

March 23, 2007

Company Name: ISEKI & CO., LTD.

Company representative: President Hiroyuki Nakano

Company Code: 6310

Stock Exchange Listings: Tokyo 1st Section, Osaka 1st Section

Enquiries: Managing Director Kazuyoshi Sonoda

(Telephone: +81 3 5604 7710)

The occurrence of a matter which affects our business performance

It was found that an overstatement of income was made due to inappropriate accounting at some of our consolidated manufacturing subsidiaries. At present, we are engaged in urgent and thorough investigation on how and why it happened, as well as possible effects on our consolidated and non-consolidated business performance, and we would like to report to you in haste the approximate amount of the overstatement as set out below.

We deeply regret that such a thing could have happened at our subsidiaries, for which we most profoundly apologize to all of you, our shareholders and interested parties for lessening your confidence in our group.

I. Outline of the inappropriate accounting

A. How we came to make this public announcement.

In the first place, we found an inappropriate accounting practice going on at Iseki-Kumamoto Mfg. Co., Ltd., where they reckoned items to be booked as cost of goods manufactured, as work in process, for instance. By an accounting audit carried out by our special investigation team, it was revealed that the said accounting practice was done by staff of the company's administration division, which led to an inflated income figure to be registered.

Without losing time, we also conducted the same investigation on three other manufacturing subsidiaries: Matsuyama, Niigata and Houei, and identified similar unhealthy accounting practices at Iseki-Matsuyama Mfg. Co.,Ltd. and also at Iseki-Houei Mfg. Co.,Ltd.

As the series of investigations verified the approximate amount of the overstatement due to the inappropriate accounting practice, we hereby make its disclosure in accordance with Article 2, Paragraph 2, Item 2 of the Timely Disclosure Codes.

B. Approximate amount of income stated by the inappropriate accounting practice

The investigation is still in progress, but it is estimated that the amount of overstated income by the inappropriate accounting at Kumamoto, Matsuyama and Houei including the amount before the previous fiscal period is approximately ¥4 billion.

With respect to this practice, it is assumed to have existed for more than one fiscal year in the past, but the exact amount is yet to be confirmed as we have not yet determined when the problem actually started. At this point in time, therefore, possible impact on the previous as well as current fiscal period has not been clarified. Subject to further investigation on the issue, we would like to make a timely disclosure when the exact amount is determined, enabling us to conduct proper accounting.

II. How we will cope with the situation

As of today, we have created an Internal Investigation Committee headed by our President as chairperson to conduct a complete investigation on the issue. Concurrently, we will set up an External Investigation Committee comprised of lawyers etc. who have no vested interest in our company in order to obtain appropriate advice and guidance on the investigation by the Internal Investment Committee.

We are determined to step up our efforts to realize more strict accounting practices, a stronger mutual checking system and a more thorough understanding of compliance needs by both management and employees. Your continuous understanding and support of our group would be most appreciated.