

# Financial Results for the First Quarter Fiscal Year Ending March 2013 Investor Relations Presentation Materials

ISEKI & CO., LTD.  
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August 10, 2012



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1. Outline of Financial Results for the First Quarter Fiscal Year Ending March, 2013
2. Recent Development in Domestic and Overseas Markets
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# \* Quarterly Financial Results and Seasonal Trends

## 1. Reporting period of consolidated subsidiaries

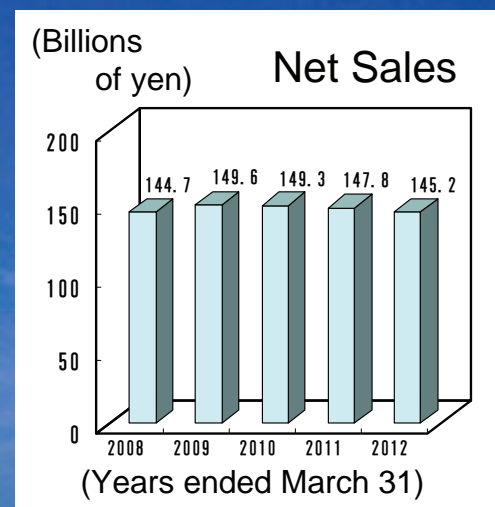
	Term end	(1st Quarter)
12 Sales companies, sales related company and Iseki-Changzhou Mfg.Co.,Ltd.	December 31	(Jan.-Mar.)
ISEKI & CO., LTD. and 10 other affiliates	March 31	(Apr.-Jun.)

## 2. Seasonal Trends of sales (FY Ended March 2012)

	(JPY bn)				
	1Q	2Q	3Q	4Q	Total
Domestic	26.4	34.7	32.7	30.0	123.8
Overseas	5.9	5.4	4.0	6.1	21.4
<b>Total</b>	<b>32.3</b>	<b>40.1</b>	<b>36.7</b>	<b>36.1</b>	<b>145.2</b>
(%)	(22)	(28)	(25)	(25)	(100)

(Trend) The sales in first quarter are lower than in other quarters.

# 1. Outline of Financial Results for the First Quarter Fiscal Year Ending March, 2013



# Outline of First Quarter Business Performance

(JPY bn, %)

Item	11/ Apr.-Jun.	12/ Apr.-Jun.		13/ Apr.-Jun.		Change	13/ Apr.-Jun. Plan	Change
			%		%			
Net Sales	33.2	32.3	100.0	34.0	100.0	1.7	38.1	(4.1)
(Domestic)	29.2	26.4	81.6	29.8	87.4	3.4	30.6	(0.8)
(Overseas)	4.0	5.9	18.4	4.2	12.5	(1.7)	7.5	(3.3)
Gross Profit	11.8	11.1	34.4	11.4	33.6	0.3	11.3	0.1
S. G. & A. Expenses	10.5	10.3	31.9	10.2	30.0	(0.1)	10.5	(0.3)
Operating Income	1.3	0.8	2.5	1.2	3.6	0.4	0.8	0.4
Ordinary Income	1.0	0.9	2.8	1.2	3.4	0.3	0.7	0.5
Net Income	0.8	0.9	3.0	1.5	4.3	0.6	1.0	0.5

\* Domestic sales companies /Iseki-Changzhou Mfg, Co., Ltd., etc.

\* ISEKI (Non-consolidated) /Domestic manufacturing companies, etc.

Cumulative total: Jan.-Mar.

Cumulative total: Apr.-Jun.

# Breakdown of Domestic Sales

(JPY bn)

		11/ Apr.-Jun.	12/ Apr.-Jun.	13/ Apr.-Jun.	Change		13/ Apr.-Jun. Plan	Change	
						Note			
Agriculture Related Business	Agricultural Machinery	Cultivating & Mowing Machinery	7.5	8.1	8.3	0.2	Tractors: +0.1 Tillers: +0.1	8.2	0.1
		Planting Machinery	3.3	2.5	2.8	0.3	Rice transplanters:+ 0.3	2.9	(0.1)
		Harvesting & Processing Machinery	4.5	3.5	4.1	0.6	Combine harvesters: +0.4 Drying Machine:+0.2	4.1	0
	Total		15.3	14.1	15.2	1.1		15.2	0
	Parts & Farming Implements		7.3	6.0	6.3	0.3	Farming Implements :+0.2 Parts :+0.1	6.4	(0.1)
	Construction of Facilities		0.8	0.7	2.7	2.0		2.9	(0.2)
	Other Agriculture Related		5.8	5.6	5.6	0		6.1	(0.5)
	Total		29.2	26.4	29.8	3.4		30.6	(0.8)
Other Business Total		0	0	0	0		0	0	
Total		29.2	26.4	29.8	3.4		30.6	(0.8)	

Breakdown of Agricultural Machinery	Tohoku district sales	1.7	1.1	1.8	0.7
	OEM sales	0.3	0.2	0.4	0.2

# Breakdown of Overseas Sales

(JPY bn)

	11/ Apr. - Jun.	12/ Apr. - Jun.	13/ Apr. - Jun.	Change	Note	13/ Apr. - Jun. Plan	Change
North America	1.4	1.4	1.4	0		1.5	(0.1)
Europe	1.2	1.5	0.9	(0.6)	Tractors: (0.4) Mowers: (0.2)	1.2	(0.3)
Asia	0.2	0	0.2	0.2	Tractors: +0.1 Combine harvesters: +0.1	0.1	0.1
China*	0.6	2.5	1.1	(1.4)	Rice transplanters: (1.4)	4.2	(3.1)
Oceania	0.1	0.1	0.1	0		0.1	0.0
<b>Products Total</b>	<b>3.5</b>	<b>5.5</b>	<b>3.7</b>	<b>(1.8)</b>		<b>7.1</b>	<b>(3.4)</b>
Parts & Others	0.5	0.4	0.5	0.1	Production parts for Dongfeng ISEKI: +0.1	0.4	0.1
<b>Total</b>	<b>4.0</b>	<b>5.9</b>	<b>4.2</b>	<b>(1.7)</b>		<b>7.5</b>	<b>(3.3)</b>

\* Sales in China are actual results (Jan. – Mar.)

# Operating Income

(JPY bn, %)

Item	11/ Apr. - Jun.	12/ Apr. - Jun.		13/ Apr. - Jun.		Change	13/ Apr. - Jun. Plan	Change
			%		%			
Net Sales	33.2	32.3	100.0	34.0	100.0	1.7	38.1	(4.1)
Cost of G. S.	21.4	21.2	65.6	22.6	66.4	1.4	26.8	(4.2)
Gross Profit	11.8	11.1	34.4	11.4	33.6	0.3	11.3	0.1
S. G. & A. Expenses	10.5	10.3	31.9	10.2	30.0	(0.1)	10.5	(0.3)
Operating Income	1.3	0.8	2.5	1.2	3.6	0.4	0.8	0.4

\*Operating income Factors of YoY change

[Gross Profit]	• Increased gross income by increased revenue	:+0.3
[S.G.& A Expenses]	• Decreased S.G.& A Expenses (personnel expenses (0.1). distribution cost +0.1 other expenses (0.1))	:+0.1



# Ordinary Income and Net Income

(JPY bn)

	11/ Apr.-Jun.	12/ Apr.-Jun.	13/ Apr.-Jun.	Change	13/ Apr.-Jun. Plan	Change
Operating Income	1.3	0.8	1.2	0.4	0.8	0.4
Net Financial Income	(0.3)	(0.2)	(0.2)	0	(0.2)	0
Other Non-operating Income	0	0.3	0.2	(0.1)	0.1	0.1
Ordinary Income	1.0	0.9	1.2	0.3	0.7	0.5
Extraordinary Gains	0.1	0	0.2	0.2	0.1	0.1
Extraordinary Losses	(0.6)	(0.3)	(0.1)	0.2	(0.1)	0
Income before Income Taxes	0.5	0.6	1.3	0.7	0.7	0.6
Taxes, Deferred Taxes	0.3	0.3	0.2	(0.1)	0.3	(0.1)
Net Income	0.8	0.9	1.5	0.6	1.0	0.5

\* Factors of YoY change

[Non-operating income]

Reduced Forex losses

:(0.1)

[Extraordinary gains/losses]

Eliminated extraordinary losses due to change of retirement benefit system

:+0.25

Compensation received

:+0.17

# Balance Sheet

(JPY bn)

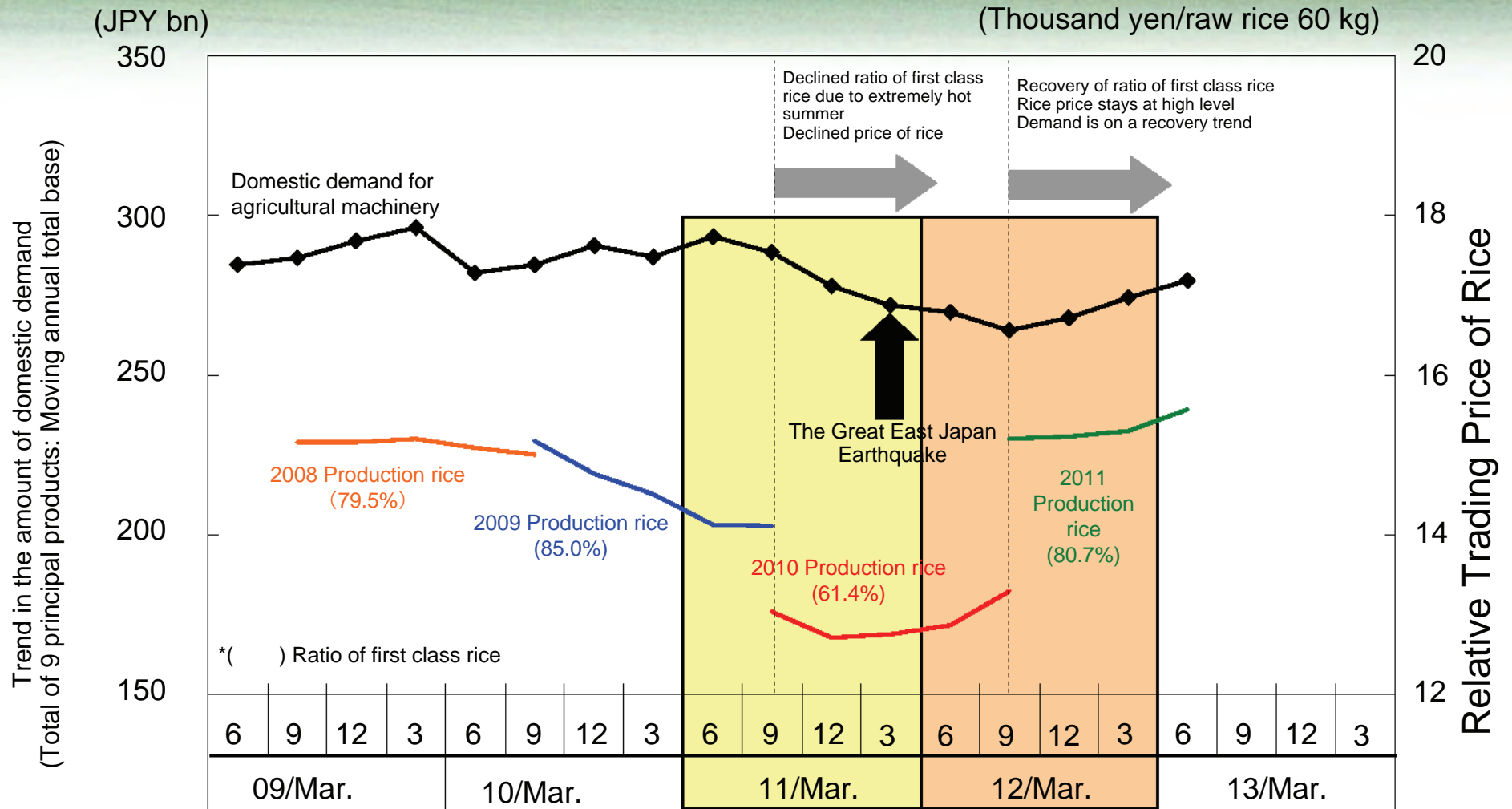
Item	10/Jun.	11/Jun.	12/Jun.	Change	12/Mar.
Cash/Deposits	8.0	7.5	8.9	1.4	7.1
Accounts Receivables	30.2	32.6	36.8	4.2	28.7
Inventories	42.5	42.3	42.8	0.5	42.8
(Product Inventory)	28.0	27.6	26.1	(1.5)	28.1
Other Current Assets	3.3	3.2	4.6	1.4	4.3
Noncurrent Assets	90.1	91.3	89.3	(2.0)	89.7
<b>Total Assets</b>	<b>174.1</b>	<b>176.9</b>	<b>182.4</b>	<b>5.5</b>	<b>172.6</b>
Accounts Payables	37.8	38.9	45.7	6.8	43.7
Debts/Borrowings	52.9	54.9	50.8	(4.1)	42.1
Other Liabilities	27.0	27.5	26.9	(0.6)	28.6
<b>(Total Liabilities)</b>	<b>117.7</b>	<b>121.3</b>	<b>123.4</b>	<b>2.1</b>	<b>114.4</b>
<b>Net Assets</b>	<b>56.4</b>	<b>55.6</b>	<b>59.0</b>	<b>3.4</b>	<b>58.2</b>
<b>(Retained Earnings)</b>	<b>6.9</b>	<b>6.1</b>	<b>9.0</b>	<b>2.9</b>	<b>7.9</b>
<b>Total Liabilities and Net Assets</b>	<b>174.1</b>	<b>176.9</b>	<b>182.4</b>	<b>5.5</b>	<b>172.6</b>

## 2. Recent Development in Domestic and Overseas Markets



Sanae PQZ43

# Trends of Domestic Demand for Agricultural Machinery and Trend of Relative Trading Price of Rice



Source: [Demand] Shipping Statistics of Japan Farm Machinery Manufacturers Association

[Relative Trading Price] MAFF Shippers (Preliminary)

[Ratio of first class rice] MAFF Inspection result of 2011 production rice (Preliminary, Mar. 31, 2012)

# Trends in Domestic Agricultural Machinery Market

## 1. Domestic agricultural machinery shipment and effective sales of ISEKI

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

Source: Shipping statistics of Japan Farm Machinery Manufacturing Association

	Moving annual total			Cumulative annual total		
	09/Jul. - 10/Jun.	10/Jul. - 11/Jun.	11/Jul. - 12/Jun.	10/Jan. - Jun.	11/Jan. - Jun.	12/Jan. - Jun.
Industry (Shipment)	104	92	104	102	94	109
ISEKI (Effective sales)	100	96	105	104	95	107

## 2. ISEKI's domestic agricultural machinery share

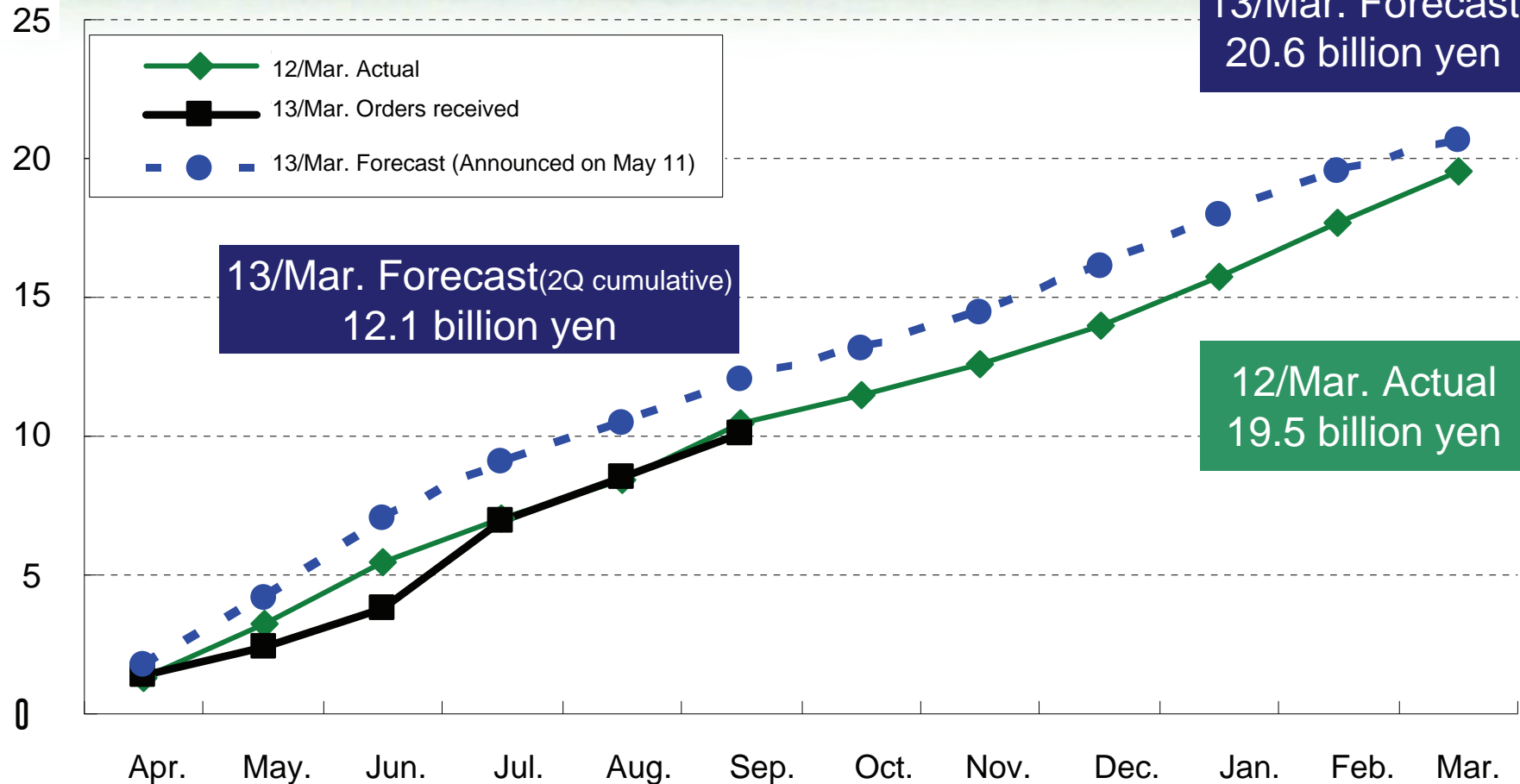
\* Total amount of 9 principal products base, moving annual total , estimated by ISEKI (%)

	10/Mar.	10/Jun.	11/Mar.	11/Jun.	12/Mar.	12/Jun.
ISEKI's share	19.1	18.8	19.5	19.6	19.9	19.9

\* Share calculation: ISEKI's effective sales/ Industry shipment amount (%)

# Recent Trend of Overseas Product Sales

(JPY bn)



\*13/Mar.Orders received (Apr.-Sep.)

North America, Europe, Asia, Oceania  
China

:Apr.-Jun. is based on result of shipping, Jul.-Sep. is based on orders received  
:Actual sales for Jan.-Jun.

# Trend in Overseas Market (North America)

## 1. Trend of Compact Tractor Market in North America

- No major change in housing starts from beginning of the year
- Prominent market trend toward lower prices

### • Compact Tractor Market in North America

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

(Unit: 1000) \* Figures have been rounded and non-adjusted

	11/ Jan. - Jun.	12/ Jan. - Jun.	YoY	
			Change	Growth rate
USA	47	50	3	106%
Canada	6	6	0	100%
N.America Total	53	56	3	106%

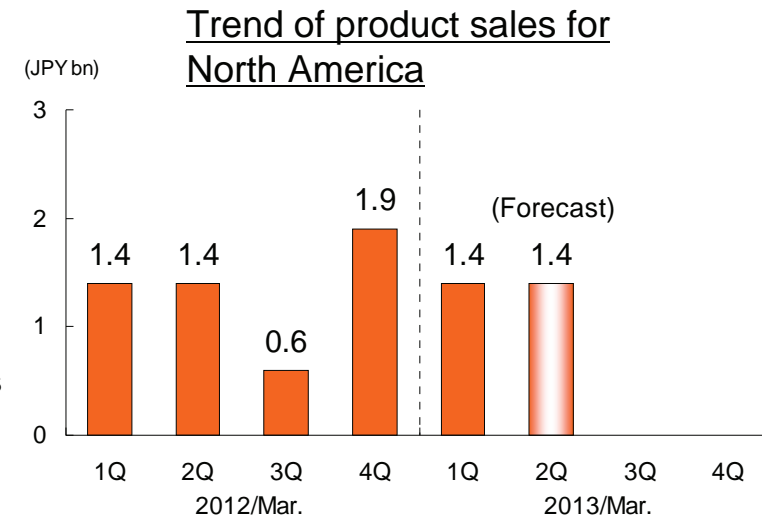
Source: AEM statistics (Association of Equipment Manufacturers)

AEM estimated growth of demand in 2012 to be +3.2% per year.

Low priced tractors grew

## 2. ISEKI's Sales

- Effective sales of the OEM partner for Jan.-Jun. shifted lower than the previous year due to effect of aggressive sales of new type compact tractors and low priced economy tractors by competitors. Developing sales promotion efforts for recovery from April.
- In orders received base, ISEKI's sales for Apr.-Sep. (Apr.-Jun. was shipping base) are in line with the previous period due to the sales promotion measure of the OEM partner.



# Trend in Overseas Market (North America)

## 1. Classification of Tractors in North America

HP	Compact	Utility	Agricultural Use
100 or more			
50	Provided by ISEKI		
10			

## 2. Utility Tractor Market and OEM Partner

### [Market]

- Expanding as tractors for landscape preparation and second tractors for large scale farmers.
- Sharply plunged by Lehman Brothers shock, but recovering after hitting bottom in 2010.

### [OEM Partner]

Promoting enhanced competitiveness with high quality products.

OEM partner selected ISEKI for enhanced competitiveness of utility tractors, because of;

- ISEKI is well positioned to compete
- Proven trust in supply of compact tractors

ISEKI moves into the utility class, our new product category to promote business expansion toward North America.



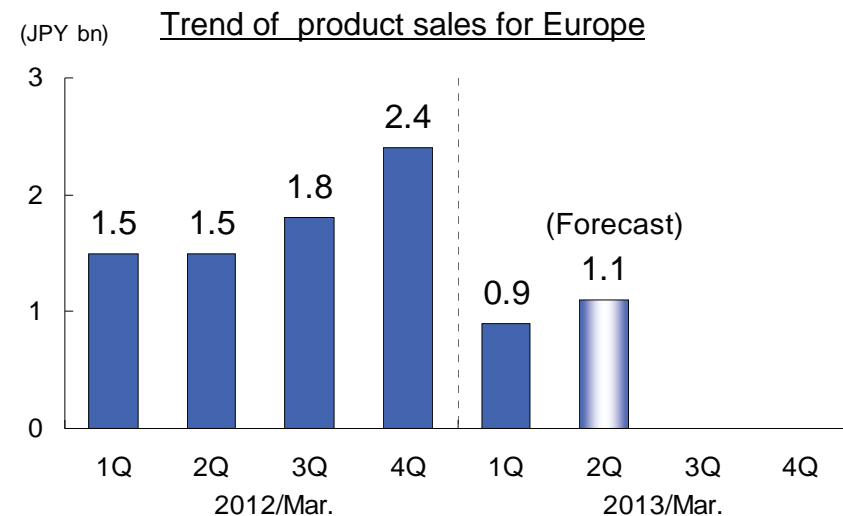
# Trends in Overseas Market (Europe)

## 1. Trends in European Market

- In landscape market for professionals, demand remained sluggish due to budget cut for machinery in some municipalities due to the effect of lower tax revenue under economic recession.
- Regarding small agricultural machinery market and consumer market, consumer mind has been discouraged, leading to a trend for lower prices.

## 2. ISEKI's Sales

- While effective sales by European agents in France and Germany for Jan.-Mar. were on a recovery trend, accumulated number of units sold for Jan.-Jun. underwent the previous year due to inactive move in the spring season ( Apr., May).
- ISEKI's orders received base for Apr.-Sep. (Apr.- Jun. was shipping) undergo the previous year due to inventory adjustment in France and trend to limit purchase in Germany and Belgium.



# Trends in Overseas Markets (China)

## 1. Trend in Chinese Market

- Trend of subsidy for agricultural promotion

(billion of yuan)

	2007	2008	2009	2010	2011	2012
Central government subsidy	2.0	4.0	13.0	15.5	17.5	20.0
(billion yen, yuan/13 yen)	26.0	52.0	169.0	201.5	227.5	260.0

### ● Subsidy in 2012

- Subsidy increased 2.5 billion yuan from the previous year to 20 billion yuan.
- Delayed announcement of the subsidy policy.
- Reduction in the amount of subsidy (Walking-type rice transplanters, Head feeding type combine harvesters)
- Change in the method of subsidy payment (Changed to direct payment to farmers)

(Before, manufacturers substituted the subsidy to collect at year end)

[Impact of the delayed announcement of the subsidy policy]

- Delayed decision to purchase by expected purchasers of rice transplanters.
- It was not in time for the season.

[Impact of reduction in the amount of subsidy]

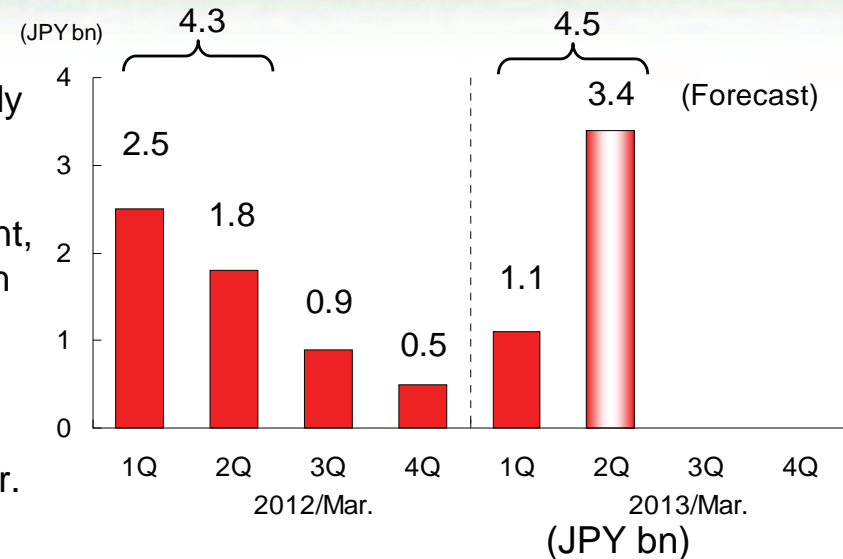
- Impact on the sales.

# Trends in Overseas Markets (China)

## 2. ISEKI's Sales

- Sales of rice transplanters for Jan.-Mar. trended inactive due to delayed announcement of the subsidy policy, reduction in the amount of subsidy (Walking-type rice transplanter, Head feeding type combine harvester), change in the method of subsidy payment, unchanged rice price and rise in material cost, which led to late of sales compared to previous season (year).
- Having made a push in Apr.-June. the accumulated total for Jan.-June. was in line with the previous year.

Trends of product sales for China



### ◇Product sales in China

	Jan. - Jun.				Change form 2012 forecast	
	2010	2011 (A)	Initial forecast*1 (B)	2012 Forecast (C)	YoY (C-A)	Initial forecast (B-A)
	Rice transplanters	1.9	4.1	6.0	4.0	( 0.1 )
Walking-type	0.9	1.1	—	0.9	( 0.2 )	—
Riding-type	1.0	3.0	—	3.1	0.1	—
Combine harvesters	0.2	0.1	0.2	0.1	0	(0.1)
Others	0	0.1	*2 0.2	*2 0.4	0.3	0.2
Total	2.1	4.3	6.4	4.5	0.2	(1.9)

\*1 Initial forecast: Forecast announced on May 11 \*2 Includes tobacco transplanters

# Tobacco Transplanters (China)

## 1. Tobacco Market

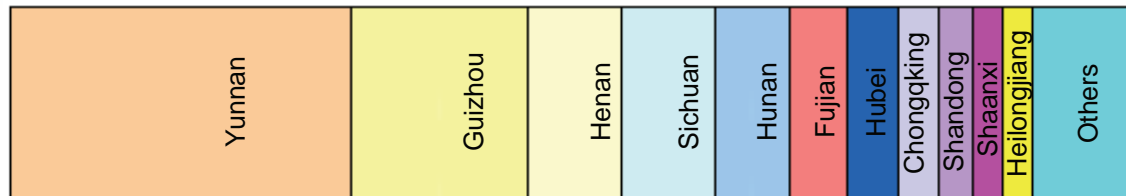
### Leaf tobacco production in the world

Leaf tobacco production ranking (2010)

		Production (th. tons)	Harvested area (th. ha)
1 <sup>st</sup>	China	3,005	1,345
2 <sup>nd</sup>	Brazil	780	446
3 <sup>rd</sup>	India	755	459
4 <sup>th</sup>	U.S.	326	136
—	Japan	29	15

Source: FAO

### Leaf tobacco production in China by Province (2011)



- Rate of mechanization is below 2%.
- Political promotion is scheduled (Hearing at Tobacco Bureau, Yunnan Province)

Source: China  
Statistic Bureau

Leaf tobacco transplanting season Fujian Province, etc. : Dec. – Feb. Yunnan Province, Henan Province : Apr. – May

## 2. ISEKI's Sales

	2012				Total	2013
	Jan. - Jun.	Jul. - Nov.	Dec.			
Initial sales plan	85	0	15	100	1,000	
Modified Plan	* 100	100	40	240	2,000	

\* Jan. - Jun. 2012 units of effective sales

Sales in 2012: Sold out of units of the sales plan in Jan. - Jun.  
Additional sales promotion is planned.  
Sales in 2013: Aim at sales in excess of 2,000 units.



### 3. Performance Forecast for the Fiscal Year Ending March, 2013



Tobacco transplanter (China)

# Performance Forecast for FY13/Mar.

(JPY bn)

Item	11/Mar.		12/Mar.		13/Mar. Latest Forecast*		Change		13/Mar. Initial Forecast*		Change	
	2Q Cumulative	Annual	2Q Cumulative	Annual	2Q Cumulative	Annual	2Q Cumulative	Annual	2Q Cumulative	Annual	2Q Cumulative	Annual
Net Sales	75.4	147.8	72.4	145.2	78.5	153.0	6.1	7.8	80.0	153.0	(1.5)	0
(Domestic)	66.3	128.7	61.1	123.8	67.7	131.0	6.6	7.2	67.2	131.0	0.5	0
(Overseas)	9.1	19.1	11.3	21.4	10.8	22.0	(0.5)	0.6	12.8	22.0	(2.0)	0
Operating Income	2.3	2.8	2.6	4.2	2.8	4.6	0.2	0.4	2.8	4.6	0	0
Ordinary Income	1.8	2.0	2.4	3.9	2.6	3.9	0.2	0	2.6	3.9	0	0
Net Income	0.1	(0.9)	1.8	2.7	1.8	2.7	0	0	1.8	2.7	0	0

Company forex rate: 1US\$=¥80→¥78, 1Euro=¥105→¥96 (From the 2<sup>nd</sup> Quarter)

\* Initial forecast: Announced on May 11 Latest forecast: Announced on August 8

# Breakdown of Domestic Sales

(JPY bn)

	12/Mar.		13/Mar.				Difference with Latest Forecast			
	2Q Cumulative	Annual	Initial Forecast*		Latest Forecast*		12/Mar.		Initial Forecast	
			2Q Cumulative	Annual	2Q Cumulative	Annual	2Q Cumulative	Annual	2Q Cumulative	Annual
Cultivating & Mowing Machinery	17.1	27.5	18.3	29.0	18.2	29.0	1.1	1.5	(0.1)	0
Planting Machinery	7.2	10.4	7.8	11.6	7.8	11.6	0.6	1.2	0	0
Harvesting & Processing Machinery	6.4	25.9	7.1	26.2	7.7	26.2	1.3	0.3	0.6	0
<b>Agricultural Machinery Total</b>	<b>30.7</b>	<b>63.8</b>	<b>33.2</b>	<b>66.8</b>	<b>33.7</b>	<b>66.8</b>	<b>3.0</b>	<b>3.0</b>	<b>0.5</b>	<b>0</b>
Parts & Farming Implements	15.6	30.4	16.2	30.8	16.6	30.8	1.0	0.4	0.4	0
Construction of Facilities	1.5	4.7	4.0	7.0	4.0	7.0	2.5	2.3	0	0
Other Agriculture Related	13.2	24.8	13.7	26.3	13.3	26.3	0.1	1.5	(0.4)	0
<b>Agriculture Related Business Total</b>	<b>61.0</b>	<b>123.7</b>	<b>67.1</b>	<b>130.9</b>	<b>67.6</b>	<b>130.9</b>	<b>6.6</b>	<b>7.2</b>	<b>0.5</b>	<b>0</b>
Other Business Total	0.1	0.1	0.1	0.1	0.1	0.1	0	0	0	0
<b>Total</b>	<b>61.1</b>	<b>123.8</b>	<b>67.2</b>	<b>131.0</b>	<b>67.7</b>	<b>131.0</b>	<b>6.6</b>	<b>7.2</b>	<b>0.5</b>	<b>0</b>

\* Initial forecast: Announced on May 11 Latest forecast: Announced on August 8

# Breakdown of Overseas Sales

(JPY bn)

	12/Mar.		13/Mar.				Difference with Latest Forecast			
			Initial Forecast*		Latest Forecast*		12/Mar.		Initial Forecast	
	2Q Cumulative	Annual	2Q Cumulative	Annual	2Q Cumulative	Annual	2Q Cumulative	Annual	2Q Cumulative	Annual
North America	2.8	5.3	2.7	5.6	2.8	5.6	0	0.3	0.1	0
Europe	3.0	7.2	2.6	6.6	2.0	6.6	(1.0)	(0.6)	(0.6)	0
Asia	0.1	0.9	0.2	0.7	0.6	0.7	0.5	(0.2)	0.4	0
China	4.3	5.7	6.4	7.2	4.5	7.2	0.2	1.5	(1.9)	0
Oceania	0.3	0.4	0.2	0.5	0.2	0.5	(0.1)	0.1	0	0
Products Total	10.5	19.5	12.1	20.6	10.1	20.6	(0.4)	1.1	(2.0)	0
Parts & Others	0.8	1.9	0.7	1.4	0.7	1.4	(0.1)	(0.5)	0	0
Total	11.3	21.4	12.8	22.0	10.8	22.0	(0.5)	0.6	(2.0)	0

Company forex rate: 1US\$=¥80→¥78,1Euro = ¥105→¥96(From the 2<sup>nd</sup> Quarter)

\* Initial forecast: Announced on May 11 Latest forecast: Announced on August 8



# 4. Topics



Cool box for raw rice

# Profile of New Company in Indonesia

- Name : PT ISEKI Indonesia (Tentative)
  - Main business : Manufacturing and sales of agricultural machinery
  - Main products : Low priced tractors (Low priced products for the US and Europe, Southeast Asia)
  - Scale : [Site space] 5ha, [Building space] 2ha
  - Production : Stable period 8,000 units/year (Capacity 10,000 units/year)
  - Corporate form : Joint venture with PT RUTAN
  - Capital : US\$18.75 million (equivalent to ¥1.5 billion)
  - Employees : 200 (8 Japanese)
  - Sales amount : ¥6 billion (stable period)
- Schedule:

	2012	2013	2014
Establishment of preparatory section of company formation	● July		
Corporate registration	○ September		
Recruitment of employees and education	←————→		
Completion of plant building		○ September	
Start of production			○ January

# Profile of New Company in Indonesia



# Profile of New Company in Indonesia

## < Profile of PT RUTAN >

- The largest sales company of agricultural machinery in Indonesia.
- Three agricultural machinery related manufacturing companies under its control.
- Continued friendly relationship with ISEKI for the past 40 years



Desa Bambi, Kec. Driyorejo,  
Kabupaten Gresik 61177  
Jawa Timur  
Indonesia

- Founded : 1942
- Location : Surabaya City (Java Island)
- Sales network : 7 operating offices, approx. 300 sales shops
- Business : Sales of agricultural machinery (imported tractors, tillers, rice polishing machines, etc.), engines, generators and parts.
- Employees : Approx. 1,200 (Group)

(7 operating offices)



# 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.