Annual Report 2014

Year ended March 31, 2014

Improving Agricultural Environments around the World

ISEKI & CO., LTD.

Contents

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.

This annual report is a literal translation into English of a section of the *Yukashoken-Hokokusho* ("Securities Report") for the year ended March 31, 2014.

Ⅰ. Overview of the Company

1. Developments Regarding Major Management Indicators, etc.

Consolidated management indicators, etc.

Ordinary business term	86th business term	87th business term	88th business term	89th business term	90th business term
For the year ended	March 2010	March 2011	March 2012	March 2013	March 2014
Net sales (millions of yen)	149,314	147,826	145,252	155,697	169,129
Ordinary income (millions of yen)	3,657	2,006	3,898	5,414	8,285
Net income (loss) (millions of yen)	2,347	(918)	2,727	3,979	6,447
Comprehensive income (millions of yen)	—	(979)	3,577	5,012	7,772
Net assets (millions of yen)	55,604	54,617	58,189	62,927	68,734
Total assets (millions of yen)	171,044	169,168	172,554	179,028	197,628
Net assets per share (yen)	235.46	231.13	246.77	266.94	292.11
Net income (loss) per share (yen)	10.29	(4.00)	11.87	17.32	28.06
Net income per share after adjustment for dilutive securities (yen)	10.21	—	—	—	—
Equity ratio (%)	31.6	31.4	32.9	34.3	34.0
Return on equity (%)	4.5	—	5.0	6.7	10.0
Price earnings ratio (times)	26.92	—	17.78	18.65	9.73
Net cash provided by (used in) operating activities (millions of yen)	7,326	7,060	8,580	8,531	7,007
Net cash provided by (used in) investing activities (millions of yen)	(4,320)	(5,674)	(5,234)	(6,342)	(10,038)
Net cash provided by (used in) financing activities (millions of yen)	(2,080)	(2,515)	(2,141)	(647)	1,521
Cash and cash equivalents at end of period (millions of yen)	6,614	5,585	6,952	9,040	8,169
Number of employees (persons)	6,435 [928]	6,404 [957]	6,295 [1,050]	6,325 [1,103]	6,295 [1,185]

Notes:
1. Net sales above do not include consumption tax, etc.
2. 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.
3. Net income per share after adjusting for dilutive securities for the 88th, 89th and 90th business terms were not stated because there were no dilutive securities.
4. Return on equity and price earnings ratios for the 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 10 consolidated subsidiaries and one equity method affiliate 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., Iseki-Changzhou Mfg. Co., Ltd. (China) and Dongfeng Iseki Agricultural Machinery 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]

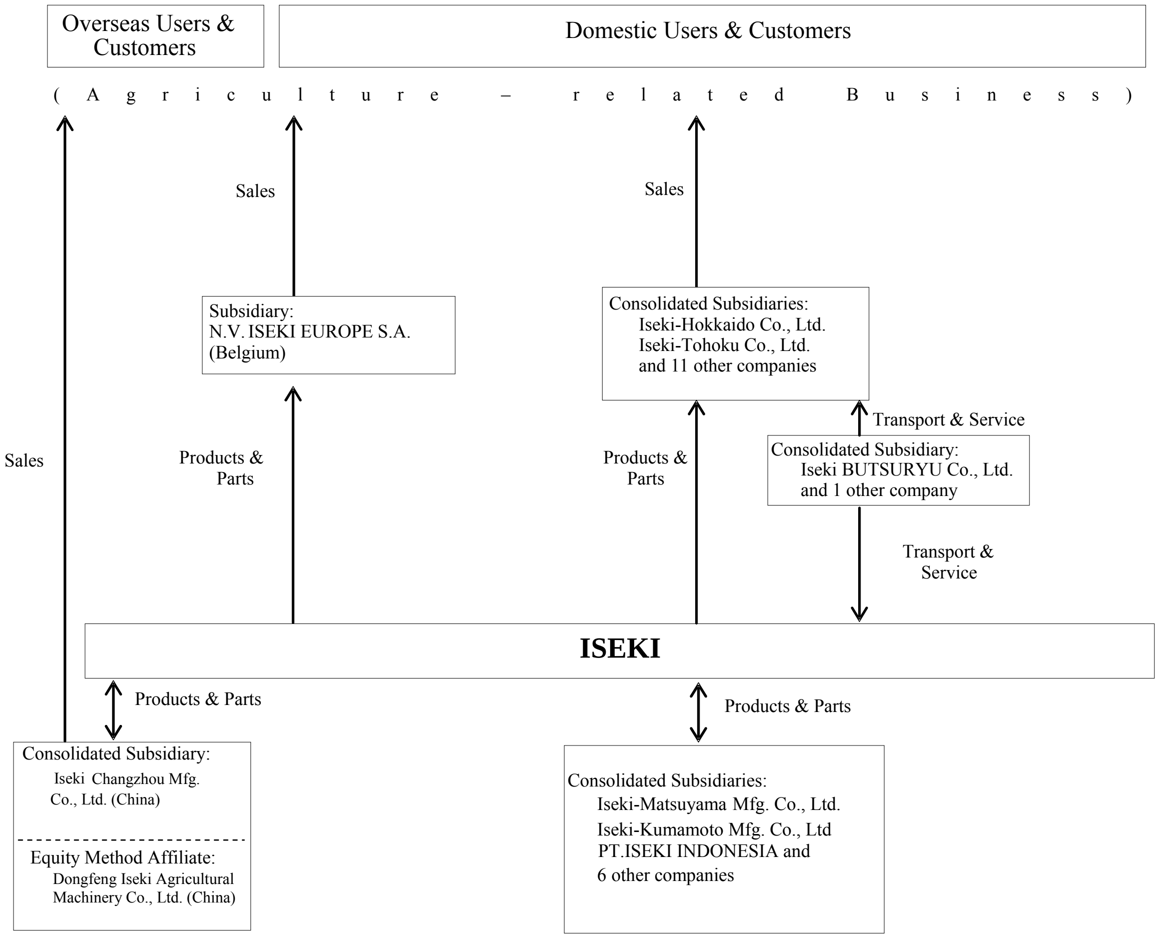
Japan ....Iseki-Hokkaido Co., Ltd., Iseki-Tohoku Co., Ltd., Iseki-Kanto Co., Ltd., Iseki-Shinetsu Co., Ltd., Iseki-Hokuriku Co., Ltd., Iseki-Tokai Co., Ltd., Iseki-Kansai Co., Ltd., Iseki-Chugoku Co., Ltd., Iseki-Shikoku Co., Ltd. and Iseki-Kyushu Co., Ltd.

Overseas.........N.V. ISEKI EUROPE S.A. (Belgium), Iseki-Changzhou Mfg. Co., Ltd. (China) and Dongfeng Iseki Agricultural Machinery Co., Ltd. (China)

Other Business Segment

System Equipment Co., Ltd., which was engaged in various businesses including the development of computer software, was completely liquidated as of September 26, 2013.

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 as a whole was on a recovery track partly due to a last-minute surge in demand before the consumption tax rate hike in April 2014, as the recovery of stock prices and the weaker yen come to stay despite misgivings about a downside risk of the overseas economy. On the other hand, it is thought to take some time before the world economy fully recovers, as exemplified by the move of the U.S. to reduce quantitative easing measures, financial instability in the European region and uncertainty over the future of the economy in China and other emerging countries.

Under such circumstances, the ISEKI Group strove to increase sales volume in Japan, launching new models and enhancing customer responses, while it endeavored to expand sales overseas by introducing new models in China and rolling out a new OEM line-up in North America. As a result, the Group's business performance can be summarized as follows.

(Consolidated business performance for the year under review)

In the fiscal year ended March 31, 2014, net sales increased ¥13,431 million from a year earlier to ¥169,129 million (up 8.6% year on year). Domestic sales increased ¥9,916 million from a year earlier to ¥142,974 million (up 7.5% year on year), and overseas sales increased ¥3,515 million to ¥26,154 million (up 15.5% year on year). Operating income increased ¥2,226 million from a year earlier to ¥7,371 million (up 43.3% year on year) mainly because the growth in gross income resulting from increased sales surpassed the rise in selling, general and administrative expenses. Ordinary income increased ¥2,871 million from a year earlier to ¥8,285 million (up 53.0% year on year). Net income increased ¥2,467 million from a year earlier to ¥6,447 million (up 62.0% year on year).

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

In the fiscal year under review, net sales totaled ¥106,459 million (up 15.8% year on year), operating income was ¥1,975 million (up 200.9% year on year), and ordinary income amounted to ¥4,580 million (up 110.3% year on year). The Company recorded a net income of ¥3,834 million (up 95.1% year on year).

Business performance by segment is as follows.

1) Agriculture-related Business

Sales of agricultural machinery and farming implements in Japan increased thanks to active demand against a backdrop of last-minute demand in preparation for the hike in the consumption tax rate in April 2014, in addition to the improvement of income of farmers as the government's measures to stabilize management income have been established and to the increase in the amount of agriculture-related budget. Overseas, overall sales increased due to the contributions of new models released for North America.

Sales by product are as follows.

[Domestic]

Sales of cultivating and mowing machinery (tractors, high-clearance multipurpose vehicles, etc.) amounted to ¥33,322 million (up 14.8% year on year), and sales of planting machinery (rice transplanters and vegetable transplanters) totaled ¥10,887 million (down 3.0% year on year). Sales of harvesting and processing machinery (combine harvesters, etc.) were ¥28,259 million (up 5.3% year on year). Moreover, sales of spare parts and farming implements reached ¥36,048 million (up 12.4% year on year), while sales in other agriculture-related business (including construction of facilities, etc.) increased to ¥34,422 million (up 1.9% year on year).

[Overseas]

Sales of cultivating and mowing machinery (tractors, etc.) increased to ¥16,641 million (up 31.5% year on year), and sales of planting machinery (rice transplanters, etc.) amounted to ¥6,732 million (up 7.3% year on year). Sales of harvesting and processing machinery (combine harvesters, etc.) amounted to ¥1,022 million (down 35.4% year on year). Sales of spare parts and farming implements totaled ¥1,308 million (up 2.0% year on year), while sales in other agriculture-related business were ¥448 million (down 46.6% year on year).

As a result, sales in the agriculture-related business segment totaled ¥169,094 million (up 8.7% year on year).

2) Other Business

The Company develops, sells, and operates computer software as part of the “other business” segment. Sales in the other business segment amounted to ¥34 million (down 74.1% year on year).

Liquidation of System Equipment Co., Ltd. (a consolidated subsidiary), which had engaged in other business, was completed as of September 26, 2013.

(2) Cash Flows

The balance of cash and cash equivalents at the end of the fiscal year decreased ¥870 million year on year, to ¥8,169 million.

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

Net cash provided by (used in) operating activities provided a net cash inflow of ¥7,007 million (down ¥1,523 million year on year). It was comprised principally of income before income taxes and minority interests of ¥7,926 million and depreciation of ¥5,887 million and an increase of ¥10,729 million in notes and accounts receivable-trade.

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

Net cash provided by (used in) investment activities resulted in a net cash outflow of ¥10,038 million (up ¥3,696 million year on year), comprised principally of capital investment expenditures of ¥9,931 million.

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

Net cash provided by (used in) financing activities amounted to a net cash inflow of ¥1,521 million (up ¥2,168 million year on year). This was due primarily to an increase in interest-bearing liabilities.

2. Production, Orders and Sales

(1) Production

Production results by business segment/product for the fiscal year under review are as follows:

Product/Segment	FY2014 (April 1, 2013–March 31, 2014)	
	Amount (millions of yen)	Change yoy (%)
Cultivating and mowing machinery	59,797	41.2
Planting machinery	17,332	(23.8)
Harvesting and processing machinery	28,043	3.2
Parts and farming implements	2,261	(8.9)
Other agriculture-related business	8,404	(0.5)
Agriculture-related business segment total	115,840	12.2
Other business segment total	—	—
Total	115,840	12.2

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 results by business segment/product for the fiscal year under review are as follows:

Product/Segment	FY2014 (April 1, 2013–March 31, 2014)	
	Amount (millions of yen)	Change yoy (%)
Cultivating and mowing machinery	49,963	19.9
Planting machinery	17,620	0.7
Harvesting and processing machinery	29,281	3.1
Parts and farming implements	37,357	12.0
Other agriculture-related business	34,871	0.7
Agriculture-related business segment total	169,094	8.7
Other business segment total	34	(74.1)
Total	169,129	8.6

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

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

Customer	FY2013 (April 1, 2012–March 31, 2013)		FY2014 (April 1, 2013–March 31, 2014)	
	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)	19,776	12.7	19,744	11.7

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

3. Issues to Be Addressed

To realize future development by establishing a stable customer base in Japan and speeding up global business development in a rapidly changing business environment, the ISEKI Group will promptly focus all of its strengths on the following challenges:

1) Establish a stable customer base in Japan

With competition in the market getting fiercer, we will endeavor to ensure a stable domestic sales share of 20% by focusing on the expansion of our tractor sales share in particular, with a view to establishing a stable customer base. We will do our utmost to expand our sales share by continuing to raise customer satisfaction levels. We will do this by providing high-quality and low-cost products and services that support energy conservation and low-cost agriculture from the viewpoint of customers, while systematically focusing on the development of new technologies and cutting-edge technologies and coping with the diversification of cultivation systems and forms of agricultural management.

Also, we will strive to expand domestic sales by further improving customer satisfaction. We will do this by not only more speedily focusing on the development of products responding to major changes in domestic agricultural policies, including the change in the rice policy, but also enhancing our capability to support customers through providing high-quality marketing services and proposals that match the agricultural management of customers.

2) Fully develop global strategies

We will strive to promptly realize an overseas sales ratio of 20% by accelerating overseas development, with an eye on Southeast Asia, where mechanization is remarkably advancing, in addition to the existing three markets of Europe, North America and China.

With regard to Europe, North America and other markets, we will further expand these markets by launching “new strategic products” that satisfy customer needs.

In addition, we will work on developing and deploying new products for Dongfeng Iseki Agricultural Machinery Co., Ltd. and establishing a supply chain, etc., in the Chinese market, where the mechanization of agriculture is rapidly advancing. In the Southeast Asian market, which is expected to grow in the future, we will endeavor to establish the ISEKI brand by stabilizing operations at PT. ISEKI INDONESIA, which has started production, in the early stages, and reinforcing the sales capabilities of ISEKI SALES (THAILAND) CO., LTD., which has begun sales activities.

In addition, we will focus on expanding our business development to meet diversifying market needs by enhancing our development, production, sales and service structures from a locally oriented perspective.

3) Enhance product capability and promote cost structure reforms

Our first priority lies with products that garner a high reputation among our customers. Hence, our sales, development, procurement and manufacturing operations are working together to improve design quality at the development process and manufacturing quality through the reform of the production process and to establish a framework of quality assurance by grasping the quality required by the market and thoroughly conducting quality tests, with a view to improving product quality.

As demand for low-priced products is growing both in Japan and overseas, we will implement strong measures such as cost structure reforms, leading to “low-cost design,” “low-cost production” and “low-cost procurement,” with the divisions for development, manufacturing and purchasing working together.

The Company underwent on-site inspections by the Fair Trade Commission (FTC) in November 2013 on suspicion of possible violation of the Antimonopoly Act regarding bidding for facility construction work. We fully cooperate in the inspections of the FTC and will strive to more thoroughly comply with laws and ordinances and enhance internal control.

4. Risks Which Could Affect Our Business

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

1) Economic Conditions and Changes in the Environment of Agriculture
Sluggish domestic and/or overseas economic conditions and any change in agricultural policy may negatively affect our financial performance through reduced demand for agricultural machinery.

2) Exchange Rate Fluctuation
There is a possibility that fluctuations in foreign currencies may negatively affect our financial performance.

3) Price Hike of Raw Materials, Difficulty in Procurement, and Confusion in the Supply Chain
As we procure raw materials and parts from numerous suppliers, their prices suddenly increasing more rapidly than expected and a prolonged tightening of supplies may negatively affect our business performance.

In addition, a fall in production activities due to damage caused by restrictions on electricity supplies and disruptions in the supply chain may harm the ISEKI Group’s business performance and financial position.

4) Dependency on Specific Customers or Suppliers
Any change of business policy, business slowdown or failure among our specific customers or suppliers may harm our financial performance.

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) Serious Defects in Products and Services
The occurrence of serious defects in our products or services may negatively affect our financial performance.

7) Stock Market Fluctuation
As we hold securities, stock price declines may harm our business performance and financial position.

8) Government Regulations on Environmental Issues, etc., and Related Difficulties
Substantial costs may be incurred related to our products or business activities due to necessitated responses to public regulations on environmental issues, etc., corrective measures undertaken in relation to conflicts, lawsuits and other situations which could lead to a deterioration of our financial performance.

9) Risks Derived from International Business
As we promote overseas business development, unexpected changes in tax and legal systems or political unrest of any particular country may unfavorably affect our financial performance when we engage in international business activities.
In addition, as we focus on expanding business to the Asian region, mainly a difficulty in ensuring human resources, immature technological levels and unstable labor-management relationships in the region may hinder the ISEKI Group’s business development.

10) Risk of Legal Violation
We are making Groupwide efforts to achieve complete legal compliance and instill ethical behavior by establishing the “ISEKI Group Code of Ethical Behavior” and 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 the Group will be negatively impacted and business performance may deteriorate.

11) Risk of Natural Disasters and Accidents
Natural disasters such as earthquakes, typhoons, floods or unexpected accidents may harm our financial performance.

12) Business Alliances, Joint Ventures and Strategic Investment with Other Companies
We will possibly form business alliances and joint ventures and carry out strategic investment with other companies as necessary. We believe that these measures are an effective means of utilizing the management resources of both parties for the timely development, production and sales of products.

However, should a conflict of interests occur between the parties concerned in business alliances or joint ventures due to financial position or other reasons, we would not be able to maintain the alliances. With regard to strategic investment, including acquisitions, there is a possibility that the expected results and/or effects will not be obtained in the integration of business, technologies, products and human resources, or that more time and expenses than expected will be required. Accordingly, the success or failure of these measures may seriously affect the ISEKI Group's business and may harm our business performance and financial position.

13) Debt
We have concluded syndicated loan or commitment line contracts with financial institutions. Should any of the financial conditions of these contracts be breached, we could face obligations to pay back some or all of these loans, which could negatively affect the financial position of the ISEKI Group.

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

5. Significant Contracts

(1) On December 6, 2013, the board of directors' meeting in the Company resolved to conclude a joint venture agreement with shareholders of Dongfeng Iseki Agricultural Machinery (Hubei) Co., Ltd.; Dongfeng Asset Management Co., Ltd.; Shanghai Jiahua Investment Co. Ltd.; and Dongfeng Industrial Co., Ltd. The above parties entered into the agreement on December 20, 2013, regarding business integration between Iseki-Changzhou Mfg. Co., Ltd., which is a consolidated subsidiary, and Dongfeng Iseki Agricultural Machinery (Hubei) Co., Ltd., which is an associated company accounted for by the equity method.

(2) The procedures for business integration, based on the joint venture agreement, were completed on May 27, 2014 to make Iseki-Changzhou Mgf. Co., Ltd. a 100% subsidiary of the business integrated company.

(3) Outline of the integrated company:

(a)	Name of company:	Dongfeng Iseki Agricultural Machinery Co., Ltd. (Changed from Dongfeng Iseki Agricultural Machinery (Hubei) Co., Ltd.)	
(b)	Location of head office:	Hubei Province, the People's Republic of China	
(c)	Primary line of business:	Manufacturing and sale of agricultural machinery	
(d)	Capital stock:	RMB 510 million	
	Shareholders and ownership:	Iseki & Co., Ltd.	50.00%
		Dongfeng Asset Management Co., Ltd.	46.77%
		Shanghai Jiahua Investment Co., Ltd.	1.96%
		Dongfeng Industrial Co., Ltd.	1.27%

6. Research and Development Activities

Based on a corporate philosophy that declares our aim to provide “products that satisfy our customers,” which has been inherited from our founding members, the Group has conducted research and development activities under the maxim of offering attractively priced products that deliver customer satisfaction, in a timely manner. 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 farming machinery, which is our core business, as well as mechanization in the areas of arable farming and vegetable farming, where there is strong demand for labor savings. Overseas, the Group introduced new gardening products in North America and Europe, and combine harvesters and rice transplanters in the rapidly growing Chinese market. Both in Japan and overseas, the Group has aggressively developed products for new markets. 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 ¥4,664 million, and major research results are as follows:

<u>Agriculture-related Business</u>

[Tractors]

- We started selling the “NTA” series of tractors that can offer “a feeling similar to driving an automobile” as a core product line covering 25 to 55 horsepower models. This series is equipped with a dual clutch transmission that realizes high transmission efficiency with maneuverability similar to that of an automatic transmission installed in an automobile. It is suitable for various land conditions from wet and dry paddy to grass pasture, bringing high efficiency in terms of work and fuel consumption.
- Amid a growing awareness among farmers of the need to reduce production costs, to respond to the need for low-cost tractors with basic equipment from large farmers, we introduced the “TJX” series of large tractors from 77 to 98 horsepower. The product offers a powerful engine that complies with Japan’s third-stage regulations, easy-to-use manual shift levers and comfortable cabin. Regardless of these high specs, it sells at an affordable price with superior cost performance..
- For the North American market, we launched economy tractors to meet a growing demand for low-cost products. We developed, in cooperation with our OEM partners, high-performance 34 and 39 horsepower tractors with an economic price. They maintain basic functions and are equipped with an engine conforming to the fourth emissions regulations (Tier 4 regulations) announced by the Environment Protection Agency (EPA) while realizing high cost-performance at an affordable price.

[Combine Harvesters]

- We launched the “Frontier N HN” series of combine harvester, which enable small and medium-size farmers to use the machine with a sense of higher safety. Under the concept *“Easy to use for everyone to gather lots of crops,”* the series is equipped with easy-to-use functions like “overall reaping” and “reaping start lever” to start reaping by using a single lever, and “reaping floating,” which enables anyone to reap neatly, and “a new eight thresher” to thresh crops efficiently as well as our unique “zoom auger.”
- For the Chinese market, we introduced the highly efficient and general purpose combine HC758, suitable for systems to crop rice, rape seeds, and wheat. The model has a highly efficiency work speed of 1.5 m/s, and can do high-precision work without loss of time and labor with a new threshing component “bar drum thresher.” We are certain we have developed a product with a design that is suitable for production in China.

[Other Products]

- We introduced the “RZ” series of binder, which is popular with customers who run a sun drying system. The models feature “*full equipment for easier work”* including ‘Easy recoil’ making it easy to start the engine, and ‘Semi-automatic binding string setting’ to make troublesome string passing easier. They have a sound design, like that of a powerful and green engine, in compliance with exhaust emission regulations, and a well-balanced design, since the center of gravity is placed near the center of the body. They also offer safety equipment such as an engine emergency stop switch and a parking brake.
- As more farmland is operated as a business, and forms of agriculture management are changing, a system for supporting agricultural work through analyzing data is needed for managing agriculture efficiently and reducing production costs. In response to this need, we put “ISEKI AGRI SUPPORT” on the market. This system can provide fundamental information for efficient management, utilizing information on work and machinery including pre-work inspection information (battery voltage, the amount of fuel, etc.), work result management (daily work hours, size of space worked, fuel consumption, etc.), work analysis (analysis of engine load by work stage, analysis of operability of machinery, etc.), confirmation of fuel consumption and fuel efficiency, and information on alarms from machinery, which are obtained through customers’ smartphones or tablet PCs.

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 2014, we have had the highest patent approval rate of all industries for seven consecutive years from 2004 through 2010 and the second highest rate in 2011, and we ranked No. 1 from 2012 to the fiscal year under review of 2013. We also ranked first in terms of the number of published patents in the “other specialty machinery sector” for six consecutive years from 2007 through 2012.

As a result of changes made to the classification of industry sectors from 2009 in the Japan Patent Office Annual Report, the “agriculture and fishery sector” is now grouped under “other specialty machinery sector.” We ranked No. 1 for seven consecutive years, from 2000 through 2006, in the “agriculture and fishery sector” before the changes to the classification were made. Accordingly, we ranked No. 1 for 13 consecutive years in aggregate.

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 regarding 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, net defined benefit liability, and income taxes 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 with net sales of ¥169,129 million is as shown in the summary of performance, etc. The main factors underlying the increase of ¥2,226 million of operating income are as follows:

(a) Increase of gross profit due to increased net sales, etc. ¥4,557 million

(b) Increase of selling, general and administrative expenses ¥(2,330) million

Main factors underlying the increase of ordinary income of ¥2,871 million are as follows:

(a) Increase of operating income ¥2,226 million

(b) Improvement of non-operating balance due to recording of foreign exchange gains, etc. ¥644 million

Main factors underlying the increase of net income of ¥2,467 million are as follows:

(a) Increase of ordinary income ¥2,871million

(b) Decrease in extraordinary income due to a decline in compensation income, insurance income, etc. ¥(296)million

(c) Increase in extraordinary losses due to an increase in loss on sales and retirement of non-current assets, etc. ¥(139) million

2) Financial position

Total assets at the end of the consolidated fiscal year increased ¥18,599 million year on year, to ¥197,628 million. Looking at contributing factors, current assets increased ¥11,413 million year on year, and non-current assets rose ¥7,186 million year on year. The main changes were a ¥11,142 million increase in notes and accounts receivable-trade and a ¥5,307 million increase in property, plant and equipment. Total liabilities increased ¥12,792 million year on year to ¥128,893 million, primarily due to increases in notes and accounts payable-trade of ¥4,926 million, increases in short-term and long-term loans payable of ¥2,822 million, and an increase in net defined benefit liability (provision for retirement benefits in the previous year) of ¥1,206 million. Net assets increased ¥5,807 million year on year to ¥68,734 million, due primarily to an increase in retained earnings by posting net income of ¥6,447 million.

The equity ratio was 34.0%.

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 ¥10,433 million (the figure is based on property, plant and equipment data, and the amount excludes consumption tax, etc.).

Major investments were as follows:

Agriculture-related Business

[Development and production divisions of agricultural machinery]

The Group made capital investments of ¥5,714 million, including those by its consolidated subsidiaries (Iseki-Matsuyama Mfg. Co., Ltd., Iseki-Kumamoto Mfg. Co., Ltd. and eight others), in new product development and production start-up facilities, for the renewal of production facilities, for rationalization and power saving, and for saving resources and energy at facilities as well as construction of a training center to teach technical skills to the next generation, and PT. ISEKI INDONESIA factory.

Meanwhile, the Company posted a loss on sales and retirement of ¥111 million with regard to the ongoing renewal of production facilities and obsolete production facilities.

[Sales division for agricultural machinery]

The Group made total capital investments of ¥4,180 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, service maintenance factories and 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 ¥195 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, 2014) (shares)	Number of shares outstanding as of the date of submission (June 26, 2014) (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, 2014

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	51	79	353	108	17	22,963	23,571	—
Number of shares held (unit of shares)	0	77,055	7,000	39,581	10,588	93	94,914	229,231	618,936
Shareholding ratio (%)	0.0	33.6	3.1	17.3	4.6	0.0	41.4	100.0	—

Notes:
1. 118,254 treasury shares are included in "Individuals and other" (118 units) and in "Status of shares below stock trading unit" (254 shares). The actual number of treasury shares held as of the fiscal year-end was 117,254 shares.
2. In "other legal entities," 23 units in the name of the Japan Securities Depository Center, Inc. (JASDEC) were included.

(7) Status of Major Shareholders

As of March 31, 2014

Name or corporate name	Address	Number of shares held (thousands of shares)	Shareholding ratio to total number of shares outstanding (%)
Mizuho Bank, Ltd.	1-3-3, Marunouchi, Chiyoda-ku, Tokyo	10,708	4.65
Sumitomo Mitsui Trust Bank, Limited	1-4-1, Marunouchi, Chiyoda-ku, Tokyo	9,600	4.17
The Norinchukin Bank	1-13-2 Yurakucho, Chiyoda-ku, Tokyo	8,687	3.77
Iseki kabushiki hoyukai (Company's Stockholding Co-op.)	5-3-14, Nishi-nippori, Arakawa-ku, Tokyo	5,939	2.58
The Iyo Bank, Ltd.	1, Minami-horibata-cho, Matsuyama, Ehime	5,800	2.52
Sompo Japan Insurance Inc.	1-26-1, Nishi-shinjuku, Shinjuku-ku, Tokyo	4,888	2.12
Mitsui Sumitomo Insurance Co., Ltd.	3-9, Kandasurugadai, Chiyoda-ku, Tokyo	4,193	1.82
The Kyoei Fire & Marine Insurance Co., Ltd.	1-18-6, Shinbashi, Minato-ku, Tokyo	3,527	1.53
Nippon Konpo Unyu Soko Co., Ltd.	6-17 Akashi-Cho, Chuo-ku, Tokyo	3,417	1.48
iseki eigyo-hansya group syain mochikabukai (Business-Seiling Group Holdings)	5-3-14, Nishi-nippori, Arakawa-ku, Tokyo	3,340	1.45
Total	—	60,100	26.14

Notes: 1. Based on the report on large shareholdings (change report) submitted by Mizuho Bank on July 22, 2013, we received a report to the effect that the said Bank jointly held the following shares as of July 15, 2013. 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 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 Bank, Ltd.	1-3-3, Marunouchi, Chiyoda-ku, Tokyo	10,708	4.66
Mizuho Trust & Banking Co., Ltd.	1-2-1, Yaesu, Chuo-ku, Tokyo	3,120	1.36

Notes: 2. Based on the report on large shareholdings (change report) submitted by Sumitomo Mitsui Trust Bank, Limited on March 20, 2014, we received a report to the effect that the said company jointly held the following shares as of March 14, 2014. 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 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 (%)
Sumitomo Mitsui Trust Bank, Limited	1-4-1, Marunouchi, Chiyoda-ku, Tokyo	13,991	6.09
Sumitomo Mitsui Trust Asset Management Co., Ltd.	3-33-1, Shiba, Minato-ku, Tokyo	269	0.12
Nikko Asset Management Co., Ltd.	9-7-1, Akasaka, Minato-ku, Tokyo	605	0.26

(8) Status of Voting Rights

(i) Shares Outstanding

As of March 31, 2014

Class	Number of shares (shares)	Number of voting rights (units)	Content
Non-voting shares	—	—	—
Shares with restricted voting rights (treasury shares, etc.)	—	—	—
Shares with restricted voting rights (others)	—	—	—
Share with full voting rights (treasury shares, etc.)	(Shares of the Company held by the Company) Common shares 117,000	—	Class of shares as the Company's standard shares that have no limitations on the content of rights.
Shares with full voting rights (others)	Common shares 229,114,000	229,114	Ditto
Shares less than one unit	Common shares 618,936	—	Ditto
Total number of shares outstanding	229,849,936	—	—
Voting rights of all shareholders	—	229,114	—

Note: Common shares in the column of “Shares with full voting rights (others)” include 23,000 shares (23 voting rights) in the name of the Japan Securities Depository Center Inc.

(ii) Treasury shares, etc.

As of March 31, 2014

Name of owner or company name	Address of owner	Number of shares held in the name of the owner (shares)	Number of shares held in the name of another person (shares)	Total number of shares held (shares)	Shareholding ratio to total number of shares outstanding (%)
(Shares of the Company held by the Company) Iseki & Co., Ltd.	5-3-14, Nishi-Nippori, Arakawa-ku, Tokyo	117,000	—	117,000	0.05
Total	—	117,000	—	117,000	0.05

Note: There are 1,000 shares (1 voting right) that the Company does not substantially hold although those shares are in the name of the Company in the shareholder registry. Such shares are included in common shares in the column of “Shares with full voting rights (others)” of “Shares Outstanding.”

(9) Content of the Stock Option System

Pursuant to the provisions of Article 361 and Article 387 of the Companies Act, the ordinary general shareholders’ meeting, held on June 25, 2014, resolved on the compensation, etc., as stock options, related to the subscription rights of shares, to the board directors and corporate auditors of the Company, as in the following:

Date of resolution	June 25, 2014
Title and number of people who will be granted the subscription rights of shares	Board directors (excluding outside directors) and corporate auditors (excluding part-time auditors) of the Company
Class of shares to be issued as the subscription rights to shares	Common shares of the Company
Number of shares	A total of 600,000 shares and 140,000 shares (105,000 shares to outside corporate auditors are included) will be allotted to board directors (excluding outside directors) and corporate auditors (excluding part-time auditors), respectively. The total number of shares to be issued shall not exceed the total number of the above allotments, upon exercise of the subscription rights to shares within one year after the date of an ordinary general shareholders’ meeting for each business year.
Amount to be paid in for the subscription rights to shares	The exercise price shall be one yen per share when shares are granted to holders of the subscription rights to shares. The amount of payment is calculated by multiplying the exercise price by the number of shares granted.
Period during which the subscription rights to shares may be exercised	The board of directors will decide the period within a range of 25 years from the following day of the allotment date.
Conditions for the exercise of the subscription rights to shares	The board of directors of the Company will decide on conditions for exercise of the subscription rights to shares, including a rule that holders of the subscription rights to shares may exercise the rights from the date on which three years pass since the following day of the allotment date.
Matters concerning the transfer of the subscription rights to shares	Acquisition of the subscription rights to shares through transfer requires approval from a resolution in the board of directors of the Company.
Matters regarding money paid in through the redemption of corporate bonds	—
Matters regarding the granting of the subscription rights to shares upon the acts of reorganization	—

Note: A total of 600 units and a total of 140 units (including 105 units to outside corporate auditors) of the subscription rights to shares will be allotted to board directors (excluding outside directors) and corporate auditors (excluding part-time auditors), respectively. The total of the above-mentioned numbers of the subscription rights to shares shall be the total of the subscription rights to shares that will be allotted within one year after the date of an ordinary general shareholders' meeting for each business year. The number of shares to be issued upon exercise of the subscription rights to shares (hereinafter referred to as the "number of shares to be granted") is 1,000 shares per unit.

However, in case that, after the date of resolution, the Company conducts a split of common shares of the Company (including the allotment of common shares of the Company without charge; the same shall apply hereinafter) or a consolidation of common shares, the number of shares to be granted shall be adjusted using the following formula. Any amount less than one share arising from the adjustment shall be rounded down.

Number of shares to be granted after adjustment = Number of shares to be granted before adjustment × the ratio of a share split or a consolidation of shares

In addition to the above, in case that, after the date of resolution, the Company conducts a merger, a company split, or others, in which a need arises to adjust the number of shares to be granted, the Company may properly adjust the number of shares to be granted within a reasonable range. Besides, in case that, after the date of resolution, the Company changes the share unit number of common shares of the Company (excluding cases of share split and share consolidation; the same shall apply hereinafter), the Company may adjust the number of shares to be granted in accordance with the ratio in the change of the share unit number in a reasonable manner, in respect of the subscription rights to shares whose issuance the board of directors will resolve on after the change of the share unit number comes into effect.

2. Status of Acquisition, etc. of Treasury Shares

[Class of shares, etc.] Acquisition of common shares pursuant to Article 155, Paragraph 3 and Article 155, Paragraph 7 of the Companies Act.

(1) Status of Acquisition through a Resolution at a General Shareholders' Meeting

There are no applicable matters to be reported.

(2) Status of Acquisition through a Resolution at the Board of Directors

Classification	Number of shares (shares)	Total amount of shares (millions of yen)
Resolution status at the board of directors' meeting (held on May 29, 2014) (Acquisition period: from May 30, 2014 to March 31, 2015)	4,500,000	1,000
Number of treasury shares acquired prior to the current business year	—	—
Number of treasury shares acquired during the current business year	—	—
Total number and amount of the remaining shares by a resolution at the board of directors' meeting	4,500,000	1,000
Ratio of unexecuted rights at the end of the current business year (%)	100	100
Number of treasury shares acquired during the current period	—	—
Ratio of unexecuted rights on the date of the submission (%)	100	100

(3) Contents that are not based on a Resolution at a General Shareholders' Meeting or the Board of Directors' Meeting

Classification	Number of shares (shares)	Total amount of shares (yen)
Number of treasury shares acquired during the current business year	15,300	4,837,082
Number of treasury shares acquired during the current period	827	215,386

Note: The number of treasury shares acquired during the current period does not include the number of shares added from purchasing shares less than one unit between June 1, 2014 and the date for submitting the securities report.

(4) Status of Disposal and Holding of Treasury Shares Acquired

Classification	Current business year		Current period	
	Number of shares (shares)	Total amount of shares disposed of (yen)	Number of shares (shares)	Total amount of shares disposed of (yen)
Treasury shares acquired through inviting subscribers	—	—	—	—
Acquired treasury shares disposed of	—	—	—	—
Acquired treasury shares transferred, accompanying a merger, share swap, and company split	—	—	—	—
Others	—	—	—	—
Number of treasury shares held	117,254	—	118,081	—

Note: The number of treasury shares held during the current period does not include the number of shares added from purchasing shares less than one unit between June 1, 2014 and the date for submitting the securities report.

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 maintain stable and growing dividend payouts, taking into consideration not just our consolidated financial results, but also our Group's financial position and future business activities, change in the business environment and other factors. 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 fiscal year ended March 31, 2014, we resolved to pay 4.00 yen per share.

Dividends with a record date within the fiscal year ended March 31, 2014 are as follows:

Resolution date	Total amount of dividends paid (millions of yen)	Dividend per share (yen)
Regular meeting of shareholders on June 25, 2014	918	4.00

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 the business climate and to maintain fair business operations. Stable growth of shareholder value is another top priority of management. We are enhancing corporate governance to maintain positive relations with our stakeholders, including shareholders, customers, business partners, members of regional communities, and employees.

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 meetings of the Board of Directors once a month to make prompt decisions, and extraordinary meetings as necessary. With regard to the execution of business, all corporate officers fulfill responsibilities inherent to the duties for which they are responsible, as decided by the Board of Directors, and implement sound management by discussing and reporting the appropriate development of business, existence of risks, and measures to prevent and avoid such risks. They do so while sharing the latest information with one another through twice-monthly meetings of 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.

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, a 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.

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

(a) Compliance-oriented management

Positioning the Group's 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. 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, but also 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 endeavors to prevent any infractions or 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 a 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, which assumed the ordinary monitoring function of our manufacturing subsidiaries, and a "Sales Management Control Section" under the control of the Head of the Business Division, which inspected the degree of implementation of internal auditing at our sales and other subsidiaries and gave guidance when necessary. As of April 1, 2013, we integrated the Management Control Section, Sales Management Control Section, and Internal Control Department into the Operations Supervising Department, and set up an Internal Control & Audit Department, which inspects the status of internal auditing and gives guidance when necessary, from the standpoint of promoting internal control and further enhancing the independence of the auditing function.

In addition, we transformed the “, Management Control Section Of Agri-Plant Bisuness” which assumed the ordinary monitoring function of the facility business under the control of the Agri-Plant Dept.in the Business Division into a “Management Control Section for Agri-Plant Business” under the direct control of the Business Division as of April 1, 2014. The Management Control Section for Agri-Plant Business will assume the monitoring function from outside the facility business to strengthen its auditing system.

We also created a “Management Supervisory Committee” in 2007, with the chairman 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 to prevent any possibility of a relationship with antisocial forces or groups, as stated in the policy of the “ISEKI Group Code of Ethical Behavior.” To establish corporate ethics at Iseki and Group companies, we provide action guidelines regarding antisocial forces in the “IsekiGroup Code of Ethical Behavior,” and systems to reject antisocial forces and related activities.

3) Status of internal audit and audit by corporate auditors

Internal audits of the Company are organized by the Internal Control & Audit Department with a staff of thirteen, which is independent of business execution divisions and sections. Based on internal audit rules, the department carries out accounting, business, and internal control audits of associated companies and each business division and section to ascertain whether businesses of the Group as a whole are executed appropriately and efficiently.

The Board of Auditors is composed of five corporate auditors, including four outside corporate auditors. In accordance with auditing policies, the audit plan, etc., established by the Board of Auditors, corporate auditors attend meetings of the Board of Directors and the Management Supervisory Committee, and other meetings deemed important, listen to Directors review the execution of their duties, peruse documents based on which important decisions are made, and audit the status of the businesses and assets of associated companies and each business division and section. They also cooperate with the Internal Control & Audit Department and the independent public audit firm by having periodic exchanges of opinions and information, meetings held as necessary, and other activities.

Masaharu Kamekawa, who is a full-time corporate auditor, has long been in charge of accounting affairs and internal control affairs of the Company and has extensive knowledge of finance and accounting and internal control.

4) Outside directors and outside corporate auditors

The Company has elected one outside director and four outside corporate auditors.

The Company has elected one outside director, providing an external perspective in management, further enhancing the supervisory function over the execution of business and further improving transparency of management. Also, we are strengthening the monitoring of management functions by enhancing and reinforcing the corporate auditing structure with five corporate auditors, including four outside corporate auditors.

We elected Atsushi Iwasaki as outside director because we expect that his expertise and extensive experience, obtained while working as a certified public accountant, will be leveraged in the management supervisory functions of the Company.

Toshifumi Tsukitani, an outside corporate auditor, previously worked for The Norinchukin Bank. We elected him as outside corporate auditor because we expect his extensive knowledge and experience, obtained while he held various posts, including those of manager of an overseas branch and general manager of a division at said bank, will be leveraged in the auditing structure of the Company. Seigo Kimoto, an outside corporate auditor, previously worked for Chuo Mitsui Asset Trust and Banking Company, Limited (present Sumitomo Mitsui Trust Bank, Limited). We elected him as outside corporate auditor because we expect that his extensive knowledge and experience, obtained while holding various posts, including those of general manager of a division at said bank, will be leveraged in the auditing structure of the Company. Atsushi Oka, an outside corporate auditor, previously worked for The Iyo Bank, Ltd. We elected him as outside corporate auditor because we expect his extensive knowledge and experience, obtained while holding various posts including at an overseas branch and general manager of a division at said bank, will be leveraged in the auditing structure of the Company. Shoji Tanaka, an outside corporate auditor, is a lawyer. We elected him as outside corporate auditor because we expect that his expertise and experience, obtained while working as a lawyer, will be leveraged in the auditing structure of the Company. Each corporate auditor discusses and decides audit policies, audit plans and division of duties at meetings of the Board of Auditors. In accordance with these decisions, each corporate auditor attends meetings of the Board of Directors, the Management Supervisory Committee, and other meetings deemed important, peruses documents based on which important decisions are made, and audits the status of the businesses and assets of associated companies and each business division and section. Corporate auditors also share information with an independent public audit firm at meetings held periodically.

We have also designated and authorized Atsushi Iwasaki, who is an outside director, and Shoji Tanaka, who is an outside corporate auditor, as independent officers pursuant to the Securities Listing Regulations of the Tokyo Stock Exchange. As a result, we believe objectivity and neutrality of governance are achieved. Atsushi Iwasaki, an outside director, is a certified public accountant, and Shoji Tanaka, an outside corporate auditor, is a lawyer, and they do not receive large sums of money or assets from the Company other than the remuneration designated for officers. Therefore, we deem the two officers to have no conflict of interest with general shareholders. As we have not established our own standards or policies on the independence of outside directors/corporate auditors, we refer to the standards of the stock exchange for evaluating the independence of independent officers when electing them.

5) 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

Yoshio Ogawa (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 ShinNihon 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

13 CPAs

8 Others

6) Establishing a risk management system

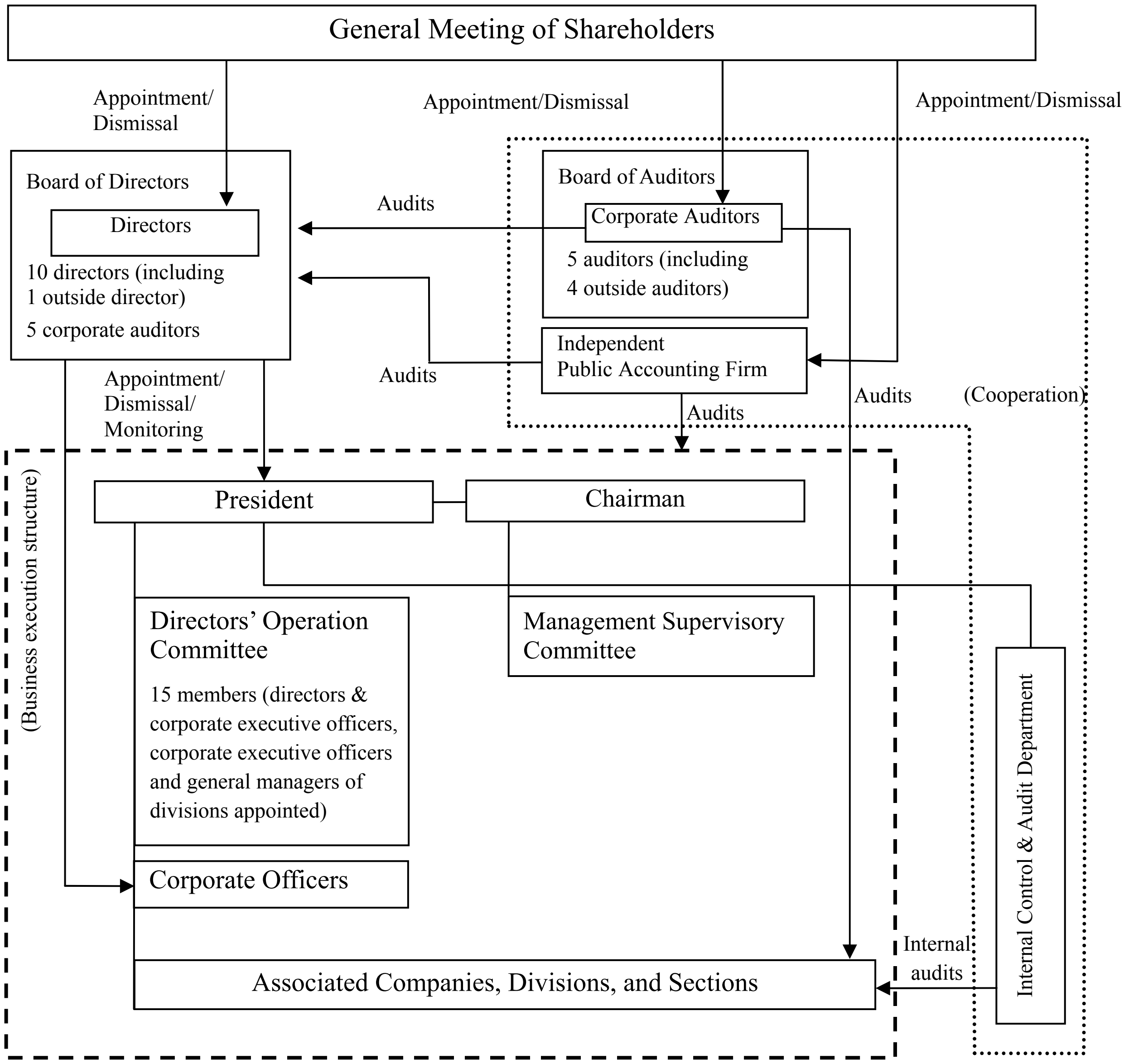
Addressing the overall risk exposure of the Group, the Company has set up risk management standards and rules as well as monitoring and response systems to prevent avoidable risk and to minimize losses.

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

Iseki believes that the timely disclosure of information is essential to building good relations 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 regularly publishes an environmental report (last published August 2013). The entire Group takes an active part in 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 2013) 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 Companies Act, the articles of incorporation stipulate that the Company may acquire treasury stock based on a decision made 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 Companies Act, 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 Act under the limitations of the Act 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 Companies Act, 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 Act under the limitations of the Act 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 directors and outside corporate auditors from liability

As provided for in Article 427, Paragraph 1, of the Companies Act, the articles of incorporation stipulate that the Company may conclude an agreement to limit the liabilities of outside directors and outside corporate auditors defined in Article 423, Paragraph 1, of the same Act. The Company has concluded an agreement with one part-time corporate auditor among outside directors and outside corporate auditors, to limit the liabilities defined in Article 423, Paragraph 1, of the Companies Act. The limit of liability pursuant to said agreement is the amount specified by the law. The said limit of liabilities shall be approved provided the said outside directors and outside corporate auditors act in good faith and are not unreasonably negligent in the execution of their duties, which is the source of liability. This provision enables the Company to appoint appropriate persons as outside directors and outside corporate auditors in future and enables outside directors and 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 Companies Act, 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 Act under the limitations of the Act 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 Companies Act 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	65	7	65	4
Consolidated subsidiaries	7	—	7	—
Total	72	7	72	4

2) Other remuneration

(Previous fiscal year)

Among important subsidiaries of the Company, there are some overseas subsidiaries that are audited by Ernst & Young, which is in the same network as Ernst & Young ShinNihon LLC, the independent public audit firm of the Company.

(Fiscal year under review)

The Company and some of its consolidated subsidiaries pay ¥12 million as remuneration for audit certification services and non-audit services (investigations concerning investment, etc.) to Ernst & Young, which is in the same network as Ernst & Young ShinNihon LLC, the independent public audit firm of the Company.

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

(Previous fiscal year)

The Company requested investigations concerning investment, which is designated as services (non-audit services) other than those provided for in Article 2, Paragraph 1, of the Certified Public Accountants Act, and paid remuneration.

(Fiscal year under review)

The Company requested advice services in respect of facilitating fiscal closings, which is designated as services (non-audit services) other than those provided for in Article 2, Paragraph 1, of the Certified Public Accountants Act, and paid remuneration.

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 "Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements" (Finance Ministry Order No. 28 of 1976 (hereinafter referred to as "Ordinance on Consolidated Financial Statements").

Comparative information included in the consolidated financial statements for the consolidated fiscal year under review (from April 1, 2013 through March 31, 2014) is prepared on the basis of Ordinance on Consolidated Financial Statements before the revision, pursuant to Article 3, Paragraph 2, Supplementary Provision to "Cabinet Office Ordinance on Partial Revision of Ordinance on Terminology, Forms and Preparation Methods of Financial Statements, etc." (Cabinet Office Ordinance No. 61 of September 21, 2012).

(2) The Company's financial statements are prepared on the basis of the "Ordinance on Terminology, Forms and Preparation Methods of Financial Statements, etc." (Finance Ministry Order No. 59 of 1963 (hereinafter referred to as "Ordinance on Financial Statements").

Comparative information included in the financial statements for the fiscal year under review (from April 1, 2013 through March 31, 2014) is prepared on the basis of Ordinance on Financial Statements, etc. before the revision, pursuant to Article 3, Paragraph 2, of Supplementary Provision to "Cabinet Office Ordinance on Partial Revision of Ordinance on Terminology, Forms and Preparation Methods of Financial Statements, etc." (Cabinet Office Ordinance No. 61 of September 21, 2012).

The Company falls under the category of companies submitting special purpose financial statements, and prepares financial statements on the basis of Article 127, of Ordinance on Financial Statements.

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 for the consolidated fiscal year (from April 1, 2013 through March 31, 2014) and its financial statements for the fiscal year (from April 1, 2013 through March 31, 2014).

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.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	FY2013 (As of March 31, 2013)	FY2014 (As of March 31, 2014)
Assets		
Current Assets:		
Cash and deposits	9,285	8,228
Notes and accounts receivable—trade	*7 30,455	41,598
Securities	19	—
Merchandise and finished goods	37,242	36,889
Work in process	3,344	*3 4,882
Raw materials and supplies	2,090	1,548
Deferred tax assets	1,140	1,794
Others	2,837	2,944
Allowance for doubtful accounts	(51)	(107)
Total Current Assets	86,365	97,779
Non-current Assets:		
Property, plant and equipment		
Buildings and structures, net	*1 14,991	*1 16,602
Machinery, equipment and vehicles, net	6,944	7,041
Tools, furniture and fixtures, net	1,903	2,550
Land	*1,8 50,471	*1,8 51,015
Leased assets, net	6,010	7,311
Construction in progress	1,507	2,611
Other, net	16	19
Total property, plant and equipment	*2 81,844	*2 87,152
Intangible assets	965	1,006
Investments and other assets		
Investment securities	*4 6,539	*4 7,269
Long-term loans receivable	124	106
Net defined benefit asset	—	288
Deferred tax assets	645	1,374
Other	*4 2,922	*4 3,116
Allowance for doubtful accounts	(380)	(464)
Total investments and other assets	9,852	11,690
Total Non-current Assets	92,662	99,848
Total Assets	179,028	197,628

(Millions of yen)

	FY2013 (As of March 31, 2013)	FY2014 (As of March 31, 2014)
Liabilities		
Current Liabilities:		
Notes and accounts payable—trade	*7 42,609	47,536
Short-term loans payable	*1 15,199	*1 20,132
Current portion of bonds	100	—
Current portion of long-term loans payable	*1 5,984	*1 6,387
Lease obligations	1,713	2,087
Accrued consumption taxes	448	354
Income taxes payable	1,108	1,788
Deferred tax liabilities	0	—
Accrued expenses	4,616	5,084
Provision for bonuses	303	350
Provision for loss on construction contracts	—	*3 33
Other	*1,7 4,518	*1 6,161
Total Current Liabilities	76,602	89,916
Non-current Liabilities:		
Long-term loans payable	*1 20,382	*1 17,870
Lease obligations	4,755	5,730
Deferred tax liabilities	639	250
Deferred tax liabilities for land revaluation	*8 6,644	*8 6,644
Provision for retirement benefits	5,453	—
Provision for directors' retirement benefits	125	126
Net defined benefit liability	—	6,660
Asset retirement obligations	262	264
Other	*1 1,234	*1 1,429
Total Non-current Liabilities	39,498	38,977
Total Liabilities	116,101	128,893
Net Assets		
Shareholders' equity		
Capital stock	23,344	23,344
Capital surplus	13,454	13,454
Retained earnings	11,522	17,266
Treasury shares	(25)	(30)
Total Shareholders' Equity	48,296	54,034
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	928	1,338
Revaluation reserve for land	*8 11,816	*8 11,831
Foreign currency translation adjustment	288	1,170
Remeasurements of defined benefit plans	—	(1,269)
Total accumulated other comprehensive income	13,033	13,072
Minority interests	1,598	1,628
Total Net Assets	62,927	68,734
Total Liabilities and Net Assets	179,028	197,628

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

[Consolidated Statements of Income]

(Millions of yen)

	FY2013 (April 1, 2012– March 31, 2013)	**FY2014** (April 1, 2013– March 31, 2014)
Net sales	155,697	169,129
Cost of sales	*2,3 107,537	*1,2,3 116,412
Gross profit	48,159	52,716
Selling, general and administrative expenses		
Advertising expenses	901	987
Packing and transportation expenses	3,386	4,048
Directors' compensations, salaries and allowances	17,795	18,114
Bonuses	3,044	3,475
Retirement benefit expenses	1,735	1,559
Provision for directors' retirement benefits	25	25
Depreciation	1,442	1,537
Other	14,682	15,595
Total selling, general and administrative expenses	*3 43,014	*3 45,345
Operating income	5,144	7,371
Non-operating income		
Interest income	178	192
Dividend income	142	147
Foreign exchange gains	709	1,268
Subsidies received	103	80
Rent income	158	172
Gain on sales of scraps	110	170
Other	404	564
Total non-operating income	1,806	2,596
Non-operating expenses		
Interest expenses	728	758
Sales discounts	95	105
Loss on abandonment of inventories	343	410
Other	368	407
Total non-operating expenses	1,536	1,682
Ordinary income	5,414	8,285

(Millions of yen)

	FY2013 (April 1, 2012–March 31, 2013)	FY2014 (April 1, 2013–March 31, 2014)
Extraordinary income		
Gain on sales of non-current assets	*4 22	*4 30
Compensation income	211	45
Insurance income	168	—
Gain on sales of investment securities	1	32
Total extraordinary income	404	107
Extraordinary losses		
Loss on sales and retirement of non-current assets	*5 177	*5 355
Impairment loss	*6 21	*6 86
Loss on disaster	90	—
Other	37	24
Total extraordinary losses	327	467
Income before income taxes and minority interests	5,491	7,926
Income taxes—current	1,507	2,756
Income taxes—deferred	(21)	(1,297)
Total income taxes	1,486	1,459
Income before minority interests	4,004	6,466
Minority interests in income	24	19
Net income	3,979	6,447

[Consolidated Statements of Comprehensive Income]

(Millions of yen)

	FY2013 (April 1, 2012– March 31, 2013)	**FY2014** (April 1, 2013– March 31, 2014)
Income before minority interests	4,004	6,466
Other comprehensive income		
Valuation difference on available-for-sale securities	666	405
Deferred gains or losses on hedges	(3)	—
Foreign currency translation adjustment	312	836
Share of other comprehensive income of entities accounted for using equity method	32	63
Total other comprehensive income	*1 1,008	*1 1,305
Comprehensive income	5,012	7,772
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	4,977	7,740
Comprehensive income attributable to minority interests	34	32

(3) Consolidated Statements of Changes in Net Assets

FY2013 (Apr. 1, 2012-Mar. 31, 2013)

(Millions of yen)

	Shareholders' Equity				
	Capital Stock	Capital Surplus	Retained Earnings	Treasury Shares	Total Shareholders' Equity
Balance at beginning of current period	23,344	13,454	7,887	(22)	44,664
Changes of items during period					
Dividends of surplus			(344)		(344)
Net income			3,979		3,979
Purchase of treasury shares				(2)	(2)
Net changes of items other than shareholders' equity					
Total changes of items during period	-	-	3,634	(2)	3,631
Balance at end of current period	23,344	13,454	11,522	(25)	48,296

	Accumulated Other Comprehensive Income						Minority Interests	Total Net Assets
	Valuation Difference on Available-for-sale Securities	Deferred gains or losses on hedges	Revaluation Reserve for Land	Foreign Currency Translation Adjustment	Remeasurements of defined benefit plans	Total Accumulated Other Comprehensive Income		
Balance at beginning of current period	265	3	11,816	(51)	-	12,034	1,490	58,189
Changes of items during period								
Dividends of surplus								(344)
Net income								3,979
Purchase of treasury shares								(2)
Net changes of items other than shareholders' equity	662	(3)	-	339	-	998	107	1,106
Total changes of items during period	662	(3)	-	339	-	998	107	4,738
Balance at end of current period	928	-	11,816	288	-	13,033	1,598	62,927

FY2014 (Apr. 1, 2013-Mar. 31, 2014)

(Millions of yen)

	Shareholders' Equity				
	Capital Stock	Capital Surplus	Retained Earnings	Treasury Shares	Total Shareholders' Equity
Balance at beginning of current period	23,344	13,454	11,522	(25)	48,296
Changes of items during period					
Dividends of surplus			(689)		(689)
Net income			6,447		6,447
Purchase of treasury shares				(4)	(4)
Reversal of revaluation reserve for land			(14)		(14)
Net changes of items other than shareholders' equity					
Total changes of items during period	-	-	5,743	(4)	5,738
Balance at end of current period	23,344	13,454	17,266	(30)	54,034

	Accumulated Other Comprehensive Income						Minority Interests	Total Net Assets
	Valuation Difference on Available-for-sale Securities	Deferred gains or losses on hedges	Revaluation Reserve for Land	Foreign Currency Translation Adjustment	Remeasurements of defined benefit plans	Total Accumulated Other Comprehensive Income		
Balance at beginning of current period	928	-	11,816	288	-	13,033	1,598	62,927
Changes of items during period								
Dividends of surplus								(689)
Net income								6,447
Purchase of treasury shares								(4)
Reversal of revaluation reserve for land								(14)
Net changes of items other than shareholders' equity	410	-	14	882	(1,269)	38	29	68
Total changes of items during period	410	-	14	882	(1,269)	38	29	5,807
Balance at end of current period	1,338	-	11,831	1,170	(1,269)	13,072	1,628	68,734

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	FY2013 (April 1, 2012– March 31, 2013)	**FY2014** (April 1, 2013– March 31, 2014)
Cash Flows from Operating Activities:		
Income before income taxes	5,491	7,926
Depreciation	5,535	5,887
Impairment loss	21	86
Amortization of goodwill	1	0
Increase (decrease) in provision for retirement benefits	(31)	(5,453)
Increase (decrease) in net defined benefit liability	—	4,716
Loss (gain) on sales of investment securities	(0)	(32)
Interest and dividend income	(320)	(339)
Interest expenses	728	758
Foreign exchange losses (gains)	(214)	(237)
Loss (gain) on sales of property, plant and equipment and intangible assets	154	324
Compensation income	(211)	(45)
Insurance income	(168)	—
Decrease (increase) in notes and accounts receivable—trade	(1,752)	(10,729)
Decrease (increase) in inventories	200	238
Increase (decrease) in notes and accounts payable—trade	(1,057)	4,573
Other	536	1,617
Subtotal	8,912	9,292
Interest and dividend income received	317	343
Interest expenses paid	(723)	(753)
Proceeds from compensation	199	56
Proceeds from insurance income	168	—
Income taxes paid	(1,309)	(2,084)
Income taxes refund	966	152
Net cash provided by (used in) operating activities	8,531	7,007
Cash Flows from Investment Activities:		
Purchase of securities	(19)	—
Proceeds from sales of securities	19	19
Purchase of property, plant and equipment and intangible assets	(6,215)	(9,931)
Proceeds from sales of property, plant and equipment and intangible assets	103	205
Purchase of investment securities	(377)	(154)
Proceeds from sales of investment securities	12	67
Decrease (increase) in loans receivable	29	21
Decrease (increase) in time deposits	(145)	185
Payments for investments in capital of subsidiaries and associates	—	(322)
Other	249	(129)
Net cash provided by (used in) investment activities	(6,342)	(10,038)

(Millions of yen)

	FY2013 (April 1, 2012– March 31, 2013)	FY2014 (April 1, 2013– March 31, 2014)
Cash Flows from Financing Activities:		
Net increase (decrease) in short-term loans payable	(2,018)	4,223
Proceeds from long-term loans payable	10,320	4,360
Repayments of long-term loans payable	(8,753)	(6,469)
Redemption of bonds	—	(100)
Proceeds from sales and leasebacks	1,863	2,119
Repayments of lease obligations	(1,779)	(1,912)
Purchase of treasury shares	(2)	(4)
Proceeds from share issuance to minority shareholders	75	—
Cash dividends paid	(339)	(682)
Other	(12)	(13)
Net cash provided by (used in) financing activities	(647)	1,521
Effect of Exchange Rate Change on Cash and Cash Equivalents	545	638
Net Increase (Decrease) in Cash and Cash Equivalents	2,087	(870)
Cash and Cash Equivalents at Beginning of Period	6,952	9,040
Cash and Cash Equivalents at End of Period	9,040	8,169

[Notes]

(Notes Regarding the Going Concern Assumption)

Not applicable.

(Important Basic Items for Preparing Consolidated Financial Statements)

1. Scope of consolidation

(1) Number of consolidated subsidiaries: 25 companies

(including Iseki-Matsuyama Mfg. Co., Ltd., Iseki-Kumamoto Mfg. Co., Ltd., Iseki-Hokkaido Co., Ltd. and Iseki-Tohoku Co., Ltd.)

The number of consolidated subsidiaries decreased by one because of the complete liquidation of System Equipment Co., Ltd. as of September 26, 2013.

(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.

2. Scope of the equity-method companies

(1) Number of affiliates to which the equity method is applied: 1

Dongfeng Iseki Agricultural Machinery Co., Ltd.

Dongfeng Iseki Agricultural Machinery Co., Ltd. was formerly named Dongfeng Iseki Agricultural Machinery (Hubei) Co., Ltd.

(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 little effect on net income (or loss), retained earnings, etc., and is insignificant on the whole, it is removed from the scope of the equity-method companies.

3. Consolidated accounting period

Of the consolidated subsidiaries, 14 companies (including Iseki-Hokkaido Co., Ltd.) use an end-of-period balance sheet date of December 31. 9 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.

4. Accounting policies

(1) Valuation basis and methods of important assets

(i) Inventories

Mainly recorded at cost using the gross average method (balance sheet amounts for items with reduced profitability have been adjusted downward accordingly)

(ii) Securities

(a) Held-to-maturity debt securities

Recorded at amortized cost (straight-line method)

(b) Available-for-sale securities

- 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

(iii) Derivatives

Recorded using the market value method

(2) Depreciation methods for material depreciable assets

(i) Property, plant and equipment (excluding leased assets)

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.

(Principal useful lives)

Buildings and structures	3 through 50 years
Machinery, equipment and vehicles	2 through 17 years
Tools, furniture and fixtures	2 through 20 years

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.

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.

(ii) Intangible assets (excluding leased assets)

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.

(iii) Leased assets

Leased assets derived from finance leases other than those leases which transfer the ownership of the assets to the lessee are amortized using the straight-line method with no residual value over the lease period, which is deemed the useful life.

Among finance leases that do not involve transfer of ownership to the lessee, leases that began before April 1, 2008 are accounted for as normal operating leases.

(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.

(ii) Provision for bonuses

To provide for future bonus payments to employees, a provision for bonuses is booked based on estimated future payments.

(iii) Provision for directors' retirement benefits

Some of the Company's consolidated subsidiaries record directors' retirement benefits as a provision for directors' retirement benefits in an amount required by the companies' internal regulations.

(iv) Provision for loss on construction contracts

To provide for future loss on construction contracts already concluded, an estimated amount of loss is booked regarding construction works which had not been completed by the end of the current fiscal year and for which a loss is expected to occur and the amount of loss can be estimated reasonably.

(4) Accounting treatment related to retirement benefits

(i) Method of attributing the projected benefits to periods of service

In calculating retirement benefits, the method of attributing the projected benefits to periods until the end of the current fiscal year is based on the straight-line method attribution.

(ii) Method of amortization of actuarial gains or losses, prior service cost and unrecognized net obligation at the date of initial application of the new accounting standards

Actuarial gains or losses are amortized as incurred over the periods, which are the average remaining service years of employees, by the straight-line method, starting from the following fiscal year. Prior service cost is amortized as incurred over the periods, which are the average remaining service years of employees, by the straight-line method. With regard to unrecognized net obligation at the date of initial application of the new accounting standards, the amount allocated by the straight-line method over 15 years is expensed.

Unrecognized actuarial gains or losses, unrecognized prior service cost and unrecognized net obligation at the date of initial application of the new accounting standards are recorded as Remeasurements of defined benefit plans in Accumulated other comprehensive income under the Net Assets section after tax effect accounting is applied.

(iii) Adoption of the simplified method at small companies

For calculating net defined benefit liability and retirement benefit expenses, some consolidated subsidiaries apply the simplified method which assumes the company's benefit obligation to be equal to the benefits payable assuming the voluntary retirement of all employees takes place at fiscal year-end.

(5) Accounting standards for revenues and expenses

Accounting standards for the value and cost of completed construction contracts

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 reliably estimated (the proportional cost method is applied for estimating the percentage of progress of the construction). The completed-contract method is applied for other constructions.

(6) Foreign currency translation

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.

Balance sheet accounts (except for shareholders' equity) and revenue and expense accounts of overseas subsidiaries are translated into yen at the rates of exchange in effect at the balance sheet dates. Differences arising from translation are presented as "Foreign currency translation adjustment" and "Minority interests in income" in shareholders' equity and financial statements.

(7) Hedge accounting

(a) Hedge accounting

Recorded in accordance with deferred hedge accounting.

Those 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.

(b) Hedging instruments and hedged items

- Hedging instruments......Forward exchange contracts and interest rate swap agreements
- Hedged items......Receivables and payables denominated in foreign currencies, scheduled transactions denominated in foreign currencies, and borrowings

(c) Hedging policy

The Company hedges the risks associated with fluctuations in foreign currency exchange rates and interest rates.

As for the risks associated with fluctuations in foreign currency exchange rates for transactions in foreign currencies that occur when carrying out export and import business, 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.

(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.

(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 the finance divisions verify results on a regular basis.

(8) Amortization method and amortization period of goodwill

Goodwill is amortized equally over a period of no longer than 20 years after the fiscal year in which the goodwill arises.

(9) Cash and cash equivalents

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 fluctuation of value, are considered to be cash and cash equivalents.

(10) Other notes pertaining to the preparation of the Consolidated Financial Statements

Accounting treatment of consumption tax

Consumption tax and local consumption taxes are accounted for using a tax-exclusive method.

Changes in accounting policy

(Application of the Accounting Standard for Retirement Benefits, etc.)

With the application of the "Accounting Standard for Retirement Benefits" (Accounting Standards Board of Japan (ASBJ) Statement No. 26, May 17, 2012; hereinafter referred to as "Retirement Benefits Accounting Standard") and the "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, May 17, 2012; hereinafter referred to as "Guidance on Retirement Benefit Application Guidance") at the end of the current fiscal year (however, excluding the provisions given in the text of Paragraph 35 of the Retirement Benefits Accounting Standard and those given in the text of Paragraph 67 of the Retirement Benefit Application Guidance), the Company and its domestic consolidated subsidiaries changed the previous method to a method of recording the amount obtained by deducting plan assets from retirement benefit obligations as net defined benefit liability (however, in a case where plan assets exceeds retirement benefit obligations, the amount obtained will be recorded as net defined benefit asset), and recorded unrecognized actuarial gains or losses, unrecognized prior service cost and unrecognized net obligation at the date of initial application of the new accounting standards as net defined benefit asset and net defined benefit liability.

The Retirement Benefits Accounting Standard, etc. were applied pursuant to the transitional handling specified in Paragraph 37 of the Retirement Benefits Accounting Standard, and the amount resulting from the impact of the said change is adjusted in remeasurements of defined benefit plans under accumulated other comprehensive income.

As a result, net defined benefit asset of 288 million yen and net defined benefit liability of ¥6,660 million were recorded at the end of the current fiscal year. Accumulated other comprehensive income decreased ¥1,269 million.

The impact on per share information is described in the relevant part.

(Accounting standards that have not yet come into effect)

1. Accounting standards concerning retirement benefits

- "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26, May 17, 2012)
- "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, May 17, 2012)

(1) Summary
These accounting standards aim to improve financial reporting and approximate international standards, and they mainly focus on revising the method of calculating unrecognized actual differences and unrealized past service costs and retirement benefit obligations and service costs, as well as enriching the disclosed content.

(2) Date accounting standards come into effect
We plan to apply the revised calculation of retirement actuarial differences and service costs from the beginning of the fiscal year ending March 2015.

(3) Impact of the application of the accounting standards
By adopting the accounting standards, on the consolidated balance sheet, retained earnings at the beginning of the period are expected to decrease by ¥360 million. It is expected that the impact on consolidated financial statements from the changes in calculation methods of net defined benefit liability and service costs will be insignificant.

2. Accounting standards concerning business combination

- "Revised Accounting Standard for Business Combinations" (ASBJ Statement No. 21, September 13, 2013)
- "Revised Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, September 13, 2013)

- "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, September 13, 2013)
- "Revised Accounting Standard for Earnings" (ASBJ Statement No. 2, September 13, 2013)
- "Revised Guidance on Accounting Standards for Business Combinations and Accounting Standards for Business Divestitures" (ASBJ Statement No. 10, September 13, 2013)
- "Revised Guidance on Accounting Standards for Earnings Per Share" (ASBJ Statement No. 4, September 13, 2013)

(1) Outline

The accounting standards were revised mainly in (i) treatment of changes in a parent company's holding of a subsidiary in the case that control continues through measures including additional acquisition of shares of the subsidiary, (ii) treatment of the costs for acquisition, (iii) presentation of net income and a change from minority interests to non-controlling interests, and (iv) treatment of provisional accounting treatments.

(2) Date of application

The accounting standards will be applied at the beginning of the period ending in March 2016. However, the treatment of provisional accounting treatments will be applied to business combinations that take place from the beginning of the period ending in March 2016.

(3) Impact of application of the accounting standards

The extent of its impact is being evaluated at the time of preparing these consolidated financial statements.

(Changes in presentation)

(Consolidated financial statements)

Although "Cost of measures for product recall" were separately reported in "Extraordinary losses" in the previous consolidated fiscal year, the costs were included in 'Other" in the current consolidated fiscal year because the costs became less than ten hundredths of the extraordinary losses. In order to reflect the change in presentation, the consolidated financial statements of the previous consolidated fiscal year were re-arranged.

As a result, "¥36 million in "Cost of measures for product recall" and ¥0 million in "Other" were re-arranged into ¥37 million in "Other" in consolidated financial statements of the previous consolidated fiscal year.

(Consolidated Balance Sheet Information)

*1 Assets provided as collateral

	FY2013 (as of March 31, 2013)	FY2014 (as of March 31, 2014)
I Property, plant and equipment		
Buildings and structures	¥1,786 million	¥1,883 million
Land	¥5,469 million	¥5,627 million
Total	¥7,256 million	¥7,510 million
II Liabilities pertaining to the above items		
Short-term loans payable	¥3,616 million	¥3,805 million
Current portion of long-term loans payable	¥1,297 million	¥1,304 million
Other (accounts payable)	¥9 million	¥9 million
Long-term loans payable	¥2,502 million	¥2,435 million
Other (long-term accounts payable)	¥29 million	¥19 million
Total	¥7,456 million	¥7,575 million

*2 Accumulated depreciation of property, plant and equipment

	FY2013 (as of March 31, 2013)	FY2014 (as of March 31, 2014)
Accumulated depreciation	¥99,190 million	¥100,103 million

*3 Presentation of inventories and provision for loss on construction contracts

Inventories and provision for loss on construction contracts, related to construction contracts that are expected to be lost, are presented individually without netting them out.

The amount of inventories, corresponding to provision for loss on construction contracts.

	FY2013 (as of March 31, 2013)	FY2014 (as of March 31, 2014)
Work in process	¥— million	¥1,383 million

*4 Investment and other assets invested in non-consolidated subsidiaries and affiliates

	FY2013 (as of March 31, 2013)	FY2014 (as of March 31, 2014)
Investment securities (shares)	¥75 million	¥206 million
Other (investments in capital)	¥161 million	¥547 million
(Of which, amount of investment in jointly controlled entity)	¥147 million	¥533 million

5 Guaranteed liabilities

The Company guarantees liabilities on loans from financial institutions made by the following companies which are not its consolidated subsidiaries.

FY2013 (as of March 31, 2013)		FY2014 (as of March 31, 2014)	
Higashi Nihon Agricultural Equipment Cooperative Union	¥2,271 million	Higashi Nihon Agricultural Equipment Cooperative Union	¥2,271million
Nishi Nihon Agricultural Equipment Cooperative Union	¥1,333 million	Nishi Nihon Agricultural Equipment Cooperative Union	¥1,333 million
Kinki Agricultural Equipment Cooperative Union	¥831 million	Kinki Agricultural Equipment Cooperative Union	¥831 million
Tokai Agricultural Equipment Cooperative Union	¥565 million	Tokai Agricultural Equipment Cooperative Union	¥565 million
Other	¥203 million	Other	¥527 million
Total	¥5,203 million	Total	¥5,527 million

6 Notes receivable less discount—trade and endorsed notes receivable—trade

	FY2013 (as of March 31, 2013)	FY2014 (as of March 31, 2014)
Notes receivable less discount—trade	¥2 million	¥6 million
Endorsed notes receivable—trade	¥192 million	¥153 million

*7 Bills due on the last day of the consolidated fiscal year

Bills due on the last day of the period are deemed to have been settled on the due date.

Because the last day of the previous consolidated fiscal year was a holiday for financial institutions, the following bills due on the last day of the period are included in the balance at the end of the period.

	FY2013 (as of March 31, 2013)	FY2014 (as of March 31, 2014)
Notes receivable	¥154 million	¥— million
Notes payable	¥1,934 million	¥— million
Others (bills payable for facilities)	¥19 million	¥— million

*8 Revaluation of land for business use

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 said revaluation has been recorded in liabilities as "Deferred tax liabilities for land revaluation" and the deducted amount has been recorded in assets as a "Revaluation reserve for land."

- Revaluation method

The revaluation of land has been determined using a reasonable adjustment to the assessed value of the non-current 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

	FY2013 (as of March 31, 2013)	FY2014 (as of March 31, 2014)
Variance between the market value of the revalued land at the end of the period and the revalued book value	¥ (11,670) million	¥ (12,016) million

9 Commitment line contract

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.

The unused portion of commitments on the lending commitment as of the end of the consolidated fiscal year under review is as follows:

	FY2013 (as of March 31, 2013)	FY2014 (as of March 31, 2014)
Aggregate amount of lending commitment	¥20,030 million	¥20,030 million
Used portion of commitments	¥— million	¥— million
Balance unused	¥20,030 million	¥20,030 million

(Consolidated Statements of Income Information)

*1 The following carried forward amount of provision for loss on construction contracts is included in cost of sales

FY2013 (April 1, 2012–March 31, 2013)	FY2014 (April 1, 2013–March 31, 2014)
¥— million	¥33 million

*2 Inventory at the end of the fiscal year represents the amount adjusted downward for items with reduced profitability and the following loss on valuation of inventories is included in cost of sales

FY2013 (April 1, 2012–March 31, 2013)	FY2014 (April 1, 2013–March 31, 2014)
¥ 301 million	¥ (31) million

*3 Research and development expenses included in selling, general and administrative expenses and current manufacturing expenses

FY2013 (April 1, 2012–March 31, 2013)	FY2014 (April 1, 2013–March 31, 2014)
¥4,280 million	¥4,664 million

*4 Gain on sales of non-current assets

	FY2013 (April 1, 2012–March 31, 2013)	FY2014 (April 1, 2013–March 31, 2014)
Buildings and structures	¥— million	¥15 million
Machinery, equipment and vehicles	¥13 million	¥11 million
Tools, furniture and fixtures	¥1 million	¥3 million
Land	¥8 million	¥0 million
Total	¥22 million	¥30 million

*5 Loss on sales and retirement of non-current assets

	FY2013 (April 1, 2012–March 31, 2013)	FY2014 (April 1, 2013–March 31, 2014)
Buildings and structures	¥105 million	¥215 million
Machinery, equipment and vehicles	¥51 million	¥90 million
Tools, furniture and fixtures	¥5 million	¥10 million
Land	¥— million	¥26 million
Other	¥15 million	¥12 million
Total	¥177 million	¥355 million

*6 Impairment loss

FY2013 (April 1, 2012–March 31, 2013)

The Company recorded an impairment loss of ¥21 million on the following assets.

Usage	Type	Location	Amount (Millions of yen)
Idle property	Land	Yonago, Tottori Prefecture	6
		Mitoyo, Kagawa Prefecture	4
		Taragi-machi, Kuma-gun, Kumamoto Prefecture	4
		Kirishima, Kagoshima Prefecture	6
Total			21

(Background)

The Company recorded an impairment loss on the above assets. This is because the above said properties are idle and have no prospect for use in the future. In addition, the market price of land is declining.

(Grouping method)

We group our assets under designated units, which manage receipts and payments independently. We also group idle properties and properties loaned out individually.

(Measurement of recoverable amount)

The recoverable amount is measured using the net selling price. The price is determined by applying reasonable adjustments to the assessed value of non-current assets for property tax.

FY2014 (April 1, 2013–March 31, 2014)

The Company recorded an impairment loss of ¥86 million (¥9 million for buildings and structures and ¥77 million for land) on the following assets.

Usage	Type	Location	Amount (Millions of yen)
Idle property	Buildings, structures and land	Ishige-machi, Yuki-gun, Ibaraki Prefecture	34
	Buildings and land	Yasugi, Shimane Prefecture	12
	Buildings	Iga, Mie Prefecture	2
		Ibigawa-cho, Ibi-gun, Gifu Prefecture	0
	Land	Ichinomiya-machi, Chosei-gun, Chiba Prefecture	27
		Hokota, Ibaraki Prefecture	10
Total			86

(Background)

The Company recorded an impairment loss on the above assets. This is because the above said properties are idle and have no prospect for use in the future. In addition, the market price of land is declining.

(Grouping method)

We group our assets under designated units, which manage receipts and payments independently. We also group idle properties and properties leased out individually.

(Measurement of recoverable amount)

The recoverable amount is measured using the net selling price. The price is determined by applying reasonable adjustments to the assessed value of non-current assets for property tax.

(Consolidated Statements of Comprehensive Income Information)

*1 Reclassification and tax effect relating to other comprehensive income

	FY2013 (April 1, 2012– March 31, 2013)	FY2014 (April 1, 2013– March 31, 2014)
Valuation difference on available-for-sale securities		
Amount arising during fiscal year under review	¥1,020 million	¥650 million
Reclassification	¥(0) million	¥(32) million
Before tax effect adjustment	¥1,020 million	¥618 million
Tax effect	¥(353) million	¥(213) million
Valuation difference on available-for-sale securities	¥666 million	¥405 million
Deferred gains or losses on hedges		
Amount arising during fiscal year under review	¥(1) million	¥— million
Adjustment of asset acquisition cost	¥(4) million	¥— million
Before tax effect adjustment	¥(5) million	¥— million
Tax effect	¥2 million	¥— million
Deferred gains or losses on hedges	¥(3) million	¥— million
Foreign currency translation adjustment		
Amount arising during fiscal year under review	¥312 million	¥836 million
Share of other comprehensive income of entities accounted for using equity method		
Amount arising during fiscal year under review	¥32 million	¥63 million
Total other comprehensive income	¥1,008 million	¥1,305 million

(Consolidated Statements of Changes in Net Assets Information)

FY2013 (April 1, 2012–March 31, 2013)

1. Matters concerning outstanding stocks

Class of shares	Number of shares (as of April 1, 2012)	Increase in number of shares	Decrease in number of shares	Number of shares (as of March 31, 2013)
Common shares	229,849,936	—	—	229,849,936
Total	229,849,936	—	—	229,849,936

2. Matters concerning treasury shares

Class of shares	Number of shares (as of April 1, 2012)	Increase in number of shares	Decrease in number of shares	Number of shares (as of March 31, 2013)
Common shares	89,379	12,575	—	101,954
Total	89,379	12,575	—	101,954

Note: The increase in number of shares (12,575 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

(1) The amount of dividends paid

Resolution	Type of share	Total amount of dividends paid (millions of yen)	Dividend per share (yen)	Record date	Effective date
Regular meeting of shareholders on June 26, 2012	Common shares	344	1.50	March 31, 2012	June 27, 2012

(2) Of the dividends with a record date within the fiscal year ended March 31, 2013, the effective date of the dividends will be in the fiscal year ending March 31, 2014.

Resolution	Type of share	Source of funds for dividends	Total amount of dividends paid (millions of yen)	Dividend per share (yen)	Record date	Effective date
Regular Meeting of Shareholders on June 25, 2013	Common shares	Retained earnings	689	3.00	March 31, 2013	June 26, 2013

FY2014 (April 1, 2013–March 31, 2014)

1. Matters concerning outstanding stocks

Class of shares	Number of shares (as of April 1, 2013)	Increase in number of shares	Decrease in number of shares	Number of shares (as of March 31, 2014)
Common shares	229,849,936	—	—	229,849,936
Total	229,849,936	—	—	229,849,936

2. Matters concerning treasury shares

Class of shares	Number of shares (as of April 1, 2013)	Increase in number of shares	Decrease in number of shares	Number of shares (as of March 31, 2014)
Common shares	101,954	15,300	—	117,254
Total	101,954	15,300	—	117,254

Note: The increase in number of shares (15,300 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

(1) Dividends paid

Resolution	Type of share	Total dividends paid (millions of yen)	Dividend per share (yen)	Record date	Effective date
Regular Meeting of Shareholders on June 25, 2013	Common shares	689	3.00	March 31, 2013	June 26, 2013

(2) Of the dividends with a record date within the fiscal year ended March 31, 2014, the effective date of the dividends is the fiscal year ending March 31, 2015

Resolution	Type of share	Source of funds for dividends	Total dividends paid (millions of yen)	Dividend per share (yen)	Record date	Effective date
Regular Meeting of Shareholders on June 25, 2014	Common shares	Retained earnings	918	4.00	March 31, 2014	June 26, 2014

(Consolidated Statements of Cash Flows Information)

1. Reconciliation between the end of period balance of cash and cash equivalents and the amount reported in the Consolidated Balance Sheet

	FY2013 (April 1, 2012– March 31, 2013)	FY2014 (April 1, 2013– March 31, 2014)
Cash and deposits	¥9,285 million	¥8,228 million
Time deposits with terms of 3 months or more	¥(245) million	¥(59) million
Total cash and cash equivalents	¥9,040 million	¥8,169 million

2. Major noncash transactions

	FY2013 (April 1, 2012– March 31, 2013)	FY2014 (April 1, 2013– March 31, 2014)
Amount of assets and liabilities derived from finance leases	¥2,839 million	¥3,261 million

(Lease Transaction Information)

1. Finance lease transactions

Finance leases other than those leases that transfer ownership of assets to the lessee

(1) Details of leased assets

(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).

(ii) Intangible assets
These are software.

(2) Depreciation methods of leased assets

These are as stated in "4. Accounting policies (2) Depreciation methods for material depreciable assets (iii) Leased assets" of Important Basic Items for Preparing Consolidated Financial Statements.

Among finance leases that do not involve transfer of ownership to lessee, leases that took effect before March 31, 2008 are accounted for as normal operating leases. Details of such leases are as follows:

(i) Acquisition cost, accumulated depreciation and net book value of leased properties as of the fiscal year-end

FY2013 (as of March 31, 2013)

	Machinery, equipment and vehicles	Tools, furniture and fixtures	Total
Acquisition cost	¥1,736 million	¥91 million	¥1,828 million
Accumulated depreciation	¥1,416 million	¥82 million	¥1,499 million
Net book value as of the fiscal year-end	¥320 million	¥9 million	¥329 million

FY2014 (As of March 31, 2014)

	Machinery, equipment and vehicles	Tools, furniture and fixtures	Total
Acquisition cost	¥1,125 million	¥61 million	¥1,187 million
Accumulated depreciation	¥985 million	¥60 million	¥1,046 million
Net book value as of the fiscal year-end	¥140 million	¥1 million	¥141 million

(ii) Future minimum lease payments as of the fiscal year-end

	FY2013 (As of March 31, 2013)	FY2014 (As of March 31, 2014)
Within one year	¥200 million	¥110 million
More than one year	¥158 million	¥47 million
Total	¥359 million	¥158 million

(iii) Lease payment, depreciation and interest expense

	FY2013 (April 1, 2012–March 31, 2013)	FY2014 (April 1, 2013–March 31, 2014)
Lease payment	¥338 million	¥209 million
Depreciation	¥309 million	¥188 million
Interest expense	¥14 million	¥9 million

(iv) Calculation methods of depreciation and interest

- Calculation method of depreciation
  Leased assets are amortized using the 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.

2. Operating leases transaction

Future minimum lease payments for non-cancelable operating leases

	FY2013 (As of March 31, 2013)	FY2014 (As of March 31, 2014)
Within one year	¥173 million	¥236 million
More than one year	¥77 million	¥777 million
Total	¥250 million	¥1,014 million

(Financial Instrument Information)

1. Matters concerning the status of financial instruments

(1) Policies for financial instruments

The Group acquires 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, as mentioned below, 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 the 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, are almost entirely due payment within one year. Of these, some are in foreign currencies in connection with imports of raw materials and are exposed to the 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 the holding of non-current assets. While variable interest rate loans are exposed to the 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 the risk of fluctuating interest rates payable and to 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 with high credit 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 referred to in "Derivative Transaction Information," the amounts per se do not represent market risk associated with derivative transactions.

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

FY2013 (April 1, 2012–March 31, 2013)

Carrying value, market value and unrealized gain (loss) as of March 31, 2013 are as follows. Items whose market values are deemed to be extremely difficult to estimate 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	9,285	9,285	－
(2) Notes and accounts receivable—trade	30,455	30,455	－
(3) Securities and investment securities			
(i) Held-to-maturity debt securities	19	19	0
(ii) Available-for-sales securities	5,723	5,723	－
(4) Notes and accounts payable—trade	42,609	42,609	－
(5) Short-term loans payable	15,199	15,199	－
(6) Bonds payable	100	100	－
(7) Long-term loans payable	26,366	26,405	39
(8) Derivative transactions	－	－	－

(Note 1) Matters concerning the 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—trade

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) Notes and accounts payable-trade, (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 calculated by discounting the combined amount of principal and interest processed integrally with said interest rate swap at a reasonably estimated interest rate applied in case a similar loan is made.

(8) Derivative transactions

See notes in “Derivative Transaction Information.”

(Note 2) Financial instruments for which market values are deemed to be extremely difficult to estimate

Because unlisted equity securities (carrying value: ¥815 million) have neither market prices nor estimated future cash flows, and it is deemed that their market values are extremely difficult to estimate, 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	9,285	—	—	—
Notes and accounts receivable—trade	30,422	33	—	—
Securities and investment securities				
Held-to-maturity debt securities (discounted financial bonds)	19	—	—	—
Long-term loans receivable	24	60	21	35
Total	39,752	94	21	35

(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)
Short-term loans payable	15,199	—	—	—	—	—
Bonds payable	100	—	—	—	—	—
Long-term loans payable	5,984	5,440	10,571	2,770	1,549	49
Lease obligations	1,713	1,386	1,098	686	471	1,112
Other interest-bearing debt	9	9	9	9	—	—
Total	23,007	6,837	11,679	3,467	2,021	1,161

FY2014 (April 1, 2013–March 31, 2014)

Carrying value, market value and unrealized gain (loss) as of March 31, 2014 are as follows. Items whose market values are deemed to be extremely difficult to estimate 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	8,228	8,228	—
(2) Notes and accounts receivable—trade	41,598	41,598	—
(3) Investment securities			
Available-for-sale securities	6,321	6,321	—
(4) Notes and accounts payable—trade	47,536	47,536	—
(5) Short-term loans payable	20,132	20,132	—
(6) Long-term loans payable	24,257	24,280	23
(7) 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—trade

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) Investment securities

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

(4) Notes and accounts payable—trade, and (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) 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 calculated by discounting the combined amount of principal and interest processed integrally with said interest rate swap at a reasonably estimated interest rate applied in case a similar loan is made.

(7) Derivative transactions

See notes in “Derivative Transaction Information.”

(Note 2) Financial instruments whose market values are deemed to be extremely difficult to estimate
Because unlisted equity securities (carrying value: ¥947 million) have neither market prices nor estimated future cash flows, and it is deemed that their market values are extremely difficult to estimate, they are not included in “(3) Investment securities Available-for-sale securities.”

(Note 3) Projected future redemption of monetary claims 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	8,228	—	—	—
Notes and accounts receivable—trade	41,593	5	—	—
Long-term loans receivable	21	46	18	42
Total	49,843	51	18	42

(Note 4) Projected future repayments of 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)
Short-term loans payable	20,132	—	—	—	—	—
Long-term loans payable	6,387	11,655	3,556	2,144	416	96
Lease obligations	2,087	1,800	1,188	816	789	1,136
Other interest-bearing debt	9	9	9	—	—	—
Total	28,617	13,465	4,754	2,960	1,205	1,233

(Securities Information)

1. Held-to-maturity debt securities

FY2013 (As of March 31, 2013)

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

FY2014 (As of March 31, 2014)

Not applicable.

2. Available-for-sale securities

FY2013 (As of March 31, 2013)

Category		Carrying value (millions of yen)	Acquisition cost (millions of yen)	Unrealized gain (loss) (millions of yen)
Securities whose carrying values exceed their acquisition cost	Shares	4,870	3,329	1,541
	Bonds Others	90	71	18
	Subtotal	4,960	3,400	1,559
Securities whose carrying values do not exceed their acquisition cost	Shares	760	846	(86)
	Bonds Others	2	3	(0)
	Subtotal	763	850	(86)
Total		5,723	4,251	1,472

FY2014 (As of March 31, 2014)

Category		Carrying value (millions of yen)	Acquisition cost (millions of yen)	Unrealized gain (loss) (millions of yen)
Securities whose carrying values exceed their acquisition cost	Shares	5,670	3,522	2,147
	Bonds Others	101	77	23
	Subtotal	5,771	3,600	2,171
Securities whose carrying values do not exceed their acquisition cost	Shares	545	633	(88)
	Bonds Others	4	5	(0)
	Subtotal	550	639	(89)
Total		6,321	4,239	2,082

3. Held-to-maturity debt securities sold

Not applicable.

4. Available-for-sale securities sold during fiscal years ended March 31, 2013 and 2014

FY2013 (April 1, 2012–March 31, 2013)

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	12	1	0
Total	12	1	0

FY2014 (April 1, 2013–March 31, 2014)

Category	Proceeds from sales (millions of yen)	Total of gain on sales (millions of yen)	Total of loss on sales (millions of yen)
Shares	48	27	—
Bonds			
Others	18	4	—
Total	67	32	—

5. Securities written down

Not applicable.

(Derivative Transaction Information)

1. Derivative transactions to which hedge accounting is not applied

   Not applicable.

2. Derivative transactions to which hedge accounting is applied

(1) Currencies

FY2013 (As of March 31, 2013)

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)
Furiate-shori in forward exchange contracts, etc.	Forward exchange contracts Short position Euro	Notes receivable	170	—	(Note)
Total			170	—	—

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

FY2014 (As of March 31, 2014)

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)
Furiate-shori in forward exchange contracts, etc.	Forward exchange contracts Short position Dollar	Notes receivable	102	—	(Note)
Total			102	—	—

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

(2) Interest rates

FY2013 (As of March 31, 2013)

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 Pay–fixed, receive–variable	Long-term loans payable	1,659	1,149	(Note)

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

FY2014 (As of March 31, 2014)

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 Pay-fixed, receive-variable	Long-term loans payable	1,149	653	(Note)

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

(Retirement Benefit Information)

FY2013 (April 1, 2012 to March 31, 2013)

1. Outline of pension plans adopted

The Company and its consolidated subsidiaries have contract-type defined benefit corporate 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

Retirement benefit obligation	(22,235)	(Millions of yen)
Pension assets at fair value	12,720	(Millions of yen)
Unfunded retirement benefit obligation	(9,514)	(Millions of yen)
Unrecognized benefit obligation at transition	2,913	(Millions of yen)
Unrecognized actuarial differences	2,030	(Millions of yen)
Unrealized past service liabilities	(228)	(Millions of yen)
Carrying value, net	(4,798)	(Millions of yen)
Prepaid pension cost	655	(Millions of yen)
Provision for retirement benefits	(5,453)	(Millions of yen)

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).

2. Some of the consolidated subsidiaries have adopted a simplified method for calculating retirement benefit obligations.

3. Matters concerning retirement benefit expenses

Service cost	1,033	(Millions of yen)
Interest cost	350	(Millions of yen)
Expected return on plan assets	(186)	(Millions of yen)
Amortization of net retirement benefit obligation at transition	1,456	(Millions of yen)
Amortization of actuarial differences	377	(Millions of yen)
Amortization of past service liabilities	(50)	(Millions of yen)
Other retirement benefit expenses	47	(Millions of yen)
Retirement benefit expenses	3,029	(Millions of yen)

Notes:

1. "Amortization of past service liabilities" is the amount of expenses appropriated in the fiscal year under review 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 adopted the simplified method were booked in "Service cost."

4. Matters concerning the basis for calculating retirement benefit obligations, etc.

(i) Periodic allocation method for expected retirement benefits
Standards for periodic fixed amount benefit

(ii) Discount rate

1.1% to 2.0%

(iii) Expected rate of return on plan assets

2.0%

(iv) Years of amortization of past service liabilities
12 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 15 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

FY2014 (April 1, 2013 to March 31, 2014)

1. Outline of pension plans adopted

The Company and its consolidated subsidiaries mainly have contract-type defined benefit corporate pension plans and lump-sum retirement payment plans in place, as defined benefit plans. Some of its consolidated subsidiaries adopt defined contribution plans. Extra retirement benefits may be paid to retiring employees under certain conditions.

Some of the consolidated subsidiaries have adopted a simplified method for calculating net defined benefit liability and retirement benefit expenses in their defined benefit corporate pension plans and lump-sum retirement payment plans.

2. Defined benefit corporate pension plans

(1) Adjustments of retirement benefit obligations: Balance at the beginning of the period and at the end of the period (excluding plans using the simplified method).

Retirement benefit obligations: Balance at the beginning of the period	17,838	(Millions of yen)
Service cost	784	(Millions of yen)
Interest cost	214	(Millions of yen)
Actuarial differences	145	(Millions of yen)
Retirement benefits paid	(1,643)	(Millions of yen)
Balance at the end of the period	17,339	(Millions of yen)

(2) Adjustments of pension assets: Balance at the beginning of the period and at the end of the period (excluding plans using the simplified method).

Balance at the beginning of the period	10,499	(Millions of yen)
Expected return on plan assets	209	(Millions of yen)
Actuarial differences	1,153	(Millions of yen)
Contributions from the employer	1,840	(Millions of yen)
Retirement benefits paid	(1,137)	(Millions of yen)
Balance at the end of the period	12,565	(Millions of yen)

(3) Adjustments of net defined benefit liability in plans using the simplified method: Balance at the beginning of the period and at the end of the period.

Balance at the beginning of the period	2,175	(Millions of yen)
Retirement benefit expenses	161	(Millions of yen)
Retirement benefits paid	(414)	(Millions of yen)
Contributions to plans	(323)	(Millions of yen)
Balance at the end of the period	1,598	(Millions of yen)

(4) Balances of retirement benefit obligations and pension assets at the end of the period, and adjustments between net defined benefit liability and net defined benefit asset, reported in the consolidated balance sheet.

Retirement benefit obligations under saving-type plans	15,372	(Millions of yen)
Pension assets	(15,174)	(Millions of yen)
	198	(Millions of yen)
Retirement benefit obligations under non-saving-type plans	6,174	(Millions of yen)
Net amount of liabilities and assets, reported in the consolidated balance sheet	6,372	(Millions of yen)

Net defined benefit liability	6,660	(Millions of yen)
Net defined benefit asset	(288)	(Millions of yen)
Net amount of liabilities and asset, reported in the consolidated balance sheet	6,372	(Millions of yen)

(Note: Including plans using the simplified method.)

(5) Matters concerning retirement benefit expenses

Service cost	784	(Millions of yen)
Interest cost	214	(Millions of yen)
Expected return on plan assets	(209)	(Millions of yen)
Amortization of actuarial differences	355	(Millions of yen)
Amortization of past service expenses	(50)	(Millions of yen)
Amortization of net retirement benefit obligation at transition	1,458	(Millions of yen)
Retirement benefit expenses calculated by the simplified method	161	(Millions of yen)
Others	51	(Millions of yen)
Retirement benefit expenses in defined benefit plans	2,764	(Millions of yen)

(6) Remeasurements of defined benefit plans

The following is a breakdown of items that are reported in remeasurements of defined benefit plans (before deduction of tax effects).

Unrecognized past service costs	(178)	(Millions of yen)
Unrecognized actuarial differences	666	(Millions of yen)
Unappropriated amount at the time of changes in accounting standards	1,455	(Millions of yen)
Total	1,944	(Millions of yen)

(7) Matters concerning pension assets

(i) Rough breakdown of pension assets

The following are the percentages of main categories, relative to pension asset total.

Shares	40.5	%
General accounts	29.3	%
Bonds	27.3	%
Others	2.9	%
Total	100	%

(ii) Method of calculating long-term expected return on plan assets

To determine the profitability of long-term return on plan assets, related to pension assets, present and expected allocations of pension assets and present and expected long-term profitability of various assets comprising pension assets are taken into consideration.

(8) Matters concerning the basis for actuarial calculation

Main items for actuarial calculation at the end of the current consolidated fiscal year.

Discount rate	Mainly 1.1	%
Profitability of long-term expected return on plan assets	2.0	%

3. Defined contribution plans

Required contributions to defined contribution plans of consolidated subsidiaries were ¥29 million.

(Tax Effect Accounting Information)

1. Breakdown by main cause of occurrence of deferred tax assets and liabilities

	FY2013 (As of March 31, 2013)	FY2014 (As of March 31, 2014)
(Deferred tax assets)		
Provision for retirement benefits	¥789 million	¥— million
Net defined benefit liability	¥— million	¥2,197million
Provision for bonuses	¥307 million	¥398million
Unrealized income	¥187 million	¥853 million
Net operating loss carried forward	¥242 million	¥0 million
Other	¥516 million	¥715million
Offset deferred tax liabilities	¥(258) million	¥(996) million
Net deferred tax assets	¥1,786 million	¥3,168 million
(Deferred tax liabilities)		
Reserve for reduction entry	¥73 million	¥100 million
Prepaid pension cost	¥78 million	¥— million
Net defined benefit asset	¥— million	¥101million
Valuation difference on available-for-sale securities	¥514 million	¥727million
Other	¥231 million	¥317million
Offset deferred tax assets	¥(258) million	¥(996) million
Net deferred tax liabilities	¥639 million	¥250 million

2. Breakdown by major items causing a variance between statutory tax rate and rate of income tax, etc., after application of tax effect accounting

	FY2013 (As of March 31, 2013)	FY2014 (As of March 31, 2014)
Statutory tax rate	38.0%	38.0%
(Reconciliation items)		
Permanently non-deductible expenses such as entertainment expenses	1.7%	1.3%
Per capita portion of inhabitants' taxes	2.6%	1.8%
Change in valuation allowance for deferred tax assets	(14.6%)	(19.7%)
Tax exemption	(0.5%)	(3.0%)
Other	(0.1%)	0.0%
Income tax rate, etc., after application of tax effect accounting	27.1%	18.4%

3. Corrections of the amounts in deferred tax assets and deferred tax liabilities after income taxes were changed.

"The Act for Partial Amendment of Income Taxes" (Act No. 10 of 2014) was promulgated, and the special corporate tax for reconstruction was not imposed from a consolidated fiscal year, starting on April 1, 2014.

Accompanying this change, the statutory tax rate that is used for calculating deferred tax assets and deferred tax liabilities changed from the past 38% to 35% with regards to temporary differences that are expected to be solved in the consolidated fiscal year, starting on April 1, 2014.

Due to this tax rate change, deferred tax assets decreased by ¥42 million whereas deferred tax liabilities and income taxes - deferred increased by ¥0 million and ¥42 million respectively.

(Asset Retirement Obligations)

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

	FY2013 (April 1, 2012–March 31, 2013)	FY2014 (April 1, 2013–March 31, 2014)
Balance at the beginning of the period	¥257 million	¥262million
Increase due to purchase of property, plant and equipment	¥5 million	¥10 million
Adjustment due to depreciation	¥2 million	¥2 million
Decrease due to discharge of asset retirement obligations	¥(3) million	¥(11) million
Balance at the end of the period	¥262 million	¥264 million

(Real Estate for Rent Information)

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 said real estate for rent for the year ended March 31, 2013 was ¥93 million (income from rent was booked as net sales or non-operating income, and main rent expenses were booked as operating expenses or non-operating expenses), and impairment loss was ¥21 million.

Gain or loss on rent regarding said real estate for rent for the year ended March 31, 2014 was ¥100 million (income from rent was booked as net sales or non-operating income, and main rent expenses were booked as operating expenses or non-operating expenses), and impairment loss was ¥86 million.

Carrying value, increase (or decrease) during the period and market value of said real estate for rent are as follows.

			FY2013 (April 1, 2012 – March 31, 2013)	FY2014 (April 1, 2013 – March 31, 2014)
Carrying value	Balance at the beginning of the period	(Millions of yen)	2,677	2,794
	Increase (or decrease) during the period	(Millions of yen)	117	513
	Balance at the end of the period	(Millions of yen)	2,794	3,308
Market value at the end of the period		(Millions of yen)	2,579	2,947

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 period, the main components of the increase (or decrease) for the fiscal year ended March 31, 2013 are transfer of assets for business use to real estate for rent (increase of ¥175 million) and impairment loss (decrease of ¥21 million).

   The main components of the increase (or decrease) for the fiscal year ended March 31, 2014 are transfer of assets for business use to real estate for rent (increase of ¥645 million) and impairment loss (decrease of ¥86 million).
3. The market value as of the end of the period comprised amounts (including amounts adjusted using indicators, etc.) calculated by the Company, based mainly on the “Valuation standard for appraisal of real estate.”

(Segment Information)

[Segment Information]

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 product and by service consists of two reportable segments, namely "agriculture-related business," which is the core of our business, and "other business," which includes the rest of our 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

FY2013 (April 1, 2012–March 31, 2013)

	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	155,564	133	155,697	—	155,697
Internal sales or transfers between segments	0	132	132	(132)	—
Total	155,564	265	155,829	(132)	155,697
Segment income	3,975	4	3,979	—	3,979
Segment assets	178,948	211	179,159	(130)	179,028
Segment liabilities	41,666	—	41,666	—	41,666
Other items					
Depreciation	5,535	0	5,535	—	5,535
Amortization of goodwill	—	1	1	—	1
Interest income	178	0	179	(0)	178
Interest expenses	729	—	729	(0)	728
Equity in losses of affiliates	96	—	96	—	96
Extraordinary income	404	—	404	—	404
Extraordinary losses	327	—	327	—	327
Taxes	1,485	1	1,486	—	1,486
Increase of property, plant and equipment and intangible assets	9,659	—	9,659	—	9,659

Notes:

1. Adjustment represents reduction in internal unrealized profit.
2. Segment income has been adjusted from net income 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 the current portion of bonds).

FY2014 (April 1, 2013–March 31, 2014)

	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	169,094	34	169,129	—	169,129
Internal sales or transfers between segments	—	30	30	(30)	—
Total	169,094	64	169,159	(30)	169,129
Segment income (loss)	6,513	(66)	6,447	—	6,447
Segment assets	197,628	—	197,628	—	197,628
Segment liabilities	44,389	—	44,389	—	44,389
Other items					
Depreciation	5,887	0	5,887	—	5,887
Amortization of goodwill	—	0	0	—	0
Interest income	192	0	192	(0)	192
Interest expenses	758	—	758	(0)	758
Equity in losses of affiliates	52	—	52	—	52
Extraordinary income	107	—	107	—	107
Extraordinary losses	466	1	467	—	467
Taxes	1,453	5	1,459	—	1,459
Increase of property, plant and equipment and intangible assets	13,850	—	13,850	—	13,850

Notes:

1. Adjustment represents reduction in internal unrealized profit.
2. Segment income (loss) has been adjusted from net income 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).
5. Liquidation of System Equipment Co., Ltd., which had engaged in other business, was completed as of September 26, 2013.

[Relevant Information]

FY2013 (April 1, 2012–March 31, 2013)

1. Information by product and by service

Information by product and by service is not presented because 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)	133,058	6,708	6,060	7,525	2,344	155,697

(Notes) 1. Countries and regions are defined according to geographical proximity.

2. Classification by area
Europe: France, Germany, the United Kingdom, Belgium, Switzerland, the Netherlands, etc.
Others: 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 on 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)	19,776	Agriculture-related Business

FY2014 (April 1, 2013–March 31, 2014)

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)	142,974	10,411	5,901	7,451	2,389	169,129

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.
Others: 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)	19,744	Agriculture-related Business

[Impairment Loss on Non-current Assets by Reportable Segment]

FY2013 (April 1, 2012–March 31, 2013)

	Agriculture-related Business (millions of yen)	Other Business (millions of yen)	Corporate or eliminations (millions of yen)	Total (millions of yen)
Impairment loss	21	—	—	21

FY2014 (April 1, 2013–March 31, 2014)

	Agriculture-related Business (millions of yen)	Other Business (millions of yen)	Corporate or eliminations (millions of yen)	Total (millions of yen)
Impairment loss	86	—	—	86

[Amortization and Unamortized Balance of Goodwill by Reportable Segment]

FY2013 (April 1, 2012–March 31, 2013)

	Agriculture-related Business (millions of yen)	Other Business (millions of yen)	Corporate or eliminations (millions of yen)	Total (millions of yen)
Balance of goodwill	—	0	—	0

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

FY2014 (April 1, 2013–March 31, 2014)

There are no applicable matters to be reported on unamortized balance of goodwill.

The amortized amount is not presented, since similar information is disclosed in the segment information.

[Gain on Negative Goodwill]

FY2013 (April 1, 2012–March 31, 2013)

Not applicable.

FY2014 (April 1, 2013–March 31, 2014)

Not applicable.

[Related Party Information]

1. Related party transactions

(1) Non-consolidated companies and affiliates of the Company that submitted consolidated financial statements

FY2013 (April 1, 2012–March 31, 2013)

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	2,271	Notes and accounts payable	2,362

FY2014 (April 1, 2013–March 31, 2014)

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	2,271	Notes and accounts payable	2,242

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 the 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.
3. The Company, which submitted consolidated financial statements, provided guarantees against bank borrowings by the unions. With regard to products purchased from said unions, only the balance of liabilities of consolidated subsidiaries, which resulted from the transactions, is stated since such transactions are eliminated at consolidation.

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

FY2013 (April 1, 2012–March 31, 2013)

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)	292	—	—
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)	78	—	—
Company in which directors and their close relative(s) have a majority of voting rights (including subsidiaries of 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 and accounts payable	44
							Purchase of tools, furniture and fixtures (Note 5)	95	Other current liabilities	51

Notes: 1. Transaction amount does not include consumption tax, etc., and the balance as of the fiscal year-end includes consumption tax, etc.

2.Hideo Kimura, representative director of Gunma Iseki Sales Co., Ltd., provided a guarantee for bank borrowings by the company.

3.Joji Kurihara, representative director of Iseki-Ueki Mfg. Co., Ltd., provided collateral and a guarantee for bank borrowings by the company.

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 a consolidated subsidiary of the Company.

5.Prices are negotiated in a way similar to other general transactions.

FY2014 (April 1, 2013–March 31, 2014)

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)	286	—	—
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)	82	—	—
Company in which directors and their close relative(s) have a majority of voting rights (including subsidiaries of 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)	132	Notes and accounts payable	64
							Purchase of equipment for production (Note 5)	65	Other current liabilities	20

Notes:
1. Transaction amount does not include consumption tax, etc., and the balance as of the fiscal year-end includes consumption tax, etc.
2. Hideo Kimura, representative director of Gunma Iseki Sales Co., Ltd., provided a guarantee for bank borrowings by the company.
3. Joji Kurihara, representative director of Iseki-Ueki Mfg. Co., Ltd., provided collateral and a guarantee for bank borrowings by the company.
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 a consolidated subsidiary of the Company.
5. Prices are negotiated in a way similar to other general transactions.

(Per Share Information)

	FY2013 (April 1, 2012– March 31, 2013)	FY2014 (April 1, 2013– March 31, 2014)
Net asset per share	¥266.94	¥292.11
Net income (loss) per share	¥17.32	¥28.06

Notes:
1. Diluted net income per share is not presented because there are no potentially dilutive shares.
2. As described in "Changes in accounting policy," the Retirement Benefits Accounting Standard is applied. Its application follows a transitional measure, prescribed in Paragraph 37 of the Retirement Benefits Accounting Standard. As a result, net assets per share in the current consolidated fiscal year decreased by ¥5.52.
3. Basis of calculation of net income (loss) per share

Item	FY2013 (April 1, 2012– March 31, 2013)	FY2014 (April 1, 2013– March 31, 2014)
Net income (loss) per share		
Net income (loss) reported in the Consolidated Statements of Income (millions of yen)	3,979	6,447
Net income (loss) attributable to common shares (millions of yen)	3,979	6,447
Net income (loss) not attributable to common shares (millions of yen)	—	—
Average number of common shares during the period (shares)	229,755,478	229,740,557

4. Basis of calculation of net asset per share

Item	FY2013 (April 1, 2012– March 31, 2013)	FY2014 (April 1, 2013– March 31, 2014)
Total net assets (millions of yen)	62,927	68,734
Amount to be deducted from total net assets (millions of yen)	1,598	1,628
(Minority interests included) (millions of yen)	(1,598)	(1,628)
Net assets as of the fiscal year-end related to common shares (millions of yen)	61,329	67,106
Number of common shares as of the fiscal year-end used for calculating net asset per share (shares)	229,747,982	229,732,682

(Subsequent Events)

1. Purchase of treasury shares

The board of directors' meeting of the Company, held on May 29, 2014, resolved to repurchase its issued shares, as described below, pursuant to the provision in Article 156 of the Company Act, by replacing the provision in Article 165, Paragraph 3 of the same act.

(1) Reasons for acquisition of shares

For implementation of flexible capital policy to meet changes in the management environment, improvement of capital efficiency, and returning profits to shareholders.

(2) Content of acquisition

[1]	Share class to be acquired	Common shares of the Company
[2]	Total number of shares to be acquired	4,500,000 shares (maximum)
		Its percentage to all issued shares (excluding treasury shares) is 1.96%.
[3]	Total amount of shares to be acquired	¥1.0 billion (maximum)
[4]	Period of acquisition	From May 30, 2014 to March 31, 2015

2. Changes in the scope of consolidation

Regarding the business integration between Iseki-Changzhou Mfg. Co., Ltd., which is a consolidated subsidiary; and Dongfeng Iseki Agricultural Machinery (Hubei) Co., Ltd., which is an associated company accounted for by the equity method; the Company entered into a joint venture agreement with the shareholders of Dongfeng Iseki Agricultural Machinery (Hubei) Co., Ltd.; Dongfeng Asset Management Co., Ltd.; Shanghai Jiahua Investment Co., Ltd.; and Dongfeng Industrial Co., Ltd. on December 20, 2013, and completed business integration procedures, based on the joint venture agreement, on May 27, 2014.

As a result, Iseki-Changzhou Mfg. Co., Ltd. which was a consolidated subsidiary, became a 100% subsidiary of Dongfeng Iseki Agricultural Machinery Co., Ltd. (renamed from Dongfeng Iseki Agricultural Machinery (Hubei) Co., Ltd.). This status excluded Iseki-Changzhou Mfg. Co., Ltd. from the scope of consolidation and included the company in the category of associated companies accounted for by the equity method, after the end of the first quarter of the consolidated fiscal year ending March 31, 2015.

(5) Consolidated Supplementary Schedules

[Schedule of Bonds Payable]

Name of company	Issues	Issue date	Balance as of the current fiscal year-beginning (millions of yen)	Balance as of the current fiscal year-end (millions of yen)	Interest rate (%)	Security	Maturity
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	—	—	100	—	—	—	—

[Details of Borrowings, etc.]

Category	Balance as of the current fiscal year-beginning (millions of yen)	Balance as of the current fiscal year-end (millions of yen)	Average interest rate (%)	Repayment due
Short-term loans payable	15,199	20,132	1.49	—
Current portion of long-term loans payable	5,984	6,387	1.18	—
Current portion of lease obligations	1,713	2,087	—	—
Long-term loans payable (excluding current portion of long-term loans payable)	20,382	17,870	0.99	2015 – 2023
Lease obligations (excluding current portion of lease obligations)	4,755	5,730	—	2015 – 2023
Other interest-bearing liabilities				
Other (Accounts payable)	9	9	1.79	—
Other (Long-term accounts payable)	29	19	1.79	2015 – 2016
Total	48,075	52,237	—	—

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 presentation is made.
3. The amounts for projected repayments per year within 5 years after the consolidated closing date with regard to long-term loans payable, 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	11,655	3,556	2,144	416
Lease obligations	1,800	1,188	816	789
Other interest-bearing liabilities	9	9	—	—

[Schedule of Asset Retirement Liabilities]

Asset retirement liabilities are not presented because the amount of asset retirement liabilities as of the beginning and 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 beginning and the end of the relevant fiscal year.

5. Other

Quarterly operating results, etc., in FY2014

(Accumulated period)	First quarter	Second quarter	Third quarter	Fourth quarter
Net sales (millions of yen)	34,815	82,496	126,543	169,129
Income before income taxes (millions of yen)	1,291	4,879	6,976	7,926
Net income (millions of yen)	1,568	3,168	5,000	6,447
Net income per share (millions of yen)	6.83	13.79	21.77	28.06

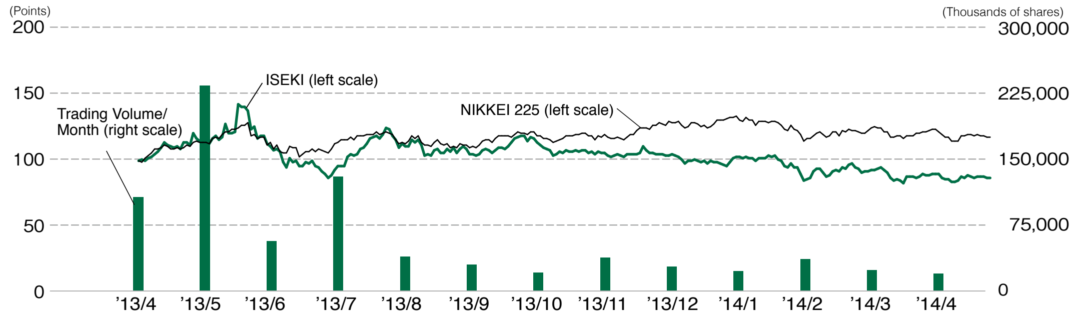
(Accounting period)	First quarter	Second quarter	Third quarter	Fourth quarter
Quarterly net income per share (yen)	6.83	6.97	7.97	6.30

Corporate Data

As of March 31, 2014

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
Website	http://www.iseki.co.jp/
Founded	August 1926
Paid-in Capital	¥23,344 million
Number of Employees (Consolidated)	6,295
Stock Listings	Tokyo Stock Exchange (1st Section)
Transfer Agent and Registrar	Sumitomo Mitsui Trust Bank, Limited
	8-4, Izumi 2-chome, Suginami-ku, Tokyo, 168-0063, Japan
Shares Issued and Outstanding	229,849,936
Number of Shareholders	29,749
Independent Auditor	Ernst & Young ShinNihon LLC

Stock Performance and Trading Volume per Month



	'13/4	'13/5	'13/6	'13/7	'13/8	'13/9	'13/10	'13/11	'13/12	'14/1	'14/2	'14/3	'14/4
Opening Price	318	349	327	289	337	316	348	319	318	316	284	281	272
High	377	454	353	384	355	368	351	343	320	319	309	291	278
Low	293	329	258	285	311	313	308	312	291	285	255	252	254
Closing Price	354	339	285	338	317	348	318	319	314	289	286	273	264
Trading Volume/Month (Unit: thousands)	106,468	233,250	56,397	129,632	38,442	29,641	20,466	37,105	26,956	22,215	35,391	23,250	19,328

Share Price on April 1, 2013: ¥305 = 100

ISEKI
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