

Financial Results for the  
Financial Year ended March, 2007

Investor Relation Presentation

---

**ISEKI & CO., LTD.**

President Hiroyuki Nakano

June 8, 2007



# Index

---

- I. Particulars of the Development of Inappropriate Accounting Practices and Impact on the Past Years Business Performance
- II. Outline of Financial Results for the FY Ended March, 2007
- III. Performance Forecast for the FY Ending March, 2008
- IV. Review of the 3 Year Business Plan



I. Particulars of the Development of  
Inappropriate Accounting Practices and  
Impact on the Past Years Business  
Performance

---

## Particulars of Development of Inappropriate Accounting

- March 23 Announced “The occurrence of a matter which affects our business performance”  
Announced “Notice on revision of business performance forecast and dividend forecast”
- May 24 Announced “A report on the results of the investigation on inappropriate accounting practices and our policy corresponding to the issue”  
Disclosed “Partial amendments to the past years settlement”  
Announced “Postponement of Fiscal Year-End Change”
- Same date Required submission of the “Report on improvement” by the Tokyo Stock Exchange Co., Ltd.  
The Osaka Stock Exchange Co., Ltd. assigned stocks of our company to the supervisory post.
- May 31 Announced “Financial results for the FY ended March 31, 2007” and “Performance forecast for the FY ending March 31, 2008”  
“Notice on recruitment of voluntary retirees”
- June 6 Required submission of the “Report on improvement” by the Osaka Stock Exchange Co., Ltd.
- June 7 Submitted “Report on improvement”, to the Tokyo Stock Exchange Co., Ltd.  
Assignment of stocks of our company to the supervisory post by the Osaka Stock Exchange Co., Ltd. removed.
- June 8 Submitted “Report on improvement” to the Osaka Stock Exchange Co., Ltd.

# Impact of Amendment to the Past Years Settlement

## 1. Implemented amount of the inappropriate accounting practices

In contrast to the estimated amount ¥4.0 billion disclosed on March 23, the actual finalized implemented amount was ¥3.85 billion.

(Breakdown by manufacturing company) (JPN bn)

Iseki- Kumamoto Mfg. Co., Ltd.	2.3	
Iseki- Matsuyama Mfg. Co., Ltd.	1.2	
<u>Iseki-Houei Mfg. Co., Ltd.</u>	<u>0.3</u>	(Rounded down to JPN 0.1 bn)

## 2. Impact on the consolidated profit & loss

	Consolidated		Non-consolidated
	Operating Income	Net Income	Net Income
FY 2004 FY 2006	(3.1)	(3.6)	(2.9)
Interim period of FY 2007	(0.6)	(0.7)	(0.7)
Total	(3.7)	(4.3)	(3.6)

(JPN bn)

# Impact of Amendment to the Past Years Settlement

## 3. Impact on the Balance Sheet

• B/S of FY ended March 2006 before any amendments (JPN bn)

(Consolidated)	Balance at the end of the FY March, 2006	(Amount of amendment)
Net Assets	5.5	(3.6)
Retained Earnings	6.2	(3.6)
Total Assets	180.4	(3.4)
Inventory Assets (Work in Process)	39.8	(2.7)
Other Current Assets	5.3	(0.4)
Fixed Assets	93.6	(0.3)

(Non-consolidated)	Balance at the end of the FY March, 2006	(Amount of amendment)
Net Assets	55.9	(2.9)
Retained Earnings	6.5	(2.9)
Total Assets	137.6	(2.9)

# Causes and Measures for Future Improvement

## (Causes)

1. Absence of compliance and consciousness of participants.
2. Insufficient control and guidance of the Development & Production Division.
3. Insufficient internal auditing system of manufacturing system of manufacturing subsidiaries.
4. Fixed personnel management in highly professional area.

## (Measures for improvement)

1. Compliance oriented management.
2. Improvement of the organizational and business process related to the Development & Production Division.
3. Reinforcement of monitoring function.
4. Planned personnel rotation of administrative division.

## (Follow-up system)

We will follow up on the degree of progress of the measures for improvement every month by the “Management Supervisory Committee” composed of all directors with the president as head.



## II. Outline of Financial Results for the FY Ended March, 2007

---



# Outline of Consolidated Financial Results

(JPY bn, %)

Item	FY ended March 2006		FY ended March 2007		Compared with previous Change	FY ended March 2007 Forecast (Feb.9)	Compared with previous forecast Change
	Actual		Actual				
	Value	%	Value	%			
Net sales	161.7	100.0	153.7	100.0	(8.0)	154.0	(0.3)
(Domestic)	141.2	87.3	134.9	87.7	(6.3)	135.5	(0.6)
(Overseas)	20.5	12.7	18.8	12.3	(1.7)	18.5	0.3
Operating Income	6.3	3.9	2.2	1.5	(4.1)	5.5	(3.3)
Ordinary Income	5.7	3.5	1.3	0.8	(4.4)	5.0	(3.7)
Net Income	2.7	1.6	0.0	0.0	(2.7)	2.5	(2.5)
Retained Earnings	6.2		5.5		(0.7)		

(Actual FY ended March 2006 shows post amendment figures)

## Breakdown of Domestic Sales

(JPY bn, %)

	06/Mar	07/Mar	Compared with previous FY		07/Mar.	Compared with performance forecast	
	Actual	Actual	Change	Notes		Forecast	Change
Cultivating and Mowing Machinery	31.4	29.3	(2.1)	Tractors: (2.4)	29.8	(0.5)	Tractors: (0.6)
Planting Machinery	10.7	10.6	(0.1)	Rice transplanters: (0.2)	10.4	0.2	Rice transplanters: 0.1
Harvesting and Processing Machinery	31.9	28.7	(3.2)	Combine Harvesters: (2.4)	28.8	(0.1)	Combine Harvesters: (0.5)
<b>Agricultural Machinery Total</b>	<b>74.0</b>	<b>68.6</b>	<b>(5.4)</b>		<b>69.0</b>	<b>(0.4)</b>	
Parts and Farming Implements	30.5	29.8	(0.7)		29.6	0.2	
Construction of Facilities	5.1	6.3	1.2	Large drying and storage facilities	6.0	0.3	
Agricultural Machinery Related Business (* 1)	19.6	18.6	(1.0)		19.5	(0.9)	
Others (* 2)	12.0	11.6	(0.4)		11.4	0.2	
<b>Total</b>	<b>141.2</b>	<b>134.9</b>	<b>(6.3)</b>		<b>135.5</b>	<b>(0.6)</b>	

\*1 Repair fee, agricultural materials, etc.

\*2 Revenue from coin-operated rice polishing machines and other items

## Breakdown of Overseas Sales

(JPY bn, %)

Item	05/ Mar. Actual	06/ Mar. Actual	07/ Mar. Actual	Compared with Previous FY Change	Notes	07/ Mar. Forecast	Compared with performance forecast Change
North America	8.1	8.7	6.5	(2.2)	Decrease in inventory adjustment by OEM distributor	6.5	-
Europe	4.8	8.0	8.3	0.3		8.0	0.3
Asia	1.4	1.9	2.2	0.3		2.1	0.1
(China)	-	0.5	0.7	0.2		0.6	0.1
Oceania	0.3	0.3	0.4	0.1		0.4	-
Products Total	14.6	18.9	17.4	(1.5)		17.0	0.4
Parts & Others	1.3	1.6	1.4	(0.2)		1.5	(0.1)
Total	15.9	20.5	18.8	(1.7)		18.5	0.3

# Operating Income

(JPY bn, %)

Item	06/Mar. Actual		07/Mar. Actual		Compared with previous FY Change	07/Mar. Forecast (Feb.9)	Compared with performance forecast Change
	Value	%	Value	%			
Net Sales	161.7	100.0	153.7	100.0	(8.0)	154.0	(0.3)
Cost of G.S	109.1	67.4	105.3	68.5	(3.8)	102.6	2.7
Gross Profit	52.6	32.6	48.4	31.5	(4.2)	51.4	(3.0)
S.G.&A. Expenses	46.3	28.7	46.2	30.0	(0.1)	45.9	0.3
Operating Income	6.3	3.9	2.2	1.5	(4.1)	5.5	(3.3)

(Actual FY ended March 2006 shows post amended figures)

\* Compared with the same period for the previous year

[Factors to increase profit] Cost reduction : +0.1, Reduced S.G.&A. expenses: +0.1

[Factors to decrease profit] Gross profit decreased due to decreased revenue: (2.6) , Rising material costs: (0.7)

Others: (Declined gross margin rate at manufacturing subsidiaries due to production adjustment) (1.0)

\* Compared with the performance forecast [Factors to increase and decrease profit]

Impact of inappropriate accounting practices occurred until the interim period: (0.6)

Deteriorated profit at Iseki-Kumamoto Mfg. Co., Ltd. : (1.1), Unaccomplished cost reduction: (0.6)

Increased S.G.&A. expenses: (0.3), Others: (0.7)

## Ordinary Income and Net Income

(JPY bn)

Item	06/Mar. Actual	07/Mar. Actual	Compared with previous FY Change	07/Mar. Forecast (Feb.9)	Compared with performance forecast Change
Operating Income	6.3	2.2	(4.1)	5.5	(3.3)
Balance of Financial Income	(1.1)	(1.1)	-	(1.1)	-
Other Non-operating Income	0.5	0.2	(0.3)	0.6	(0.4)
Ordinary Income	5.7	1.3	(4.4)	5.0	(3.7)
Extraordinary Income	0.9	-	(0.9)	0.1	(0.1)
Extraordinary Losses	(1.9)	(0.5)	1.4	(1.0)	0.5
Income before Income Taxes	4.7	0.8	(3.9)	4.1	(3.3)
Taxes, Deferred Taxes	(2.0)	(0.8)	1.2	(1.6)	0.8
Net Income	2.7	0.0	(2.7)	2.5	(2.5)

(Actual FY ended March 2006 shows post amendment figures)

## Balance Sheet

(JPY bn)

Item	06/Mar. Actual	07/Mar. Actual	Compared with previous FY Change
Cash / Cash Equivalents	7.0	5.3	(1.7)
Acc. Receivables	34.7	32.0	(2.7)
Inventories	39.8	45.5	5.7
Other Current Assets	5.3	3.6	(1.7)
Fixed Assets	93.6	95.0	1.4
<b>Total Assets</b>	<b>180.4</b>	<b>181.4</b>	<b>1.0</b>
Debts / Borrowings	55.3	58.3	3.0
Other Liabilities	68.5	67.4	(1.1)
<b>(Total Liabilities)</b>	<b>123.8</b>	<b>125.7</b>	<b>1.9</b>
<b>Net Assets</b>	<b>56.6</b>	<b>55.7</b>	<b>(0.9)</b>
<b>(Retained Earnings)</b>	<b>6.2</b>	<b>5.5</b>	<b>(0.7)</b>
<b>Total Liabilities and Shareholder's Equity</b>	<b>180.4</b>	<b>181.4</b>	<b>1.0</b>

(Actual FY ended March 2006 shows post amendment figures)

- Due to the changes in accounting standards, the aggregate amount of the "Shareholder's Equity" and "Minority Interest" are posted in the "Net Assets" column for convenience of comparison (Actual Results as of March 2006).
- 32% of the CB ¥10 billion issued in Oct.2004 has been converted into shares (as of the end of March 2007)

## Outline of Non-consolidated Financial

(JPY bn)

Item	06/Mar. Actual	07/Mar. Actual	Compared with previous FY Change	07/Mar. Forecast (Feb.9)	Compared with performance forecast Change
Net Sales	93.7	90.8	(2.9)	91.0	(0.2)
Operating Income	3.1	0.7	(2.4)	1.9	(1.2)
Ordinary Income	3.8	0.8	(3.0)	2.3	(1.5)
Extraordinary Income	0.7	0.5	(0.2)	0.1	0.4
Extraordinary Losses	(1.9)	* (6.3)	(4.4)	(0.2)	(6.1)
Income before Income Taxes	2.6	(5.0)	(7.6)	2.2	(7.2)
Taxes, Deferred Taxes	0.3	0.2	(0.1)	(0.3)	0.5
Net Income	2.9	(4.8)	(7.7)	1.9	(6.7)
Retained Earnings	6.5	1.0	(5.5)		

(Actual FY ended March 2006 shows post amendment figures)

\* With respect to the actual value of stocks of consolidated subsidiaries, those shares whose value have not fallen more than 50% compared with the acquisition price, but judged to take a long period before it will recover to the level of pre-acquisition price has been appropriated as “ extraordinary loss of appraisal loss of affiliate s shares ” (¥3.8 billion) and provision for investment loss (¥0.9 billion) has been appropriated.



## III. Performance Forecast for the FY Ending March, 2008

---



## Performance Forecast for the FY Ending March, 2008

(Consolidated)

(JPY bn, %)

Item	07 / Mar. Actual		08 / Mar. Forecast		Change
	Value	%	Value	%	
Net Sales	153.7	100.0	157.0	100.0	3.3
(Domestic)	134.9	87.7	136.0	86.6	1.1
(Overseas)	18.8	12.3	21.0	13.4	2.2
Operating Income	2.2	1.5	3.0	1.9	0.8
Ordinary Income	1.3	0.8	2.3	1.5	1.0
Net Income	0.0	0.0	0.8	0.5	0.8

• Foreign exchange rate: US\$ 1 = ¥115、Euro 1 = ¥155

## Performance Forecast (Breakdown of Domestic Sales)

(Consolidated)

(JPY bn)

	07 / Mar. Actual	08 / Mar. Forecast	Change	Notes
Cultivating and Mowing Machinery	29.3	29.5	0.2	
Planting Machinery	10.6	10.6	-	
Harvesting and Processing Machinery	28.7	28.5	(0.2)	
<b>Agricultural Machinery Total</b>	<b>68.6</b>	<b>68.6</b>	<b>-</b>	
Parts and Farming equipment	29.8	30.2	0.4	
Construction of Facilities	6.3	6.0	(0.3)	
Agricultural Machinery Related Business (* 1)	18.6	19.4	0.8	agricultural materials:0.8
Others (* 2)	11.6	11.8	0.2	
<b>Total</b>	<b>134.9</b>	<b>136.0</b>	<b>1.1</b>	

\*1 Repair fee, agricultural materials, etc.

\*2 Revenue from coin-operated rice polishing machines and other items

## Performance Forecast (Breakdown of Overseas Sales)

(Consolidated)

(JPY bn)

	07 / Mar. Actual	08 / Mar. Forecast	Change	Notes
North America	6.5	7.0	0.5	
Europe	8.3	9.4	1.1	Reflecting favorable orders received in the market.
Asia	2.2	2.8	0.6	
(China)	0.7	0.9	0.2	
Australia and others	0.4	0.5	0.1	
Overseas Products Total	17.4	19.7	2.3	
Parts & Others	1.4	1.3	(0.1)	
Total	18.8	21.0	2.2	



## IV. Review of the 3 Year Business Plan

## Points of Review

---

Sales of domestic agricultural machinery are leveling off.

### Overseas

Europe: Sales are expanding due to favorable economy.

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

Domestic production adjustment will end this current fiscal year and normal pace of production will resume from the next fiscal year.

Improvement of cost structure by restructuring efforts

## Three-Year Business Plan

Outline of consolidated financial performance

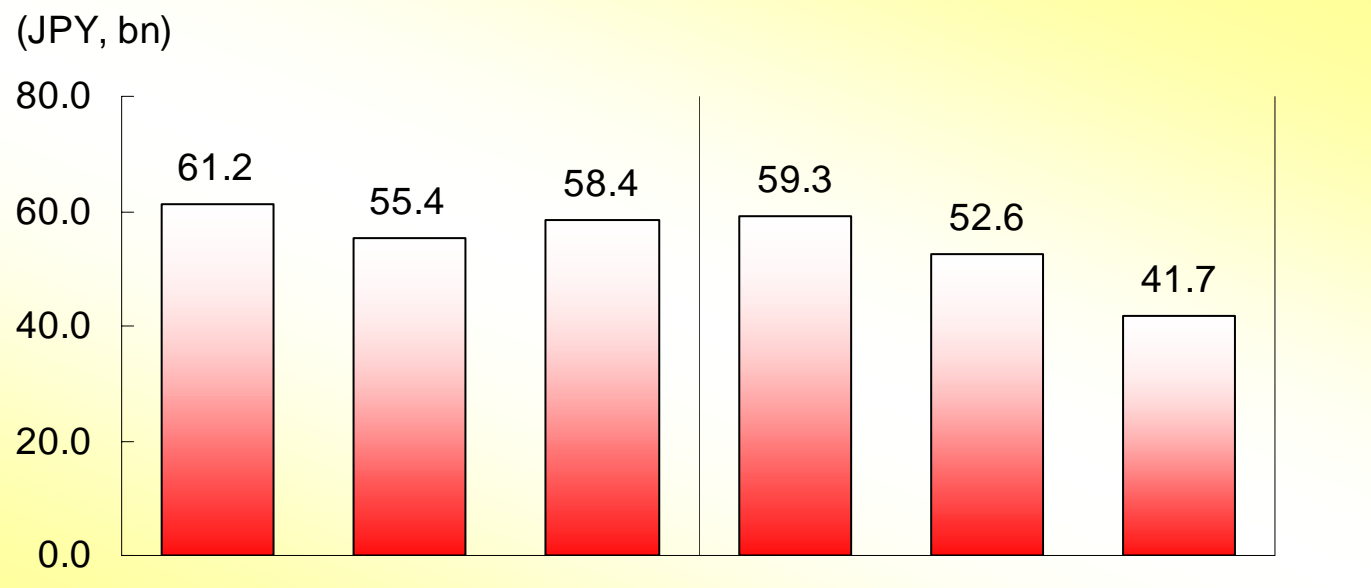
(JPY, bn)

Item	07/Mar. Actual	08/Mar. Plan	09/Mar. Plan	10/Mar. 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	0.8	2.7	2.8
Retained Earnings	5.5	6.3	9.0	11.8

• Foreign exchange rate: US\$ 1 = ¥115、Euro 1 = ¥155

## Three-Year Business Plan (Interest Bearing Liabilities)

Trend of Interest Bearing Liabilities Balance (incl. discount bill)



	05/3	06/3	07/3	08/3	09/3	10/3	
D / E Ratio	1.2	1.0	1.1	1.1	0.9	0.6	( Times )
Shareholders' Equity / Total Assets	27.1	30.5	29.8	30.0	32.1	37.8	( % )

- Effect of reduction of interest bearing liabilities through inventory reduction etc. has been reflected in the FY 09/Mar.
- Conversion of convertible bonds ¥6.8 is expected in FY10/Mar.

## Three-Year Business Plan

### Outline of non-consolidated financial performance

(JPY, bn)

Item	07/Mar. Actual	08/Mar. Plan	09/Mar. Plan	10/Mar. 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
Retained Earnings	1.0	1.5	2.8	4.1





## Notes on the Future Forecast

---

- The objective of this presentation document is to provide information, and it is not intended to invite any action.
- The document has been prepared by ISEKI based on currently available information and it involves potential risks and uncertainties. The forecast may not be consistent with actual results depending on fluctuation of the economic situation and market trends.
- In using this information, investors are expected to depend on their own judgment. ISEKI is not liable for any losses incurred by investment decisions made utilizing the business forecast or targets given in this document.