

Annual Report 2011

Year ended March 31, 2011



Improving Agricultural
Environments around the World



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Cautionary Note Regarding Forward-Looking Statements

This annual report contains forward-looking statements in which certain risks and uncertainties are inherent and actual performance may differ materially from the expectations indicated herein. Readers are therefore cautioned not to rely exclusively on these statements, which take into account the best information that is available to management at the time. The Company undertakes no responsibility to disclose revisions to these statements owing to future developments, which may reflect changes in the environment and unexpected climatic events.

The illustrations in this Annual Report

The illustrations in this annual report and on the front cover are of drawings that won prizes in our annual Sanae National Children's Drawing Contest, the theme of which was "Farming Families." Iseki places great importance on family relationships and is committed to encouraging families in the agricultural business.

I. Overview of the Company

1. Developments Regarding Major Management Indicators, etc.

Consolidated management indicators, etc.

Ordinary business term	83rd business term	84th business term	85th business term	86th business term	87th business term
For the year ended	March 2007	March 2008	March 2009	March 2010	March 2011
Net sales (millions of yen)	153,728	144,714	149,601	149,314	147,826
Ordinary income (millions of yen)	1,276	34	771	3,657	2,006
Net income (loss) (millions of yen)	18	(1,466)	2	2,347	(918)
Comprehensive income (millions of yen)	—	—	—	—	(979)
Net assets (millions of yen)	55,724	52,556	51,694	55,604	54,617
Total assets (millions of yen)	181,362	173,198	171,002	171,044	169,168
Net assets per share (yen)	239.71	225.76	222.44	235.46	231.13
Net income (loss) per share (yen)	0.08	(6.49)	0.01	10.29	(4.00)
Net income per share after adjustment for dilutive securities (yen)	0.07	—	0.01	10.21	—
Equity ratio (%)	29.8	29.4	29.4	31.6	31.4
Return on equity (%)	0.0	—	0.0	4.5	—
Price earnings ratio (times)	3,050.00	—	23,800.00	26.92	—
Net cash provided by (used in) operating activities (millions of yen)	902	3,861	8,960	7,326	7,060
Net cash provided by (used in) investing activities (millions of yen)	(4,718)	(2,904)	(3,507)	(4,320)	(5,674)
Net cash provided by (used in) financing activities (millions of yen)	2,207	(412)	(5,603)	(2,080)	(2,515)
Cash and cash equivalents at end of period (millions of yen)	4,985	5,687	5,609	6,614	5,585
Number of employees (persons)	6,765 [720]	6,513 [739]	6,514 [887]	6,435 [928]	6,404 [957]

- Notes:
1. Net sales above do not include consumption tax, etc.
 2. Net income per share after adjustment for dilutive securities for the 84th business term was not stated because there was a net loss per share.
 3. Net income per share after adjustment for dilutive securities for the 87th business term was not stated because there was a net loss per share and there were no dilutive securities.
 4. The return on equity and price earnings ratios for the 84th and 87th business term were not stated because a net loss was posted for that term.
 5. The number of employees is the number of people gainfully occupied and the figure in brackets represents the average number of temporary employees hired, which is not included in the number of people gainfully occupied.

2. Main Business

The main business of the Iseki Group is the development, manufacture and sale of agricultural machinery for rice and vegetable farming, among other related areas.

The structure of the Group's business operations is as follows:

Agriculture-related Business Segment

The Company and its associated companies engage in agriculture-related business encompassing three divisions: Development and Production, Sales and Others.

[Development and Production]

This division mainly develops and designs agricultural machinery, and eight consolidated subsidiaries manufacture agricultural machinery and related components.

Main associated companies

Iseki-Matsuyama Mfg. Co., Ltd., Iseki-Kumamoto Mfg. Co., Ltd., Iseki-Niigata Mfg. Co., Ltd., Iseki-Hoei Mfg. Co., Ltd. and Iseki-Changzhou Mfg. Co., Ltd (China)

[Sales]

In Japan, sales are conducted through 13 sales companies nationwide. In overseas markets, sales are conducted through associated companies as well as local distributors, etc.

Main associated companies

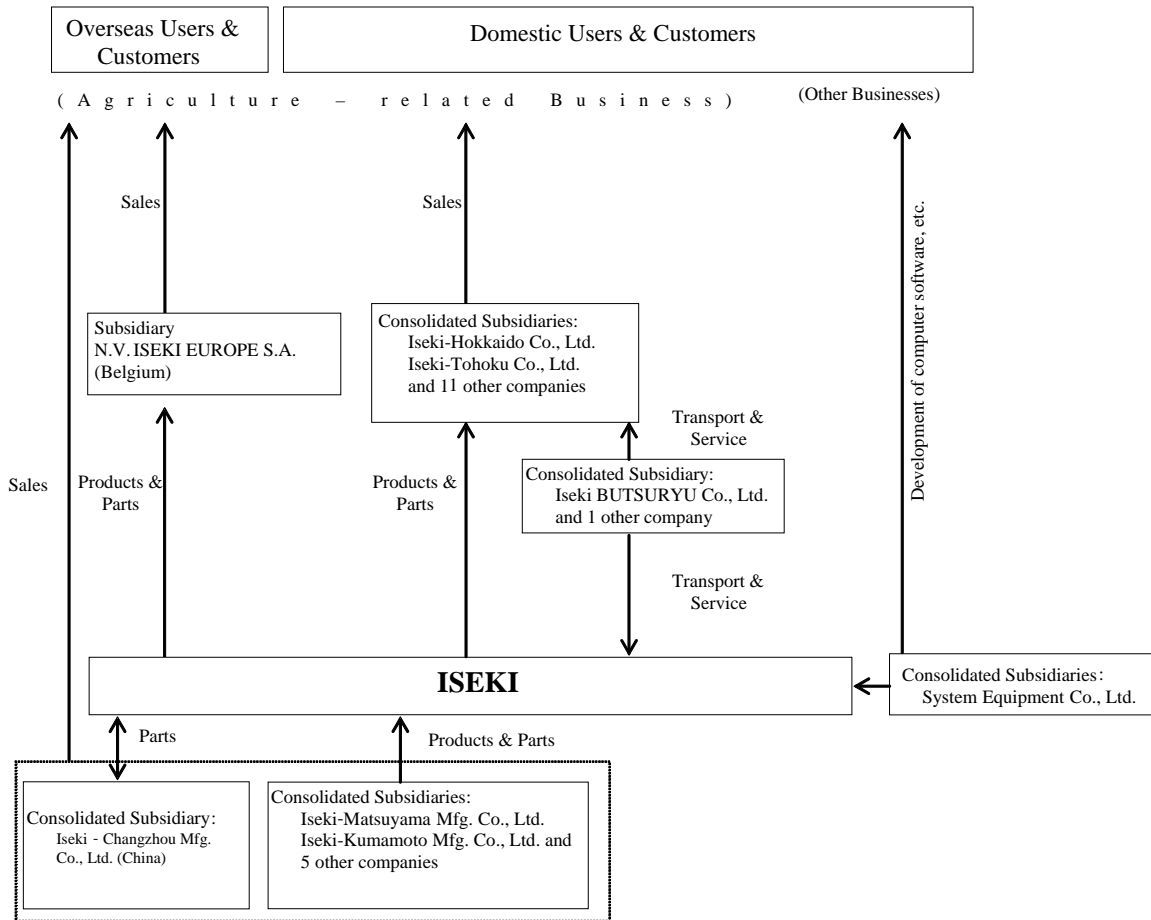
JapanIseki-Hokkaido Co., Ltd., Iseki-Tohoku Co., Ltd., Iseki-Kanto Co., Ltd., Iseki-Shinetsu Co., Ltd., Iseki-Hokuriku Co., Ltd., Iseki-Tokai Co., Ltd., Iseki-Kansai Co., Ltd., Iseki-Chugoku Co., Ltd., Iseki-Shikoku Co., Ltd. and Iseki-Kyushu Co., Ltd.

OverseasN.V. ISEKI EUROPE S.A. (Belgium), Iseki-Changzhou Mfg. Co., Ltd. (China)

Other Business Segment

System Equipment Co., Ltd. is engaged in various businesses including the development of computer software.

The following is a schematic diagram of the Iseki Group



II. Management Performance

1. Analysis of Management Performance

(1) The Fiscal Period in Review

During the fiscal year under review, Japan's economy gradually recovered due to improving overseas economies and the effects of various economic measures implemented by the government; however, it also brought several risk factors such as deflation and a worsening employment situation. In addition, taking into account the considerable impact of the Great East Japan Earthquake on Japan's economy, the economic outlook is expected to remain unclear in the near future.

Under such circumstances, the ISEKI Group adopted the slogan "Cheering Squad Supporting the Dream of Agriculture! ISEKI," and developed aggressive marketing activities by extending the range of its new products in response to diversifying customer needs.

(Consolidated business performance of the year under review)

In the fiscal year ended March 31, 2011, net sales decreased ¥1,487 million from a year earlier to ¥147,826 million (down 1.0% year on year). Domestic sales decreased ¥2,549 million from a year earlier to ¥128,703 million (down 1.9% year on year), and overseas sales increased ¥1,061 million to ¥19,123 million (up 5.9% year on year).

Operating income decreased ¥1,712 million from a year earlier to ¥2,803 million (down 37.9% year on year), mainly due to a decline in gross profit, following a decrease in revenue and the effects of the yen's appreciation. Ordinary income decreased ¥1,651 million from a year earlier to ¥2,006 million (down 45.2% year on year). Net income declined ¥3,265 million from a year earlier to a net loss of ¥918 million, as a result of posting a loss on valuation of investment securities, loss on adjustment for changes of accounting standard for asset retirement obligations, and loss from disaster related to the Great East Japan Earthquake.

(Non-consolidated business performance of the year under review)

In the fiscal year under review, net sales totaled ¥90,560 million (down 0.3% year on year), operating income was ¥161 million (down 86.6% year on year), and ordinary income amounted to ¥1,161 million (down 23.7% year on year). The Company recorded a net loss of ¥430 million.

Business performance by segment is as follows.

As a result of applying "Accounting Standard for Disclosure of Segments of an Enterprise and Related Information" (Accounting Standards Board of Japan ("ASBJ") Statement No. 17, March 27, 2009) and "Guidance on the Accounting Standard for Disclosures of Segments of an Enterprise and Related Information" (ASBJ Guidance No. 20, issued on March 21, 2008) from the fiscal year under review, the Company has classified its business segments as "agriculture-related business" and "other business."

Figures for the previous fiscal year have been reclassified in accordance with the new segments for comparison with figures from the fiscal year ended March 31, 2011.

1) Agriculture-related business

Sales in the agriculture-related business in Japan declined due to a sluggish agricultural machinery market since last autumn following a fall in rice prices, and due to the completion of a number of large dryer facilities etc, during the previous fiscal year. Overseas, overall sales increased due to a recovery of orders from firms under OEM agreements in North America following inventory adjustments, and an increase in sales for European countries. Meanwhile, orders from Korean

companies decreased due to the depreciation of the Korean won, and lower sales were recorded in China stemming from a decline in sales of combine harvesters, which was partially offset by favorable sales of rice transplanters.

Sales by product are as follows.

[Domestic]

Sales of cultivating & mowing machinery (tractors, high-clearance multipurpose vehicles, etc.) amounted to ¥26,681 million (down 3.4% year on year), and sales of planting machinery (rice transplanters and vegetable transplanters) totaled ¥11,567 million (up 1.1% year on year). Sales of harvesting and processing machinery (combine harvesters, etc.) were ¥25,505 million (down 0.9% year on year). Moreover, sales of spare parts and farming implements reached ¥30,993 million (up 1.8% year on year), while sales of other agriculture-related business (including construction of facilities, etc.) declined to ¥33,811 million (down 5.6% year on year).

[Overseas]

Sales of cultivating & mowing machinery (tractors, etc.) increased to ¥13,093 million (up 13.2% year on year), and sales of planting machinery (rice transplanters, etc.) amounted to ¥2,521 million (up 2.3% year on year). Sales of harvesting and processing machinery (combine harvesters, etc.) declined to ¥1,591 million (down 27.7% year on year). Sales of spare parts and farming implements totaled ¥1,096 million (up 3.5% year on year), while sales of other agriculture-related business were ¥819 million (up 6.7% year on year).

As a result, sales in the agriculture-related business segment totaled ¥147,682 million (down 1.0% year on year).

2) Other Business

The Company develops, sells, and operates computer software in the “other business” segment. Sales in the other business segment amounted to ¥144 million (down 27.3% year on year).

(2) Cash Flows

The balance of cash and cash equivalents at the end of the fiscal year decreased ¥1,028 million year on year, to ¥5,585 million.

(Net cash provided by (used in) operating activities)

Net cash provided by (used in) operating activities resulted in a net cash inflow of ¥7,060 million (down ¥265 million year on year), comprised principally of income before income taxes of ¥202 million and depreciation and amortization of ¥5,666 million.

(Net cash provided by (used in) investment activities)

Net cash provided by (used in) investment activities resulted in a net cash outflow of ¥5,674 million (up ¥1,354 million year on year), comprised principally of capital investment expenditures of ¥5,364 million.

(Net cash provided by (used in) financing activities)

Net cash provided by (used in) financing activities amounted to a net cash outflow of ¥2,515 million (up ¥435 million year on year), due primarily to the repayment of interest-bearing liabilities.

2. Production, Orders & Sales

The Company has applied a new classification following the application of “Accounting Standard for Disclosure of Segments of an Enterprise and Related Information” (ASBJ Statement No. 17, March 27, 2009) and “Guidance on the Accounting Standard for Disclosures of Segments of an Enterprise and Related Information” (ASBJ Guidance No. 20, March 21, 2008) from the consolidated accounting period. Figures for the previous consolidated accounting period have been reclassified in accordance with the new segments for comparison with figures from the fiscal year ended March 31, 2011.

(1) Production

Production result by business segment/products for the fiscal year under review is as follows:

Product/Segment	FY2011 (April 1, 2010–March 31, 2011)	
	Amount (millions of yen)	Change yoy (%)
Cultivating & mowing machinery	41,475	0.5
Planting machinery	14,535	(13.1)
Harvesting and processing machinery	29,033	4.0
Parts and farming implements	2,329	3.6
Other agriculture-related business	9,811	(20.3)
Agriculture-related business segment total	97,185	(3.3)
Other business segment total	—	—
Total	97,185	(3.3)

Note: Amounts are based on sales prices and do not include consumption tax, etc.

(2) Orders

We operate a system whereby production is based mostly on projected demand. We hardly ever produce on order. Accordingly, the number of orders received is not presented.

(3) Sales

Sales result by business segment/products for the fiscal year under review is as follows:

Product/Segment	FY2011 (April 1, 2010–March 31, 2011)	
	Amount (millions of yen)	Change yoy (%)
Cultivating & mowing machinery	39,775	1.5
Planting machinery	14,089	1.3
Harvesting and processing machinery	27,097	(3.0)
Parts and farming implements	32,089	1.9
Other agriculture-related business	34,631	(5.3)
Agriculture-related business segment total	147,682	(1.0)
Other business segment total	144	(27.3)
Total	147,826	(1.0)

Notes: 1. Intersegment transactions are offset and therefore eliminated.

2. Net sales to major customer and as percentage of total sales

Customer	FY2010 (April 1, 2009–March 31, 2010)		FY2011 (April 1, 2010–March 31, 2011)	
	Amount (millions of yen)	Percentage of total sales (%)	Amount (millions of yen)	Percentage of total sales (%)
ZEN-NOH (National Federation of Agricultural Co-operative Associations)	22,551	15.1	18,370	12.4

3. Amounts above do not include consumption tax, etc.

3. Issues to Be Addressed

(1) Group Internal Control

Positioning the firm establishment of the Group internal control system as one of the priority issues of management policy, we have determined a fundamental policy for our internal control system, based on which we have established an internal control system and revised it as necessary. We also created a “Management Supervisory Committee” in 2007, with the president as chairperson, the directors as members and all auditors as observers, so that we can follow the discussion of various measures and their level of progress, as well as check the degree of thoroughness of compliance.

From the viewpoint of strengthening the Company’s governance framework, on June 24, 2010, the Company added to its group of auditors persons who have not been either executives of the Company or its important business clients, thereby creating a system of five auditors in total.

(2) Important Issues

In the midst of a drastically changing market environment, we will accelerate the reform of our earnings structure, which will enable us to secure stable earnings for the foreseeable future. Along with our efforts to expand sales through enhanced customer satisfaction by providing high-quality products and services that support energy conservation and low-cost agriculture from a customer perspective, we endeavor to establish a low-cost structure and strengthen consolidated financial stability.

(a) Growth in domestic sales and expansion of overseas sales

In the face of intensifying competition in the market, we have positioned “Growth in domestic sales and expansion of overseas sales” as our most important managerial issues, trying to attain comprehensive enhancement of efficiency, quality, price and service by concentrating on the total group potentiality to strengthen our product competitiveness. We will not only carry out fundamental quality improvement in our products, fully recognizing market needs, but also ensure that product planning and introduction to the market are executed in a timely manner. In the domestic market, we aim at achieving sales growth through efficient sales promotion, taking advantage of agile sales companies with extensive territories, as well as through further enhancement of customer satisfaction from strengthened sales and service performance. In our efforts to expand overseas sales, we will endeavor to fortify our sales and service system in the Asian market, which has growth potential, and plan to increase sales and firmly establish ourselves in Asia. In North American and European markets, the currencies of which have depreciated against the yen, we will seek to expand sales through the introduction of new products.

(b) Upgrading quality and cost structure reform

Our first priority lies with products that garner a high reputation among our customers, as we are improving our development process in the pursuit of zero defects. Our development and manufacturing operations are working together to improve the production process and establish a framework that guarantees product quality.

To reform our cost structure, we have established a cost reduction committee and are taking steps to fundamentally improve earnings. Since cost structure reform is the source of greater profits, we will work to reduce procurement costs by combining all of our plants to implement optimum procurement methods. In product development, we will implement fundamental cost reductions starting with the early development phase, striving to decrease the number of parts, reduce weight, and cut the number of parts that must be managed. For our production structure, we have implemented structural reforms, including restructuring, to streamline our organization. Throughout the Group, we will endeavor to secure our profitability by cutting fixed costs and reducing administrative losses and operating expenses.

(c) Building “Communicative corporate culture” by nurturing/revitalizing personnel

Through the efforts of the Personnel Revitalization Committee, the Company is working to improve its lines of communication, thereby fostering a corporate culture of good communication. The Company is considering and implementing various methods for developing and revitalizing personnel, including appropriate job rotations, the exchange of personnel between organizations, and conducting training and education programs.

Moreover, we aim to address a number of environmental issues, which we regard as key managerial issues. We will strengthen our commitment to conserving resources, saving energy, recycling, reducing greenhouse gas emissions and noise pollution, among other efforts.

(d) Toward a full recovery from the Great East Japan Earthquake

Measures aimed at a full recovery from the unprecedented damage caused by the Great East Japan Earthquake are an important management issue for the Company and the ISEKI Group. We have set up “the Great East Japan Earthquake Recovery Office” right after the earthquake in the Business Division to support people affected by the earthquake in various ways. We intend to continue supporting them going forward until full recovery is achieved.

We will be establishing a system to deliver our products and parts reliably to customers in the affected areas and to our consolidated sales company Iseki-Tohoku Co., Ltd. We will also be working toward a full recovery of our production activities, which are hampered by disruptions in the supply chain at the moment.

4. Risks Which Could Affect Our Business

Latent risks and uncertainties which could affect our future financial performance are exemplified as below. Recognizing the possibility of these risks occurring, the Group will make every effort to prevent such occurrence and to ensure an appropriate response should such risks occur. It should be noted that the matters concerning the future stated herein are those that the Company judged to be applicable as of the end of the consolidated fiscal year under review.

(1) Economic Conditions and Changes in the Environment of Agriculture

Sluggishness of domestic and/or overseas economic conditions and any change in the agriculture policy may negatively affect our financial performance through reduced demand for agricultural machinery.

(2) Exchange Rate Fluctuation

There is a possibility that fluctuation of foreign exchange may negatively affect our financial performance.

(3) Hike in Interest Rates

There is a possibility that a hike in interest rates may harm our financial performance.

(4) Stock Market Fluctuation

As we hold securities, stock price declines may cause a loss.

(5) Competition with Other Companies

We are involved in fierce competition with other companies in the market, and unless overall product competitiveness, including relevant services, is maintained, there is the possibility of a decline in our performance.

(6) Risks Derived from International Business

Unexpected changes in tax and legal systems or political unrest of any particular country may cause harm to our financial performance.

(7) Dependency on Specific Customers or Suppliers

Any change of business policy, business depression and failure of our specific customers or suppliers may harm our financial performance.

(8) Serious Defects in Products and Services

The occurrence of serious defects in our products or services may negatively affect our financial performance.

(9) Government Regulation on Environmental Issues, etc., and Occurrence of Related Difficulties

Substantial costs may be incurred related to our products or business activities due to necessitated responses to public regulation of environmental issues, etc., corrective measures undertaken upon the occurrence of troubles, lawsuits and other situations which could lead to a deterioration of our financial performance.

(10) Risk of Natural Disasters and Accidents

Earthquakes, typhoons or unexpected accidents may occur, which may do harm to our financial performance. In addition, a fall in production activities due to damage caused by the Great East Japan Earthquake, including restrictions on electricity supplies and disruptions in the supply chain, may harm the ISEKI Group's business performance and financial position.

(11) Risk of Legal Violation

In offering products and services of the Iseki Group, we are subject to provisions of laws such as truth-in-advertising laws, the JIS law, etc. In purchasing raw materials, the Antitrust Law as well as the Subcontract Law requires fair and transparent dealings. Also, application of environmental laws requires compliance-oriented management, and we are determined to dedicate ourselves to accomplish complete legal compliance, by preparing an internal control system. In spite of such efforts, if any of our directors and/or employees should conduct themselves in any way that violates laws and regulations, there is a possibility that the business activities of our group will be restrained, causing increased costs or decreased revenues, leading to deteriorated performance.

(12) Debt

We have concluded syndicate loan or commitment line contracts with financial institutions. Should any of the financial conditions of these contracts be triggered, we could face obligations to pay back some or all of these loans, which could negatively affect the financial position of the Company.

5. Important Agreement as Part of Business Management

(1) We resolved to establish a joint company with DONGFENG INDUSTRIAL CO., LTD., and SHANGHAI JIAHUA INVESTMENT CO., LTD., of China, at the Board of Directors on December 8, 2010, and reached an agreement on December 16, 2010.

(2) Outline of the joint company

- 1) Name: Dongfeng Iseki Agricultural Machinery (Hubei) Co., Ltd.
- 2) Location: Hubei Province, China
- 3) Main business: Manufacture, sale and after service (maintenance) of agricultural machinery
- 4) Paid-in capital: 40 million yuan
Ratio of capital contribution:
ISEKI & CO., LTD., 50%, DONGFENG INDUSTRIAL CO., LTD. 25% , SHANGHAI
JIAHUA INVESTMENT CO., LTD., 25%

6. Research and Development Activities

Based on the corporate philosophy of providing “products appreciated by customers,” the Group has continued its research and development activities under the maxim of offering attractively priced and timely products that provide customer satisfaction. To meet customer needs, the Group has made efforts not only to reduce costs at the early stages of product development, based on thorough research, but also to take ambitious steps to achieve energy savings and low-cost agriculture, while considering environmental conservation and the safety of farming activities.

In Japan, the Group focuses on rice cultivation machinery, which is its core product, as well as mechanization in the areas of arable farming and vegetable farming, where there is strong demand for labor savings. Overseas, the Group has aggressively developed products for new markets, such as new products for gardening in North America and Europe, and combine harvesters and rice transplanters for the rapidly growing Chinese market. In addition, the Group is proceeding with joint research on new technologies and new fields through tie-ups with universities and research institutions.

Research and development expenses for the entire Group in the fiscal year under review totaled ¥3,883 million, and major research results are as follows:

Agriculture-related Business

[Tractors]

- To meet the extensive needs of agriculture in Japan, including not only rice farming but also upland farming and dairy farming, we launched the T. Japan TJV Series, which is equipped with a common rail engine that takes into consideration the environment and fuel efficiency. The new series emits clean exhaust gases, while achieving high output, low fuel consumption, and reduced noise, and avoids wasting energy by appropriately using the standard operation mode (giving priority to output) and the green operation mode (giving priority to fuel efficiency), thus achieving high fuel efficiency and eco-friendly operation.
- Considering the increasing number of people entering agriculture and the aging of existing farmers, we released the TQ series, which aims at improved ease of use while adding safety, security, and comfort functions. The new series makes work more comfortable through improved workability and visibility at night, equipment that makes work safer, and improved ride comfort achieved by an easy-to-handle compact body and reduced vibration.

[Combine Harvesters]

- We added the HJ5120 five-reaping row model to the highly efficient “Japan” HJ series of multiple-reaping row combine harvesters, which are used regularly by professional farmers. Equipped with an eco-friendly 120 horsepower common rail engine with reduced NO_x emissions, the new model can easily handle work under challenging conditions and delivers the industry’s fastest operating speed* of 2.0 m/s for five-reaping row combine harvesters with a 120 horsepower engine and a threshing unit featuring the Twin-eight thresher system, which allows high-precision threshing.

* The industry’s fastest operating speed as of December 2010 (auto-threshing combine harvester reaping five rows).

- We marketed the Frontier HFC433 full four-reaping row combine harvester, which features high efficiency and compactness, as a combine harvester for midsize farms. The new model has an operating speed of 1.11 m/s and a working efficiency of 16 min/10a (theoretical value), with a compact body featuring a large-displacement, high-output engine and the industry’s first sorting controller, Twin-flapper, which significantly improves sorting capability by detecting the amount of material to be processed on the swinging shelf, using a sensor, and constantly optimizing the direction and volume of the sorting airflow.

* The industry’s first sorting controller as of June 2010

- Designed for markets where crop acreage is expected to expand to raise the food self-sufficiency ratio of a country, we developed and launched the HC1100, a large, general-purpose combine harvester (conforming to rice, barley, soybean, and buckwheat), equipped with a large-output 110 horsepower common rail engine, which provides an operator seat layout featuring ease of use and operability. The new product adopts a suction-exhaust twin fan, which ensures a stable absorption area for the engine unit through suction and exhaust, and a maintenance-free pre-cleaner, which stabilizes engine performance even under heavy loads, to support continuous work over long periods.

[Rice Transplanters]

- We developed and released an eight-planting row rice transplanter for large agricultural areas in China (in the northeast, etc.). The PZ80 rice transplanter has original equipment designed for large-scale farming in China: the HST Lever, which is easy to handle and operates smoothly; the Z Turn, which reduces the operator fatigue by turning automatically; an auto-rolling function in the planting unit, which allows high-precision planting in rough paddy fields; and, a revolving seedling frame to cope with the curly seedlings often seen in the Chinese market.

[Other Products]

- With attention being drawn to food safety and security in recent years, we developed the CP410 coin-operated rice polisher equipped with functions to prevent miss-operation and assure security. It can be used easily even by unskilled operators among consumers who buy unpolished rice directly from producers. It polishes rice to the degree of whiteness required and offers the delicious taste of freshly polished rice. To meet demand for rice polishing in urban areas where people have discerning tastes and are health oriented, we also developed the CPM3 compact coin-operated rice polisher equipped with a rice polishing function, which can be used safely even by unskilled operators and requires only about one-fifth of the installation space of a conventional household coin-operated rice polisher.
- Aimed at the vegetable farming market, we developed and launched the PVH1 with potato-related specifications, which supports low-cost agriculture through energy conservation by meeting demand from the potato cultivation market for further improved efficiency, enhanced planting precision, etc. The new product can supply seed potatoes more smoothly than existing models as a result of moving away from the intermittent rotation system to the continuous rotation system in the seedling supply unit, while continuing to employ the excellent functions of existing models that enable stable planting, including a hydraulic automatic following/adjustment mechanism in which oil pressure is automatically adjusted in accordance with the heights of ridges and slopes of the fields. As a result, the planting capacity of the new model is about 20% higher than that of existing models.

Since fiscal 2004, we have disclosed the conceptual approach and activities of the Group's research and development and its use of intellectual property in the "Intellectual Property Report." According to the Japan Patent Office Annual Report 2010, we had the highest patent approval rate of all industries (for the sixth consecutive year), and also ranked No. 1 for the number of published patents in the "other specialty machinery sector" for two consecutive years in 2007 and 2008.

As a result of changes made to the classification of industry sectors from 2009 of the Annual Report of Japan's Patent Office, the "agriculture and fishery sector" is now grouped as "other specialty machinery sector." We were ranked No. 1 for seven consecutive years, from 2000 through 2006, in the "agriculture and fishery sector" before the changes in classification were made.

7. Analysis of Financial Position, Management Performance and Cash Flows

The forecasts herein are those of the Company as of the end of the consolidated fiscal year under review.

(1) Significant Accounting Policies and Forecasts

The Company's consolidated financial statements are prepared on the basis of generally accepted accounting principles in Japan. When preparing these consolidated financial statements, the Company continued to make forecasts and judgments based on significant accounting policies about the valuation of assets and liabilities and recognition of revenues and expenses. Actual results may differ from forecasts due to forecast-specific uncertainty. In particular, the Company recognizes that allowance for doubtful accounts, provision for retirement benefits, income taxes, etc., could have a material impact on forecasts and judgments used when preparing its consolidated financial statements.

(2) Analysis of Management Performance of the Consolidated Fiscal Year under Review

1) Financial results

The breakdown of domestic and overseas sales of goods for net sales of ¥147,826 million is as shown in the summary of performance, etc. The main factors underlying the decrease of ¥1,712 million of operating income are as follows:

- (a) Decrease of gross profit due to falling net sales and smaller gross profit margins (¥1,201 million)
- (b) Increase of selling, general and administrative expenses (¥510 million)

Main factors underlying the decrease of ordinary income of ¥1,651 million are as follows:

- (a) Decrease of operating income (¥1,712 million)
- (b) Improvement of financial account balance, etc. ¥60 million

Main factors underlying the decrease of net income of ¥3,265 million are as follows:

- (a) Decrease of ordinary income (¥1,651 million)
- (b) Increase of loss on sales of investment securities (¥583 million)
- (c) Loss on adjustment for changes of accounting standard for asset retirement obligations (¥218 million)
- (d) Loss on the Great East Japan Earthquake (¥760 million)
- (e) Increase of income taxes (¥717 million)
- (f) Decrease of impairment loss, environmental expenses, product recall expenses, etc. ¥666 million

2) Financial position

Total assets at the end of the fiscal year decreased ¥1,876 million year on year, to ¥169,168 million. Looking at the breakdown, current assets decreased ¥2,095 million year on year. Noncurrent assets increased ¥219 million from a year earlier. Total liabilities decreased ¥888 million year on year, primarily due to declines in interest-bearing liabilities. Net assets decreased ¥987 million year on year to ¥54,617 million, due primarily to the net loss. The equity ratio was 31.4%.

3) Analysis of cash flows

An analysis of cash flows is shown on page 5.

III. Equipment and Facilities

1. Summary of Capital Investments, etc.

The Group (the Company and its consolidated subsidiaries) has made investments mainly for the purpose of strengthening its production/development capabilities and enhancing its production facilities to improve quality and business service networks. The total amount invested during the consolidated fiscal year under review was ¥6,309 million (the figure is based on property, plant and equipment data, and the amount excludes consumption tax, etc.). Major investments are as follows:

Agriculture-related Business

[Development and production divisions of agricultural machinery]

The Group made capital investments of ¥2,565 million, including those by its consolidated subsidiaries (Iseki-Matsuyama Mfg. Co., Ltd., Iseki-Kumamoto Mfg. Co., Ltd. and six others), in new product development and production start-up facilities, for the renewal of production facilities, in facilities for rationalization and saving labor, and in facilities for saving resources and energy.

Meanwhile, the Company posted a loss on sales and retirement of ¥92 million with regard to the ongoing renewal of production facilities and obsolete production facilities.

[Sales division of agricultural machinery]

The Group made total capital investments of ¥3,439 million, including investments by the Company, in addition to those made mainly by sales companies (Iseki-Hokkaido Co., Ltd. and 12 others), for establishing and renovating sales offices, in service maintenance factories and in product warehouses, as well as for the acquisition of sales promotion machinery related to the release of new products.

The Group posted a loss on sales and retirement of ¥80 million with regard to the ongoing renewal of facilities and the renovation of sales offices and service maintenance factories.

IV. Corporate Information

1. Status of Shares, etc.

(1) Total Number of Shares, etc.

(i) Total number of shares

Class of shares	Total number of authorized shares
Common shares	696,037,000
Total	696,037,000

(ii) Outstanding shares

Class of shares	Number of shares outstanding as of the fiscal year-end (March 31, 2011) (shares)	Number of shares outstanding as of the date of submission (June 29, 2011) (shares)	Name of listed financial instruments exchange or registered admitted Financial Instruments Firms Association	Content
Common shares	229,849,936	229,849,936	Tokyo Stock Exchange (First Section)	The number of share trading unit is 1,000 shares.
Total	229,849,936	229,849,936	-	-

(2) Status of Subscription Rights to Shares, etc.

There were no applicable items.

(3) Exercise Status of Moving Strike Bonds with Subscription Rights to Shares, etc.

There were no applicable items.

(4) Details of Rights Plan

There were no applicable items.

(5) Changes in Total Number of Shares Outstanding, Capital Stock, etc.

Fiscal year	Increase (decrease) of total number of shares outstanding (shares)	Balance of total number of shares outstanding (shares)	Increase (decrease) in capital stock (millions of yen)	Balance of capital stock (millions of yen)	Increase (decrease) in legal capital surplus (millions of yen)	Balance of legal capital surplus (millions of yen)
April 1, 2009–March 31, 2010 (Note)	3,313,607	229,849,936	559	23,344	559	11,554

Note: The increases are caused by exercising subscription rights to shares in convertible bond-type bonds with subscription rights to shares.

(6) Shareholding Status by Shareholder

As of March 31, 2011

Category	Status of shares (The share trading unit is 1,000 shares.)								Status of shares below stock trading unit (shares)
	Central and local governments	Financial institutions	Financial instrument business operators	Other legal entities	Foreign corporations, etc.		Individuals and other	Total	
					Other than individual	Individuals			
Number of shareholders	0	53	67	374	94	11	24,096	24,695	-
Number of shares held (unit of shares)	0	79,853	5,390	39,170	7,697	39	96,995	229,144	705,936
Shareholding ratio (%)	0.0	34.8	2.4	17.1	3.4	0.0	42.3	100.0	-

- Notes:
- 74,082 treasury shares are included in "Individuals and other" (74 units) and in "Status of shares below stock trading unit" (82 shares). The actual number of treasury shares held as of the fiscal year-end was 73,082 shares.
 - In "other legal entities," 25 units in the name of the Japan Securities Depository Center, Inc. (JASDEC) were included.

(7) Status of Major Shareholders

As of March 31, 2011

Name or corporate name	Address	Number of shares held (thousands of shares)	Shareholding ratio to total number of shares outstanding (%)
Mizuho Corporate Bank, Ltd.	1-3-3, Marunouchi, Chiyoda-ku, Tokyo	10,708	4.65
Japan Trustee Services Bank, Ltd. (re-entrusted by Chuo Mitsui Asset Trust and Banking Company, Limited, Trust Account of CMTB Equity Investments Co., Ltd.)	1-8-11, Harumi, Chuo-ku, Tokyo	10,600	4.61
The Norinchukin Bank	1-13-2 Yurakucho, Chiyoda-ku, Tokyo	8,687	3.77
The Iyo Bank, Ltd.	1, Minami-horibata-cho, Matsuyama, Ehime	5,800	2.52
Iseki kabushiki hoyukai (Company's Stockholding Co-op.)	5-3-14, Nishi-nippori, Arakawa-ku, Tokyo	5,744	2.49
Nippon Life Insurance Company	1-6-6, Marunouchi, Chiyoda-ku, Tokyo	5,737	2.49
Sompo Japan Insurance Inc.	1-26-1, Nishi-shinjuku, Shinjuku-ku, Tokyo	5,431	2.36
Mitsui Sumitomo Insurance Co., Ltd.	2-27-2, Shinkawa, Chuo-ku, Tokyo	4,858	2.11
Japan Trustee Services Bank, Ltd. (Trust Account)	1-8-11, Harumi, Chuo-ku, Tokyo	4,179	1.81
Kyoei Fire & Marine Insurance Co., Ltd.	1-18-6, Shinbashi, Minato-ku, Tokyo	3,527	1.53
Total	-	65,272	28.39

- Notes: 1. Of the above, the number of shares in relation to fiduciary business is as follows:
- Japan Trustee Services Bank, Ltd.
(re-entrusted by Chuo Mitsui Asset Trust and Banking Company, Limited, Trust account of CMTB Equity Investments Co., Ltd.) 10,600 thousand shares
- Japan Trustee Services Bank, Ltd. (Trust account) 4,179 thousand shares
2. As for 10,600 thousand shares held by Japan Trustee Services Bank, Ltd. (re-entrusted by Chuo Mitsui Asset Trust and Banking Company, Limited., Trust account of CMTB Equity Investments Co., Ltd.), our company's shares held by Chuo Mitsui Trust and Banking Company, Limited were made investment in-kind to its wholly owned subsidiary, CMTB Equity Investments Co., Ltd., and were entrusted to Chuo Mitsui Asset Trust and Banking Company, Limited, which in turn re-entrusted them to Japan Trustee Services Bank, Ltd. The right to exercise voting rights is reserved by CMTB Equity Investments Co., Ltd.
3. Based on the report on large shareholdings (change report) submitted by Mizuho Corporate Bank on May 22, 2009, we received a report to the effect that the said Bank jointly held the following shares as of May 15, 2009. However, we were not in a position to confirm the actual number of shares held by them as of the year-end of the fiscal year under review; therefore, we did not take it into consideration in the "Status of major shareholders." The details of the said report on large shareholdings (change report) are as follows:

Name or corporate name	Address	Number of shares held (thousands of shares)	Shareholding ratio to total number of shares outstanding (%)
Mizuho Corporate Bank, Ltd.	1-3-3, Marunouchi, Chiyoda-ku, Tokyo	10,708	4.73
Mizuho Securities Co., Ltd.	1-5-1, Otemachi, Chiyoda-ku, Tokyo	379	0.17
Mizuho Trust & Banking Co., Ltd.	1-2-1, Yaesu, Chuo-ku, Tokyo	2,532	1.12

4. Based on the report on large shareholdings (change report) submitted by Chuo Mitsui Trust Holdings, Inc. on July 14, 2009, we received a report to the effect that the said company jointly held the following shares as of July 8, 2009. However, we were not in a position to confirm the actual number of shares held by them as of the year-end of the fiscal year under review; therefore, we did not take it into consideration in the "Status of major shareholders" above. The details of the said report on large shareholdings (change report) are as follows:

Name or corporate name	Address	Number of shares held (thousands of shares)	Shareholding ratio to total number of shares outstanding (%)
Chuo Mitsui Asset Trust and Banking Company, Limited.	3-23-1, Shiba, Minato-ku, Tokyo	3,797	1.68
Chuo Mitsui Asset Management Co., Ltd.	3-23-1, Shiba, Minato-ku, Tokyo	315	0.14
CMTB Equity Investments Co., Ltd.	3-33-1, Shiba, Minato-ku, Tokyo	10,600	4.68

2. Dividend Policy

We recognize that the method for determining dividends to be paid to shareholders is one of the most important policies to be made. Our basic policy is to keep steady and improved dividend distribution, taking into consideration, not just consolidated financial results, but our Group's financial position and future business movements. We have made it a basic policy to pay end-of-year dividends once a year. The decision-making body on dividends is the general meeting of shareholders.

With respect to dividends for the a fiscal year ended March 31, 2011, we have decided not to pay year-end dividends, since we posted net loss due to the impact of the Great East Japan Earthquake.

3. Corporate Governance

(1) Overview of Internal Control System

1) Basic thoughts for internal control system

The main purpose of our management system is to respond quickly and accurately to changes in our business climate and to maintain sound business operations. Achieving stable growth in shareholder value is another top priority of management. To maintain positive relations with our stakeholders, including shareholders, customers, business partners, members of regional communities, and employees, we are promoting corporate governance by proactively ensuring transparent disclosure of information.

The Board of Directors makes decisions on basic managerial matters, as well as matters specified in laws and regulations and the Articles of Incorporation, and holds regular meetings of the Board of Directors to make decisions promptly, and extraordinary meetings as necessary. With regard to the execution of business, all directors, including the president, serve as corporate officers who fulfill the responsibilities inherent in the duties they are charged with, which are decided by the Board of Directors, and implement sound management by discussing and reporting the appropriate development of business, areas of risk and measures to prevent and avoid such risks, while sharing the latest information with one another through meetings with the Directors' Operations Committee, which comprises all directors concurrently serving as corporate officers, corporate officers designated by the president, and the deputy general manager of each division, etc., and held twice a month, in principle.

Also, to ensure transparent disclosure of information, we have established an internal control system that provides stakeholders with important information in a timely manner, and have also established administrative rules, reporting structure, etc., for all Group companies to maintain fair business practices and share information.

The Board of Auditors is composed of five corporate auditors, of whom four are outside corporate auditors (of whom one is a lawyer). Corporate auditors attend all meetings of the Board of Directors and the Management Supervisory Committee, independently decide audit policies, audit the business and assets of the Company and its subsidiaries in cooperation with the internal audit division and an independent public accounting firm, and strictly examine important proposals of the Directors' Operation Committee, etc., and the status of business execution by directors.

As can be seen from the above, we deem this structure, which functions to sufficiently supervise management and ensure effective corporate governance, to be the most rational at present.

Our Basic Internal Control Policies are founded on the Company Act of Japan and its enforcement regulations. We use these policies to determine the fundamental system for overseeing proper business execution by the Group.

2) Details of corporate structure and progress with internal control system

(a) Compliance-oriented management

Positioning the firm establishment of the Group internal control system as one of the priority issues of management policy, we have determined a fundamental policy for our internal control system, based on which we have established an internal control system and revised it as necessary. Regarding the internal control system, to ensure the efficient execution of directors' duties, we have not merely prepared various regulations and systems such as job assignment and internal control regulations. Rather, important issues are discussed multilaterally and are reviewed at meetings attended by management. Furthermore, we have a system in place that properly oversees any information related to job execution, such as minutes of Board of Directors' meetings and approval documents in accordance with the Board of Directors Regulations and the Document Control Regulations.

In terms of a compliance system, a companywide "compliance team" under the supervision of the director in charge of compliance endeavor to prevent any occurrence of injustice and misconduct by ensuring a full understanding of compliance on the part of all directors and employees by continuously holding compliance seminars under the direction of compliance team.

As an organization concerned with internal control, we created a "Management Control Section" under the control of the Head of the Development & Production Division in 2007, which assumed the ordinary monitoring function of our manufacturing subsidiaries. Thus, we intend to strengthen the

control function of our manufacturing subsidiaries.

Sales and other subsidiaries handle internal auditing on their own, as each Group company has a separate internal auditing function. Furthermore, we created a “Management Control Section” under the Head of the Business Division in 2007, which inspects the degree of implementation of internal auditing and gives guidance when necessary.

We also created a “Management Supervisory Committee” in 2007, with the president as chairperson, the directors as members and all auditors as observers, so that we can follow the discussion of various measures and their level of progress, as well as check the degree of thoroughness of compliance.

(b) Rejection of antisocial forces

We actively work against any possibility of a relationship with antisocial forces or groups, manifesting the policy in the “ISEKI Group Code of Ethical Behavior.” To establish the corporate ethics of Iseki and the Group companies, we show action guidelines regarding antisocial forces in the “Iseki Group Code of Ethical Behavior,” and we have prepared the following systems to reject antisocial forces and relevant activities. The General Affairs Department is in charge of antisocial forces measures and, depending on the circumstances, acts in consultation with the relevant departments and sections. We maintain ordinary contacts and association with external organizations, such as the police department, the National Center for the Elimination of Boryokudan, and lawyers, thus preparing a system to cope with antisocial forces. We also belong to the Metropolitan Area Violation Prevention Association to receive regular guidance as well as share information.

3) Relationship of Company and outside corporate auditors

The Board of Auditors, composed of five corporate auditors, including four outside corporate auditors (of whom one is a lawyer), ensures the functioning of the management supervision system.

The Company’s outside corporate auditors have no personal, capital, or business ties with the Company or any other conflicts of interest.

We have also designated Norio Yasunaga and Shoji Tanaka, both of whom are outside corporate auditors, as independent directors/auditors pursuant to the Securities Listing Regulations of the Tokyo Stock Exchange, Inc.

4) Independent public auditing

The Company has appointed Ernst & Young ShinNihon LLC as its independent public audit firm. There are no special relationships between the Company and Ernst & Young ShinNihon LLC that would represent a conflict of interest. The Company and Ernst & Young ShinNihon LLC have signed an audit agreement, based on which Ernst & Young ShinNihon LLC receives compensation. The Company’s corporate auditors and the audit firm regularly hold liaison meetings, at which they exchange information related to the audit plan, scope, and other relevant matters. Other than their regular liaison meetings, the corporate auditors and Ernst & Young ShinNihon LLC meet as necessary to share information on audit examination items and processes.

Certified Public Accountants Assigned to the Company

Kenji Nishihara (Ernst & Young ShinNihon LLC)

Yoshiaki Ito (Ernst & Young ShinNihon LLC)

Tomohide Otani (Ernst & Young ShinNihon LLC)

Since all of the CPAs have been assigned to the Iseki & Co., Ltd. account for 7 years or less, the number of consecutive years they have been working on the account is not noted here. Ernst & Young Shin Nihon has voluntarily agreed not to assign any of its employees to work on the account for more than a fixed number of years.

Composition of Ernst & Young ShinNihon LLC Auditing Team

8 CPAs

11 Other

5) Establishing a risk management system

Addressing the overall risk exposure of the Group, the Company has set up risk management standards and rules as well as monitoring and response systems to prevent avoidable risk and to minimize losses.

6) Internal auditing and oversight of auditors

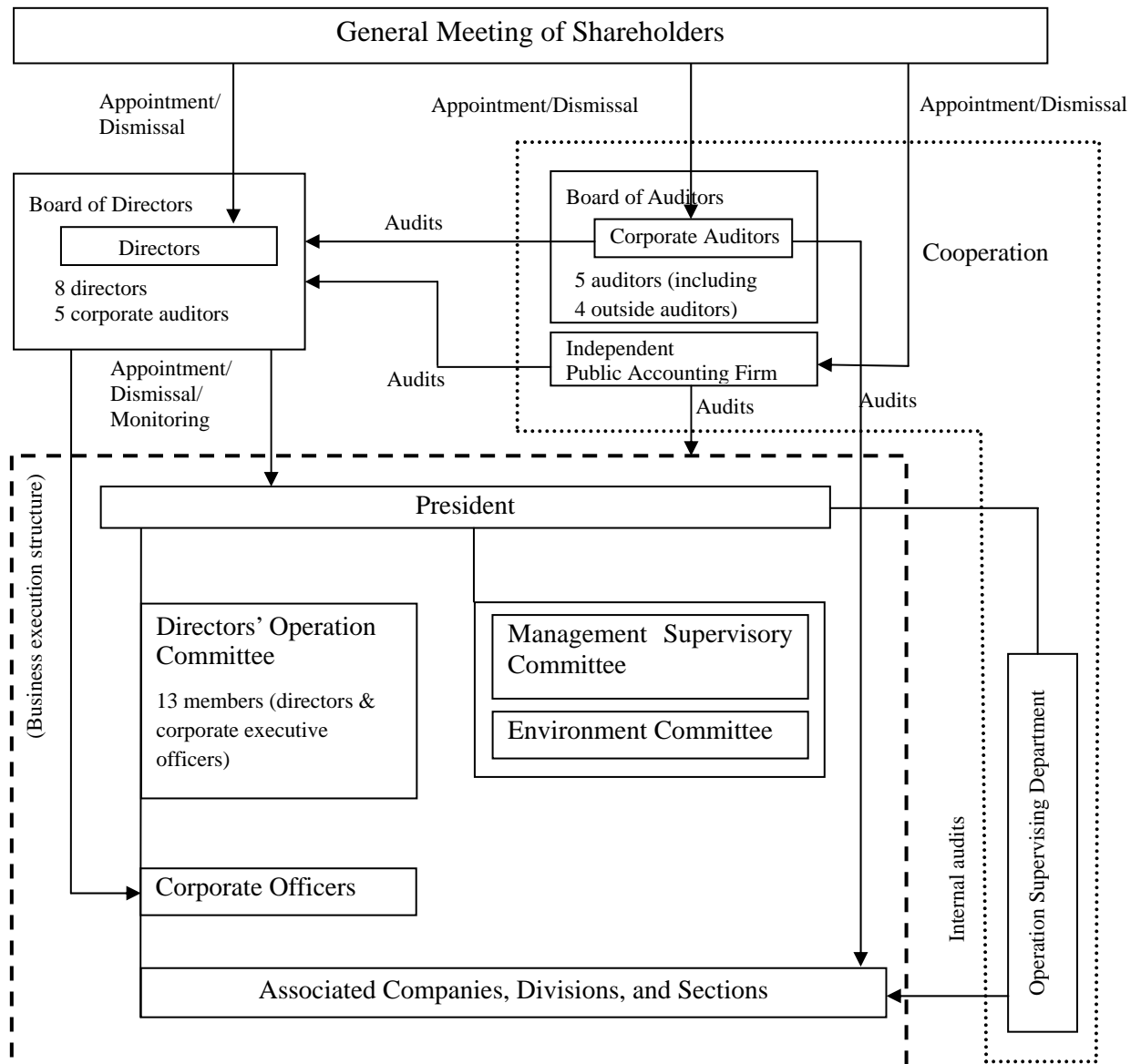
The Board of Corporate Auditors has 5 members, including 4 outside corporate auditors. The corporate auditors conduct audits of associated companies and each business division and section. Through these audits they confirm whether business is being carried out properly in accordance with various laws and ordinances and rules and regulations and provide guidance. The Company also has established an Operation Supervising Department with a staff of 8 to handle internal audit affairs. Based on internal audit rules, the department carries out accounting, business, and compliance audits of associated companies and each business division and section.

7) Actions taken to improve corporate governance during the previous year

We, Iseki, believe that the timely disclosure of information is essential to building a good relationship with stakeholders. To that end, we endeavor to proactively disclose information, actively holding information meetings on quarterly performance.

The Company also addresses environmental issues. It has an Environmental Committee and regularly publishes an environmental report (last published August 2010). The entire Group works together actively on environmental programs and has been assessed by an independent institution as an organization that “is recognized as being particularly advanced in its environmental activities.” We also publish an intellectual property report (last published August 2010) disclosing our research and development activities and strategies for strengthening our intellectual assets.

8) Diagram illustrating the Company's corporate governance structure



9) Stipulated number of members of Board of Directors

The Company's articles of incorporation stipulate that the Board of Directors shall comprise no more than 10 directors.

10) Requirement for election of directors

The articles of incorporation stipulate that directors of the Company shall be elected by a majority of votes by shareholders at the general meeting of shareholders, where the shareholders present represent one-third or more of the total voting rights of shareholders. The articles of incorporation also stipulate that directors may not be elected by cumulative voting.

11) Items that may be decided by the Board of Directors instead of resolution of the general meeting of shareholders, and their purpose

(a) Acquisition of treasury stock

As prescribed in the provisions of Article 165, Paragraph 2, of the Corporation Law, the articles of incorporation stipulate that the Company may acquire treasury stock based on a decision by the Board of Directors. This provision allows the systematic pursuit of funding strategies.

(b) Absolution of directors from liability

As provided for in Article 426, Paragraph 1, of the Corporation Law, the articles of incorporation stipulate that the Company may absolve directors (including past directors) from liability, as defined in Article 423, Paragraph 1, of the same law under the limit of the law based on a decision by the Board of Directors provided that the directors have acted in good faith and have not been excessively negligent in their duties. This provision enables directors to pursue their duties to the full extent of expectations.

(c) Absolution of corporate auditors from liability

As provided for in Article 426, Paragraph 1, of the Corporation Law, the articles of incorporation stipulate that the Company may absolve corporate auditors (including past corporate auditors) from liability, as defined in Article 423, Paragraph 1, of the same law under the limit of the law based on a decision by the Board of Directors, provided that the corporate auditors have acted in good faith and have not been excessively negligent in their duties. This provision enables corporate auditors to pursue their duties to the full extent of expectations.

(d) Absolution of outside corporate auditors from liability

As provided for in Article 427, Paragraph 1, of the Corporation Law, the articles of incorporation stipulate that the Company may conclude an agreement to limit the liabilities of outside corporate auditors defined in Article 423, Paragraph 1, of the same law. This provision enables the Company to appoint appropriate persons as outside corporate auditors into the future and enables outside corporate auditors to pursue their duties to the full extent of expectations.

(e) Absolution of independent public audit firm from liability

As provided for in Article 426, Paragraph 1, of the Corporation Law, the articles of incorporation stipulate that the Company may absolve the independent public audit firm (including past independent public audit firms) from liability, as defined in Article 423, Paragraph 1, of the same law under the limit of the law based on a decision by the Board of Directors, provided that the independent public audit firm has acted in good faith and has not been excessively negligent in its duties. This provision enables the independent public audit firm to pursue its duties to the full extent of expectations.

12) Requirements for approving a special resolution of the general meeting of shareholders

The articles of incorporation stipulate that special resolutions as provided for in Article 309, Paragraph 2, of the Corporation Law may be decided by a majority of two-thirds or more of votes by shareholders at the general meeting of shareholders, where the shareholders present represent one-third or more of the total voting rights of shareholders. This provision enables the smooth proceedings of general meetings of shareholders by lowering the quorum requirement.

(2) Remuneration for Independent Public Audit Firm

1) Remuneration for certified public accountants and others of independent public audit firm

(Millions of yen)

	Previous fiscal year		Fiscal year under review	
	Remuneration for audit certification services	Remuneration for non-audit services	Remuneration for audit certification services	Remuneration for non-audit services
Audited company	84	1	75	-
Consolidated subsidiaries	8	-	7	-
Total	92	1	82	-

2) Other remuneration

Not applicable

3) Details of non-audit services performed by certified public accountants of independent public audit firm for audited company

In the previous consolidated fiscal year, the Company sought consultation regarding the assessment of its IT general control system. Such consultation is work (non-audit services) other than that provided for in Article 2, Paragraph 1, of the Certified Public Accountants Act. There was no matter applicable thereto in the consolidated fiscal year under review.

4) Policy for determining remuneration for public audit firm

Remuneration is determined with the approval of the Board of Auditors by taking the number of auditing days, services performed, and other factors into overall consideration.

V. Accounting Status

1. Method of Preparing Consolidated Financial Statements and Financial Statements

(1) The Company's consolidated financial statements are prepared on the basis of "Regulation for Terminology, Forms and Preparation of Consolidated Financial Statements" (Finance Ministry Order No. 28 of 1976; hereinafter referred to as the "Regulations for Consolidated Financial Statements").

It should be noted that the Company's consolidated financial statements for the previous consolidated fiscal year (from April 1, 2009 through March 31, 2010) were prepared on the basis of the Regulations for Consolidated Financial Statements prior to the revision, while those for the current consolidated fiscal year under review (from April 1, 2010 through March 31, 2011) were prepared on the basis of the Regulations for Consolidated Financial Statements after the revision.

(2) The Company's financial statements are prepared on the basis of the "Regulation for Terminology, Forms and Preparation of Financial Statements, etc." (Finance Ministry Order No. 59 of 1963; hereinafter, the "Regulations for Financial Statements, etc.").

It should be noted that the Company's financial statements for the previous fiscal year (from April 1, 2009 through March 31, 2010) were prepared on the basis of the Regulations for Financial Statements, etc., prior to the revision, while those for the current fiscal year under review (from April 1, 2010 through March 31, 2011) were prepared on the basis of the Regulations for Financial Statements, etc., after the revision.

2. Audit Certification

Based on the provision of Article 193-2, Paragraph 1, of the "Financial Instruments and Exchange Act," the Company received an audit by Ernst & Young ShinNihon LLC of its consolidated financial statements and financial statements for the previous consolidated fiscal year (from April 1, 2009 through March 31, 2010) and previous fiscal year (from April 1, 2009 through March 31, 2010) as well as for the current consolidated fiscal year under review (from April 1, 2010 through March 31, 2011) and the current fiscal year (from April 1, 2010 through March 31, 2011).

3. Special Measures to Ensure the Appropriateness of Consolidated Financial Statements, etc.

To ensure the appropriateness of its consolidated financial statements, etc., the Company joined the Financial Accounting Standards Foundation (FASF) and has taken part in its seminars, etc., with the aim of properly understanding the content of accounting standards and putting in place a system that can respond to changes, etc., in accounting standards, etc., in an appropriate manner.

1. Consolidated Financial Statements
 (1) Consolidated Balance Sheets

(Millions of yen)

	FY2010 (As of March 31, 2010)	FY2011 (As of March 31, 2011)
Assets		
Current Assets:		
Cash and deposits	6,705	5,696
Notes and accounts receivable—trade	29,320	28,688
Short-term investment securities	19	19
Merchandise and finished goods	37,136	37,216
Work in process	3,219	2,569
Raw materials and supplies	1,114	1,180
Deferred tax assets	963	632
Others	2,356	2,720
Allowance for doubtful accounts	(74)	(60)
Total Current Assets	80,761	78,665
Noncurrent Assets:		
Property, plant and equipment		
Buildings and structures, net	14,835	14,909
Machinery, equipment and vehicles, net	7,832	7,291
Tools, furniture and fixtures, net	2,486	2,113
Land	*7 50,190	*7 50,173
Lease assets, net	3,692	4,863
Construction in progress	643	521
Other, net	17	18
Total property, plant and equipment	*1, *2 79,697	*1, *2 79,890
Intangible assets	883	948
Investments and other assets		
Investment securities	*3 5,272	*3 5,186
Long-term loans receivable	175	180
Deferred tax assets	724	781
Other	*3 3,985	*3 3,951
Allowance for doubtful accounts	(455)	(436)
Total investments and other assets	9,702	9,663
Total Noncurrent Assets	90,283	90,503
Total Assets	171,044	169,168

(Millions of yen)

	FY2010 (As of March 31, 2010)	FY2011 (As of March 31, 2011)
Liabilities		
Current Liabilities:		
Notes and accounts payable—trade	41,773	41,950
Short-term loans payable	* ¹ 15,846	* ¹ 17,883
Current portion of bonds	1,060	—
Current portion of long-term loans payable	* ¹ 13,376	* ¹ 11,220
Lease obligations	1,107	1,603
Accrued consumption taxes	449	516
Income taxes payable	753	463
Deferred tax liabilities	25	4
Accrued expenses	4,237	3,332
Provision for bonuses	416	821
Provision for loss on disaster	—	174
Other	* ¹ 2,724	* ¹ 3,319
Total Current Liabilities	81,770	81,290
Noncurrent Liabilities:		
Bonds payable	—	100
Long-term loans payable	* ¹ 15,958	* ¹ 14,277
Lease obligations	2,937	3,771
Deferred tax liabilities	417	397
Deferred tax liabilities for land revaluation	* ⁷ 7,595	* ⁷ 7,593
Provision for retirement benefits	5,084	5,225
Provision for directors' retirement benefits	155	134
Asset retirement obligations	—	294
Negative goodwill	11	2
Other	* ¹ 1,509	* ¹ 1,465
Total Noncurrent Liabilities	33,669	33,261
Total Liabilities	115,439	114,551
Net Assets		
Shareholders' equity		
Capital stock	23,344	23,344
Capital surplus	13,454	13,454
Retained earnings	6,076	5,160
Treasury stock	(13)	(19)
Total Shareholders' Equity	42,862	41,939
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	385	366
Revaluation reserve for land	* ⁷ 10,869	* ⁷ 10,867
Foreign currency translation adjustment	(7)	(65)
Total valuation and translation adjustments	11,247	11,169
Minority interests	1,494	1,508
Total Net Assets	55,604	54,617
Total Liabilities and Net Assets	171,044	169,168

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income
 [Consolidated Statements of Income]

(Millions of yen)

	FY2010 (April 1, 2009– March 31, 2010)	FY2011 (April 1, 2010– March 31, 2011)
Net sales	149,314	147,826
Cost of sales	*1, *2 101,925	*1, *2 101,639
Gross profit	47,389	46,187
Selling, general and administrative expenses		
Advertising expenses	1,211	1,208
Packing and transportation expenses	3,182	3,422
Directors' compensations, salaries and allowances	18,100	18,404
Bonuses	2,530	2,483
Retirement benefit expenses	1,937	1,830
Provision for directors' retirement benefits	42	23
Depreciation	1,281	1,340
Other	14,587	14,671
Total selling, general and administrative expenses	*2 42,873	*2 43,383
Operating income	4,515	2,803
Non-operating income		
Interest income	224	206
Dividends income	102	102
Amortization of negative goodwill	0	9
Subsidies received	114	107
Rent income	150	147
Sales of scrap	74	145
Other	376	413
Total non-operating income	1,044	1,133
Non-operating expenses		
Interest expenses	1,035	891
Sales discounts	111	115
Foreign exchange losses	82	329
Loss on abandonment of inventories	385	296
Other	286	296
Total non-operating expenses	1,902	1,930
Ordinary income	3,657	2,006
Extraordinary income		
Gain on sales of noncurrent assets	*3 87	*3 67
Gain on sale of investment securities	2	1
Total extraordinary income	89	68

(Millions of yen)

	FY2010 (April 1, 2009– March 31, 2010)	FY2011 (April 1, 2010– March 31, 2011)
Extraordinary loss		
Loss on sales and retirement of noncurrent assets	* ⁴ 185	* ⁴ 201
Impairment loss	* ⁵ 424	* ⁵ 62
Loss on valuation of investment securities	18	602
Loss on valuation of golf club membership	1	3
Directors' retirement benefits	4	—
Loss on adjustment for changes of accounting standard for asset retirement obligations	—	218
Loss on disaster	—	* ⁶ 760
Environmental expenses	119	—
Cost of measures for product recall	240	23
Other	6	0
Total extraordinary losses	1,000	1,872
Income before income taxes	2,747	202
Income taxes—current	1,002	881
Income taxes—deferred	(604)	233
Total income taxes	397	1,115
Loss before minority interests	—	(912)
Minority interests in income	2	6
Net income (loss)	2,347	(918)

[Consolidated Statements of Comprehensive Income]

(Millions of yen)

	FY2010 (April 1, 2009– March 31, 2010)	FY2011 (April 1, 2010– March 31, 2011)
Loss before minority interests	—	(912)
Other comprehensive income		
Valuation difference on available-for-sale securities	—	(9)
Foreign currency translation adjustment	—	(57)
Total Other comprehensive income	—	*2 (66)
Comprehensive income	—	*1 (979)
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	—	(994)
Comprehensive income attributable to minority interests	—	15

(3) Consolidated Statements of Changes in Net Assets

(Millions of yen)

	FY2010 (April 1, 2009– March 31, 2010)	FY2011 (April 1, 2010– March 31, 2011)
Shareholders' Equity		
Capital Stock		
Balance at the end of previous period	22,784	23,344
Changes of items during the period		
Issuance of new shares—exercise of subscription rights to shares	559	—
Total changes of items during the period	559	—
Balance at the end of period	23,344	23,344
Capital Surplus		
Balance at the end of previous period	12,815	13,454
Changes of items during the period		
Issuance of new shares—exercise of subscription rights to shares	559	—
Disposal of treasury stock	78	—
Total changes of items during the period	638	—
Balance at the end of period	13,454	13,454
Retained Earnings		
Balance at the end of previous period	4,072	6,076
Changes of items during the period		
Net income (loss)	2,347	(918)
Reversal of revaluation reserve for land	(342)	2
Total changes of items during the period	2,004	(916)
Balance at the end of period	6,076	5,160
Treasury Stock		
Balance at the end of previous period	(185)	(13)
Changes in items during the period		
Purchase of treasury stock	(23)	(6)
Disposal of treasury stock	196	—
Total changes of items during the period	172	(6)
Balance at the end of period	(13)	(19)
Total Shareholders' Equity		
Balance at the end of previous period	39,486	42,862
Changes of items during the period		
Issuance of new shares—exercise of subscription rights to shares	1,119	—
Net income (loss)	2,347	(918)
Purchase of treasury stock	(23)	(6)
Disposal of treasury stock	275	—
Reversal of revaluation reserve for land	(342)	2
Total changes of items during the period	3,375	(922)
Balance at the end of period	42,862	41,939

(Millions of yen)

	FY2010 (April 1, 2009– March 31, 2010)	FY2011 (April 1, 2010– March 31, 2011)
Accumulated Other Comprehensive Income		
Valuation Difference on Available-for-sale Securities		
Balance at the end of previous period	212	385
Changes of items during the period		
Net changes in items other than shareholders' equity	172	(18)
Total changes of items during the period	172	(18)
Balance at the end of period	385	366
Revaluation Reserve for Land		
Balance at the end of previous period	10,527	10,869
Changes of items during the period		
Net changes in items other than shareholders' equity	342	(2)
Total changes of items during the period	342	(2)
Balance at the end of period	10,869	10,867
Foreign Currency Translation Adjustment		
Balance at the end of previous period	(11)	(7)
Changes of items during the period		
Net changes in items other than shareholders' equity	3	(57)
Total changes of items during the period	3	(57)
Balance at the end of period	(7)	(65)
Total Accumulated Other Comprehensive Income		
Balance at the end of previous period	10,728	11,247
Changes of items during the period		
Net changes in items other than shareholders' equity	519	(78)
Total changes of items during the period	519	(78)
Balance at the end of period	11,247	11,169
Minority Interests		
Balance at the end of previous period	1,479	1,494
Changes of items during the period		
Net changes in items other than shareholders' equity	15	13
Total changes of items during the period	15	13
Balance at the end of period	1,494	1,508
Total Net Assets		
Balance at the end of previous period	51,694	55,604
Changes in items during the period		
Issuance of new shares—exercise of subscription rights to shares	1,119	—
Net income (loss)	2,347	(918)
Purchase of treasury stock	(23)	(6)
Disposal of treasury stock	275	—
Reversal of revaluation reserve for land	(342)	2
Net changes in items other than shareholders' equity	534	(64)
Total changes of items during the period	3,910	(987)
Balance at the end of period	55,604	54,617

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	FY2010 (April 1, 2009– March 31, 2010)	FY2011 (April 1, 2010– March 31, 2011)
Net Cash Provided by (Used in) Operating Activities:		
Income before income taxes	2,747	202
Depreciation and amortization	5,140	5,666
Impairment loss	424	62
Amortization of negative goodwill	(0)	(9)
Increase (decrease) in provision for retirement benefits	255	140
Increase (decrease) in provision for loss on disaster	—	174
Loss (gain) on sales of investment securities	2	(0)
Loss on evaluation of golf club memberships	1	3
Interest and dividend income	(327)	(309)
Interest expenses	1,035	891
Foreign exchange losses (gains)	(72)	(169)
Loss (gain) on sales of property, plant and equipment and intangible assets	98	133
Decrease (increase) in notes and accounts receivable—trade	(586)	631
Decrease (increase) in inventories	506	503
Increase (decrease) in notes and accounts payable—trade	(2,028)	176
Loss on adjustment for changes of accounting standard for asset retirement obligations	—	218
Other	1,517	611
Subtotal	8,713	8,928
Interest and dividends income received	331	309
Interest expenses paid	(1,031)	(891)
Income taxes paid	(1,111)	(1,404)
Income taxes refund	424	118
Net cash provided by (used in) operating activities	7,326	7,060
Net Cash Provided by (Used in) Investment Activities:		
Purchase of short-term investment securities	(19)	(19)
Proceeds from sales of short-term investment securities	240	19
Purchase of property, plant and equipment and intangible assets	(4,691)	(5,364)
Proceeds from sales of property, plant and equipment and intangible assets	298	279
Purchase of investment securities	(315)	(529)
Proceeds from sales of investment securities	30	11
Decrease (increase) in loans receivable	3	2
Decrease (increase) in time deposits	7	(20)
Other	124	(54)
Net cash provided by (used in) investment activities	(4,320)	(5,674)
Net Cash Provided by (Used in) Financing Activities:		
Increase (decrease) in short-term loans payable, net	(5,137)	2,063
Proceeds from long-term loans payable	14,610	10,135
Repayment of long-term loans payable	(12,418)	(13,972)
Proceeds from issuance of bonds	—	100
Redemption of bonds	(90)	(1,060)
Proceeds from sell and leaseback transactions	1,598	1,491
Repayments of lease obligations	(606)	(1,255)
Purchase of treasury stock	(23)	(6)
Other	(12)	(11)
Net cash provided by (used in) financing activities	(2,080)	(2,515)
Effect of Exchange Rate Change on Cash and Cash Equivalents	78	100
Net Increase (Decrease) in Cash and Cash Equivalents	1,004	(1,028)
Cash and Cash Equivalents at Beginning of Period	5,609	6,614
Cash and Cash Equivalents at End of Period	6,614	5,585

[Notes Regarding the Going Concern Assumption]
 FY2010 (April 1, 2009–March 31, 2010)

Not applicable

FY2011 (April 1, 2010–March 31, 2011)

Not applicable

[Important Basic Items for Preparing Consolidated Financial Statements]

Item	FY2010 (April 1, 2009–March 31, 2010)	FY2011 (April 1, 2010–March 31, 2011)
1 Scope of consolidation	<p>(1) Number of consolidated subsidiaries 24 companies (including Iseki-Matsuyama Mfg. Co., Ltd., Iseki-Kumamoto Mfg. Co., Ltd., Iseki-Hokkaido Co., Ltd. and Iseki-Tohoku Co., Ltd.) Based on the mergers, the number of consolidated subsidiaries declined by 2.</p> <p>(2) Names of major non-consolidated subsidiaries N.V. ISEKI EUROPE S.A. Because the non-consolidated subsidiary is small in scale and none of its total assets, net sales, net income (or loss), or retained earnings (the amount corresponding to the equity interest), etc., has a material impact on the consolidated financial statements, it is removed from the scope of consolidation.</p>	<p>(1) Number of consolidated subsidiaries 24 companies (including Iseki-Matsuyama Mfg. Co., Ltd., Iseki-Kumamoto Mfg. Co., Ltd., Iseki-Hokkaido Co., Ltd. and Iseki-Tohoku Co., Ltd.)</p> <p>(2) Names of major non-consolidated subsidiaries N.V. ISEKI EUROPE S.A. Same as on the left</p>
2 Scope of the equity-method companies	<p>(1) The equity method is not applied to any non-consolidated subsidiaries or affiliates.</p> <p>(2) Names of major non-consolidated subsidiaries and affiliates to which the equity method is not applied. N.V. ISEKI EUROPE S.A. Because the company to which the equity method is not applied has a minor effect on net income (or loss), retained earnings, etc., and is of no importance as a whole, it is removed from the scope of the equity-method companies.</p>	<p>(1) The equity method is not applied to any non-consolidated subsidiaries or affiliates.</p> <p>(2) Names of major non-consolidated subsidiaries and affiliates to which the equity method is not applied. N.V. ISEKI EUROPE S.A. Same as on the left</p>
3 Consolidated accounting period	<p>Of the consolidated subsidiaries, 14 companies (including Iseki-Hokkaido Co., Ltd.) use an end-of-period balance sheet date of December 31. Ten companies (including Iseki-Matsuyama Mfg. Co., Ltd.) use a balance sheet date of March 31. With regard to the preparation of the consolidated financial statements, the financial statements as of the balance sheet dates of respective companies are used. And necessary adjustments at consolidation are made for any significant transactions that occurred between the consolidated balance sheet date and these dates.</p>	<p>Of the consolidated subsidiaries, 14 companies (including Iseki-Hokkaido Co., Ltd.) use an end-of-period balance sheet date of December 31. Ten companies (including Iseki-Matsuyama Mfg. Co., Ltd.) use a balance sheet date of March 31. Same as on the left</p>

Item	FY2010 (April 1, 2009–March 31, 2010)	FY2011 (April 1, 2010–March 31, 2011)
<p>4 Accounting policies</p> <p>(1) Valuation basis and methods of important assets</p> <p>(i) Inventories</p> <p>(ii) Securities</p> <p>(iii) Derivatives</p>	<p>Mainly recorded at cost using the gross average method (Balance sheet amounts for items with reduced profitability have been adjusted downward accordingly)</p> <p>(a) Held-to-maturity debt securities Recorded at amortized cost (Straight-line method)</p> <p>(b) Available-for-sale securities</p> <ul style="list-style-type: none"> • Securities with fair market value Recorded at market value, based on the fair market price at the closing date of the consolidated reporting period (Any estimate variance is credited or debited to Shareholders' Equity, and cost of sales is calculated using the moving-average method.) • Securities without fair market value Mainly recorded at cost, based on the moving-average method <p>Recorded using the market value method</p>	<p>Same as on the left</p> <p>(a) Held-to-maturity debt securities Same as on the left</p> <p>(b) Available-for-sale securities</p> <ul style="list-style-type: none"> • Securities with fair market value Same as on the left • Securities without fair market value Same as on the left <p>Same as on the left</p>

Item	FY2010 (April 1, 2009–March 31, 2010)	FY2011 (April 1, 2010–March 31, 2011)
<p>(2) Depreciation methods for material depreciable assets</p> <p>(i) Property, plant and equipment (excluding lease assets)</p> <p>(ii) Intangible assets (excluding lease assets)</p> <p>(iii) Lease assets</p>	<p>For the depreciation methods of property, plant and equipment, the straight-line method is used mainly for tools and new buildings (not including buildings and accompanying facilities) acquired on or after April 1, 1998, and the declining-balance method is used for other property, plant and equipment.</p> <p>(Principal useful lives)</p> <p style="padding-left: 20px;">Buildings and structures 3 through 50 years</p> <p style="padding-left: 20px;">Machinery, equipment and vehicles 2 through 17 years</p> <p style="padding-left: 20px;">Tools, furniture and fixtures 2 through 20 years</p> <p>Depreciation of minor tangible fixed assets whose acquisition costs were ¥100 thousand or more, but less than ¥200 thousand, is computed principally by the straight-line method over a period of 3 years.</p> <p>Depreciation for property, plant and equipment acquired on or before March 31, 2007 has been computed based on a salvage value of 5% of acquisition cost. The amount between the salvage value and memorandum value is depreciated from the year following the year in which the book value of the asset reaches 5% of its acquisition cost by the straight-line method over a period of 5 years.</p> <p>Straight-line method is applied. However, software for internal use is depreciated using the straight-line method over an expected useful life within the company of five years, while software for marketing is depreciated using the straight-line method over an expected marketable period of three years.</p> <p>Lease assets derived from finance leases other than those leases which transfer the ownership of the assets to the lessee are amortized using straight-line method with no residual value over the lease period, which is deemed the useful life.</p> <p>Among finance leases that do not involve transfer of ownership to lessee, leases that began before April 1, 2008 are accounted for as normal operating leases.</p>	<p>Same as on the left</p> <p>Same as on the left</p> <p>Same as on the left</p>

Item	FY2010 (April 1, 2009–March 31, 2010)	FY2011 (April 1, 2010–March 31, 2011)
(3) Allowances and reserves		
(i) Allowance for doubtful accounts	A likely unrecoverable amount is calculated by applying the historical bad debt ratio to common receivables. For specific receivables, such as doubtful debt receivables, allowances are made by individually evaluating the likelihood of them being collected.	Same as on the left
(ii) Provision for bonuses	To provide for future bonus payments to employees, a provision for bonuses is booked based on estimated future payments.	Same as on the left
(iii) Provision for loss on disaster	_____	To provide for expenditures necessary for restoring assets damaged by the Great East Japan Earthquake, the provision for loss on disaster is based on the estimated amount at the end of the consolidated accounting period.
(iv) Provision for retirement benefits	<p>Provision for retirement benefits is recorded as at the end of the consolidated accounting period, and is principally based on the amounts for the obligation for employees' retirement benefits and pension plan assets.</p> <p>Disparities arising out of changes to accounting standards are expensed pro rata over 15 years. Past service liabilities are amortized using the straight-line method over the average of the estimated remaining years of service. Actuarial differences are amortized using the straight-line method over the average of the estimated remaining years of service calculated in the respective consolidated fiscal periods when the differences are arisen, with the first expense being recognized in the following consolidated fiscal period.</p> <p>(Changes in accounting policies)</p> <p>Effective as of the fiscal year ended March 31, 2010, the Company adopted the partial revision (No. 3) to the “Accounting Standard for Retirement Benefits” (ASBJ Statement No. 19, July 31, 2008). This change had no impact of profit or loss.</p>	<p>Provision for retirement benefits is recorded as at the end of the consolidated accounting period, and is principally based on the amounts for the obligation for employees' retirement benefits and pension plan assets.</p> <p>Disparities arising out of changes to accounting standards are expensed pro rata over 15 years. Past service liabilities are amortized using the straight-line method over the average of the estimated remaining years of service. Actuarial differences are amortized using the straight-line method over the average of the estimated remaining years of service calculated in the respective consolidated fiscal periods when the differences are arisen, with the first expense being recognized in the following consolidated fiscal period.</p>

Item	FY2010 (April 1, 2009–March 31, 2010)	FY2011 (April 1, 2010–March 31, 2011)
(v) Provision for directors' retirement benefits	<p>Some of the Company's consolidated subsidiaries record the directors' retirement benefits to provide for directors' retirement benefits in an amount as required by companies' internal regulations.</p> <p>(Supplementary information)</p> <p>The Company had recorded the directors' retirement benefits to provide for directors' retirement benefits in an amount as required by companies' internal regulations. However, the Board of Directors, at its meeting held on May 14, 2009, approved the resolution to abolish the directors' retirement benefits plan effective on July 1, 2009. In connection therewith, the 85th general meeting of shareholders, held on June 26, 2009, approved the resolution that the directors' retirement benefits are to be paid only for the portion of their terms of office until the abolishment date of the plan.</p> <p>Therefore, provision for directors' retirement benefits was released and recorded as noncurrent liabilities "Other" (long-term accounts payable) until the time of payment.</p>	<p>Some of the Company's consolidated subsidiaries record the directors' retirement benefits to provide for directors' retirement benefits in an amount as required by companies' internal regulations.</p>
<p>(4) Accounting standards for revenues and expenses</p> <p>(i) Accounting standards for the value and cost of completed construction contracts</p>	<p>The percentage-of-completion method is applied for construction in progress up to the end of the consolidated accounting period, for which the outcome can be estimated reliably (the proportional cost method is applied for estimating the percentage of progress of the construction). The completed-contract method is applied for other constructions.</p> <p>(Changes in accounting policies)</p> <p>Effective as of the fiscal year ended March 31, 2010, the Company adopted the "Accounting Standard for Construction Contracts" ("ASBJ Statement No. 15, December 27, 2007) and the "Implementation Guidance on Accounting Standard for Construction Contracts" (ASBJ Implementation Guidance No. 18, December 27, 2007). This change had no impact of profit or loss.</p>	<p>The percentage-of-completion method is applied for construction in progress up to the end of the consolidated accounting period, for which the outcome can be estimated reliably (the proportional cost method is applied for estimating the percentage of progress of the construction). The completed-contract method is applied for other constructions.</p>

Item	FY2010 (April 1, 2009–March 31, 2010)	FY2011 (April 1, 2010–March 31, 2011)
(5) Foreign currency translation	<p>Monetary assets and liabilities in foreign currencies are translated into yen at the rates of exchange in effect at the balance sheet date. Gains or losses resulting from the translation are credited or charged to income.</p> <p>Balance sheet accounts (except for shareholders' equity) and revenue and expense accounts of the overseas subsidiary are translated into yen at the rates of exchange in effect at the balance sheet dates. Differences arising from the translation are presented as "Foreign currency translation adjustment" in shareholders' equity and financial statements.</p>	Same as on the left
(6) Hedge accounting	<p>(a) Hedge accounting Recorded in accordance with deferred hedge accounting. Such receivables and payables, which are denominated in foreign currencies and for which forward exchange contracts have been entered, are recorded using the forward exchange rates.</p> <p>(b) Hedging instruments and hedged items</p> <ul style="list-style-type: none"> • Hedging instruments Forward exchange contracts Interest rate swap agreements • Hedged items Receivables and payables denominated in foreign currencies Borrowings <p>(c) Hedging policy The Company hedges the risks associated with fluctuations in foreign currencies exchange rates and interest rates. As for the risks associated with fluctuations in foreign currencies exchange rates in transactions in foreign currencies that occur when carrying out export and import businesses, the Company makes it its policy to balance export exchange with import exchange, and for interest-rate fluctuation risk on borrowings, the Company makes it its policy to hedge against variable interest rate borrowings with the aim mainly of spreading interest payments.</p> <p>(d) Method of assessing effectiveness of hedging The Company assesses the effectiveness of hedging by comparing the respective changes in total amount of cash flows regarding hedging instruments and hedged items.</p>	<p>(a) Hedge accounting Same as on the left</p> <p>(b) Hedging instruments and hedged items Same as on the left</p> <p>(c) Hedging policy Same as on the left</p> <p>(d) Method of assessing effectiveness of hedging Same as on the left</p>

Item	FY2010 (April 1, 2009–March 31, 2010)	FY2011 (April 1, 2010–March 31, 2011)
<p>(7) Amortization method and amortization period of goodwill</p> <p>(8) Cash and cash equivalents</p> <p>(9) Other notes pertaining to the preparation of the Consolidated Financial Statements</p> <p>(i) Accounting treatment of consumption tax</p>	<p>(e) Other risk management method regarding hedge accounting Transactions are conducted under the internal policies which include procedures and authorization processes. To assess the effectiveness of risk hedging, etc., the Company makes it a rule that it should be verified by the finance divisions on a regular basis.</p> <p>_____</p> <p>_____</p> <p>Consumption tax and local consumption taxes are accounted for using a tax-exclusive method.</p>	<p>(e) Other risk management method regarding hedge accounting Same as on the left</p> <p>Goodwill is amortized equally over a period of no longer than 20 years after the fiscal year in which the goodwill arises.</p> <p>When preparing the consolidated statements of cash flows, cash-on-hand, demand deposits, and short-term, high-liquidity investments with maturities not exceeding three months, which can be easily converted into cash and involve little risk of fluctuations of value, are considered to be cash and cash equivalents.</p> <p>Same as on the left</p>
<p>5 Evaluation of consolidated subsidiaries' assets and liabilities</p>	<p>The market value method is used to value the consolidated subsidiaries' assets and liabilities.</p>	<p>_____</p>
<p>6 Amortization of goodwill and negative goodwill</p>	<p>Goodwill is amortized equally over a period of no longer than 20 years after the fiscal year in which the goodwill arises.</p>	<p>_____</p>
<p>7 Cash and cash equivalents</p>	<p>When preparing the consolidated statements of cash flows, cash-on-hand, demand deposits, and short-term, high-liquidity investments with maturities not exceeding three months, which can be easily converted into cash and involve little risk of fluctuations of value, are considered to be cash and cash equivalents.</p>	<p>_____</p>

[Changes in Important Basic Items for Preparing Consolidated Financial Statements]

FY2010 (April 1, 2009–March 31, 2010)	FY2011 (April 1, 2010–March 31, 2011)
—————	<p>(Application of the Accounting Standard for Asset Retirement Obligations)</p> <p>Effective as of the fiscal year ended March 2011, the Company adopted the “Accounting Standard for Asset Retirement Obligations (ASBJ Statement No. 18, March 31, 2008) and the “Guidance on Accounting Standard for Asset Retirement Obligations” (ASBJ Guidance No. 21, March 31, 2008).</p> <p>As a result of this change, operating income and ordinary income decreased ¥9 million, respectively, and income before income taxes declined ¥228 million.</p>

[Changes in Presentation of Financial Statements]

FY2010 (April 1, 2009–March 31, 2010)	FY2011 (April 1, 2010–March 31, 2011)
—————	<p>(Consolidated Statements of Income)</p> <p>Effective as of the fiscal year ended March 2011, the Company adopted the “Cabinet Office Ordinance on Partial Amendment to the Regulations on Terminology, Format and Preparation of Financial Statements, etc.” (Cabinet Office Ordinance No. 5, March 24, 2009) pursuant to the “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, December 26, 2008), and use the account of “Loss before minority interests.”</p>

[Additional information]

FY2010 (April 1, 2009–March 31, 2010)	FY2011 (April 1, 2010–March 31, 2011)
—————	<p>Effective the consolidated accounting period, the Company has applied “Accounting Standard for Presentation of Comprehensive Income” (ASBJ Statement No. 25, June 30, 2010). Accordingly, the Company presents “valuation and transaction adjustments” and “total valuation and transaction adjustments” for the fiscal year ended March 31, 2010, as “accumulated other comprehensive income” and “total accumulated other comprehensive income” respectively.</p>

[Notes]

(Consolidated Balance Sheets Information)

FY2010 (April 1, 2009–March 31, 2010)			FY2011 (April 1, 2010–March 31, 2011)				
*1	Assets of which are provided as collateral	Amount (Millions of yen)		*1	Assets of which are provided as collateral	Amount (Millions of yen)	
I	Property, plant and equipment			I	Property, plant and equipment		
	Buildings and structures	2,308			Buildings and structures	2,213	
	Land	7,668	9,977		Land	6,973	9,187
II	Liabilities to the above items			II	Liabilities to the above items		
	Short-term loans payable	5,420			Short-term loans payable	4,585	
	Current portion of long-term loans payable	1,456			Current portion of long-term loans payable	1,161	
	Other (accounts payable)	9			Other (accounts payable)	9	
	Long-term loans payable	1,970			Long-term loans payable	1,865	
	Other (long-term accounts payable)	59	8,915		Other (long-term accounts payable)	49	7,671
*2	Accumulated depreciation of property, plant and equipment	91,216 million yen		*2	Accumulated depreciation of property, plant and equipment	94,005 million yen	
*3	Investment and other assets invested in non-consolidated subsidiaries and affiliates			*3	Investment and other assets invested in non-consolidated subsidiaries and affiliates		
	Investment securities (shares)	75 million yen			Investment securities (shares)	75 million yen	
	Other (investments in capital)	13 million yen			Other (investments in capital)	13 million yen	
4	Guaranteed liabilities			4	Guaranteed liabilities		
	Higashi Nihon Agricultural Equipment Cooperative Union	3,725 million yen			Higashi Nihon Agricultural Equipment Cooperative Union	3,725 million yen	
	Nishi Nihon Agricultural Equipment Cooperative Union	2,187 million yen			Nishi Nihon Agricultural Equipment Cooperative Union	2,187 million yen	
	Kinki Agricultural Equipment Cooperative Union	1,361 million yen			Kinki Agricultural Equipment Cooperative Union	1,361 million yen	
	Tokai Agricultural Equipment Cooperative Union	927 million yen			Tokai Agricultural Equipment Cooperative Union	927 million yen	
	Other	326 million yen			Other	286 million yen	
	Total	8,526 million yen			Total	8,486 million yen	
5	Notes receivable less discount—trade	46 million yen		5	Notes receivable less discount—trade	12 million yen	
6	Endorsed notes receivable—trade	386 million yen		6	Endorsed notes receivable—trade	371 million yen	

FY2010 (April 1, 2009–March 31, 2010)		FY2011 (April 1, 2010–March 31, 2011)													
*7	<p>Revaluation of land for business use</p> <p>The Company, which submitted its consolidated financial statements, has revalued its land for business use pursuant to the law (Law No. 19, announced on March 31, 2001), which revises parts of the law relating to the revaluation of land. The equivalent tax related to the change in the said revaluation has been recorded in the liabilities as a "Deferred tax liabilities for land revaluation" and the deducted amount has been recorded in the assets as a "Revaluation reserve for land".</p> <ul style="list-style-type: none"> • Revaluation method The revaluation of land has been determined using a reasonable adjustment to the assessed value of the noncurrent assets as stipulated in Paragraph 3, Article 2, of the enforcement order (Government ordinance number 119, announced on March 31, 1998). • Revaluation date March 31, 2001 • Variance between the market value of the revalued land at the end of the period and the revalued book value (¥10,256 million) 	*7	<p>Revaluation of land for business use</p> <p>The Company, which submitted its consolidated financial statements, has revalued its land for business use pursuant to the law (Law No. 19, announced on March 31, 2001), which revises parts of the law relating to the revaluation of land. The equivalent tax related to the change in the said revaluation has been recorded in the liabilities as a "Deferred tax liabilities for land revaluation" and the deducted amount has been recorded in the assets as a "Revaluation reserve for land".</p> <ul style="list-style-type: none"> • Revaluation method The revaluation of land has been determined using a reasonable adjustment to the assessed value of the noncurrent assets as stipulated in Paragraph 3, Article 2, of the enforcement order (Government ordinance number 119, announced on March 31, 1998). • Revaluation date March 31, 2001 • Variance between the market value of the revalued land at the end of the period and the revalued book value (¥10,632 million) 												
8	<p>Commitment line contract</p> <p>The Company has concluded a commitment line contract with certain banks to reduce its interest-bearing liabilities and improve efficient financing and financial account balance.</p> <p>Unused portion of commitments on the lending commitment as of the year-end of the consolidated fiscal year under review is as follows:</p> <table> <tr> <td>Aggregate amount of lending commitment</td> <td>20,030 million yen</td> </tr> <tr> <td>Used portion of commitments</td> <td>500 million yen</td> </tr> <tr> <td>Balance unused</td> <td>19,530 million yen</td> </tr> </table>	Aggregate amount of lending commitment	20,030 million yen	Used portion of commitments	500 million yen	Balance unused	19,530 million yen	8	<p>Commitment line contract</p> <p>The Company has concluded a commitment line contract with certain banks to reduce its interest-bearing liabilities and improve efficient financing and financial account balance.</p> <p>Unused portion of commitments on the lending commitment as of the year-end of the consolidated fiscal year under review is as follows:</p> <table> <tr> <td>Aggregate amount of lending commitment</td> <td>20,030 million yen</td> </tr> <tr> <td>Used portion of commitments</td> <td>500 million yen</td> </tr> <tr> <td>Balance unused</td> <td>19,530 million yen</td> </tr> </table>	Aggregate amount of lending commitment	20,030 million yen	Used portion of commitments	500 million yen	Balance unused	19,530 million yen
Aggregate amount of lending commitment	20,030 million yen														
Used portion of commitments	500 million yen														
Balance unused	19,530 million yen														
Aggregate amount of lending commitment	20,030 million yen														
Used portion of commitments	500 million yen														
Balance unused	19,530 million yen														

(Consolidated Statements of Income Information)

FY2010 (April 1, 2009–March 31, 2010)		FY2011 (April 1, 2010–March 31, 2011)	
*1	Inventory at the end of the fiscal year represents the amount adjusted downward for items with reduced profitability and loss on valuation of inventories included in cost of sales accounted for ¥13 million.	*1	Inventory at the end of the fiscal year represents the amount adjusted downward for items with reduced profitability and loss on valuation of inventories included in cost of sales accounted for - ¥13 million.
*2	Research and development expenses included in selling, general and administrative expenses and current manufacturing expenses 4,025 million yen	*2	Research and development expenses included in selling, general and administrative expenses and current manufacturing expenses 3,883 million yen
*3	Gain on sales of noncurrent assets Buildings and structures 1 million yen Machinery, equipment and vehicles 45 million yen Land 4 million yen Intangible assets 36 million yen <hr/> Total 87 million yen	*3	Gain on sales of noncurrent assets Buildings and structures 28 million yen Machinery, equipment and vehicles 26 million yen Tools, furniture and fixtures 0 million yen Land 10 million yen Other 0 million yen <hr/> Total 67 million yen
*4	Loss on sales and retirement of noncurrent assets Buildings and structures 47 million yen Machinery, equipment and vehicles 92 million yen Tools, furniture and fixture 39 million yen Land 4 million yen Other 1 million yen <hr/> Total 185 million yen	*4	Loss on sales and retirement of noncurrent assets Buildings and structures 74 million yen Machinery, equipment and vehicles 82 million yen Tools, furniture and fixtures 32 million yen Land 11 million yen Other 0 million yen <hr/> Total 201 million yen

FY2010 (April 1, 2009–March 31, 2010)				FY2011 (April 1, 2010–March 31, 2011)			
*5 Impairment loss The Company recorded impairment loss of ¥424 million on the following assets.				*5 Impairment loss The Company recorded impairment loss of ¥62 million (¥1 million for buildings and ¥60 million for land) on the following assets.			
Usage	Type	Location	Amount (Millions of yen)	Usage	Type	Location	Amount (Millions of yen)
Idle property	Land	Yokkaichi, Mie Pref.	15	Idle property	Buildings, land	Saihaku-gun, Tottori Pref.	4
		Yonago, Tottori Pref.	1			Property loaned out	Land
		Mitoyo, Kagawa Pref.	16	Total	62		
		Kuma, Kumamoto Pref.	11				
		Kitamorokata, Miyazaki Pref.	1	Property loaned out	Land		
		Kirishima, Kagoshima Pref.	2			Kumamoto, Kumamoto Pref.	361
Total			424				
(Background) The Company recorded an impairment loss on the above assets. This is because idle properties are not being used and have no prospect for use in the future. In addition, the market price of land is declining for idle properties and properties loaned out.				(Background) The Company recorded an impairment loss on the above assets. This is because idle properties are not being used and have no prospect for use in the future. In addition, the market price of land is declining for idle properties and properties loaned out.			
(Grouping method) We group our assets at each unit, which manages receipts and payments independently. We also group idle properties and properties loaned out individually.				(Grouping method) We group our assets at each unit, which manages receipts and payments independently. We also group idle properties and properties loaned out individually.			
(Measurement of recoverable amount) Recoverable amount is measured using net selling price. In case of land, the price is determined by applying reasonable adjustments to the assessed value of noncurrent assets for property tax.				(Measurement of recoverable amount) Recoverable amount is measured using net selling price. In case of land, the price is determined by applying reasonable adjustments to the assessed value of noncurrent assets for property tax.			

FY2010 (April 1, 2009–March 31, 2010)	FY2011 (April 1, 2010–March 31, 2011)										
6	<p>*6 Loss on disaster The Company and some of its subsidiaries recorded a ¥760 million loss on the Great East Japan Earthquake.</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="padding-left: 20px;">Provision for loss on disaster</td> <td style="text-align: right;">¥174 million</td> </tr> <tr> <td style="padding-left: 20px;">Loss on valuation of inventories</td> <td style="text-align: right;">¥418 million</td> </tr> <tr> <td style="padding-left: 20px;">Loss on retirement of noncurrent assets</td> <td style="text-align: right;">¥104 million</td> </tr> <tr> <td style="padding-left: 20px;">Provision of allowance for doubtful assets</td> <td style="text-align: right;">¥58 million</td> </tr> <tr> <td style="padding-left: 20px;">Other</td> <td style="text-align: right;">¥3 million</td> </tr> </table>	Provision for loss on disaster	¥174 million	Loss on valuation of inventories	¥418 million	Loss on retirement of noncurrent assets	¥104 million	Provision of allowance for doubtful assets	¥58 million	Other	¥3 million
Provision for loss on disaster	¥174 million										
Loss on valuation of inventories	¥418 million										
Loss on retirement of noncurrent assets	¥104 million										
Provision of allowance for doubtful assets	¥58 million										
Other	¥3 million										

(Consolidated Statements of Comprehensive Income Information)

FY2011 (April 1, 2010–March 31, 2011)

*1 Comprehensive income for the previous fiscal year ended March 31, 2010

Comprehensive income attributable to parent company	¥2,523 million
Comprehensive income attributable to minority interests	¥18 million
Total	¥2,541 million

*2 Other comprehensive income for the previous fiscal year ended March 31, 2010

Valuation difference on available-for-sale securities	¥188 million
Foreign currency translation adjustment	¥3 million
Total	¥192 million

(Consolidated Statements of Changes in Net Assets Information)

FY2010 (April 1, 2009–March 31, 2010)

1. Matters concerning outstanding stocks

Class of shares	Number of shares (as of March 31, 2009)	Increase in number of shares	Decrease in number of shares	Number of shares (as of March 31, 2010)
Common stock	226,536,329	3,313,607	—	229,849,936
Total	226,536,329	3,313,607	—	229,849,936

(Note) The increase in number of shares (3,313,607 shares) during the period was due to the exercise of subscription rights for convertible bond-type bonds with subscription rights to shares.

2. Matters concerning treasury stocks

Class of shares	Number of shares (as of March 31, 2009)	Increase in number of shares	Decrease in number of shares	Number of shares (as of March 31, 2010)
Common stock	790,839	66,993	813,609	44,223
Total	790,839	66,993	813,609	44,223

(Note) The increase in number of shares (66,993 shares) during the period was due to the purchasing of shares below the stock trading unit, while the decrease in number of shares (813,609 shares) was due to the exercise of subscription rights for convertible bond-type bonds with subscription rights to shares.

3. Matters concerning subscription rights to shares, etc.

Not applicable

4. Matters concerning dividends

Not applicable

FY2011 (April 1, 2010–March 31, 2011)

1. Matters concerning outstanding stocks

Class of shares	Number of shares (as of March 31, 2010)	Increase in number of shares	Decrease in number of shares	Number of shares (as of March 31, 2011)
Common stock	229,849,936	—	—	229,849,936
Total	229,849,936	—	—	229,849,936

2. Matters concerning treasury stocks

Class of shares	Number of shares (as of March 31, 2010)	Increase in number of shares	Decrease in number of shares	Number of shares (as of March 31, 2011)
Common stock	44,223	28,859	—	73,082
Total	44,223	28,859	—	73,082

(Note) The increase in number of shares (28,859 shares) during the period was due to the purchasing of shares below the stock trading unit.

3. Matters concerning subscription rights to shares, etc.

Not applicable

4. Matters concerning dividends

Not applicable

(Consolidated Statements of Cash Flows Information)

FY2010 (April 1, 2009–March 31, 2010)		FY2011 (April 1, 2010–March 31, 2011)	
1	Reconciliation between the end of period balance of cash and cash equivalents and the amount reported in the Consolidated Balance Sheet (March 31, 2010)	1	Reconciliation between the end of period balance of cash and cash equivalents and the amount reported in the Consolidated Balance Sheet (March 31, 2011)
	Cash and deposits 6,705 million yen		Cash and deposits 5,696 million yen
	Time deposits with terms of 3 months or more (90 million yen)		Time deposits with terms of 3 months or more (110 million yen)
	Total cash and cash equivalents 6,614 million yen		Total cash and cash equivalents 5,585 million yen
2	Major noncash transactions	2	Major noncash transactions
	(1) Exercise of subscription rights for convertible bond-type bonds with subscription rights to shares		(1) Assets and liabilities derived from finance leases newly accounted for in the fiscal year ended March 31, 2011
	Increase of capital by exercise of subscription rights to shares 559 million yen		2,585 million yen
	Increase of legal capital surplus by exercise of subscription rights to shares 559 million yen		
	Net gain on the disposal of treasury stocks by exercise of subscription rights to shares 78 million yen		
	Decrease of treasury stocks by exercise of subscription rights to shares 196 million yen		
	Decrease of bonds by exercise of subscription rights to shares 1,395 million yen		
	(2) Assets and liabilities derived from finance leases newly accounted for in the fiscal year ended March 31, 2010		
	2,601 million yen		

(Lease Transaction Information)

FY2010 (April 1, 2009–March 31, 2010)				FY2011 (April 1, 2010–March 31, 2011)				
1	Finance lease transactions			1	Finance lease transactions			
	Finance leases other than those leases that transfer ownership of assets to the lessee				Finance leases other than those leases that transfer ownership of assets to the lessee			
	(1) Details of lease assets				(1) Details of lease assets			
	(i) Property, plant and equipment				(i) Property, plant and equipment			
	These represent mainly machinery, equipment, and transport equipment (machinery, equipment and vehicles), as well as tools and business equipment such as personal computers (tools, furniture, and fixtures).				Same as on the left			
	(ii) Intangible assets				(ii) Intangible assets			
	These are software.				Same as on the left			
	(2) Depreciation methods of lease assets				(2) Depreciation methods of lease assets			
	These are as stated in “4. Accounting policies (2) Depreciation methods for material depreciable assets (iii) Lease assets” of Important Basic Items for Preparing Consolidated Financial Statements.				These are as stated in “4. Accounting policies (2) Depreciation methods for material depreciable assets (iii) Lease assets” of Important Basic Items for Preparing Consolidated Financial Statements.			
	Among finance leases that do not involve transfer of ownership to lessee, leases that began before April 1, 2008 are accounted for as normal operating leases.				Among finance leases that do not involve transfer of ownership to lessee, leases that began before April 1, 2008 are accounted for as normal operating leases.			
	(1) Finance lease transactions other than those leases that are deemed to transfer ownership of leased assets to the lessee				(1) Finance lease transactions other than those leases that are deemed to transfer ownership of leased assets to the lessee			
	(i) Acquisition costs, accumulated depreciation and net book value of leased properties as of the fiscal year-end				(i) Acquisition costs, accumulated depreciation and net book value of leased properties as of the fiscal year-end			
		Acquisition costs (millions of yen)	Accumulated depreciation (millions of yen)	Net book value as of the fiscal year-end (millions of yen)		Acquisition costs (millions of yen)	Accumulated depreciation (millions of yen)	Net book value as of the fiscal year-end (millions of yen)
	Buildings and structures	10	9	0	Buildings and structures	1	1	0
	Machinery, equipment and vehicles	3,536	1,978	1,557	Machinery, equipment and vehicles	3,138	2,106	1,032
	Tools, furniture and fixtures	2,110	1,596	513	Tools, furniture and fixtures	684	553	130
	Total	5,656	3,584	2,072	Total	3,824	2,660	1,163

FY2010 (April 1, 2009–March 31, 2010)		FY2011 (April 1, 2010–March 31, 2011)	
(ii) Future minimum lease payments as of the fiscal year-end		(ii) Future minimum lease payments as of the fiscal year-end	
Within one year	924 million yen	Within one year	542 million yen
More than one year	1,241 million yen	More than one year	698 million yen
Total	2,166 million yen	Total	1,241 million yen
(iii) Lease payment, depreciation and interest expense		(iii) Lease payment, depreciation and interest expense	
Lease payment	1,503 million yen	Lease payment	968 million yen
Depreciation	1,389 million yen	Depreciation	889 million yen
Interest expense	88 million yen	Interest expense	46 million yen
(iv) Calculation methods of depreciation and interest		(iv) Calculation methods of depreciation and interest	
<ul style="list-style-type: none"> • Calculation method of depreciation Lease assets are amortized using straight-line method with no residual value over the lease period, which is deemed the useful life. • Calculation method of interest Interest equivalents are calculated by deeming the amount after deducting acquisition cost of the leased property from the total amount of lease payment as interest, and amortizing it over the lease period based on the interest method. 		<ul style="list-style-type: none"> • Calculation method of depreciation Same as on the left • Calculation method of interest Same as on the left 	
2	Operating leases transaction	2	Operating leases transaction
Future minimum lease payments for non-cancelable operating leases		Future minimum lease payments for non-cancelable operating leases	
Within one year	167 million yen	Within one year	165 million yen
More than one year	499 million yen	More than one year	330 million yen
Total	666 million yen	Total	495 million yen

(Financial Instrument Information)

FY2010 (April 1, 2009–March 31, 2010)

(Supplementary information)

Effective as of the fiscal year ended March 31, 2010, the Company has adopted the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, March 10, 2008) and the “Implementation Guidance for Disclosure of Fair Values, etc. of Financial Instruments” (ASBJ Implementation Guidance No. 19, March 10, 2008).

1. Matters concerning the status of financial instruments

(1) Policies for financial instruments

The Group has funds mainly through bank loans and issuance of bonds based on its financing plans. Temporary surplus funds have been invested in safe and secure financial assets. Derivatives have been used to avoid risks mentioned later, but the Company makes it its policy not to engage in speculative transactions.

(2) Content of financial instruments, risks associated therewith, and risk management system

Notes and accounts receivable, which are trade receivables, are exposed to the credit risk of customers. The said risk is managed in accordance with the Group’s rules. In addition, trade receivables in foreign currencies arising from business operations in overseas markets are exposed to risk of foreign currency exchange rate fluctuations; therefore, the Company has hedged foreign exchange risk using forward exchange contracts to the extent that occurrence can be anticipated with certainty. Securities and investment securities are chiefly held-to-maturity debt securities and shares of companies with which the Company has a business relationship. While these are exposed to risks of market price fluctuations, market prices obtained on a regular basis have been reported to the Board of Directors.

Notes and accounts payable, which are operating liabilities, almost all of them have a date of payment of within one year. Of these, some are in foreign currencies in connection with imports of raw materials and are exposed to risk of foreign exchange rate fluctuations, but they are within the scope of the balance of trade receivables in the same currency.

Loans are fund procurements mainly related to operating transactions and lease obligations for finance leases are fund procurements mainly related to holding noncurrent assets. While variable interest rate loans are exposed to risk of interest rate fluctuations, for some long-term loans, derivative transactions (interest rate swap agreements) have been used as hedging instruments for individual loans to avoid risk of fluctuating interest rates payable and stabilize interest expenses. Regarding the method of evaluating the effectiveness of hedging, because the requirements for exceptional accounting have been met, evaluation of effectiveness has been omitted.

Implementation and management of derivative transactions have been done in accordance with internal policies that provide for authorizing transactions, and the Company has engaged in transactions with financial institutions having high ratings to reduce credit risk.

(3) Supplementary explanation of matters concerning market values, etc., of financial instruments

Market values of financial instruments include values based on market prices, as well as values reasonably calculated if there are no market prices.

For transaction amounts, etc., concerning derivative transactions in the notes of “Derivative Transaction Information,” the amounts per se do not represent market risk associated with derivative transactions.

2. Matters concerning market values, etc., of financial instruments

Carrying value as of March 31, 2010, market value and unrealized gain (loss) are as follows. Items for which market values are deemed to be extremely difficult to grasp are not included in the following table (Please refer to (Note 2)):

	Carrying value (millions of yen)	Market value (millions of yen)	Unrealized gain (millions of yen)
(1) Cash and deposits	6,705	6,705	—
(2) Notes and accounts receivable—trade	29,320	29,320	—
(3) Securities and investment securities			
(i) Held-to-maturity debt securities	19	19	0
(ii) Available-for-sales securities	4,187	4,187	—
(4) Notes and accounts payable—trade	41,773	41,773	—
(5) Short-term loans payable	15,846	15,846	—
(6) Bonds payable	1,060	1,060	—
(7) Long-term loans payable	29,335	29,448	112
(8) Derivative transactions	—	—	—

(Note 1) Matters concerning calculation method of market values of financial instruments as well as securities and derivative transactions

(1) Cash and deposits and (2) Notes and accounts receivable

Because these are settled in the short term and market values are almost the same as book values, amounts are based on book values.

(3) Securities and investment securities

Market values of shares were based on the prices traded on stock exchanges while market values of bonds were based on the prices traded on stock exchanges or those presented by correspondent financial institutions.

(4) Note and accounts payable, (5) Short-term loans payable and (6) Bonds payable

Because these are settled in the short term and market values are almost the same as book values, amounts are based on book values.

(7) Long-term loans payable

These were calculated based on the present value discounted by the interest rate assumed in case the combined amount of principal and interest is newly borrowed. Long-term loans payable with variable interest rates subject to exceptional accounting of interest rate swaps were based on the method calculated, by discounting the combined amount of principal and interest processed integrally with the said interest rate swap at a reasonably estimated interest rate applied in case a similar loan is made.

(8) Derivative transactions

Because those accounted for based on *furiate-shori* (accounting method by which the current and forward rate difference is allocated by period length for calculation in the accounting period) for forward exchange contracts and those subject to exceptional accounting for interest rate swaps were processed integrally with notes and accounts receivable or long-term loans payable, their market values are included in the market values of the said notes and accounts receivable or long-term loans payable.

(Note 2) Financial instruments for which market values are deemed to be extremely difficult to grasp
 Because unlisted equity securities (carrying value is ¥1,085 million) neither have market prices nor future cash flows estimated, and it is deemed that their market values are extremely difficult to grasp, they are not included in “(3) Securities and investment securities (ii) Available-for-sale securities.”

(Note 3) Projected future redemption of monetary claims and securities with maturity dates after the consolidated closing date

	Within one year (millions of yen)	More than 1 year and 5 years or less (millions of yen)	More than 5 years and 10 years or less (millions of yen)	More than 10 years (millions of yen)
Cash and deposits	6,639	—	—	—
Notes and accounts receivable—trade	29,251	65	3	—
Securities and investment securities				
Held-to-maturity debt securities (Discouted financial bonds)	19	—	—	—
Available-for-sale securities with maturity dates	—	—	—	—
Long-term loans receivable	32	83	37	33
Total	35,943	148	41	33

(Note 4) Projected future repayments of bonds, long-term loans payable, lease obligations, and other interest-bearing liabilities after the consolidated closing date

	Within one year (millions of yen)	More than 1 year and 2 years or less (millions of yen)	More than 2 years and 3 years or less (millions of yen)	More than 3 years and 4 years or less (millions of yen)	More than 4 years and 5 years or less (millions of yen)	More than 5 years (millions of yen)
Bonds payable	1,060	—	—	—	—	—
Long-term loans payable	13,376	10,343	4,647	638	319	10
Lease obligations	1,107	1,012	753	460	333	376
Other interest-bearing debt	9	9	9	9	9	19
Total	15,553	11,366	5,411	1,108	662	406

FY2011 (April 1, 2010–March 31, 2011)

1. Matters concerning the status of financial instruments

(1) Policies for financial instruments

The Group has funds mainly through bank loans and issuance of bonds based on its financing plans. Temporary surplus funds have been invested in safe and secure financial assets. Derivatives have been used to avoid risks mentioned later, but the Company makes it its policy not to engage in speculative transactions.

(2) Content of financial instruments, risks associated therewith, and risk management system

Notes and accounts receivable, which are trade receivables, are exposed to the credit risk of customers. The said risk is managed in accordance with the Group's rules. In addition, trade receivables in foreign currencies arising from business operations in overseas markets are exposed to risk of foreign currency exchange rate fluctuations; therefore, the Company has hedged foreign exchange risk using forward exchange contracts to the extent that occurrence can be anticipated with certainty. Securities and investment securities are chiefly held-to-maturity debt securities and shares of companies with which the Company has a business relationship. While these are exposed to risks of market price fluctuations, market prices obtained on a regular basis have been reported to the Board of Directors.

Notes and accounts payable, which are operating liabilities, almost all of them have a date of payment of within one year. Of these, some are in foreign currencies in connection with imports of raw materials and are exposed to risk of foreign exchange rate fluctuations, but they are within the scope of the balance of trade receivables in the same currency.

Loans are fund procurements mainly related to operating transactions and lease obligations for finance leases are fund procurements mainly related to holding noncurrent assets. While variable interest rate loans are exposed to risk of interest rate fluctuations, for some long-term loans, derivative transactions (interest rate swap agreements) have been used as hedging instruments for individual loans to avoid risk of fluctuating interest rates payable and stabilize interest expenses. Regarding the method of evaluating the effectiveness of hedging, because the requirements for exceptional accounting have been met, evaluation of effectiveness has been omitted.

Implementation and management of derivative transactions have been done in accordance with internal policies that provide for authorizing transactions, and the Company has engaged in transactions with financial institutions having high ratings to reduce credit risk.

(3) Supplementary explanation of matters concerning market values, etc., of financial instruments

Market values of financial instruments include values based on market prices, as well as values reasonably calculated if there are no market prices.

For transaction amounts, etc., concerning derivative transactions in the notes of "Derivative Transaction Information," the amounts per se do not represent market risk associated with derivative transactions.

2. Matters concerning market values, etc., of financial instruments

Carrying value as of March 31, 2011, market value and unrealized gain (loss) are as follows. Items for which market values are deemed to be extremely difficult to grasp are not included in the following table (Please refer to (Note 2)):

	Carrying value (millions of yen)	Market value (millions of yen)	Unrealized gain (millions of yen)
(1) Cash and deposits	5,696	5,696	—
(2) Notes and accounts receivable—trade	28,688	28,688	—
(3) Securities and investment securities			
(i) Held-to-maturity debt securities	19	19	0
(ii) Available-for-sales securities	4,359	4,359	—
(4) Notes and accounts payable—trade	41,950	41,950	—
(5) Short-term loans payable	17,883	17,883	—
(6) Bonds payable	100	99	(0)
(7) Long-term loans payable	25,497	25,535	37
(8) Derivative transactions	—	—	—

(Note 1) Matters concerning calculation method of market values of financial instruments as well as securities and derivative transactions

- (1) Cash and deposits and (2) Notes and accounts receivable
Because these are settled in the short term and market values are almost the same as book values, amounts are based on book values.
- (3) Securities and investment securities
Market values of shares were based on the prices traded on stock exchanges while market values of bonds were based on the prices traded on stock exchanges or those presented by correspondent financial institutions.
- (4) Note and accounts payable, (5) Short-term loans payable
Because these are settled in the short term and market values are almost the same as book values, amounts are based on book values.
- (6) Bonds payable
Because no quoted market prices are available for bonds, the market values of bonds are calculated from the present value obtained by discounting the total amount of principal and interest using an interest rate that takes into account the period remaining and credit risk of the said bonds.
- (7) Long-term loans payable
These were calculated based on the present value discounted by the interest rate assumed in case the combined amount of principal and interest is newly borrowed. Long-term loans payable with variable interest rates subject to exceptional accounting of interest rate swaps were based on the method calculated, by discounting the combined amount of principal and interest processed integrally with the said interest rate swap at a reasonably estimated interest rate applied in case a similar loan is made.

(8) Derivative transactions

Because those accounted for based on *furiate-shori* (accounting method by which the current and forward rate difference is allocated by period length for calculation in the accounting period) for forward exchange contracts and those subject to exceptional accounting for interest rate swaps were processed integrally with notes and accounts receivable or long-term loans payable, their market values are included in the market values of the said notes and accounts receivable or long-term loans payable.

(Note 2) Financial instruments for which market values are deemed to be extremely difficult to grasp
Because unlisted equity securities (carrying value is ¥827 million) neither have market prices nor future cash flows estimated, and it is deemed that their market values are extremely difficult to grasp, they are not included in “(3) Securities and investment securities (ii) Available-for-sale securities.”

(Note 3) Projected future redemption of monetary claims and securities with maturity dates after the consolidated closing date

	Within one year (millions of yen)	More than 1 year and 5 years or less (millions of yen)	More than 5 years and 10 years or less (millions of yen)	More than 10 years (millions of yen)
Cash and deposits	5,696	—	—	—
Notes and accounts receivable—trade	28,647	38	2	—
Securities and investment securities				
Held-to-maturity debt securities (Discounted financial bonds)	19	—	—	—
Available-for-sale securities with maturity dates	—	—	—	—
Long-term loans receivable	24	81	30	47
Total	34,388	120	33	47

(Note 4) Projected future repayments of bonds, long-term loans payable, lease obligations, and other interest-bearing liabilities after the consolidated closing date

	Within one year (millions of yen)	More than 1 year and 2 years or less (millions of yen)	More than 2 years and 3 years or less (millions of yen)	More than 3 years and 4 years or less (millions of yen)	More than 4 years and 5 years or less (millions of yen)	More than 5 years (millions of yen)
Bonds payable	—	—	100	—	—	—
Long-term loans payable	11,220	5,600	1,252	713	6,675	35
Lease obligations	1,603	1,340	891	612	482	443
Other interest-bearing debt	9	9	9	9	9	9
Total	12,833	6,950	2,253	1,336	7,167	489

(Securities Information)

FY2010

Securities

1. Held-to-maturity debt securities (as of March 31, 2010)

Category	Carrying value (millions of yen)	Market value (millions of yen)	Unrealized gain (millions of yen)
Bonds whose market values exceed their carrying value	19	19	0
Total	19	19	0

2. Available-for-sale securities (as of March 31, 2010)

Category		Carrying value (millions of yen)	Acquisition costs (millions of yen)	Unrealized gain (loss) (millions of yen)
Securities whose carrying values exceed their acquisition costs	Shares	3,086	2,149	936
	Bonds			
	Others	57	50	7
	Subtotal	3,144	2,200	944
Securities whose carrying values do not exceed their acquisition costs	Shares	1,025	1,294	(269)
	Bonds			
	Others	18	20	(2)
	Subtotal	1,043	1,314	(271)
Total		4,187	3,515	672

3. Held-to-maturity debt securities sold during the fiscal year ended March 31, 2010

There are no applicable matters to be reported.

4. Available-for-sale securities sold during the fiscal year ended March 31, 2010

Category	Proceeds from sales (millions of yen)	Total of gain on sales (millions of yen)	Total of loss on sales (millions of yen)
Shares	0	0	—
Bonds			
Others	30	2	5

5. Securities written down (April 1, 2009–March 31, 2010)

For shares in available-for-sale securities, ¥18 million was written down under impairment accounting.

FY2011

Securities

1. Held-to-maturity debt securities (as of March 31, 2011)

Category	Carrying value (millions of yen)	Market value (millions of yen)	Unrealized gain (millions of yen)
Bonds whose market values exceed their carrying value	19	19	0
Total	19	19	0

2. Available-for-sale securities (as of March 31, 2011)

Category		Carrying value (millions of yen)	Acquisition costs (millions of yen)	Unrealized gain (loss) (millions of yen)
Securities whose carrying values exceed their acquisition costs	Shares	1,891	920	971
	Bonds			
	Others	41	34	7
	Subtotal	1,933	955	978
Securities whose carrying values do not exceed their acquisition costs	Shares	2,390	2,701	(310)
	Bonds			
	Others	35	37	(2)
	Subtotal	2,425	2,739	(313)
Total		4,359	3,694	665

3. Held-to-maturity debt securities sold during the fiscal year ended March 31, 2011

There are no applicable matters to be reported.

4. Available-for-sale securities sold during the fiscal year ended March 31, 2011

Category	Proceeds from sales (millions of yen)	Total of gain on sales (millions of yen)	Total of loss on sales (millions of yen)
Bonds			
Others	11	1	0

5. Securities written down (April 1, 2010–March 31, 2011)

For shares in available-for-sale securities, ¥602 million was written down under impairment accounting.

(Derivative Transaction Information)

FY2010 (April 1, 2009–March 31, 2010)

1. Derivative transactions to which hedge accounting is not applied

Not applicable

2. Derivative transactions to which hedge accounting is applied

(1) Currencies

Method of hedge accounting	Type of transaction	Main hedged items	Notional amount, etc. (millions of yen)	Portion due after one year included herein (millions of yen)	Market value (millions of yen)
<i>Furiate-shori</i> in forward exchange contracts, etc.	Forward exchange contracts	Notes receivable			(Note)
	Short position				
	U.S. Dollar		185	—	
	Euro		186	—	
Total			372	—	—

(Note) As derivative transactions through *furiate-shori* in forward exchange contracts were processed integrally with notes receivables subject to hedging, their market values were included among those of the said notes receivables.

(2) Interest rates

Method of hedge accounting	Type of transaction	Main hedged items	Notional amount, etc. (millions of yen)	Portion due after one year included herein (millions of yen)	Market value (millions of yen)
Exceptional accounting of interest rate swap agreements	Interest rate swap agreements	Long-term loans payable	1,311	752	(Note)
	Pay-fixed, receive-variable				

(Note) Market values are calculated on the basis of prices, etc., presented by correspondent financial institutions, and the said market values are included among those of the relevant long-term loans payable.

FY2011 (April 1, 2010–March 31, 2011)

1. Derivative transactions to which hedge accounting is not applied

Not applicable

2. Derivative transactions to which hedge accounting is applied

(1) Currencies

Method of hedge accounting	Type of transaction	Main hedged items	Notional amount, etc. (millions of yen)	Portion due after one year included herein (millions of yen)	Market value (millions of yen)
<i>Furiate-shori</i> in forward exchange contracts, etc.	Forward exchange contracts	Notes receivable			(Note)
	Short position				
	U.S. Dollar		694	—	
	Euro		902	—	
Total			1,596	—	—

(Note) As derivative transactions through *furiate-shori* in forward exchange contracts were processed integrally with notes receivables subject to hedging, their market values were included among those of the said notes receivables.

(2) Interest rates

Method of hedge accounting	Type of transaction	Main hedged items	Notional amount, etc. (millions of yen)	Portion due after one year included herein (millions of yen)	Market value (millions of yen)
Exceptional accounting of interest rate swap agreements	Interest rate swap agreements	Long-term loans payable	872	299	(Note)
	Pay-fixed, receive-variable				

(Note) Market values are calculated on the basis of prices, etc., presented by correspondent financial institutions, and the said market values are included among those of the relevant long-term loans payable.

(Retirement Benefit Information)

FY2010 (April 1, 2009–March 31, 2010)		FY2011 (April 1, 2010–March 31, 2011)	
1	Outline of pension plans adopted The Company and its consolidated subsidiaries have contract-type defined benefit corporate pension plans, tax-qualified pension plans and lump-sum payment plans. In addition, the Company and its consolidated subsidiaries pay additional retirement benefits under certain conditions.	1	Outline of pension plans adopted The Company and its consolidated subsidiaries have contract-type defined benefit corporate pension plans, tax-qualified pension plans and lump-sum payment plans. In addition, the Company and its consolidated subsidiaries pay additional retirement benefits under certain conditions.
2	Matters concerning retirement benefit obligations (as of March 31, 2010)	2	Matters concerning retirement benefit obligations (as of March 31, 2011)
	Retirement benefit obligation (24,453 million yen)		Retirement benefit obligation (23,473 million yen)
	Pension assets at fair value 11,112 million yen		Pension assets 11,370 million yen
	Unfunded retirement benefit obligation (13,340 million yen)		Unfunded retirement benefit obligation (12,103 million yen)
	Unrecognized benefit obligation at transition 7,284 million yen		Unrecognized benefit obligation at transition 5,827 million yen
	Unrecognized actuarial differences 2,151 million yen		Unrecognized actuarial differences 2,093 million yen
	Unrealized past service liabilities (455 million yen)		Unrealized past service liabilities (342 million yen)
	Carrying value, net (4,359 million yen)		Carrying value, net (4,524 million yen)
	Prepaid pension cost 725 million yen		Prepaid pension cost 700 million yen
	Provision for retirement benefits (5,084 million yen)		Provision for retirement benefits (5,225 million yen)
	(Notes)		(Notes)
	1. In the Company and some of its consolidated subsidiaries, past service liabilities (reduction in obligations) occurred due to a change in the lump-sum payment plan (lowering of payment level).		1. In the Company and some of its consolidated subsidiaries, past service liabilities (reduction in obligations) occurred due to a change in the lump-sum payment plan (lowering of payment level).
	2. Some of the consolidated subsidiaries have adopted a simplified method for calculating retirement benefit obligations.		2. Some of the consolidated subsidiaries have adopted a simplified method for calculating retirement benefit obligations.
3	Matters concerning retirement benefit expenses	3	Matters concerning retirement benefit expenses
	Service cost 1,193 million yen		Service cost 1,187 million yen
	Interest cost 399 million yen		Interest cost 384 million yen
	Expected return on plan assets (156 million yen)		Expected return on plan assets (178 million yen)
	Amortization of net retirement benefit obligation at transition 1,456 million yen		Amortization of net retirement benefit obligation at transition 1,456 million yen
	Amortization of actuarial differences 469 million yen		Amortization of actuarial differences 384 million yen
	Amortization of past service liabilities (134 million yen)		Amortization of past service liabilities as expenses (112 million yen)
	Other retirement benefit expenses 49 million yen		Other retirement benefit expenses 42 million yen
	Retirement benefit expenses 3,278 million yen		Retirement benefit expenses 3,165 million yen

FY2010 (April 1, 2009–March 31, 2010)	FY2011 (April 1, 2010–March 31, 2011)
<p>(Notes)</p> <ol style="list-style-type: none"> 1. “Amortization of past service liabilities” is the amount of expenses appropriated in the fiscal year ended March 31, 2010 in relation to past service liabilities stated in (Note) 1 of “2. Matters concerning Retirement benefit obligations.” 2. “Other retirement benefit expenses” are premium contributions to the defined contribution pension plan and additional retirement benefits, etc. 3. Retirement benefit expenses of consolidated subsidiaries that adopt the simplified method were booked in “Service cost.” <p>4 Matters concerning the basis for calculating retirement benefit obligations, etc.</p> <ol style="list-style-type: none"> (i) Periodic allocation method for expected retirement benefits Standards for periodic fixed amount benefit (ii) Discount rate 2.0% (iii) Expected rate of return on plan assets 2.0% (iv) Years of amortization of past service liabilities 10 to 13 years Past service liabilities are amortized using the straight-line method over the average of the estimated remaining years of service. (v) Years of amortizing actuarial differences 8 to 14 years Actuarial differences are amortized using the straight-line method over the average of the estimated remaining years of service, with the first expense being recognized in the following consolidated fiscal period. (vi) Years of amortizing net retirement benefit obligation at transition 15 years 	<p>(Notes)</p> <ol style="list-style-type: none"> 1. “Amortization of past service liabilities” is the amount of expenses appropriated in the fiscal year ended March 31, 2011 in relation to past service liabilities stated in (Note) 1 of “2. Matters concerning Retirement benefit obligations.” 2. “Other retirement benefit expenses” are premium contributions to the defined contribution pension plan and additional retirement benefits, etc. 3. Retirement benefit expenses of consolidated subsidiaries that adopt the simplified method were booked in “Service cost.” <p>4 Matters concerning the basis for calculating retirement benefit obligations, etc.</p> <ol style="list-style-type: none"> (i) Periodic allocation method for expected retirement benefits Standards for periodic fixed amount benefit (ii) Discount rate 2.0% (iii) Expected rate of return on plan assets 2.0% (iv) Years of amortization of past service liabilities 10 to 13 years Same as on the left (v) Years of amortizing actuarial differences 8 to 14 years Same as on the left (vi) Years of amortizing net retirement benefit obligation at transition 15 years

(Tax Effect Accounting Information)

FY2010 (April 1, 2009–March 31, 2010)		FY2011 (April 1, 2010–March 31, 2011)	
1	Breakdown by main cause of occurrence of deferred tax assets and liabilities	1	Breakdown by main cause of occurrence of deferred tax assets and liabilities
	(Deferred tax assets)		(Deferred tax assets)
	Provision for retirement benefits 844 million yen		Provision for retirement benefits 940 million yen
	Provision for bonuses 294 million yen		Provision for bonuses 208 million yen
	Unrealized income 5 million yen		Unrealized income 17 million yen
	Net operating loss carryforwards 323 million yen		Net operating loss carryforwards 26 million yen
	Other 614 million yen		Other 652 million yen
	Offset against deferred tax liabilities (394 million yen)		Offset against deferred tax liabilities (431 million yen)
	Net deferred tax assets 1,687 million yen		Net deferred tax assets 1,414 million yen
	(Deferred tax liabilities)		(Deferred tax liabilities)
	Reserve for deferred taxation on compensation for expropriation or exchange of property 78 million yen		Reserve for deferred taxation on compensation for expropriation or exchange of property 114 million yen
	Prepaid pension cost 110 million yen		Prepaid pension cost 103 million yen
	Valuation difference on available-for-sale securities 377 million yen		Valuation difference on available-for-sale securities 389 million yen
	Other 270 million yen		Other 227 million yen
	Offset against deferred tax assets (394 million yen)		Offset against deferred tax assets (431 million yen)
	Net deferred tax liabilities 442 million yen		Net deferred tax liabilities 402 million yen
2	Difference between statutory tax rate and burden rate of income taxes, etc., after application of tax effect accounting	2	Difference between statutory tax rate and burden rate of income taxes, etc., after application of tax effect accounting
	Statutory tax rate 40.0%		Statutory tax rate 40.0%
	(Reconciliation items)		(Reconciliation items)
	Permanently non-deductible expenses such as entertainment expenses 2.9%		Permanently non-deductible expenses such as entertainment expenses 43.6%
	Per capita portion of inhabitants' taxes 5.2%		Per capita portion of inhabitants' taxes 70.4%
	Change in valuation allowance for deferred tax assets (29.1%)		Change in valuation allowance for deferred tax assets 397.9%
	Other (4.5%)		Other (1.7%)
	Burden rate of income taxes, etc., after application of tax effect accounting 14.5%		Burden rate of income taxes, etc., after application of tax effect accounting 550.2%

(Business Combination and Other Information)

FY2010 (April 1, 2009–March 31, 2010)

There are no applicable matters to be reported.

FY2011 (April 1, 2010–March 31, 2011)

There are no applicable matters to be reported.

(Asset Retirement Obligations)

As of the end of FY2011 (March 31, 2011)

Of asset retirement obligations, those recorded in the Consolidated Balance Sheets are as follows:

1. Overview of relevant asset retirement obligations
Cost of removal of asbestos pursuant to the Ordinance on Prevention of Asbestos Hazards, and restoration obligations attendant upon fixed-term land leasehold agreements, etc.
2. Method of calculating relevant asset retirement obligations
Asset retirement obligations are calculated by estimating expected period of use as one to 50 years and using a discount rate of 0.2% to 2.3%.
3. Increase (decrease) in total asset retirement obligations as of the year-end of the consolidated fiscal year under review

Balance at the beginning of the period (Note)	¥297 million
Increase due to purchase of property, land and equipment	¥9 million
Adjustment due to depreciation	¥2 million
Decrease due to discharge of asset retirement obligations	¥14 million
Balance at the end of the period	¥294 million

(Note) Balance at the beginning of the period as a result of applying the “Accounting Standard for Asset Retirement Obligations” (ASBJ Statement No. 18, March 31, 2008) and the “Guidance on Accounting Standard for Asset Retirement Obligations” (ASBJ Guidance No. 21, March 31, 2008) from the fiscal year under review.

(Real Estate for Rent Information)

FY2010 (April 1, 2009–March 31, 2010)

(Supplementary information)

Effective as of the fiscal year ended March 31, 2010, the Company has adopted the “Accounting Standard for Disclosures about the Fair Value of Investment and Rental Property” (ASBJ Statement No. 20, November 28, 2008) and the “Implementation Guidance on Accounting Standard for Disclosures about the Fair Value of Investment and Rental Property” (ASBJ Implementation Guidance No. 23, November 28, 2008).

1. Matters concerning the status of real estate for rent
The Company and some of its subsidiaries have offices and land, etc., for rent in Ehime, Kumamoto, and other prefectures. Gain or loss on rent regarding the said real estate for rent for the year ended March 31, 2010 was ¥70 million (income from rent was booked as net sales or non-operating income, and main rental expenses were booked as operating expenses or non-operating expenses), gain on sales of noncurrent assets was ¥4 million, and impairment loss was ¥424 million.
2. Matters concerning market values of real estate for rent

Carrying value			Market value as of March 31, 2010 (millions of yen)
Balance as of March 31, 2009 (millions of yen)	Increase (or decrease) during the fiscal year ended March 31, 2010 (millions of yen)	Balance as of March 31, 2010 (millions of yen)	
2,880	(361)	2,519	2,404

- (Notes)
1. The carrying value is the amount after deducting accumulated depreciation and accumulated impairment loss from acquisition costs.
 2. Of the increase (or decrease) during the fiscal year ended March 31, 2010, the main components are real property acquisition (increase of ¥99 million) and impairment loss (decrease of ¥424 million).
 3. The market value as of March 31, 2010 comprised amounts (including amounts adjusted using indicators, etc.) calculated by the Company, mainly based on the “Valuation standard for appraisal of real estate.”

FY2011 (April 1, 2010–March 31, 2011)

1. Matters concerning the status of real estate for rent
The Company and some of its subsidiaries have offices and land, etc., for rent in Ehime, Kumamoto, and other prefectures. Gain or loss on rent regarding the said real estate for rent for the year ended March 31, 2011 was ¥77 million (income from rent was booked as net sales or non-operating income, and main rental expenses were booked as operating expenses or non-operating expenses), gain on sales of noncurrent assets was ¥1 million, and impairment loss was ¥62 million.
2. Matters concerning market values of real estate for rent

Carrying value			Market value as of March 31, 2011 (millions of yen)
Balance as of March 31, 2010 (millions of yen)	Increase (or decrease) during the fiscal year ended March 31, 2011 (millions of yen)	Balance as of March 31, 2011 (millions of yen)	
2,519	5	2,524	2,388

- (Notes)
1. The carrying value is the amount after deducting accumulated depreciation and accumulated impairment loss from acquisition costs.
 2. Of the increase (or decrease) during the fiscal year ended March 31, 2011, the main components are real property acquisition (increase of ¥69 million) and impairment loss (decrease of ¥62 million).
 3. The market value as of March 31, 2011 comprised amounts (including amounts adjusted using indicators, etc.) calculated by the Company, mainly based on the “Valuation standard for appraisal of real estate.”

(Segment Information)

[Business Segment Information]

FY2010 (April 1, 2009–March 31, 2010)

The total sales, operating income, and total assets of the “Agricultural machinery-related operations” segment accounted for more than 90% of all segments. Accordingly, the breakdown of segment information by business type is not presented.

[Geographical Segment Information]

FY2010 (April 1, 2009–March 31, 2010)

The total sales and total assets of the “Japan” segment accounted for more than 90% of all segments. Accordingly, the breakdown of segment information by region is not presented.

[Overseas Sales Information]

FY2010 (April 1, 2009–March 31, 2010)

	The United States	Europe	Others	Total
I. Overseas net sales (millions of yen)	4,201	7,294	6,566	18,061
II. Consolidated net sales (millions of yen)	-	-	-	149,314
III. Overseas sales as a percentage of consolidated net sales (%)	2.8	4.9	4.4	12.1

- (Notes) 1. Countries and regions are defined based on geographical proximity.
2. Classification by area
Europe: France, Germany, the United Kingdom, Belgium, Switzerland, the Netherlands, etc.
Other geographical areas: South Korea, Taiwan, China, Thailand, Australia, New Zealand, etc.

[Segment Information]

(Additional information)

Effective the consolidated accounting period, the Company has applied “Accounting Standard for Disclosure of Segments of an Enterprise and Related Information” (ASBJ Statement No. 17, March 27, 2009) and “Guidance on the Accounting Standard for Disclosures of Segments of an Enterprise and Related Information” (ASBJ Guidance No. 20, March 21, 2008).

1. Overview of reportable segments

The Company’s reported segments are business units for which discrete financial data are available and which are periodically reviewed by the Company’s Board of Directors to determine resource allocation and to evaluate financial performance.

Our business by products / services consists of two reportable segments, namely “agriculture-related business” which is the core of our business, and “other business” which attends rest of the business.

The “agriculture-related business” consists of the manufacture and sale of agricultural machinery, construction and sale of agriculture-related facilities, and business related to agricultural activities and products, including revenue from the use of rice-polishing machines. The “other business” consists of information processing services including the development, sale, and operation of computer software.

2. Method of accounting for net sales, income/loss, assets, liabilities and other items by segment

Most items reported under a segment apply the same accounting method to that stated in “Important Basic Items for Preparing Consolidated Financial Statements.”

The income of a segment is equal to net income. Internal sales and transfer amounts between segments are recorded on the basis of market price.

3. Net sales, income/loss, assets, liabilities and other items by segment

FY2010 (April 1, 2009–March 31, 2010)

	Agriculture-related (millions of yen)	Other (millions of yen)	Total (millions of yen)	Adjustments (millions of yen)	Amount reported in the consolidated financial statements (millions of yen)
Net sales					
Sales to outside customers	149,116	198	149,314	—	149,314
Internal sales or transfers between segments	0	124	124	(124)	
Total	149,116	322	149,439	(124)	149,314
Segment income	2,342	5	2,347	—	2,347
Segment assets	170,947	191	171,138	(93)	171,044
Segment liabilities	46,242	—	46,242	—	46,242
Other items					
Depreciation	5,140	0	5,140	—	5,140
Amortization of negative goodwill	2	(1)	0	—	0
Interest income	224	0	225	(0)	224
Interest expenses	1,036	—	1,036	(0)	1,035
Extraordinary income	89	—	89	—	89
Extraordinary loss (Impairment loss)	1,000 (424)	—	1,000 (424)	—	1,000 (424)
Taxes	392	4	397	—	397
Increase of property, plant and equipment and intangible assets	7,359	—	7,359	—	7,359

(Notes)

1. Adjustment represents reduction in internal unrealized profit.
2. Segment income (loss) have been adjusted from net income (loss) reported in the Consolidated Statements of Income.
3. Segment assets have been adjusted from total assets reported in the Consolidated Balance Sheets.
4. Segment liabilities represent short-term loans payable, long-term loans payable (including the current portion of long-term loans payable), and bonds payable (including current portion of bonds payable).

FY2011 (April 1, 2010–March 31, 2011)

	Agriculture-related (millions of yen)	Other (millions of yen)	Total (millions of yen)	Adjustments (millions of yen)	Amount reported in the consolidated financial statements (millions of yen)
Net sales					
Sales to outside customers	147,682	144	147,826	—	147,826
Internal sales or transfers between segments	0	135	135	(135)	—
Total	147,682	279	147,962	(135)	147,826
Segment income (loss)	(919)	1	(918)	—	(918)
Segment assets	169,078	202	169,281	(112)	169,168
Segment liabilities	43,480	—	43,480	—	43,480
Other items					
Depreciation	5,665	0	5,666	—	5,666
Amortization of negative goodwill	10	(1)	9	—	9
Interest income	206	0	206	(0)	206
Interest expenses	891	—	891	(0)	891
Extraordinary income	68	—	68	—	68
Extraordinary loss	1,872	—	1,872	—	1,872
(Loss on disaster)	(760)	—	(760)	—	(760)
Taxes	1,110	4	1,115	—	1,115
Increase of property, plant and equipment and intangible assets	7,922	0	7,922	—	7,922

(Notes)

1. Adjustment represents reduction in internal unrealized profit.
2. Segment income (loss) has been adjusted from net income (loss) reported in the Consolidated Statements of Income.
3. Segment assets have been adjusted from total assets reported in the Consolidated Balance Sheets.
4. Segment liabilities represent short-term loans payable, long-term loans payable (including the current portion of long-term loans payable), and bonds payable.

[Relevant Information]

FY2011 (April 1, 2010–March 31, 2011)

1. Information by product and by service

Information by product and by service is not presented, since similar information is disclosed in segment information.

2. Net sales by region

(1) Net sales

	Japan	The United States	Europe	China	Others	Total
Net sales (millions of yen)	128,703	5,814	7,570	3,369	2,367	147,826

- (Notes)
- Countries and regions are defined based on geographical proximity.
 - Classification by area
 Europe: France, Germany, the United Kingdom, Belgium, Switzerland, the Netherlands, etc.
 Other geographical areas: South Korea, Taiwan, Thailand, Australia, New Zealand, etc.

(2) Property, plant and equipment

The amount of property, plant and equipment located in Japan exceeds 90% of the amount of property, plant and equipment in the Consolidated Balance Sheets. Accordingly, property, plant and equipment are not presented.

3. Net sales by major customer

Name of customer	Net sales (millions of yen)	Name of relevant segment
ZEN-NOH (National Federation of Agricultural Co-operative Associations)	18,370	Agriculture-related Business

Impairment Loss on Noncurrent Assets by Reportable Segment

FY2011 (April 1, 2010–March 31, 2011)

	Agriculture-related Business (millions of yen)	Other Business (millions of yen)	Corporate or eliminations (millions of yen)	Total (millions of yen)
Impairment loss	62	—	—	62

Amortization and Unamortized Balance of Goodwill by Reportable Segment

FY2011 (April 1, 2010–March 31, 2011)

	Agriculture-related Business (millions of yen)	Other Business (millions of yen)	Corporate or eliminations (millions of yen)	Total (millions of yen)
Balance of negative goodwill	5	(3)	—	2

(Note) Amount of amortization is not presented because similar information is disclosed in segment information.

Gain on Negative Goodwill

FY2011 (April 1, 2010–March 31, 2011)

Not applicable

[Related Party Information]

FY2010 (April 1, 2009–March 31, 2010)

1. Related party transactions

(1) Subsidiaries and affiliates of the Company that submitted consolidated financial statements

Type	Name of affiliate	Location	Capital stock or investments in capital (millions of yen)	Business content or occupation	Ownership (owned) of voting rights, etc. (%)	Relation to the related party	Type of transaction	Transaction amount (millions of yen)	Account name	Balance as of the fiscal year-end (millions of yen)
Affiliate	Higashi Nihon Agricultural Equipment Cooperative Union	Arakawa-ku, Tokyo	6	Joint purchase and sales of agricultural machineries	(Ownership) Indirect 25.0	Sales of the Company's products Interlocking directorships	Debt guarantee	3,725	Notes and accounts payable	3,761
Affiliate	Nishi Nihon Agricultural Equipment Cooperative Union	Iyo, Ehime	2	Joint purchase and sales of agricultural machineries	(Ownership) Indirect 12.0	Sales of the Company's products Interlocking directorships	Debt guarantee	2,187	Notes and accounts payable	2,165

- (Notes)
1. Transaction amount does not include consumption tax, etc., and the balance as of the fiscal year-end includes consumption tax, etc.
 2. These are cooperative unions established for purpose of joint purchases of the Company's products, and trade conditions are decided by presenting the Company's asking prices in consideration of market prices and total costs and through price negotiations. The Company has provided guarantees against loans for purchasing products.

(2) Directors and major shareholders (who are limited to individuals) of the Company that submitted the consolidated financial statements, etc.

Type	Name of director/company	Location	Capital stock or investments in capital (millions of yen)	Business content or occupation	Ownership (owned) of voting rights, etc. (%)	Relation to the related party	Type of transaction	Transaction amount (millions of yen)	Account name	Balance as of the fiscal year-end (millions of yen)
Director of a subsidiary	Hideo Kimura	—	—	Representative Director of Gunma Iseki Sales Co., Ltd.	Nil	Debt guarantee	Debt guarantee (Note 2)	190	—	—
Director of a subsidiary	Joji Kurihara	—	—	Representative Director of Iseki-Ueki MFG Co., Ltd.	Nil	Debt guarantee and collateral offer	Debt guarantee and collateral offer (Note 3)	102	—	—
Company in which directors and their close relative(s) have a majority of voting rights (including subsidiaries of the said company)	Meiwa Industry Co., Ltd. (Note 4)	Matsuyama, Ehime	3	Steel business Pallet Manufacturing	Nil	Nil	Purchase of raw materials and supplies (Note 5)	109	Notes and accounts payable	51
							Purchase of tools, furniture and fixtures (Note 5)	60	Other current liabilities	15

- (Notes)
1. Transaction amount does not include consumption tax, etc., and the balance as of the fiscal year-end includes consumption tax, etc.
 2. The Company provided a guarantee against bank borrowings by Gunma Iseki Sales Co., Ltd.
 3. The Company provided collateral and a guarantee for bank borrowings by Iseki-Ueki MFG Co., Ltd.
 4. This is a company, whose majority shareholder is a close relative of Kiyokazu Sakamoto, a representative director of Iseki-Shinetsu Co., Ltd., which is the Company's consolidated subsidiary.
 5. Conditions including prices are negotiated in a similar way as other general transactions.

FY2011 (April 1, 2010–March 31, 2011)

1. Related party transactions

(1) Subsidiaries and affiliates of the Company that submitted consolidated financial statements

Type	Name of affiliate	Location	Capital stock or investments in capital (millions of yen)	Business content or occupation	Ownership (owned) of voting rights, etc. (%)	Relation to the related party	Type of transaction	Transaction amount (millions of yen)	Account name	Balance as of the fiscal year-end (millions of yen)
Affiliate	Higashi Nihon Agricultural Equipment Cooperative Union	Arakawa-ku, Tokyo	6	Joint purchase and sales of agricultural machineries	(Ownership) Indirect 25.0	Sales of the Company's products Interlocking directorships	Debt guarantee	3,725	Notes and accounts payable	3,671
Affiliate	Nishi Nihon Agricultural Equipment Cooperative Union	Iyo, Ehime	2	Joint purchase and sales of agricultural machineries	(Ownership) Indirect 12.0	Sales of the Company's products Interlocking directorships	Debt guarantee	2,187	Notes and accounts payable	2,174

- (Notes)
1. Transaction amount does not include consumption tax, etc., and the balance as of the fiscal year-end includes consumption tax, etc.
 2. These are cooperative unions established for purpose of joint purchases of the Company's products, and trade conditions are decided by presenting the Company's asking prices in consideration of market prices and total costs and through price negotiations. The Company has provided guarantees against loans for purchasing products.

(2) Directors and major shareholders (who are limited to individuals) of the Company that submitted the consolidated financial statements, etc.

Type	Name of director/company	Location	Capital stock or investments in capital (millions of yen)	Business content or occupation	Ownership (owned) of voting rights, etc. (%)	Relation to the related party	Type of transaction	Transaction amount (millions of yen)	Account name	Balance as of the fiscal year-end (millions of yen)
Director of a subsidiary	Hideo Kimura	—	—	Representative Director of Gunma Iseki Sales Co., Ltd.	Nil	Debt guarantee	Debt guarantee (Note 2)	250	—	—
Director of a subsidiary	Joji Kurihara	—	—	Representative Director of Iseki-Ueki MFG Co., Ltd.	Nil	Debt guarantee and collateral offer	Debt guarantee and collateral offer (Note 3)	115	—	—
Company in which directors and their close relative(s) have a majority of voting rights (including subsidiaries of the said company)	Meiwa Industry Co., Ltd. (Note 4)	Matsuyama, Ehime	3	Steel business Pallet Manufacturing	Nil	Nil	Purchase of raw materials and supplies (Note 5)	102	Notes payable and accounts payable	53
							Purchase of tools, furniture and fixtures (Note 5)	47	Other current liabilities	12

- (Notes)
1. Transaction amount does not include consumption tax, etc., and the balance as of the fiscal year-end includes consumption tax, etc.
 2. The Company provided a guarantee against bank borrowings by Gunma Iseki Sales Co., Ltd.
 3. The Company provided collateral and a guarantee for bank borrowings by Iseki-Ueki MFG Co., Ltd.
 4. This is a company, whose majority shareholder is a close relative of Kiyokazu Sakamoto, a representative director of Iseki-Kanto Co., Ltd., which is the Company's consolidated subsidiary.
 5. Conditions including prices are negotiated in a similar way as other general transactions.

(Per Share Information)

FY2010 (April 1, 2009–March 31, 2010)		FY2011 (April 1, 2010–March 31, 2011)	
Net asset per share	¥235.46	Net asset per share	¥231.13
Net income per share	¥10.29	Net income (loss) per share	(¥4.00)
Net income per share after adjustment for dilutive securities	¥10.21	Net income per share after adjustment for dilutive securities was not stated because there was a net loss per share and there were no dilutive securities.	

(Notes) 1. Basis of calculation of net income per share, or net loss per share, and net income per share after adjustment for dilutive securities

Item	FY2010 (April 1, 2009–March 31, 2010)	FY2011 (April 1, 2010–March 31, 2011)
Net income (loss) per share		
Net income (loss) reported in the Consolidated Statements of Income (millions of yen)	2,347	(918)
Net income (loss) attributed to common shares (millions of yen)	2,347	(918)
Net income not attributable to common shares (millions of yen)	—	—
During period average number of common shares (shares)	227,997,350	229,791,896
Net income per share after adjustment for dilutive securities		
Adjustment of net income (millions of yen)	—	—
Increased number of common shares (shares)	1,842,285	—
[Subscription rights included (shares)]	[1,842,285]	[—]
Outline of deferred equity which was not included in the calculation of net income per share after adjustment for dilutive securities as it does not have a dilutive effect	—	—

(Notes) 2. Basis of calculation of net asset per share

Item	FY2010 (April 1, 2009–March 31, 2010)	FY2011 (April 1, 2010–March 31, 2011)
Total net assets (millions of yen)	55,604	54,617
Amount to be deducted from total net assets (millions of yen)	1,494	1,508
[Minority interests included (millions of yen)]	[1,494]	[1,508]
Net assets as of the fiscal year-end on common shares (millions of yen)	54,109	53,108
Number of common shares as of the fiscal year-end used for calculating net asset per share (shares)	229,805,713	229,776,854

(Important Issues which Occurred Later)

Not applicable

(5) Consolidated Supplementary Schedules

[Schedule of Bonds Payable]

Name of company	Issues	Issue date	Balance as of the previous fiscal year-end (millions of yen)	Balance as of the current fiscal year-end (millions of yen)	Interest rate (%)	Security	Maturity
Iseki & Co., Ltd.	Unsecured bond No. 3 [guaranteed by Chuo Mitsui Trust and Banking Co., Ltd. and limitedly offered to qualified institutional investors]	April 28, 2005	1,000	—	(Note) 1	Unsecured	April 28, 2010
Iseki Tokai Co., Ltd.	Unsecured bond No. 4 (Guaranteed by UFJ Bank and limitedly offered to qualified institutional investors)	September 10, 2003	60	—	0.67	Unsecured	September 10, 2010
Iseki-Hokkaido Co., Ltd.	Unsecured bond No. 1 [Guaranteed by North Pacific Bank, Ltd. and limitedly offered to qualified institutional investors]	June 24, 2010	—	100	0.77	Unsecured	June 24, 2013
Total	—	—	1,060	100	—	—	—

- (Notes) 1. An interest rate that adds 0.2% to 6-month Japanese yen TIBOR rate 2 days (bank holidays are not included in these days) before the interest payment date (the first interest payment date falls on the issue date) immediately before the commencement of the interest computation period.
2. Amounts of projected redemption per year within 5 years after the consolidated closing date are as follows:

Within one year (millions of yen)	More than 1 year and 2 years or less (millions of yen)	More than 2 years and 3 years or less (millions of yen)	More than 3 years and 4 years or less (millions of yen)	More than 4 years and 5 years or less (millions of yen)
—	—	100	—	—

[Details of Borrowings, etc.]

Category	Balance as of the previous fiscal year-end (millions of yen)	Balance as of the current fiscal year-end (millions of yen)	Average interest rate (%)	Repayment due
Short-term loans	15,846	17,883	1.06	—
Current portion of long-term loans	13,376	11,220	1.61	—
Current portion of lease obligations	1,107	1,603	—	—
Long-term loans (excluding current portion of long-term loans)	15,958	14,277	1.34	2012 - 2021
Lease obligations (excluding current portion of lease obligations)	2,937	3,771	—	2012 - 2020
Other interest-bearing liabilities				
Other (Accounts payable)	9	9	1.79	—
Other (Long-term accounts payable)	59	49	1.79	2012 - 2016
Total	49,295	48,814	—	—

- (Notes) 1. “Average interest rate” represents weighted-average interest rates for the balance as of the fiscal year-end of borrowings, etc.
2. For the average interest rate in the column for lease obligations, because lease obligations were posted on the consolidated balance sheets using the amount before deducting interest equivalents included in the total amount of lease payment, no statement is made.
3. The amounts of projected repayments per year within 5 years after the consolidated closing date with regard to long-term loans, lease obligations, and other interest-bearing liabilities (excluding current portions) are as follows:

	More than 1 year and 2 years or less (millions of yen)	More than 2 years and 3 years or less (millions of yen)	More than 3 years and 4 years or less (millions of yen)	More than 4 years and 5 years or less (millions of yen)
Long-term loans payable	5,600	1,252	713	6,675
Lease obligations	1,340	891	612	482
Other interest-bearing liabilities	9	9	9	9

[Schedule of Asset Retirement Liabilities]

Asset retirement liabilities are not presented because the amount of asset retirement liabilities as of the end of the consolidated fiscal year under review is one-hundredth or less of the total of liabilities and net assets as of the end of the relevant fiscal year.

2. Other

Quarterly operating results in FY2011

	The first quarter (April 1– June 30, 2010)	The second quarter (July 1– September 30, 2010)	The third quarter (October 1– December 31, 2010)	The fourth quarter (January 1– March 31, 2011)
Net sales (millions of yen)	33,248	42,171	36,719	35,686
Quarterly net income (or loss) before income taxes (millions of yen)	476	346	708	(1,329)
Quarterly net income (or loss) (millions of yen)	839	(767)	553	(1,544)
Quarterly net income (or loss) per share (yen)	3.65	(3.34)	2.41	(6.72)

Corporate Data

As of March 31, 2011

Head Office	700 Umaki-cho, Matsuyama, Ehime 799-2692, Japan Tel: 81-89-979-6111 Fax: 81-89-978-6440
Tokyo Headquarters	3-14, Nishi-Nippori 5-chome, Arakawa-ku, Tokyo 116-8541, Japan Tel: 81-3-5604-7602 Fax: 81-3-5604-7701
Web Site	http://www.iseki.co.jp/
Founded	August 1926
Paid-in Capital	¥23,344 million
Number of Employees (Consolidated)	6,404
Stock Listings	Tokyo Stock Exchange (1st Section) Osaka Securities Exchange (1st Section)
Transfer Agent and Registrar	The Chuo Mitsui Trust and Banking Company, Limited 33-1, Shiba 3-chome, Minato-ku, Tokyo 105-8574, Japan
Shares Issued and Outstanding	229,849,936
Number of Shareholders	31,475
Independent Auditor	Ernst & Young ShinNihon LLC

Stock Performance and Trading Volume per Month

