	0.5	0.5	0.2	(0.3)	0.3	(0.1)
Ordinary Income	(0.4)	1.1	2.2	1.1	1.3	0.9
Extraordinary Gains	1.0	0.2		(0.2)		-
Extraordinary Losses	(1.6)	(0.3)	(0.1)	0.2	(0.1)	-
Income before Income Taxes	(1.0)	1.0	2.1	1.1	1.2	0.9
Taxes, Deferred Taxes	(1.2)	(0.3)	(0.5)	(0.2)	(0.4)	(0.1)
2Q Net Income	(2.2)	0.7	1.6	0.9	0.8	0.8

\* Factors of YoY change

[Other Non-operating income]	Forex loss	: (0.1)
	Reduced profit from sale of scraps, etc.	: (0.2)



# Balance Sheet

(JPY bn)

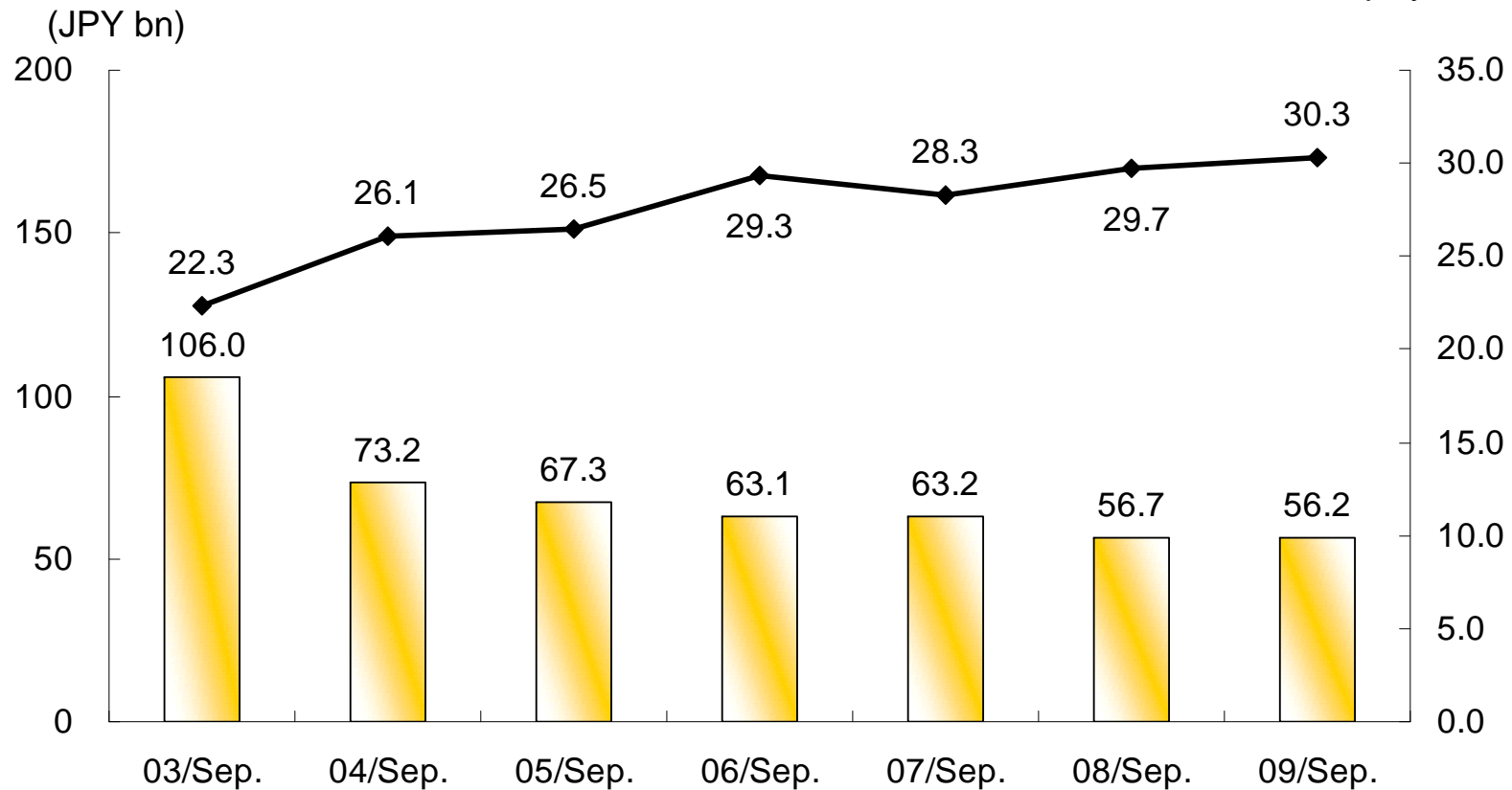
Item	07/Sep. Actual	08/Sep. Actual	09/Sep. Actual	Change from 08/Sep.	Change from 07/Sep.
Cash/Cash Equivalents	7.3	6.8	10.3	3.5	3.0
Accounts Receivables	33.5	34.4	29.0	(5.4)	(4.5)
Inventories	45.2	38.6	43.3	4.7	(1.9)
(Product Inventory)	28.3	22.8	28.7	5.9	0.4
Other Current Assets	2.8	2.6	2.4	(0.2)	(0.4)
Fixed Assets	92.0	90.9	90.3	(0.6)	(1.7)
<b>Total Assets</b>	<b>180.8</b>	<b>173.3</b>	<b>175.3</b>	<b>2.0</b>	<b>(5.5)</b>
Accounts Payables	42.2	41.8	39.8	(2.0)	(2.4)
Debs/Borrowings	63.2	56.7	56.2	(0.5)	(7.0)
Other Liabilities	22.7	21.8	24.6	2.8	1.9
(Total Liabilities)	128.1	120.3	120.6	0.3	(7.5)
Net Assets	52.7	53.0	54.7	1.7	2.0
(Retained Earnings)	3.3	4.8	5.7	0.9	2.4
<b>Total Liabilities and Shareholders' Equity</b>	<b>180.8</b>	<b>173.3</b>	<b>175.3</b>	<b>2.0</b>	<b>(5.5)</b>

# Trend of Interest Bearing Liabilities & Equity Ratio

## [Trend of consolidated interest bearing liabilities and equity ratio in 2Q]

Balance of interest bearing liabilities (Including discount bill)

Equity Ratio(%)



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## 2. Recent Development in Domestic and Overseas Markets

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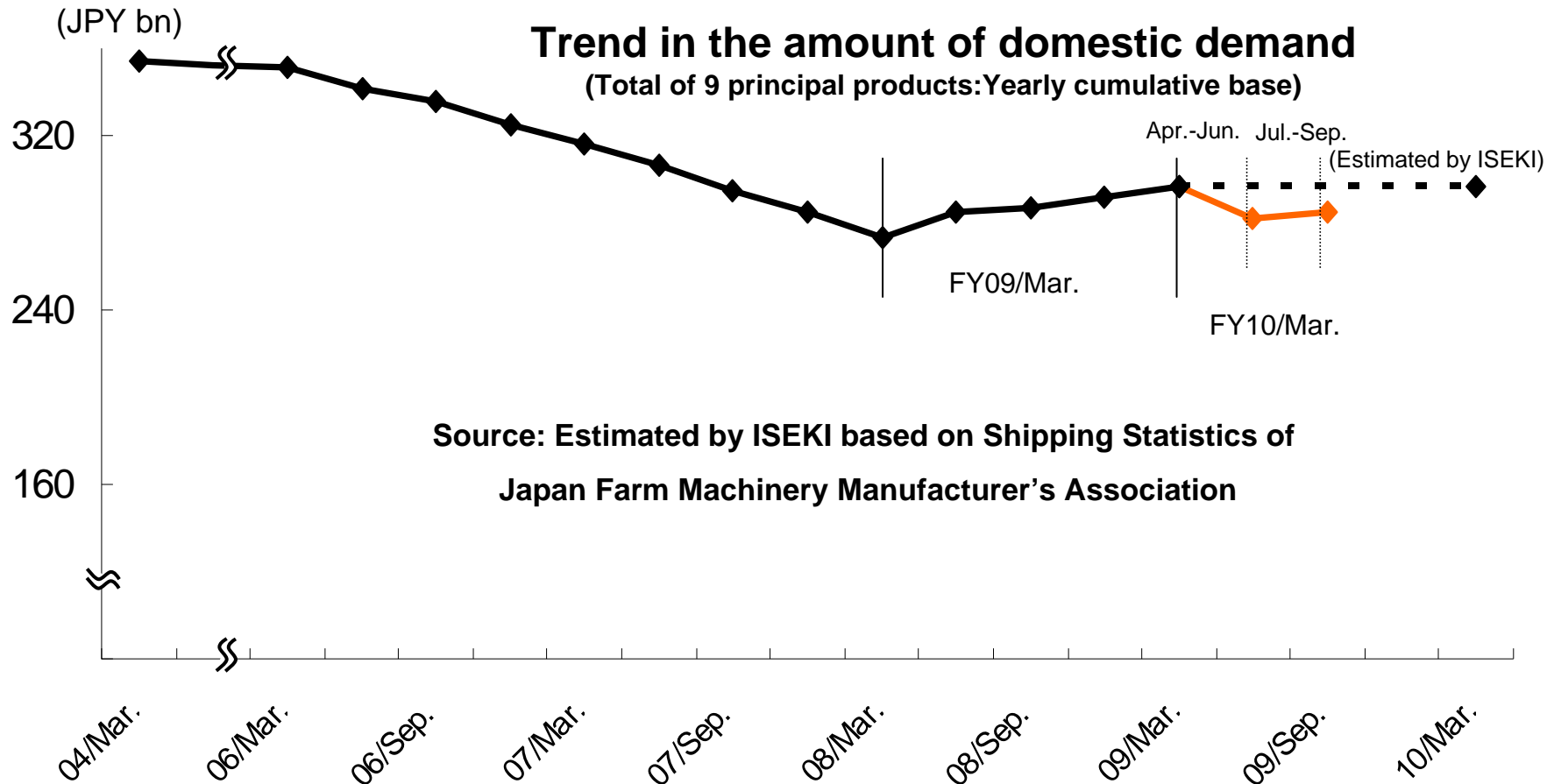
Combine harvester HF608 for Chinese market



Rice transplanter "Sanae" PZV80

# Trends of Domestic Demand for Agricultural Machinery

## Trend of Demand for Agricultural Machinery (Forecast)



# Trends in Domestic Agricultural Machinery Market

## Trends in domestic agricultural machinery industry shipment and effective sales of ISEKI

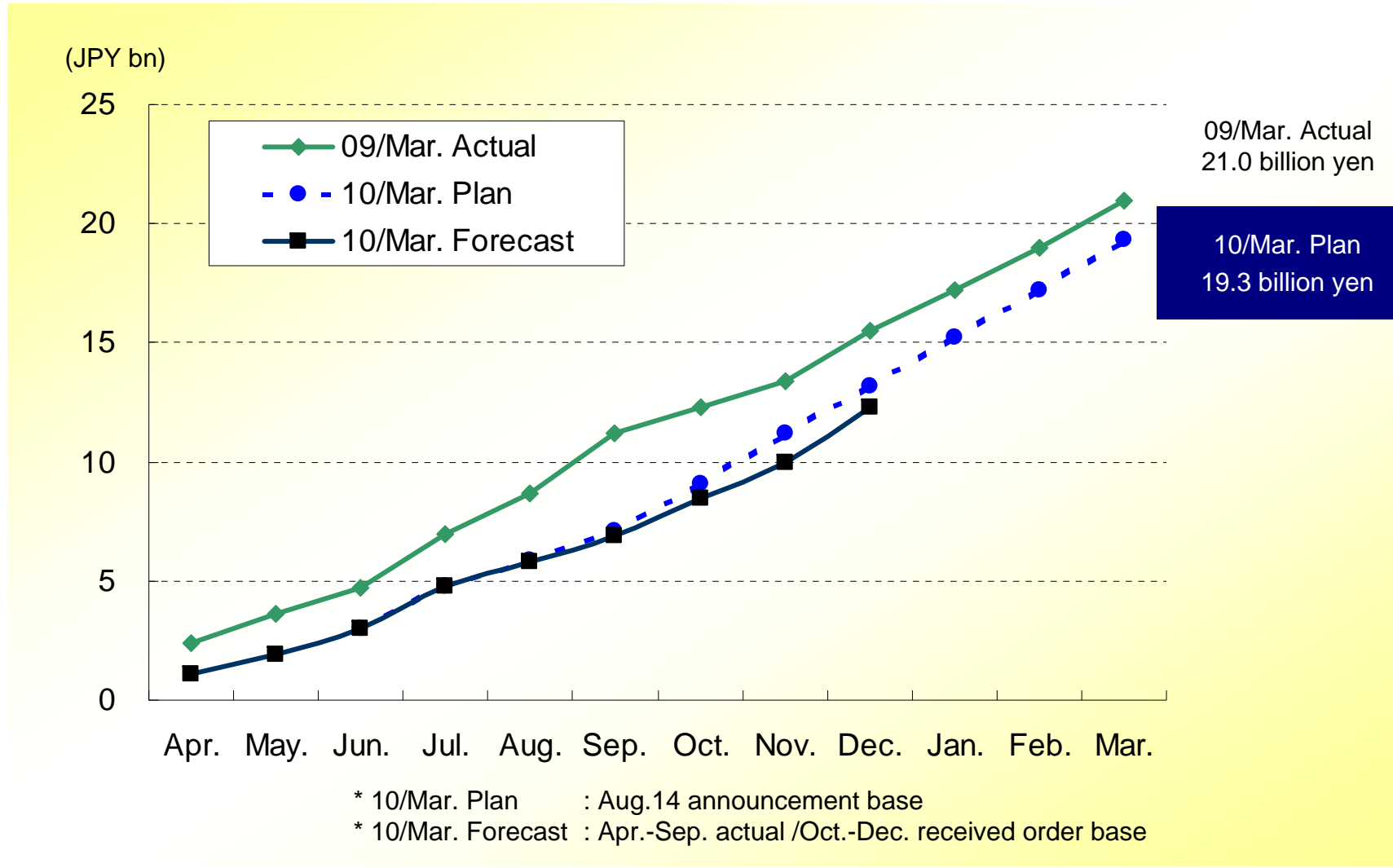
\* Total amount of 9 products, Y o Y growth rate (%)

\* Source: Estimated by ISEKI based on shipping statistics of Japan Farm Machinery Manufacturer's Association

	07/Jan.-Sep.	08/Jan.-Sep.	09/Jan.-Sep.	08/Oct.-09/Sep.
Industry (Shipment)	89	101	97	99
ISEKI (Effective sales)	87	115	90	90

- Shipping in the industry remained rather weak compared with Jan.-Sep. of the previous year.

# Recent Trend of Overseas Product Sales



# Trend in Overseas Markets (North America)

## 1. Compact Tractor Market in North America

\* Tractors with 50PS engines (PTO40PS) or less, and lawn mowers are not included

	08/ Jan.- Oct.	09/ Jan.- Oct.	Y o Y change	
			Change	(%)
USA	90	71	(19)	79
Canada	13	9	(4)	74
N. America Total	103	80	(23)	78

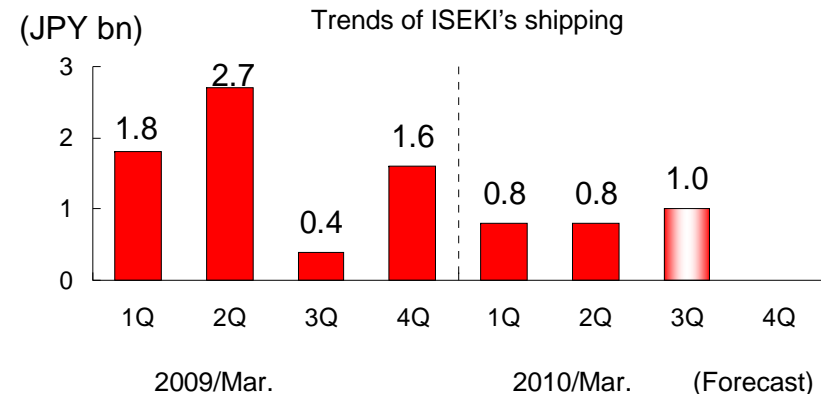
(Unit:1,000)

\* Figures have been rounded and non-adjusted.

Source: AEM statistics (Association of Equipment Manufacturers)

## 2. Trend in ISEKI's Sales (North America)

- The market slowed more than expected in Jan.- Oct.
- Effective sales of the OEM partner were below effective sales of last year, but remained above market trends.
- Since November this year, new model have been introduced. We will strengthen market competitiveness by an enriched line-up hereafter.



# Trends in Overseas Markets (Europe)

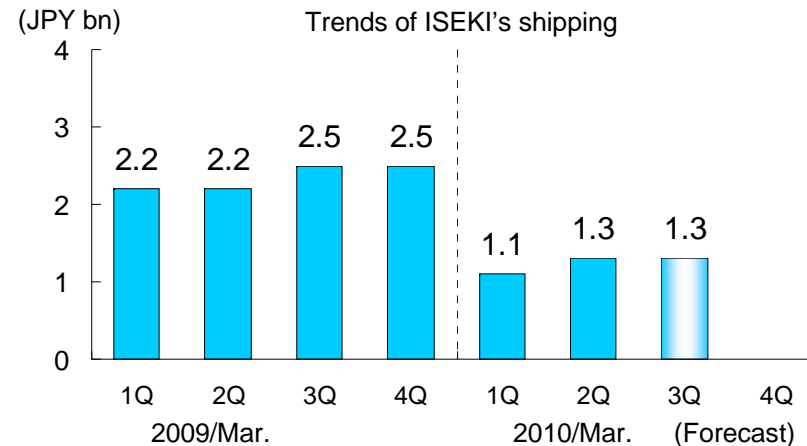
## 1. Trends in European Market

Sales in Landscaping market

-Despite regional differences, the impact of recession is significant in general.

## 2. Trends in ISEKI's Sales (Europe)

- Agents raised retail prices due to deteriorated forex environment.
- Effective sales by European agents in Jan.-Sep. were 88% compared with the same period of the previous year.
- We aim at recovery of effective sales by reinforced sales of SXG15, a type corresponding to the new safety regulation in France.





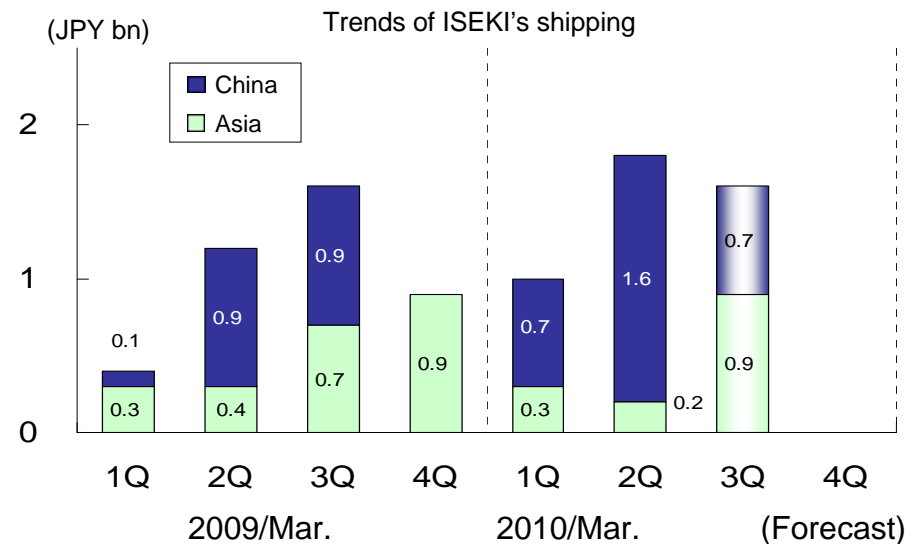
# Trends in Overseas Markets (Asia)

## 1. Trends in Asian Market

- China: Market expansion by strong support from the promotion of farming mechanization policy by the government.
- South East Asia: While the amount of machinery sold is still limited, the market is expanding by the policy of increasing paddy farming.

## 2. Trend of ISEKI's product sales (Asia)

- China : Market expanded supported by the agricultural policy. Both rice transplanters and combine harvesters were selling well.
- Korea : Demand declined by the effect of the weaker Won. Increased expectations for improvement in the trend of economical recovery since the summer.
- South East Asia : In spite of a difficult forex environment, sales remained more or less in line with the plan.



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## **3. Performance Forecast for the Fiscal Year Ending March 2010**

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# Revised Performance Forecast for the Fiscal Year Ending March 2010

(JPY bn)

Item	10/Mar.		Change	09/Mar. Actual	Change
	Previous Forecast Announced on May.14	Current Forecast			
Net Sales	154.0	150.0	(4.0)	149.6	0.4
(Domestic)	133.0	132.0	(1.0)	126.5	5.5
(Overseas)	21.0	18.0	(3.0)	23.1	(5.1)
Operating Income	3.8	3.3	(0.5)	1.6	1.7
Ordinary Income	2.8	2.1	(0.7)	0.8	1.3
Net Income	1.6	1.1	(0.5)	0.0	1.1

[Company forex rate]	US Dollar	Euro
1st half estimation	¥100	¥ 130
1st half average	¥ 95	¥ 130
2nd half estimation	¥ 90	¥ 130

# Revised Performance Forecast (Breakdown of Domestic Sales)

(JPY bn)

	10/Mar.		Change	09/Mar. Actual	Change
	Previous Forecast <small>Announced on May14</small>	Current Forecast			
Cultivating & Mowing Machinery	28.4	27.8	(0.6)	27.5	0.3
Planting Machinery	13.7	12.7	(1.0)	13.3	(0.6)
Harvesting and Processing Machinery	26.1	25.5	(0.6)	25.3	0.2
<b>Agricultural Machinery Total</b>	<b>68.2</b>	<b>66.0</b>	<b>(2.2)</b>	<b>66.1</b>	<b>(0.1)</b>
Parts & Farming Implements	30.4	29.8	(0.6)	29.5	0.3
Construction of Facilities	7.0	10.2	3.2	4.0	6.2
Agricultural Machinery Related Business	18.5	17.2	(1.3)	17.7	(0.5)
Others	8.9	8.8	(0.1)	9.2	(0.4)
<b>Total</b>	<b>133.0</b>	<b>132.0</b>	<b>(1.0)</b>	<b>126.5</b>	<b>5.5</b>

\*Cultivating Machinery : Tractors, Tillers

\*Planting Machinery : Rice transplanters, Vegetable transplanters

\*Harvesting & Processing Machinery : Combine harvesters, Dryers, Rice huller, etc.

\*Agricultural Machinery Related Business : Repair fees, Agricultural materials, etc

\*Others : Revenue from coin-operated rice polishing machines, and others (Incl. SUM Electro Mechanic Co., LTD.)

## Performance Forecast (Breakdown of Overseas Sales)

(JPY bn)

	10/Mar.		Change	09/Mar. Actual	Change
	Previpous Forecast <small>Announced on May 14</small>	Current Forecast			
North America	5.6	4.1	(1.5)	6.5	(2.4)
Europe	8.1	6.3	(1.8)	9.4	(3.1)
Asia	5.2	5.4	0.2	4.2	1.2
(China)	3.4	3.4	-	1.9	1.5
Australia, etc.	0.4	0.4	-	0.9	(0.5)
<b>Overseas Products Total</b>	<b>19.3</b>	<b>16.2</b>	<b>(3.1)</b>	<b>21.0</b>	<b>(4.8)</b>
Parts & Others	1.7	1.8	0.1	2.1	(0.3)
<b>Total</b>	<b>21.0</b>	<b>18.0</b>	<b>(3.0)</b>	<b>23.1</b>	<b>(5.1)</b>

\* Company forex rate for the 2nd half: 1 US\$=¥90, 1 Euro=¥130

# Performance Forecast ( Breakdown of Operating Income )

(JPY bn)

Item	10/Mar.		Change	09/Mar. Actual	Change
	Previous Forecast Announced on May 14	Current Forecast			
Net Sales	154.0	150.0	(4.0)	149.6	0.4
(Domestic)	133.0	132.0	(1.0)	126.5	5.5
(Overseas)	21.0	18.0	(3.0)	23.1	(5.1)
Cost of G. S.	105.3	103.1	(2.2)	103.7	(0.6)
Gross Profit	48.7	46.9	(1.8)	45.9	1.0
S. G .& A. Expenses	44.9	43.6	(1.3)	44.3	(0.7)
<b>Operating Income</b>	<b>3.8</b>	<b>3.3</b>	<b>(0.5)</b>	<b>1.6</b>	<b>1.7</b>

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## 4. Topics

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- Result of Issuer Credit Rating
- Trend of Domestic Agricultural Policy
- Introduction of New Products



Electric mini tillers  
“Elena” and “Asuna”

## Result of Issuer Credit Rating

Rating and Investment Information, Inc. (R&I): November 13, 2009

[Maintain rating/ Change directionality]

Name	Rating	Rating directionality
Issuer credit rating	BBB (Maintain)	Negative → Stable

[Rating rationale: Extract]

- One of the major manufacturers in Japan, with 20% of the domestic market share, the company has strength in agricultural machinery for rice cultivation, including rice transplanters. The customer base in Japan is stable on the back of close connections with farmers.
- Along with progressed reduction of inventories, interest bearing liabilities have been reduced gradually as well. Also, the manufacturing cost per unit is being controlled.
- It is judged that the company is able to maintain a certain level of profitability/cash flow generation capacity. While there still is substantial room for improvement of the financial structure, the stability of the credit worthiness has been enhanced. We maintained the rating BBB, changing the rating directionality from “negative” to “stable”.



# Trend of Domestic Agricultural Policy

[Democratic Party Government Policy]

## ○ Government Policy Manifesto 2009 (Extract)

### 4 Local sovereignty

Policy to regenerate local communities

- Regenerate agriculture by creation of “Income compensation system for each household” to enhance food self-sufficiency ratio.

## ○ Policy set INDEX 2009 (Extract)

Enhancement of food self-sufficiency ratio as a national strategic goal

From the viewpoint of food security, “food self-sufficiency ratio target” was set as a national strategy. → To attain 50% in 10 years and 60% in 20 years.

Ultimately, establish food self sufficient system which will allow “to produce all the minimum necessary calories for the public to lead healthy lives”.

# Trend of Domestic Agricultural Policy

[Establishment of food self sufficient system]

[Democratic Party]

- Creation of Income compensation system for each household

For those farmers selling who have produced main agricultural products (rice, wheat, soybean, etc.) pursuant to the “production volume target” decided by the government, etc., the amount of difference between the cost required for production (national average) and the selling price (national average) will be provided.

**Income compensation**

[ Ministry of Agriculture, Fishery and Forestry]

- Conversion of agriculture into sixth industries

For the sake of the regeneration/development of agriculture and farming communities, farmers engage in product quality enhancement, differentiation, and the integration of processing/sales, to create new industries and demand (market) mainly through the integration of agriculture (primary industry) and secondary/ tertiary industries

**Income growth**

- \* Increased added-value
- \* Increased local production/consumption
- \* Cost reduction

**Significance of the sixth industries (industrial integration)**

**Primary + Secondary + Tertiary = Sixth (Primary x Secondary x Tertiary = Sixth)**

Regeneration/Development of Agriculture

Establishment of food self sufficient system  
(Enhanced food sufficiency ratio)

- The amount of production increase and additional planting area needed to improve food self sufficiency ratio by 1% for each item.

Item	Production increase	Additional planting area	Rate of increase
Rice	340 thousand tons	70 thousand ha	4%
Rice powder rice	340 thousand tons	50 thousand ha	3%
Feed rice	3,110 thousand tons	480 thousand ha	29%
Wheat	390 thousand tons	90 thousand ha	44%
Soybean	260 thousand tons	150 thousand ha	99%

**Expanded planting area**

Different dimension from the past

- Low price
- Low cost / energy saving
- Enhanced productivity / quality
- High performance / high durability / high efficiency
- General versatility

**Agricultural machinery is indispensable.**

Source: Ministry of Agriculture, Fishery and Forestry;  
Food, agriculture and farming village policy council

# Introduction of New Product [Flag ship product: **Japan** series]

[To be announced on December 16, 2009. Auto-threshing model 7 reaping rows / 6 reaping rows combine harvesters]

# Japan

Entering into a new zone

Maximum power **120 PS**  
 HJ7120 / HJ6120

# ISEKI



## Products Features

(As of November, 2009)

Common	Engine Maximum power 120ps / rpm	Approx. up 20%	The biggest power in the industry
HJ7120	Auto-threshing type with 7 reaping rows		7 reaping rows: The first in Japan
	Operating efficiency 5.6min / 10a	Approx. up 15% (H model)	The highest efficiency in the industry
HJ6120	Operational speed 2.0m / s	Approx. up 14%	The highest speed in the industry

## Notes on the Future Forecast

- The objective of this presentation document is to provide information, and it is not intended to invite any action.
- The document has been prepared by ISEKI based on 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.



Increase food self sufficiency ratio 1% campaign which leads to relief in the future

**FOOD ACTION NIPPON**

ISEKI group is partner of FOOD ACTION NIPPON.