

Supplementary Information for the Fiscal Year Ended March 31, 2007
(April 1, 2006—March 31, 2007)

I. “A report on the results of the investigation on inappropriate accounting and our policy corresponding to the issue” and “Partial amendment to summary announcement of financial results for the past fiscal years”(announced on May 24, 2007)

A. Implemented amount of inappropriate accounting practices

Against approximate amount disclosed on March 23, 2007, ¥ 4.0 billion, the confirmed implemented amount was ¥ 3.85 billion.

(Breakdown by manufacturing subsidiary)	(¥ billion)
Iseki-Kumamoto Mfg. Co., Ltd.	2.3
Iseki-Matsuyama Mfg. Co., Ltd.	1.2
Iseki-Houei Mfg. Co., Ltd.	0.3

(Rounded to nearest ¥ 0.1 billion)

B. Impact on consolidated profit and loss

(Billions of yen)

	Consolidated		Non-consolidated
	Operating income	Net income	Net income
FY 2004 – FY 2006	3.13	3.55	2.90
FY 2007 Interim period	0.57	0.72	0.73
Total	3.70	4.27	3.63

C. Results of investigation by the External Investigation Committee

1. Validity of procedure and results of investigation by the Internal Investigation Committee

“Either investigation procedure or investigation method can be regarded as valid. In addition, External Investigation Committee verified results of investigation of the Internal Investigation Committee regarding fiscal years in which inappropriate accounting practices were carried out and the amount involved based on materials provided by the Internal Investigation Committee, and judged results of the investigation are appropriate”.

2. Involvement of ISEKI & CO., LTD.

“For the following reasons, it cannot be recognized that ISEKI & CO., LTD. was involved in these inappropriate accounting practices”.

- a. Hearings from parties concerned of 3 manufacturing subsidiaries.
- b. Hearings from parties concerned in Development & Production Division.
- c. Written communication and electronic mail.
- d. Periods of measures to improve profits.
- e. Monitoring by each institution regarding compliance and auditing.

f. Understanding of other departments in ISEKI headquarters

3. Causes for inappropriate accounting practices and measures to prevent its recurrence

“Analysis of causes and proposal of measures to prevent recurrence of the events outlined in the report of the Internal Investigation Committee are appropriate and effective with understanding of peculiarities of this issue, and the External Investigation Committee basically agrees with the opinions expressed in the above report”.

D. Measures for future improvement

1. Activation of communication between Development & Production Division and manufacturing subsidiaries

We have changed the Head and Deputy Head of the Development & Production Division, and we have posted two Deputy Heads under the Head of Development & Production Division.

2. The establishment of more communicative corporate culture

We will ensure all members of the group are thoroughly informed of the internal reporting system “Ethical Hotline”, and we reorganize and work towards construction of an open organization of the company as the important task of the management.

3. The improvement of the consciousness of directors and staff on compliance.

At the time of the submission of the accounting reports, the president of the consolidated subsidiary presents the confirmation sheet. Training seminar on compliance will be held with the participation of an external lecturer on the occasion of the meeting of all presidents of subsidiaries. We will also have a meeting of officers responsible for control in the entire group regularly, and promote full awareness of the compliance. For individual group employees, we will continue to hold compliance education periodically.

4. Planned personnel reallocation of the Administrative Division

5. The improvement of organization related to internal control

- a. We will create a “management supervisory committee” which is comprised of the President as chairperson, all directors as members and all auditors as observers as of June 1, 2007. The committee will monitor every month the degree of progress of measures to prevent recurrence and degree of compliance awareness.
- b. We will create across the organization, a compliance team under control of the director in charge of compliance as of June 1, 2007.
- c. Reinforce personnel of Operation Supervising department (From the current figure of 4 to 7. Among this, one staff member is in charge of the systems).
- d. We will create “Management Control Section” in the Development & Production Division as of June 1, 2007.
 - The department will have an ordinary monitoring function.
By creating monitoring indices, and analyzing the figurative values, and both headquarters and subsidiaries will possess the same information to solve problems.
 - We will strengthen the follow-up system of inventory process at the end of period.
 - We will strengthen checking function by IT.
- e. Preparation of internal auditing system of sales subsidiaries, etc.
- f. Creation of “Management Control Section” in the Business Division as of June 1, 2007

The department will inspect the degree of implementation of the internal auditing and give guidance for sales subsidiaries, etc.

II. Consolidated Full Year Performance

			(Billions of yen, %)			
	FY 2006	FY 2007	Variance		Forecast	Variance
	Actual	Actual	Amount	%	Amount	
Net Sales	161.7	153.7	(8.0)	(5.0)	154.0	(0.3)
Domestic	141.2	134.9	(6.3)	(4.5)	135.5	(0.6)
Overseas	20.5	18.8	(1.7)	(8.1)	18.5	0.3
Operating Income	6.3	2.2	(4.1)	(64.5)	3.8	1.6
Balance of Financial Income	(1.1)	(1.1)			(1.1)	
Other Non-operating Income	0.5	0.2	(0.3)		0.5	(0.3)
Ordinary Income	5.7	1.3	(4.4)	(77.7)	3.2	(1.9)
Extraordinary Gains	0.9		(0.9)			
Extraordinary Losses	(1.9)	(0.5)	1.4		(0.7)	0.2
Income Before Income Taxes and Minority Interests	4.7	0.8	(3.9)	(82.8)	2.5	(1.7)
Income taxes	(2.0)	(0.8)	1.2		(1.4)	0.6
Net Income	2.7	0	(2.7)	(99.3)	1.1	(1.1)
Earned Surplus	6.2	5.5	(0.7)			

(Figures are all profit base)

A. Comparison with the previous fiscal year

1. Sales: Declined ¥ 8.0 billion over the previous fiscal year.

Domestic sales declined ¥ 6.3 billion centering on agricultural machinery due to inactive trend of the agricultural machinery market. Overseas sales declined ¥1.7 billion due to impact of inventory adjustment by an OEM partner in the North America.

2. Operating income: Declined ¥ 4.1 billion over the previous fiscal year

Operating income declined ¥ 4.1 billion by decreased gross profit from reduced sales as well as by lowering gross margin.

3. Ordinary income: Declined ¥ 4.4 billion over the previous fiscal year.

Ordinary income declined ¥ 4.4 billion due to increased sales of inventory assets etc.

4. Net income declined ¥ 2.7 billion over the previous fiscal year.

B. Comparison with the performance

1. Operating income: ¥ 1.6 billion less than the forecast

Operating income was less than the forecast by ¥ 1.6 billion due to an unaccomplished cost down target and a negative impact on profit and loss of the current fiscal year by inappropriate accounting practices, which was

not reflected on the modified business performance announced on March 23, 2007.

2. Ordinary income: ¥ 1.9 billion less than the forecast

Ordinary income was less than the forecast by ¥ 1.9 billion due to increased sales of inventory assets etc.

(Breakdown of sales)

	FY 2006	FY 2007	Variance	(Billions of yen)	
	Actual	Actual		Forecast	Variance Amount
Agricultural Machinery	74.0	68.6	(5.4)	69.0	(0.4)
Parts & Farming Implements	30.5	29.8	(0.7)	29.6	0.2
Constructions of Facilities	5.1	6.3	1.2	6.0	0.3
Others	31.6	30.2	(1.4)	30.9	(0.7)
Domestic Sales Total	141.2	134.9	(6.3)	135.5	(0.6)
North America	8.7	6.5	(2.2)	6.5	
Europe	8.0	8.3	0.3	8.0	0.3
Asia	1.4	1.5	0.1	1.5	
China	0.5	0.7	0.2	0.6	0.1
Australia	0.3	0.4	0.1	0.4	
Total Product Sales	18.9	17.4	(1.5)	17.0	0.4
Parts	1.1	1.0	(0.1)	1.0	
Others	0.5	0.4	(0.1)	0.5	(0.1)
Overseas Sales Total	20.5	18.8	(1.7)	18.5	0.3
Total	161.7	153.7	(8.0)	154.0	(0.3)

(Reference) Non-consolidated financial result (Billions of yen)

	FY2006	FY2007	Variance
	Actual	Actual	
Net Sales	93.7	90.8	(2.9)
Operating Income	3.1	0.7	(2.4)
Ordinary Income	3.8	0.8	(3.0)
Extraordinary Gains	0.7	0.5	(0.2)
Extraordinary Losses	(1.9)	* (6.3)	(4.4)
Income Before Income Taxes and Minority Interests	2.6	(5.0)	(7.6)
Income taxes	0.3	0.2	(0.1)
Net Income	2.9	(4.8)	(7.7)
Earned Surplus	6.5	1.0	

* For those stocks of the consolidated subsidiaries whose actual value has not fallen more than 50% of the acquisition price, but judged that it will take some time to recover to the acquisition price, the reserve for evaluation loss of stocks of affiliated company as well as reserve for loss of investment will be appropriated as extraordinary

loss as a conservative measure from the view-point of the health of finance.

III. Forecast for the fiscal year ending March 31, 2008

A. Measures reflected in the full year forecast

1. Adjustment of production will be made in the fiscal year ending March 31, 2008 to reduce inventory for distribution of domestic agricultural machinery by ¥ 5.0 billion.

2. Implementation of restructuring

Implementation of the above measure is subject to negotiation and agreement between labor union and management.

Recruit roughly 300 voluntary retirees who are over the age of 50 years old.

During current fiscal year, wages will be cut by 10% and bonus will be cut by 50%.

B. Forecast for the fiscal year ending March 31, 2008

Consolidated	(Billions of yen, %)			
	FY 2006	FY 2007	Variance	
	Actual	Forecast	Amount	%
Net Sales	153.7	157.0	3.3	2.1
Domestic	134.9	136.0	1.1	0.8
Overseas	18.8	21.0	2.2	11.7
Operating Income	2.2	3.0	0.8	36.4
Ordinary Income	1.3	2.3	1.0	76.9
Net Income	0	0.8	0.8	

1. Sales

We expect sales of domestic agricultural machinery to be in line with the previous fiscal year.

Among overseas sales, sales to North America will remain almost the same, but we expect expanded sales in Europe where favorable economic condition will continue.

2. Operating income

In the current fiscal year, we expect profit will increase ¥ 0.8 billion through improved cost structure such as reduced personnel expenses in spite of temporary pressure such as production adjustment by distribution inventory reduction of domestic agricultural machinery.

IV. Review of Three-year Business Plan

A. Point of review

1. Sales of domestic agricultural machinery are leveling off.

2. Overseas:

Europe Sales are expanding due to favorable economy.

North America Inventory adjustment by an OEM partner will end during the FY 2008, and production will be normalized afterward.

3. Inventory reduction by production adjustment in domestic market will end during FY 2008 and production will be normalized afterward.

4. Improvement of cost structure by restructuring efforts.

B. Three-year Business Plan

Consolidated

	(Billions of yen)			
	FY 2007	FY 2008	FY 2009	FY 2010
	Actual	Forecast	Plan	Plan
Net Sales	153.7	157.0	159.0	160.0
Domestic	134.9	136.0	136.0	135.0
Overseas	18.8	21.0	23.0	25.0
Operating Income	2.2	3.0	5.5	6.0
Ordinary Income	1.3	2.3	4.9	5.5
Net Income	0	0.8	2.7	2.8
Earned Surplus	5.5	6.3	9.0	11.8

Non-consolidated

	(Billions of yen)			
	FY 2007	FY 2008	FY 2009	FY 2010
	Actual	Forecast	Plan	Plan
Net Sales	90.8	89.0	91.0	93.0
Operating Income	0.7	0.6	2.1	2.5
Ordinary Income	0.8	0.8	2.3	2.7
Net Income	(4.8)	0.5	1.3	1.3
Earned Surplus	1.0	1.5	2.8	4.1