



# **Financial Results for the Third Quarter Fiscal Year Ending March 2011 Investor Relations Presentation Materials**

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**ISEKI & CO., LTD.**

**Susumu Tada, Executive Managing Director  
February 18, 2011**



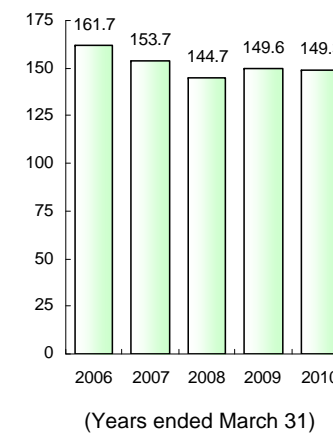
# Index

- 1. Outline of Financial Results for the Third Quarter  
Fiscal Year Ending March, 2011**
- 2. Recent Development in Domestic and Overseas Markets**
- 3. Performance Forecast for the Fiscal Year Ending March,  
2011**
- 4. ISEKI'S efforts of "Cheering Squad Supporting Dream  
of Agriculture! ISEKI"**

# 1. Outline of Financial Results for the Third Quarter Fiscal Year Ending March, 2011

## NetSales

(Billions of yen)



# Outline of Third Quarter Business Performance (9 months cumulative)

(JPY bn, %)

Item	08/ Apr.-Dec.	09/ Apr.-Dec.		10/ Apr.-Dec.		Change	10/ Apr.-Dec. Plan	Change
			%		%			
Net Sales	114.6	107.9	100.0	112.1	100.0	4.2	112.0	0.1
(Domestic)	97.5	96.3	89.2	98.4	87.7	2.1	98.3	0.1
(Overseas)	17.1	11.6	10.8	13.7	12.3	2.1	13.7	0
Gross Profit	35.3	35.7	33.1	35.0	31.2	(0.7)	35.4	(0.4)
S. G. & A. Expenses	32.8	31.3	29.0	32.1	28.6	0.8	32.2	(0.1)
Operating Income	2.5	4.4	4.1	2.9	2.6	(1.5)	3.2	(0.3)
Ordinary Income	1.9	3.9	3.6	2.2	1.9	(1.7)	2.4	(0.2)
Net Income	1.0	2.7	2.5	0.6	0.6	(2.1)	0.4	0.2

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

Cumulative total: Jan. – Sep.

\* ISEKI & CO., LTD. (non-consolidated), plants, etc.

Cumulative total: Apr. – Dec.

# Breakdown of Domestic Sales (9 months cumulative)

(JPY bn)

		08/ Apr.-Dec.	09/ Apr.-Dec.	10/ Apr.-Dec.	Change		10/ Apr.-Dec.	Change	
						Notes	Plan		
Agriculture Related Business	Agricultural Machinery	Cultivating & Mowing Machinery	22.6	21.5	20.8	(0.7)	Tractors: (0.3) High-clearance Multipurpose Vehicle: (0.3)	20.8	0
		Planting Machinery	11.3	9.4	9.8	0.4	Rice transplanters: +0.4	9.8	0
		Harvesting & Processing Machinery	18.3	17.2	18.4	1.2	Combine Harvesters : +1.2	18.4	0
		Total	52.2	48.1	49.0	0.9		49.0	0
		Parts & Farming Implements	22.9	23.0	24.3	1.3	Farming Implements : +1.0 Parts: +0.3	24.3	0
		Construction of Facilities	2.7	6.5	6.2	(0.3)		6.2	0
		Other Agriculture Related	19.0	18.6	18.8	0.2		18.7	0.1
		Total	96.8	96.2	98.3	2.1		98.2	0.1
		Other Business Total	0.7	0.1	0.1	0		0.1	0
		Total	97.5	96.3	98.4	2.1		98.3	0.1

## Breakdown of Overseas Sales (9 months cumulative)

(JPY bn)

	08/ Apr.- Dec.	09/ Apr.- Dec.	10/ Apr.- Dec.	Change	Notes	10/ Apr.- Dec. Plan	Change
North America	4.9	2.4	4.2	1.8	Tractors: +1.7	4.2	0
Europe	6.9	3.8	4.3	0.5	Tractors: +0.8 Mowers: (0.3)	4.3	0
Asia	0.9	0.9	0.6	(0.3)	Rice transplanters: (0.3)	0.5	0.1
China*	2.0	3.0	2.9	(0.1)	Combine harvesters: (0.6) Rice transplanters: 0.5	3.0	(0.1)
Oceania	0.8	0.2	0.3	0.1		0.3	0
Products Total	15.5	10.3	12.3	2.0		12.3	0
Parts & Others	1.6	1.3	1.4	0.1		1.4	0
Total	17.1	11.6	13.7	2.1		13.7	0

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

## Operating Income (9 months cumulative)

(JPY bn, %)

Item	08/ Apr.-Dec.	09/ Apr.-Dec.		10/ Apr.-Dec.		Change	10/ Apr.-Dec. Plan	Change
			%		%			
Net Sales	114.6	107.9	100.0	112.1	100.0	4.2	112.0	0.1
Cost of G. S.	79.3	72.2	66.9	77.1	68.8	4.9	76.6	0.5
Gross Profit	35.3	35.7	33.1	35.0	31.2	(0.7)	35.4	(0.4)
S. G. & A. Expenses	32.8	31.3	29.0	32.1	28.6	0.8	32.2	(0.1)
Operating Income	2.5	4.4	4.1	2.9	2.6	(1.5)	3.2	(0.3)

\* Compared with the same period of previous year

[Factors to increase profit]	▪ Increased gross income by increased revenue	:+1.1
[Factors to decrease profit]	▪ Deteriorated gross margin rate -1.9%	:(1.8)
	[Forex gap (0.5), increased fixed costs including personnel expenses (0.8), increased material price, etc. (0.5)]	
	▪ Increased S.G. & A expenses	:(0.8)
	(personnel expenses +0.5, distribution cost +0.3)	

# Ordinary Income and Quarterly Net Income (9 months cumulative)

(JPY bn)

	08/ Apr.-Dec.	09/ Apr.- Dec.	10/ Apr.- Dec.	Change	10/ Apr.- Dec. Plan	Change
Operating Income	2.5	4.4	2.9	(1.5)	3.2	(0.3)
Net Financial Income	(0.9)	(0.8)	(0.7)	0.1	(0.7)	0
Other Non-operating Income	0.3	0.3	0	(0.3)	(0.1)	0.1
Ordinary Income	1.9	3.9	2.2	(1.7)	2.4	(0.2)
Extraordinary Gains	0.6	0	0	0	0.1	(0.1)
Extraordinary Losses	(0.7)	(0.2)	(0.7)	(0.5)	(1.1)	0.4
Income before Income Taxes	1.8	3.7	1.5	(2.2)	1.4	0.1
Taxes, Deferred Taxes	(0.8)	(1.0)	(0.9)	0.1	(1.0)	0.1
Net Income	1.0	2.7	0.6	(2.1)	0.4	0.2

\* Factors of YoY change

[Non-operating income]	Foreign exchange evaluation losses:	(0.4)
	Net financial income+0.1, Other income+0.1:	+0.2
[Extraordinary losses]	Valuation loss on investment securities:	(0.3)
	Adoption of accounting standard for asset retirement obligations:	(0.2)
[Taxes, deferred taxes]	Taxes, deferred taxes:	+0.1



# Balance Sheet

(JPY bn)

Item	08/Dec.	09/Dec.	10/Dec.	Change from 09/Dec.
Cash/Deposits	9.9	10.8	13.1	2.3
Accounts Receivables	29.0	35.5	30.2	(5.3)
Inventories	41.4	45.1	40.5	(4.6)
(Product Inventory)	25.9	30.5	27.0	(3.5)
Other Current Assets	3.2	2.6	3.1	0.5
Fixed Assets	89.3	90.2	90.2	0
<b>Total Assets</b>	<b>172.8</b>	<b>184.2</b>	<b>177.1</b>	<b>(7.1)</b>
Accounts Payables	42.4	44.1	40.0	(4.1)
Debs/Borrowings	56.6	60.8	54.5	(6.3)
Other Liabilities	20.9	23.6	26.5	2.9
(Total Liabilities)	119.9	128.5	121.0	(7.5)
Net Assets	52.9	55.7	56.1	0.4
(Retained Earnings)	5.0	6.7	6.7	0
<b>Total Liabilities and Shareholders' Equity</b>	<b>172.8</b>	<b>184.2</b>	<b>177.1</b>	<b>(7.1)</b>

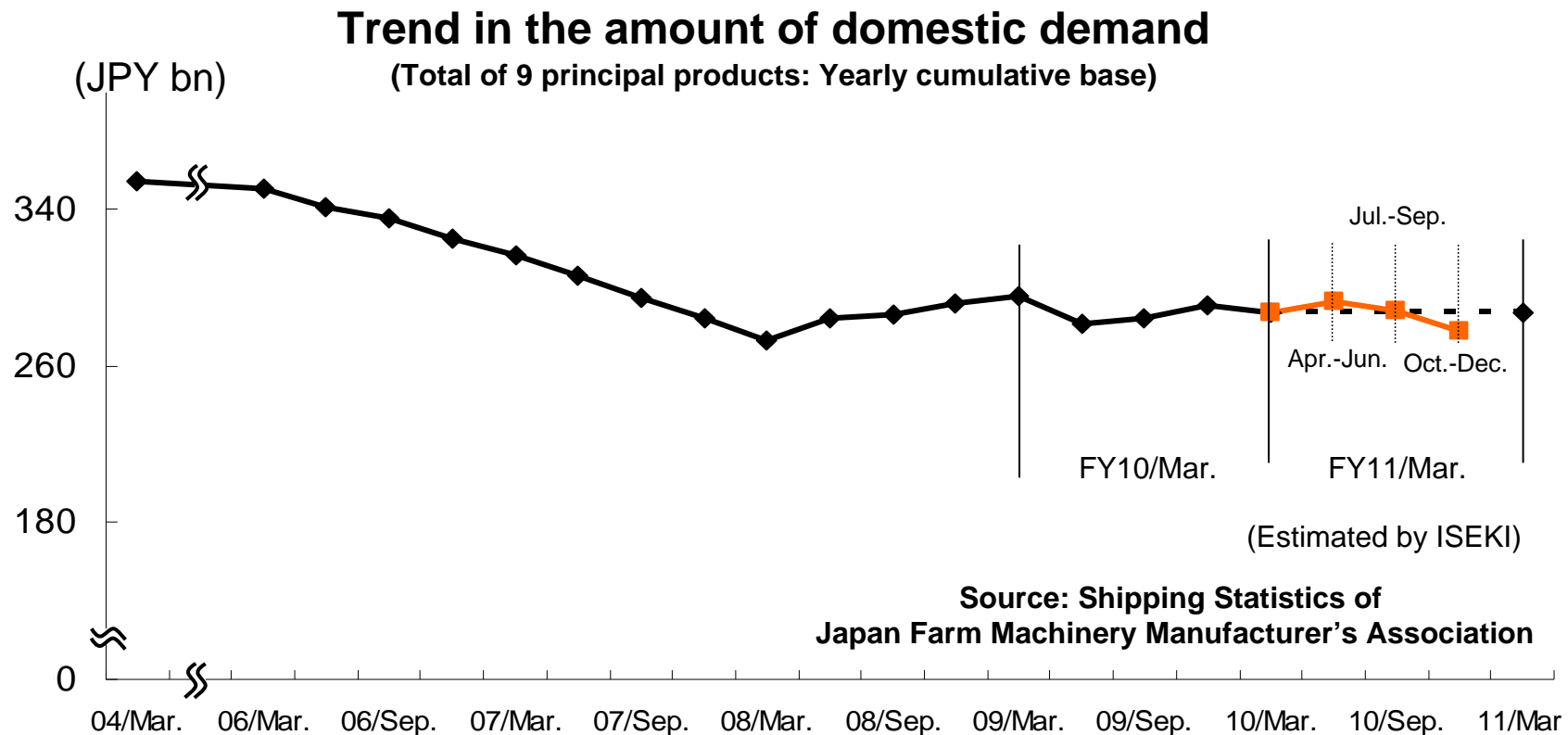
## 2. Recent Development in Domestic and Overseas Markets



Japan HJ6120

# Trends of Domestic Demand for Agricultural Machinery

## Trend of Demand for Agricultural Machinery



# Trends in Domestic Agricultural Machinery Market

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

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

\* Source: Shipping statistics of Japan Farm Machinery Manufacturer's Association

	08/ Jan.-Dec.	09/ Jan.-Dec.	10/ Jan.-Dec.
Industry (Shipment)	103	100	96
ISEKI (Effectivesales)	109	95	100

# Trend of Income Compensation System for Each Household and ISEKI's efforts

## ○ FY2010 Model Countermeasures (for rice)

- Application for participation: 1,330 thousand applications  
(Ref: 1,180 thousand households \*Estimated practitioners of production adjustment in 2009)
- Rice of new demand with high subsidy unit has grown in terms of applied space for conversion to paddy fields

## ○ Budgetary request of ¥800.3 billion for full-fledged implementation in FY2011

	2011	(2010)
1) Subsidy for rice	¥332.0 billion	(¥337.1 billion)
2) Income compensation subsidy for use of paddy fields	¥228.4 billion	(¥216.7 billion)
<b>3) Income compensation subsidy for field products</b>	¥212.3 billion	Source: Ministry of Agriculture, Forestry and Fisheries
<b>4) Additional measures</b> (Addition for a scale expansion Others)	¥15.0 billion ¥ 10.0 billion)	

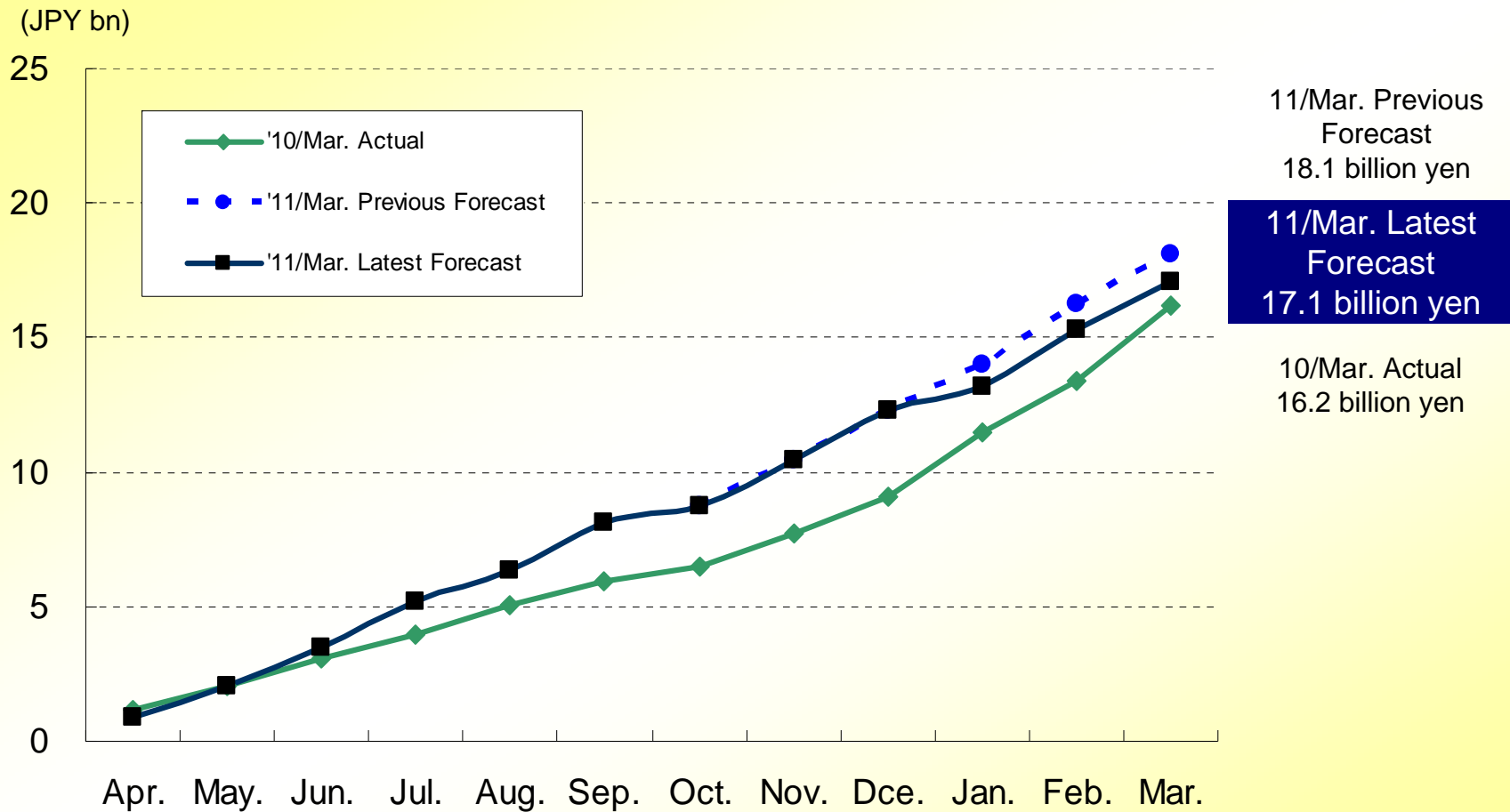
Newly added

**Focused on the production increase of dry field crops like wheat and soybeans.**

## ○ ISEKI's efforts

- Expanded sales of tractors
- Enhanced commitment to the dry field and vegetable farming market
- Support of low cost agriculture taking advantage of our strengths

# Recent Trend of Overseas Product Sales



\* 11/Mar. Previous Forecast : Based on the Nov. 11 announcement.  
 \* 11/Mar. Latest Forecast: Apr. - Jan. is based on result of shipping, Feb.- Mar. is based on orders received

# Trend in Overseas Markets (North America)

## 1. Compact Tractor Market in North America

- Initial forecast for Jan. - Dec. 2010 (AEM) was 91% yoy.
- Actual result (Jan. - Dec. 2010)

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

	09/ Jan.- Dec.	10/ Jan.- Dec.	Y o Y change	
			Change	%
USA	80	84	4	105%
Canada	11	11	0	99%
N. America Total	90	95	5	105%

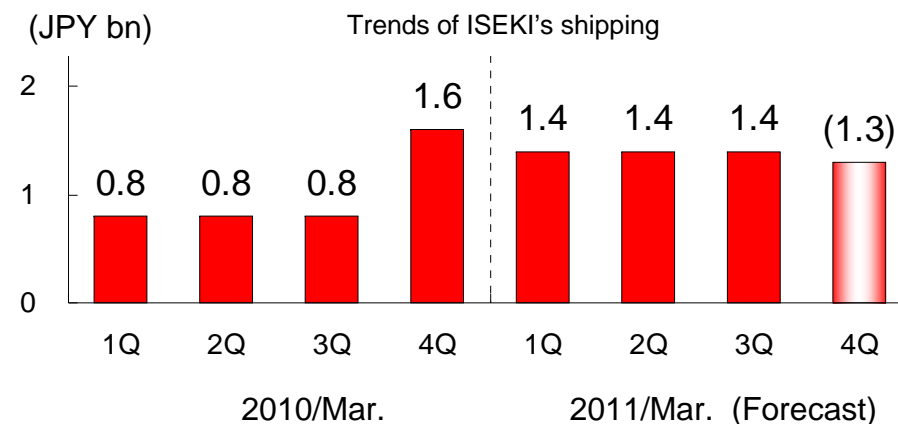
(Unit: 1,000)

\* Figures have been rounded and non-adjusted.

Source: AEM statistics (Association of Equipment Manufacturers)

## 2. Trend in ISEKI's Sales

- Effective sales of the OEM partner shifted below the market growth.
- ISEKI's shipping substantially outperformed the same period from the previous year until the 3<sup>rd</sup> quarter. This is due to progress in an inventory adjustment by our OEM partner.
- The orders received have been decelerated from the start of this year.



# Trends in Overseas Markets (Europe)

## 1. Trends in European Market

- Effective sales remained inactive because of the impact of a prolonged recession, albeit differences between nations.
- The landscaping market for professionals remained sluggish mainly due to a reduced public budget.
- New offensive moves by Korean makers, armed with low prices emerged.

## 2. Trends in ISEKI's Sales

- Effective sales by European agents remained underperformed from the previous year due to the recession and the unfavorable forex environment.
- ISEKI's shipping has recovered modestly after an inventory adjustment in the previous period. Shipping in the year is expected to outperform the previous year modestly.





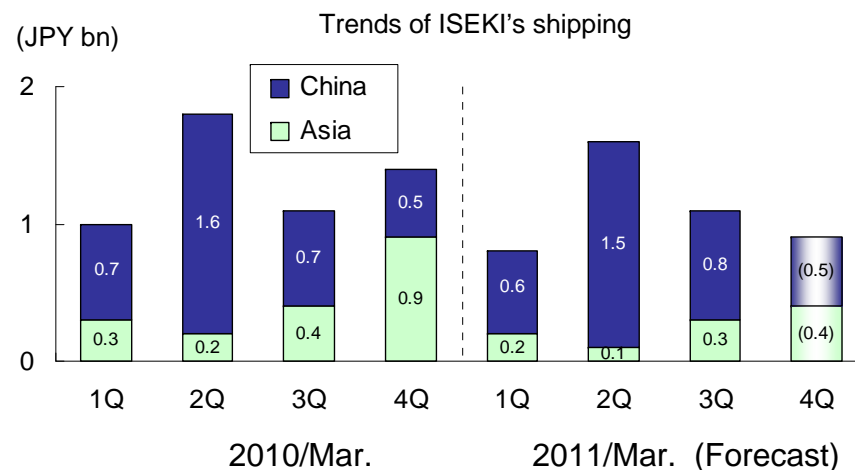
# Trends in Overseas Markets (Asia)

## 1. Trends in Asian Market

- China: Penetration of farming mechanization to inland China (mid basin of Yangtze River) has been promoted.
- Korea: Imported products struggled due to weak won and stepped up sales by local manufacturers.
- South East Asia: Mainly due to unseasonable weather, mechanization for the paddy-rice production decelerated.

## 2. Trend of ISEKI's product sales

- China: Both riding and walking type rice transplanters exceeded the previous period, but the sales are likely to underperform the previous period due to the reduced sales of combine harvesters.
- Korea: Sales declined year-on-year for all machine types. Sales will decline substantially in the 4<sup>th</sup> quarter before the demand season.
- South East Asia: Following the previous period, sales will remain inactive.



# Trend in Chinese Market

○ [Farming Mechanization Promotion Law] was enforced in November, 2004

## [Situation of subsidy for agricultural machinery] (100 millions of yuan)

2007	2008	2009	2010	2011
20	40	130	155	The 1 <sup>st</sup> period 110

• Basic trend of expansion of the agriculture market continues due to increased subsidy every year.(1<sup>st</sup> period FY2010 100)

## [Target of Mechanization]

	2010	2015	2020
Mechanization ratio of rice transplanting	20%	45%	60%
Mechanization ratio of harvesting	55%	80%	85%

Paddy rice: Promotion of farming mechanization in the middle basin of Yangtze.

[Source] Agricultural Mechanization Department, Ministry of Agriculture: [National Paddy Rice Production Mechanization Promotion Plan]

State Council: [Opinion regarding promotion of farming mechanization and favorable and prompt development of agricultural machinery industry]

## [ISEKI's effective sales]

(Number of vehicles)

	2005	2006	2007	2008	2009	2010
Combine harvesters	150	220	300	470	840	620
Rice transplanters	0	120	1,110	1,620	3,250	4,900
Walking type	-	50	790	1,100	2,450	3,700
Riding type	-	70	320	520	800	1,200

ISEKI aims at effective sales of 10,000 rice transplanters.

ISEKI-CHANGZHOU MFG. CO., LTD. has come to its limit as far as production capacity.

# Outline of Dongfeng Iseki Agricultural Machinery (Hubei) Co., Ltd.

**OBase**

Xiang Yang, Hubei Province (Old Xiang Fan)  
 Approx. 1,000 km towards inland from Shanghai

**OItem of production**

Rice transplanters  
 Combine harvesters will also be produced in future.

**OProduction capacity**

10,000 rice transplanters annually

**OSchedule**



	2011	2012	After
Establishment			
Start of production			
200 vehicles			
Start of full-fledged production			
4,000 vehicles			
		7,000 vehicles	10,000 vehicles

### **3. Performance Forecast for the Fiscal Year Ending March 2011**

# Revised Performance Forecast for the Fiscal Year Ending March 2011

(JPY bn)

Item	11/Mar.		Change	10/Mar. Actual Result	Change
	Previous Forecast Announced on Nov. 11	Latest Forecast			
Net Sales	151.0	147.5	(3.5)	149.3	(1.8)
(Domestic)	131.0	128.5	(2.5)	131.2	(2.7)
(Overseas)	20.0	19.0	(1.0)	18.1	0.9
Operating Income	3.5	2.7	(0.8)	4.5	(1.8)
Ordinary Income	2.3	1.7	(0.6)	3.6	(1.9)
Net Income	0.1	0.2	0.1	2.3	(2.1)

[Forex rate]

	US dollar	Euro
10/Mar. Annual result	¥93	¥129
11/Mar. 3 <sup>rd</sup> Q Cumulative	¥87	¥113
4 <sup>th</sup> Q Prospect	¥80	¥110

# Revised Performance Forecast (Breakdown of Domestic Sales)

(JPY bn)

		11/3 Mar.		Change	10/3 Mar.	Change	
		Previous Forecast Announced on Nov.11	Latest Forecast		Actual Result		
Agriculture Related Business	Agricultural Machinery	Cultivating & Mowing Machinery	27.5	26.8	(0.7)	27.7	(0.9)
		Planting Machinery	12.0	11.7	(0.3)	11.4	0.3
		Harvesting & Processing Machinery	26.9	25.9	(1.0)	25.7	0.2
	Total		66.4	64.4	(2.0)	64.8	(0.4)
	Parts & Farming Implements		31.2	31.0	(0.2)	30.4	0.6
	Construction of Facilities		8.0	8.0	0	11.1	(3.1)
	Other Agriculture Related		25.2	24.9	(0.3)	24.7	0.2
	Total		130.8	128.3	(2.5)	131.0	(2.7)
	Other Business Total		0.2	0.2	0	0.2	0
	Total		131.0	128.5	(2.5)	131.2	(2.7)

# Performance Forecast (Breakdown of Overseas Sales)

(JPY bn)

	11/3 Mar.		Change	10/3 Mar.	Change
	Previous Forecast Announced on Nov.11	Latest Forecast		Actual Result	
North America	5.9	5.5	(0.4)	4.0	1.5
Europe	6.9	6.7	(0.2)	6.5	0.2
Asia	1.4	1.0	(0.4)	1.8	(0.8)
China	3.5	3.4	(0.1)	3.5	(0.1)
Oceania	0.4	0.5	0.1	0.4	0.1
<b>Products Total</b>	<b>18.1</b>	<b>17.1</b>	<b>(1.0)</b>	<b>16.2</b>	<b>0.9</b>
Parts & Others	1.9	1.9	0.0	1.9	0
<b>Total</b>	<b>20.0</b>	<b>19.0</b>	<b>(1.0)</b>	<b>18.1</b>	<b>0.9</b>

\* Company forex rate of the 4<sup>th</sup> quarter : US\$= ¥ 80, Euro= ¥ 110

## 4. ISEKI's efforts of "Cheering Squad Supporting Dream of Agriculture! ISEKI"



Inside ridge processing machine  
(trapezoidal spec.)



# Topics

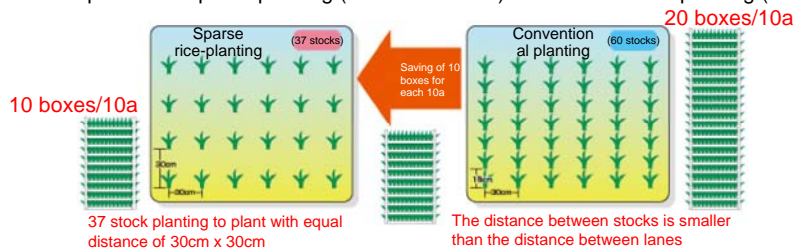
The **“Sparse Planting Rice Transplanter”** has received an award for excellence in the R&D/New Technology Division of **FOOD ACTION NIPPON AWARD 2010**

(February 1, 2011)

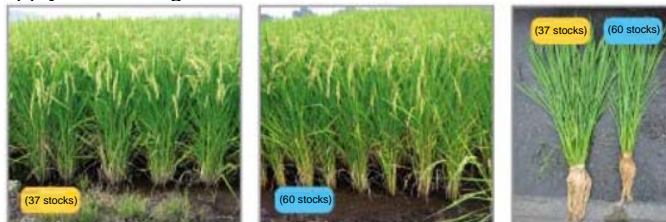


It was valued to help realize a low cost agriculture. This will eventually lead to enhanced food self-sufficiency, as it enables energy saving for farm household and reduced material cost.

“Sparse cultivation” is a cultivation technology to plant seedlings sparsely  
Comparison of sparse planting (37 stocks/3.3m<sup>2</sup>) and conventional planting (60 stocks/3.3m<sup>2</sup>)

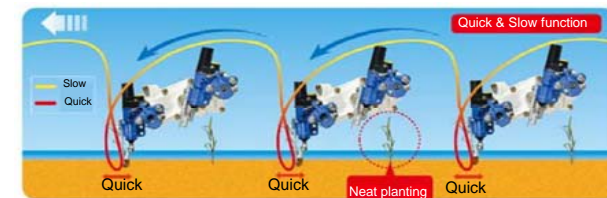


- The number of stocks for planting is about 37 stocks, in contrast to about 60 stocks for conventional cultivation
- Reduced beds and materials for raising seedlings and reduced labor for rearing, transportation and supply of seedlings

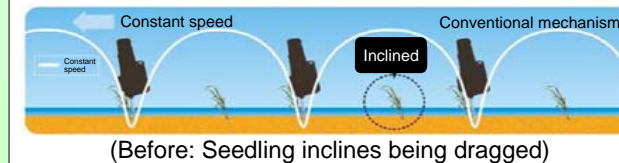


- Resilient to fall and disease, and almost the same crop as conventional cultivation

“Quick & Slow Function” that enabled a neat planting position. Rotation speed is made unequal by eccentric gear



Neat planting position is realized as seedling is not dragged easily at the moment of planting.



# ISEKI's efforts towards a realization of an agriculture full of dreams.

## ○ Diffusion/Expansion of low cost sparse cultivation

Nationwide space of fields actually introduced sparse planting (ha)

2005	2006	2007	2008	2009	2010
60	443	1,140	2,348	4,546	5,519

Sparse planting cultivation instructor

	FY2011 As of Jan	FY2012 Plan	FY2013 Plan
Sparse planting partner	496	800	1,000

- Sparse planting partners are sales persons of our sales companies who acquire sparse planting technology. They engage in the proposal of sparse planting, and control and record the growth condition together with farming households.

## ○ Product lineup to cope with needs of farm households

- Tractors: Full line up by adding new machines TJV, TH5 and TQ
- A stepped up response to dry field and vegetable farming with a product line up including farming implements and vegetable transplanters

## ○ The expansion of rice consumption by proposal type products

- Coin rice washers -
- Compact type: The promotion of installation to places of high convenience such as super markets, HC, DS, rice shops and local direct sales shops.
- House type: Increased installation in local areas/ suburbs



## 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.