ISEKI

Annual Report 2015

Year ended March 31, 2015

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, 2015.

I. Overview of the Company

1. Developments Regarding Major Management Indicators, etc.

Consolidated management indicators, etc.

Ordinary business term	87th business term	88th business term	89th business term	90th business term	91st business term
For the year ended	March 2011	March 2012	March 2013	March 2014	March 2015
Net sales (millions of yen)	147,826	145,252	155,697	169,129	157,417
Ordinary income (millions of yen)	2,006	3,898	5,414	8,285	499
Net income (loss) (millions of yen)	(918)	2,727	3,979	6,447	(319)
Comprehensive income (millions of yen)	(979)	3,577	5,012	7,772	4,509
Net assets (millions of yen)	54,617	58,189	62,927	68,734	71,065
Total assets (millions of yen)	169,168	172,554	179,028	197,628	204,138
Net assets per share (yen)	231.13	246.77	266.94	292.11	307.11
Net income (loss) per share (yen)	(4.00)	11.87	17.32	28.06	(1.40)
Net income per share after adjustment for dilutive securities (yen)	—	—	—	—	—
Equity ratio (%)	31.4	32.9	34.3	34.0	34.0
Return on equity (%)	—	5.0	6.7	10.0	—
Price earnings ratio (times)	—	17.78	18.65	9.73	—
Net cash provided by (used in) operating activities (millions of yen)	7,060	8,580	8,531	7,007	(4,247)
Net cash provided by (used in) investing activities (millions of yen)	(5,674)	(5,234)	(6,342)	(10,038)	(11,305)
Net cash provided by (used in) financing activities (millions of yen)	(2,515)	(2,141)	(647)	1,521	14,031
Cash and cash equivalents at end of period (millions of yen)	5,585	6,952	9,040	8,169	6,570
Number of employees (persons)	6,404 [957]	6,295 [1,050]	6,325 [1,103]	6,295 [1,185]	6,039 [1,234]

Notes:

1. Net sales above do not include consumption tax, etc.
2. Net income per share after adjustments for dilutive securities was not stated due to the following reasons: In the 87th business term, the Company reported a net loss per share and had no dilutive securities. In the 88th through 90th business terms, the Company had no dilutive securities.

   In the 91st business term, the Company had dilutive securities, but reported a net loss per share.
3. Return on equity and price earnings ratios for the 87th and the 91st business terms were not stated because a net loss was posted for that term.
4. 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.
5. The 91st Ordinary General Meeting of Shareholders held on June 24, 2015 passed a resolution that the Company's Articles of Incorporation shall be partially revised, including changes in the business year, etc., as follows.

   Business year: From January 1 to December 31

   Ordinary General Meeting of Shareholders: Sometime in March

   Record date: December 31

   Record date of dividends of surplus: December 31

   The 92nd business year is the nine-month period from April 1, 2015 to December 31, 2015.

Main Business

The ISEKI Group is engaged in the development, manufacture and sale of agricultural machinery as well as agriculture-related business activities including the construction and sale of agriculture-related facilities and revenue from the use of rice-polishing machines.

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 9 associated companies 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., PT. ISEKI INDONESIA (Indonesia), and Dongfeng Iseki Agricultural Machinery Co., Ltd. (China)

[Sales]

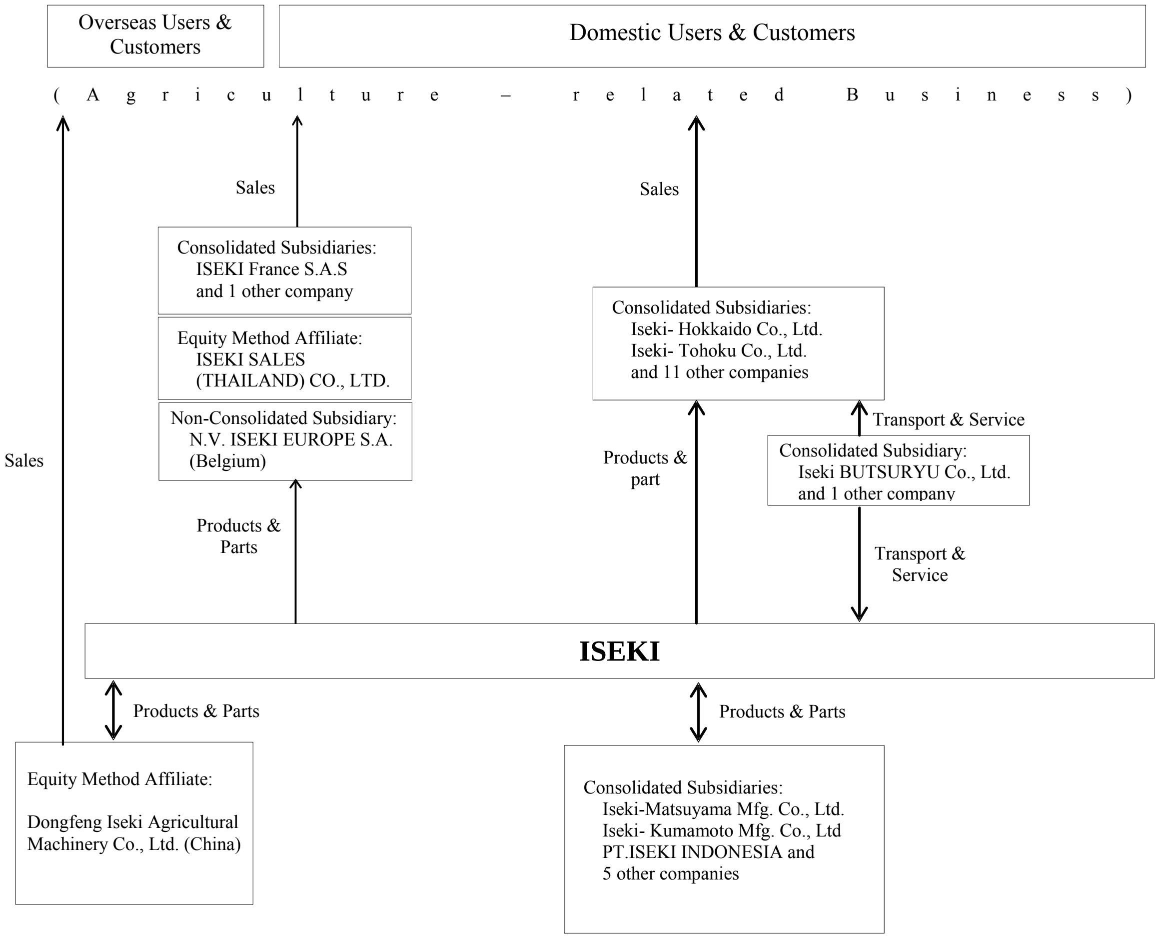
In Japan, sales are conducted through 13 sales companies nationwide. In overseas markets, sales are conducted through associated companies as well as local distributors, etc.

[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......... ISEKI France S.A.S (France), N.V. ISEKI EUROPE S.A. (Belgium), and Dongfeng Iseki Agricultural Machinery Co., Ltd. (China)

The following is a schematic diagram of the ISEKI Group



II. Management Performance

1. Analysis of Management Performance

(1) The Fiscal Period in Review

Japan's economy during the fiscal year under review continued to face uncertain conditions overall, being adversely impacted by a pullback in demand in the wake of a surge in demand just prior to the consumption tax hike, as well as the market's cautious view on Japan's economic outlook. However, Japanese corporations involved in export and related industries showed strong momentum attributed to stable trends of the weakening yen and high stock prices on the back of a series of economic policies of the government. In the world economies, full-fledged recovery will take some time, 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.

On the other hand, in the domestic agricultural machinery market, the excess supply of rice continued to put downward pressure on the price of rice, which, combined with negative impacts in the wake of the consumption tax hike, fully dampened farmers' interest in purchasing agricultural machinery. As a consequence, the market quickly lost its momentum and competition intensified.

Under such circumstances, the ISEKI Group strove to increase sales volume in Japan, launching new products and enhancing customer services, while it endeavored to expand sales overseas by introducing new products in North America and Europe. 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, 2015, net sales declined ¥11,711 million from a year earlier to ¥157,417 million (down 6.9% year on year). The domestic market faced a serious slump with intensified competition due to farmers' waning ability to purchase agricultural machinery mainly caused by a decline in the price of rice. As a result, net sales of agricultural machinery products and farming implements substantially fell, bringing a drop in domestic sales by ¥11,018 million from a year earlier to ¥131,956 million (down 7.7% year on year). Overseas net sales declined ¥693 million from a year earlier to ¥25,460 million (down 2.7% year on year), due to adverse impacts of the elimination of Iseki Changzhou Mfg. Co., Ltd., the former consolidated subsidiary, from the scope of consolidation from the end of the first quarter of the consolidated fiscal year under review, although new models released in European markets helped to boost sales. Operating income declined by ¥7,906 million from a year earlier due mainly to a fall in gross profits caused by weak sales and a rise in selling, general and administrative expenses, resulting in an operating loss of ¥535 million. Ordinary income fell ¥7,786 million from a year earlier to ¥499 million (down 94% year on year). Net income fell by ¥6,766 million from a year earlier, resulting in a net loss of ¥319 million.

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

In the fiscal year under review, net sales totaled ¥92,252 million (down 13.3% year on year), operating loss was ¥2,660 million, and ordinary loss was ¥198 million. The Company recorded a net loss of ¥942 million.

Sales by product are as follows.

[Domestic]

Sales of cultivating and mowing machinery (tractors, high-clearance multipurpose vehicles, among others) were ¥31,634 million (down 5.1% year on year), and sales of planting machinery (rice transplanters and vegetable transplanters) were ¥9,764 million (down 10.3% year on year). Sales of harvesting and processing machinery (combine harvesters, among others) were ¥23,996 million (down 15.1% year on year). Sales of spare parts and farming implements were down to ¥33,075 million (down 8.2% year on year), and sales in other agriculture-related business (including construction of facilities, among others) also decreased, to ¥33,485 million, (down 2.7% year on year).

[Overseas]

Sales of cultivating and mowing machinery (tractors, among others) increased to ¥20,639 million (up 24.0% year on year), and sales of planting machinery (rice transplanters, etc.) decreased to ¥2,105 million (down 68.7% year on year). Sales of harvesting and processing machinery (combine harvesters, etc.) decreased to ¥325 million (down 68.2% year on year), while sales of spare parts and farming implements increased to ¥1,792 million (up 37.0% year on year) and sales in other agriculture-related business also increased to ¥598 million (up 33.3% year on year).

(2) Cash Flows

The balance of cash and cash equivalents at the end of the fiscal year decreased ¥1,599 million year on year, to ¥6,570 million.

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

Net cash provided by (used in) operating activities provided a net cash outflow of ¥4,247 million (up ¥11,255 million year on year). It was comprised principally of income before income taxes and minority interests of ¥1,304 million, depreciation of ¥5,902 million, a decrease of ¥13,063 million in notes and accounts receivable–trade, an increase of ¥7,835 million in inventories, a decrease of ¥10,424 million in notes and accounts payable–trade, and payments of ¥3,086 million in income taxes paid.

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

Net cash provided by (used in) investment activities resulted in a net cash outflow of ¥11,305 million (up ¥1,266 million year on year), comprised principally of capital investment expenditures of ¥11,583 million.

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

Net cash provided by (used in) financing activities amounted to a net cash inflow of ¥14,031 million (up ¥12,509 million year on year). This was due primarily to an increase in interest-bearing liabilities.

2. Production, Orders and Sales

(1) Production

Production results for the fiscal year under review are as follows. As the Company comprises a single segment of the “agriculture-related business,” it reports manufacturing results by product in the “agriculture-related business.”

Product category	FY2015 (April 1, 2014–March 31, 2015)	
	Amount (millions of yen)	Change yoy (%)
Cultivating and mowing machinery	55,646	(6.9)
Planting machinery	18,330	5.8
Harvesting and processing machinery	28,378	1.2
Parts and farming implements	2,307	2.0
Other agriculture-related business	7,261	(13.6)
Total	111,923	(3.4)

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 for the fiscal year under review are as follows. As the Company comprises a single segment of the “agricultural related business,” it reports sales results by product in the “agriculture-related business.”

Product category	FY2015 (April 1, 2014–March 31, 2015)	
	Amount (millions of yen)	Change yoy (%)
Cultivating and mowing machinery	52,273	4.6
Planting machinery	11,870	(32.6)
Harvesting and processing machinery	24,322	(16.9)
Parts and farming implements	34,867	(6.7)
Other agriculture-related business	34,083	(2.3)
Total	157,417	(6.9)

Notes: 1. Net sales to major customer and as percentage of total sales

Customer	FY2014 (April 1, 2013–March 31, 2014)		FY2015 (April 1, 2014–March 31, 2015)	
	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)	19,744	11.7	17,955	11.4

2. 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) Actions in response to changes in the domestic market

Cultivation systems in domestic farming are shifting from conventional forms centered on rice as food to diversified systems including rice feed, dry-field farming, and vegetable farming. At the same time, we have been witnessing significant changes in recent years such as the growing use of IT in farming and the robotization of agricultural machinery amid the trend toward larger-scale farming. The Company will take appropriate measures to respond to these changes in the domestic market environment and strive to build stable customer bases in spite of intensified competition to secure a steady market share of 20%.

Specifically, as a measure to develop new and advanced technologies, the Company has been working on promoting organizations, by for example establishing the Advanced Technology Strategic Committee in April 2014 and the Advanced Technology Promotion Department in April 2015. In addition, responding to the diversification of cultivation systems and farming operations centered on the trend toward larger-scale farming, the Company has focused on developing personnel who can bring a broad range of perspectives and suggestions (Agri-Hero Support Project), while enlarging the scale of maintenance bases and reinforcing the checking and maintenance of large machinery. Furthermore, the Company plans to establish an institute in October 2015 as a base for leading comprehensive research on advanced agricultural technologies to support the agriculture industry in Japan, and promote the widespread use of technologies. Both in products and services, the Company will elevate its ability to support customers by offering high-quality services and consultations more suited to customers' farming management needs, and work hard to achieve a higher level of customer satisfaction and expand domestic sales.

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.

For markets in Europe and North America, the Company will further expand sales by releasing new strategic products that meet customer needs. In Europe, in particular, given the business integration whereby ISEKI France S.A.S became a wholly owned subsidiary, the Company will focus on boosting sales and market share.

For markets in China, which are experiencing rapid mechanization in the agricultural sector, the Company will shore up operations at the newly integrated company, Dongfeng Iseki Agricultural Machinery Co., Ltd., by accelerating the release and development of new products. For the potential growth markets of South East Asia, with an eye on firmly establishing the ISEKI brand, the Company will work on stabilizing operations of PT. ISEKI INDONESIA which started full-fledged production, and strengthening the sales capability of ISEKI SALES (THAILAND) CO., LTD., which launched sales.

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) Assurance of thorough compliance

The Company underwent on-site investigations by the Fair Trade Commission in accordance with the Antimonopoly Act regarding the bidding on facility construction projects, and received a cease and desist order and an order to pay a surcharge on March 26, 2015. Iseki-Hokkaido Co., Ltd., the Company's consolidated subsidiary, also underwent an on-site investigation by the Fair Trade Commission in July 2014 on suspicion of a violation of the Antimonopoly Act regarding the bidding on facility construction projects. The Company and

Iseki–Hokkaido are fully cooperating with the investigation of the Fair Trade Commission.

With full recognition of the severity of the case, the Company established and implemented measures to prevent the recurrence of such misconduct, putting great effort toward preventing similar occurrences.

In terms of organizational structures, we transferred the Management Control Division for the Agri-Plant Business, which is meant to monitor and supervise g the facility business, to the Internal Control & Audit Department on May 1, 2015. Meanwhile, the Internal Control & Audit Department was also moved and placed under the Management Supervisory Committee, a body that is independent from business execution divisions. In addition, the Company has reviewed the code of conduct and manuals for the facility business, while enhancing the training of human resources including those at sales subsidiaries.

With these new organizational structures, the Company is striving to achieve full compliance with laws and regulations and improve internal control systems.

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. The Group may be adversely affected, pending the result of on-site investigations by the Fair Trade Commission regarding the bidding on facility construction projects by Iseki-Hokkaido Co., Ltd., the Company's consolidated subsidiary.

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.

The Company received a cease and desist order and an order for a surcharge payment from the Fair Trade Commission on March 26, 2015 regarding the bidding on facility construction projects. Because of the misconduct, the Company had violated the provision on compliance with laws and regulations stated in the syndicated loan contract. However, the Company obtained approval from financial institutions to abandon the right to exercise a claim for the forfeiture of benefits of the term.

5. Significant Contracts

The Company passed a resolution at the Board of Directors' meeting held on July 22, 2014 to enter into a share transfer agreement to acquire all the shares of YB HOLDING, which owns a 100% stake in YVAN BEAL, the Company's distributor in Europe, making YB HOLDING a wholly owned subsidiary of the Company. On the same date (July 22, 2014), the Company concluded the agreement and completed the share transfer procedures.

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. With a trend toward larger-scale farming, the Company proactively promotes the use of IT in farming, the utilization of robots in the development of agricultural machinery, and the development of advanced technologies for plant factories. In 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. To address technological innovation, the Company established the Advanced Technology Strategic Committee in April 2014. It also separated the Strategy Planning Section from the Development Planning & Solution Department to make it an independent body called the Advanced Technology Promotion Department in April 2015 with the aim of further bolstering the development of advanced technology.

Research and development expenses for the entire Group in the fiscal year under review totaled ¥4,580 million, and major research results are as follows:

<u>Agriculture-related Business</u>

[Tractors]

- The Company released the "TJV series" with 62 to 98 horsepower and the "TJW series" with 108 and 120 horsepower. Along with a new design demonstrating an overwhelmingly strong presence, power and high performance, the new products are equipped with engines that meet the off-road vehicle exhaust regulation in Japan (Phase 3). To keep up with the trend of larger-scale farming and diversifying customer needs, the new series comes fitted with "ISEKI AGRISUPPORT," a powerful aid in farm management, as standard equipment. "ISEKI AGRISUPPORT" enables users to simply confirm and record machine conditions and information on operational performance through a tablet device, etc., in order to operate the machine in an optimal way.
- For European markets, targeting private users and the small-scale landscaping business sector, the Company released a small-sized tractor, the TM3185. With a new and modern design, the product is light and compact, equipped with power-steering enabling even women and elderly operators to use the machine comfortably. In addition, targeting the professional landscaping business sector, the Company released a large rear-discharge front mower which has outstanding grass-collection capability with high efficiency and strong horsepower, and expanded its product lineup.

[Combine Harvesters]

- The Company released the "FRONTIER FIGHTER HFR series." This includes a four-stroke reaping machine and a five-stroke reaping machine. With enhanced functions and efficient performance, the four-stroke reaping machine offers the benefits of lightweight and compact size with further advanced adaptability to a variety of conditions (paddy fields and rice plants that have fallen down). The five-stroke reaping machine has a large threshing part and offers significantly improved processing power.

[Rice Transplanters]

- Amid increasing needs for operational efficiency and cost reductions, the Company believes there will be growing demand for highly efficient and cost-effective rice transplanters from farmers. To meet such needs, the Company released the “SANAE NP series” available for five rows through eight rows of rice transplanting at a low price, achievable thanks to a uniform design applied across Asia. The products are equipped with new functions, the first in the industry, and are designed to further improve operational efficiency in a sparse paddy with 37 plants, and it has proved popular with customers. The new function, “SANAE PITA UE,” a first in the industry, can automatically turn a mallet and perform perfect transplanting even from a ridge just at the touch of a function called PITA UE, while the vehicle is stopped. This allows for easier transplanting even in the corners of a rice field. These new functions and new technologies will significantly help improve rice transplanting in Japan.

[Other Products]

- With the aging of farmers, the Company expects to see greater demand for simpler and easy-to-use rice hullers. To meet such demand, the Company launched the SUPERMATE-MG33 and MGJ33 series of rocking rice hullers. Under the basic concept of “simplifying the process of breaking husks off rice in Japan,” the new series advanced the functions of existing OSHIRASENAVI, a navigating device for operators, to offer “OSHIRASENAVI +,” enabling an operator to easily break off rice husks by moving a lever only once.
- In a joint development with universities, with an eye on the expanding plant-cultivation market the Company commercialized an automated plant-monitoring machine, a first in the industry, as a way to support plant-cultivation factories from both the product and service aspects. The device is designed to assist those engaged in the administration of plant cultivation, to carry out corporate-style management. It makes it possible to conduct image-based measurements of plant chlorophyll fluorescence, numerical assessments of differences in invisible photosynthesis functions, and record and analyze daily changes. Based on the results and analysis provided by these functions, cultivators can address plant diseases earlier, improve the cultivation environment and achieve highly efficient production of agricultural products at a constant level of quality.
- Along with the trend toward larger-scale farming, there is also a growing trend toward maximizing the division of farmland and toward labor savings. When using tractors, an operator is normally required to visually confirm operation routes, and operational efficiency and material costs have heavily relied on the degree of an operator’s expertise. With the application of information and communications technology (ICT), the Company released a product called LEADEYE—motion-assist system, to meet demand for greater labor savings and lower workloads. Equipped with high-precision GPS and a GPS guidance function to lead a driver down the most suitable route, the product makes it possible to perform more precise and efficient work.

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 2015, 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 2014.

We also ranked first in terms of the number of published patents in the “other specialty machinery sector” for seven consecutive years from 2007 through 2013. 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 14 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 ¥157,417 million is as shown in the summary of performance, etc. The main factors underlying the decrease of ¥7,906 million of operating income are as follows:

(a) Decrease of gross profit due to decreased net sales, etc. ¥(7,076) million

(b) Increase of selling, general and administrative expenses ¥(830) million

Main factors underlying the decrease of ordinary income of ¥7,786 million are as follows:

(a) Decrease of operating income ¥(7,906) million

(b) Improvement of non-operating balance due to decrease of foreign exchange gains and loss on abandonment of inventories, etc. ¥120 million

Main factors underlying the decrease of net income of ¥6,766 million are as follows:

(a) Decrease of ordinary income ¥(7,786) million

(b) Increase in extraordinary income due to gain on bargain purchase, gain on change in equity, etc. ¥1,572 million

(c) Increase in extraordinary losses due to surcharges, etc. ¥(407) million

2) Financial position

Total assets at the end of the consolidated fiscal year under review increased ¥6,510 million year on year, to ¥204,138 million. Of assets, current assets decreased ¥5,927 million year on year, and non-current assets rose ¥12,438 million year on year. The main changes were an ¥11,194 million decrease in notes and accounts receivable–trade, a ¥5,665 million increase in merchandise and finished goods, a ¥5,839 million increase in property, plant and equipment, and a ¥6,499 million increase in investments and other assets. Total liabilities increased ¥4,179 million year on year to ¥133,073 million, due mainly to decreases in notes and accounts payable–trade and electronically recorded obligations–operating of ¥8,821 million, increases in short-term and long-term loans payable of ¥13,207 million, and a decrease in net defined benefit liability of ¥1,361 million. Net assets increased ¥2,330 million year on year to ¥71,065 million, due primarily to a decrease in retained earnings of ¥1,607 million, an increase in valuation difference on available-for-sale securities of ¥1,640 million, and an increase in remeasurements of defined benefit plans of ¥2,019 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 ¥14,001 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 ¥8,493 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-savings, and for saving resources and energy at facilities, as well as in the construction of PT. ISEKI INDONESIA factory, among others.

Meanwhile, the Company posted a loss on sales and retirement of ¥171 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 ¥4,995 million, including investments by the Company, in addition to those made mainly by sales companies (Iseki-Hokkaido Co., Ltd. and 12 others in Japan), 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 ¥180 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, 2015) (shares)	Number of shares outstanding as of the date of submission (June 25, 2015) (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.

In accordance with the Companies Act, the Board of Directors' meeting held on July 30, 2014 resolved to issue the subscription rights to shares as follows.

Iseki & Co., Ltd. Subscription Rights to Shares 2014

	As of the end of the fiscal year under review (March 31, 2015)	As of the end of the month before the submission date (May 31, 2015)
Number of subscription rights to shares	401 units (Note 1)	Same on the left
Number of treasury share subscription rights included in the above subscription rights to shares	—	—
Class of shares to be issued as subscription rights to shares	Common stock	Same as on the left
Number of shares to be issued as subscription rights to shares	401,000 shares (Note 1)	Same as on the left
Amount paid on the exercise of the subscription rights to shares	¥1 per share	Same as on the left
Exercise period of the subscription rights to shares	From August 26, 2014 to August 25, 2039	Same as on the left
Issuing price and amount to be incorporated into capital upon the exercise of the subscription rights to shares	Issuing price: ¥230 per share Amount to be incorporated into capital: ¥115 per share	Same as on the left
Conditions for exercising the subscription rights to shares	(Note 2)	Same as on the left
Matters pertaining to the transfer of the subscription rights to shares	Acquiring the subscription rights to shares by means of transfer shall require resolution of the Board of Directors	Same as on the left
Matters regarding money paid in the redemption of corporate bonds	—	—
Matters regarding the granting of subscription rights to shares upon reorganization	(Note 3)	Same as on the left

Notes:

1. The number of shares as subscription rights to shares (hereinafter referred to the "number of shares to be granted") shall be 1,000 shares per unit. In case the Company declares a stock split (including free allocation of shares of the Company's common stock; hereinafter this term is applied to the description of the stock split) or stock consolidation of the Company's common stock on and after the date of allocating the subscription rights to shares (hereinafter, referred to the "allotment date"), the number of shares to be granted shall be adjusted based on the following formula and fractional shares below one share that result from the calculation shall be rounded down.

   The number of shares to be granted after the adjustment = the number of shares to be granted before the adjustment × the ratio of a stock split or stock consolidation

   On and after the allotment date, if the Company declares a merger or demerger, or experiences any other events equivalent to necessitating an adjustment of the number of shares to be granted, the Company shall adjust the number of shares to be granted within a scope deemed reasonable.

2. Conditions for exercising subscription rights to shares

   1) Grantees of subscription rights to shares shall not be allowed to exercise the rights for three years from the allotment date. However, those who were in a position of either a director, corporate auditor, executive officer or *riji* (administration officer) and withdrew from those positions because of the completion of the term of office or because they reached the age of retirement, shall be eligible for exercising subscription rights to shares from the date of withdrawing from their positions.

   2) Notwithstanding the above (1), if the General Meeting of Shareholders of the Company

(or if the approval of the General Meeting of Shareholders is not required, the Board of Directors) approves a merger agreement in which the Company will become a non-surviving company, or a share exchange agreement or a share transfer plan in which the Company will become a wholly owned subsidiary, grantees shall be allowed to exercise subscription rights to shares for 15 days from the date following the approval date (or the date approved by resolution of the Board of Directors, if the approval of the General Meeting of Shareholders is not required), except for when granting subscription rights to shares is subject to the aforementioned "matters regarding the granting of subscription rights to shares upon reorganization," and the grant is specified in a merger agreement, a share exchange agreement or a share transfer plan.

3) The aforementioned 1) and 2) items shall not apply to grantees who acquired the subscription rights to shares as inheritance.

4) If a holder of share subscription rights waives the share subscription rights, such subscription rights cannot be exercised.

3. Granting of subscription rights to shares in connection with reorganization

If the Company declares a merger (only if the Company is eliminated as a result of the merger), an absorption-type demerger or incorporation-type demerger (only if the Company becomes a split corporation), or an exchange or transfer of shares (only if the Company becomes a wholly owned subsidiary), (the above events are hereafter collectively referred to by the general term "Structural Reorganization"), then, immediately before the Structural Reorganization takes effect (referring to following dates; the date when an absorption-type merger becomes effective upon the conclusion of the absorption-type merger; the date when a new merged company is incorporated upon the conclusion of the incorporation-type merger; the date when an absorption-type demerger becomes effective upon the conclusion of the absorption-type demerger; the date when a new split company is established upon the conclusion of the incorporation-type demerger; the date when an exchange of shares takes effect upon the conclusion of the exchange of shares; or the date when a wholly owning parent company is incorporated upon the conclusion of the transfer of shares), the holders of the remaining share subscription rights shall be provided with share subscription rights of a company indicated in Article 236, Item 1, Number 8 (a)-(e) of the Companies Act (hereinafter referred to as the "Reorganized Company"). Provided, however, that with the following items, the granting of share subscription rights of the Reorganized Company should be stipulated in an absorption-type merger agreement, an incorporation-type merger agreement, an absorption-type demerger agreement, an incorporation-type demerger plan, an agreement of share exchange, or a plan of share transfer.

1) Number of share subscription rights of the Reorganized Company for granting

A number equivalent to the remaining share subscription rights held by holders shall be granted.

2) Class of shares that the Reorganized Company would issue for share subscription rights

It shall be the common stock of the Reorganized Company.

3) Number of shares that the Reorganized Company would issue for share subscription rights

The Company shall make a decision in the same manner as the aforementioned "number of shares to be issued as subscription rights to shares," by considering the conditions at the implementation of the Structural Reorganization.

4) Amount of property to be contributed upon the exercise of share subscription rights

The amount of property to be contributed upon the exercise of share subscription rights granted shall be obtained by multiplying the exercise price after the Structural Reorganization determined below by the number of shares that the Reorganized Company would issue for share subscription rights as mentioned in 3 above). The exercise price after the Structural Reorganization shall be ¥1 per share of the Reorganized Company's shares which shall be granted upon the exercise of the share subscription rights granted.

5) Period when share subscription rights can be exercised

The period shall be from the later date of either the first day of the exercise period of share subscription rights or the effective date of the Structural Reorganization to the last day of the exercise period stipulated in the aforementioned "exercise period of subscription rights to shares."

6) Matters concerning increases in capital stock and legal capital surplus for the case of issuing shares due to the exercise of share subscription rights

The Company shall make a decision in the same manner as the aforementioned "issuing price and amount to be incorporated into capital upon the exercise of subscription rights to shares."

7) Restriction on the acquisition of share subscription rights by means of transfer

Acquiring share subscription rights by means of transfer shall require approval by resolution of the Board of Directors of the Reorganized Company.

8) Conditions to acquire share subscription rights

If the Company's General Meeting of Shareholders (or the Company's Board of Directors, if the circumstances do not necessitate resolution by the General Meeting of Shareholders) approves the following proposals, the Company shall be able to acquire share subscription rights on a date separately determined by the Company's Board of Directors, and without monetary consideration.

a. Proposal for approval on a merger agreement in which the Company will be eliminated as a result of a merger

b. Proposal for approval on a demerger agreement or a plan for demerger in which the Company will be a split company

c. Proposal for approval on a share exchange agreement or a plan for the transfer of shares in which the Company will become a wholly owned subsidiary

d. Proposal for approval for amending the Company's Articles of Incorporation with respect to the content of all shares issued by the Company, due to the establishment of a rule requiring the Company's approval on the matter of the acquisition of said shares by means of transfer

e. Proposal for approval for setting a new requirement, with respect to the content of class of shares as share subscription rights, that the acquisition of share subscription rights by means of transfer shall require the Company's approval, or proposal for approval for amending the Company's Articles of Incorporation due to the rule that the Company's acquisition of all shares with respect to shares of the said class shall require approval by the General Meeting of Shareholders.

9) Other conditions on the exercise of share subscription rights

The Company shall make a decision in the same manner as the aforementioned "conditions for exercising subscription rights to shares."

(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

Notes: 1. The increases are caused by exercising subscription rights to shares in convertible bond-type bonds with subscription rights to shares.

2. The total number of shares outstanding and the amount of capital stock and legal capital surplus have remained unchanged for the past five years. The above figures represent the movement (increase/decrease) in the latest year.

(6) Shareholding Status by Shareholder

As of March 31, 2015

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	50	76	340	120	22	21,285	21,893	—
Number of shares held (unit of shares)	0	74,090	5,509	39,698	13,342	114	96,495	229,248	601,936
Shareholding ratio (%)	0.0	32.3	2.4	17.3	5.8	0.1	42.1	100.0	—

Notes:
1. 3,960,147 treasury shares are included in "Individuals and other" (3,960 units) and in "Status of shares below stock trading unit" (147 shares). The actual number of treasury shares held as of the fiscal year-end was 3,959,147 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, 2015

Name or corporate name	Address	Number of shares held (thousands of shares)	Shareholding ratio to total number of shares outstanding (%)
Mizuho Bank, Ltd.	1-5-5, Otemachi, Chiyoda-ku, Tokyo	10,708	4.65
The Norinchukin Bank	1-13-2 Yurakucho, Chiyoda-ku, Tokyo	8,687	3.77
Sumitomo Mitsui Trust Bank, Limited	1-4-1, Marunouchi, Chiyoda-ku, Tokyo	8,000	3.48
Iseki kabushiki hoyukai (Company's Stockholding Co-op.)	5-3-14, Nishi-nippori, Arakawa-ku, Tokyo	6,130	2.66
The Iyo Bank, Ltd.	1, Minami-horibata-cho, Matsuyama, Ehime	5,800	2.52
Sompo Japan Nipponkoa Insurance Inc.	1-26-1, Nishi-shinjuku, Shinjuku-ku, Tokyo	4,345	1.89
Mitsui Sumitomo Insurance Co., Ltd.	3-9, Kandasurugadai, Chiyoda-ku, Tokyo	4,193	1.82
Iseki eigyo-hansya group syain mochikabukai (Business-Seiling Group Holdings)	5-3-14, Nishi-nippori, Arakawa-ku, Tokyo	3,650	1.58
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
Total	—	58,458	25.43

Notes:
1. In addition to the above, the Company actually owns treasury shares of 3,959,000 shares (accounting for 1.72% of the aggregate number of shares issued)
2. Based on the report on large shareholdings (change report) submitted by Mizuho Bank on May 22, 2014, we received a report to the effect that the said Bank jointly held the following shares as of

May 15, 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." 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.	1-5-5, Otemachi, Chiyoda-ku, Tokyo	10,708	4.66
Mizuho Trust & Banking Co., Ltd.	1-2-1, Yaesu, Chuo-ku, Tokyo	3,650	1.59

3. 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, 2015

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 3,959,000	—	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 225,289,000	225,289	Ditto
Shares less than one unit	Common shares 601,936	—	Ditto
Total number of shares outstanding	229,849,936	—	—
Voting rights of all shareholders	—	225,289	—

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, 2015

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	3,959,000	—	3,959,000	1.72
Total	—	3,959,000	—	3,959,000	1.72

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

The Company adopted a stock option system based on share subscription rights.

The said system is, in accordance with Article 236, Article 238, and Article 240 of the Companies Act, to grant share subscription rights as share-compensation type stock options to the Company's directors (excluding outside directors) and the Company's corporate auditors (excluding part-time auditors). The details are as follows:

Date of resolution	July 30, 2014
Title and number of people who will be granted the subscription rights of shares	Nine board directors (excluding outside directors) and four corporate auditors (excluding part-time auditors) of the Company
Class of shares to be issued as the subscription rights to shares	Stated in "(2) Status of Subscription Rights to Shares, etc."
Number of shares	Ditto
Amount to be paid in for the subscription rights to shares	Ditto
Period during which the subscription rights to shares may be exercised	Ditto
Conditions for the exercise of the subscription rights to shares	Ditto
Matters concerning the transfer of the subscription rights to shares	Ditto
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	Stated in "(2) Status of Subscription Rights to Shares, etc."

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	3,830,000	953
Total number and amount of the remaining shares by a resolution at the board of directors' meeting	670,000	46
Ratio of unexecuted rights at the end of the current business year (%)	14.9	4.6
Number of treasury shares acquired during the current period	—	—
Ratio of unexecuted rights on the date of the submission (%)	14.9	4.6

(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	11,893	2,922,490
Number of treasury shares acquired during the current period	1,500	364,770

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, 2015 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	3,959,147	—	3,960,647	—

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, 2015 and the date for submitting the securities report.

3. 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, 2015, we resolved to pay 3.00 yen per share.

Dividends with a record date within the fiscal year ended March 31, 2015 are as follows:

Resolution date	Total amount of dividends paid (millions of yen)	Dividend per share (yen)
Regular meeting of shareholders on June 24, 2015	677	3.00

4. 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.

The Company also created the Management Supervisory Committee in 2007, with the chairman as head, all directors as members and all corporate auditors as observers, so that it could follow the discussions on different measures and their level of progress, while checking the degree of thoroughness of compliance.

As part of internal control, the more independent Internal Control & Audit Department is in place and in charge of auditing and monitoring the Company, manufacturing subsidiaries and sales subsidiaries. With the aim of segregating its operations from business execution divisions and giving it a more neutral function, the Internal Control & Audit Department was moved from a position where it reported directly to the president to a position under the Management Supervisory Committee, effective

May 1, 2015.

In addition, we separated the Management Control Section of the Agri-Plant Business, which directly submitted reports to the head of the Agri-Plant Department in the Business Division and monitored the facility business. On April 1, 2014, we re-formed the unit as the Management Control Section for Agri-Plant Business to monitor operations outside the facility business under a system where it submits a direct report to the head of the Business Division. In spite of the efforts to bolster the monitoring function through the above reorganization, the Company had an incident in March 2015, receiving a cease and desist order and a surcharge payment order from the Fair Trade Commission due to a violation of the Antimonopoly Act regarding the bidding on facility construction projects. Given this experience, and to further strengthen and improve its supervisory and monitoring functions, the Management Control Division for the Agri-Plant Business was absorbed into the Internal Control & Audit Department on May 1, 2015.

(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 "ISEKI Group 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 seventeen, 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
11 Others

6) Establishing a risk management system

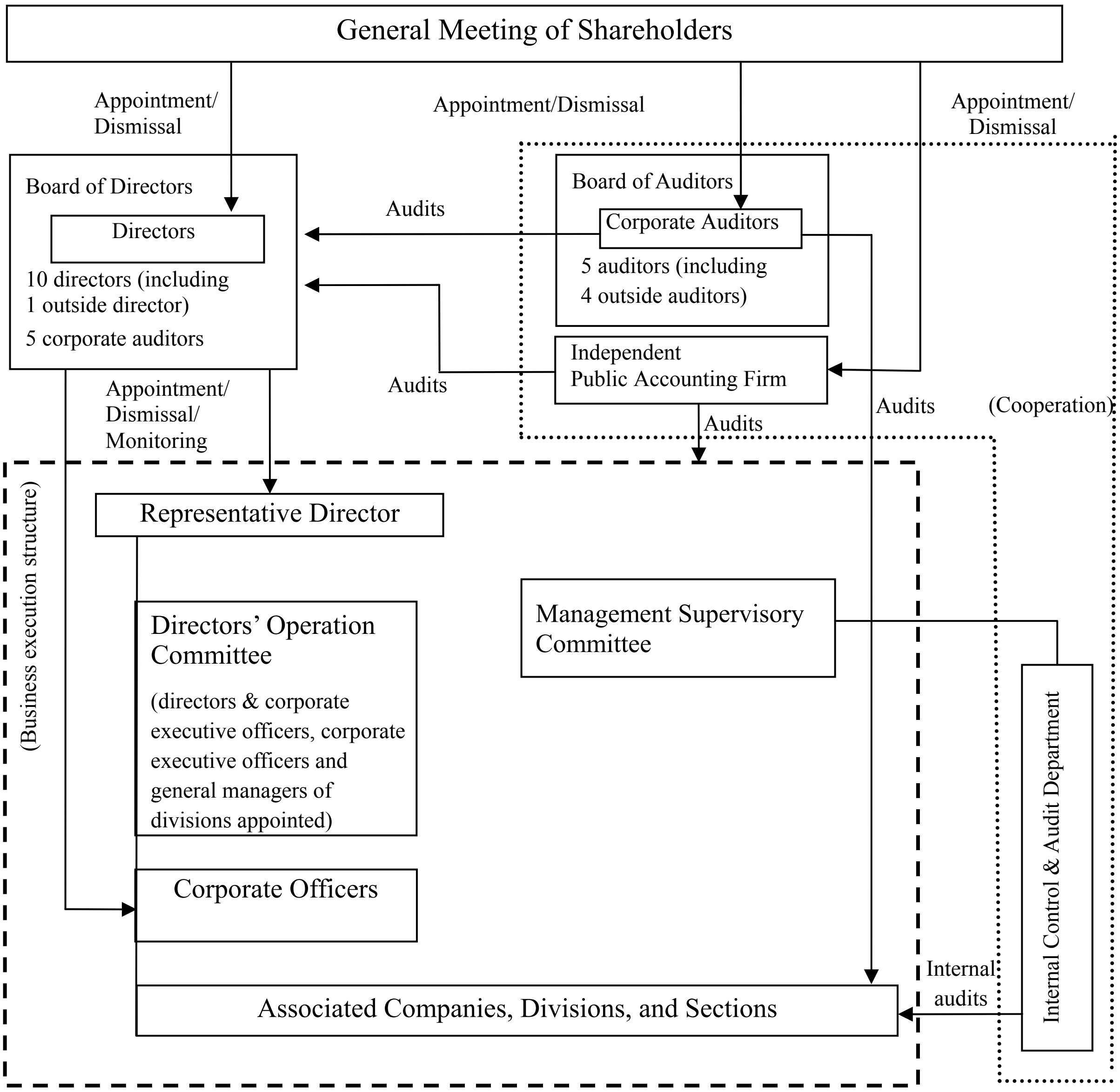
Addressing the overall risk exposure of the Group, the Company has set up risk management standards and rules as well as monitoring and response systems to prevent avoidable risk and to minimize losses.

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 2014). 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 2014) 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 shares

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 shares 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	4	65	7
Consolidated subsidiaries	7	—	7	—
Total	72	4	72	7

2) Other remuneration

(Previous fiscal year)

The Company and some of its consolidated subsidiaries pay ¥12 million as remuneration for audit certification services and non-audit services (investigations related to investment, etc.) to Ernst & Young, which is in the same group 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 ¥14 million as remuneration for audit certification services and non-audit services to Ernst & Young, which is in the same group 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 advisory 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.

(Fiscal year under review)

The Company requested advisory services in respect of procedures for items to be newly incorporated into the scope of consolidated accounting, 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.

(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").

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, 2014 through March 31, 2015) and its financial statements for the fiscal year (from April 1, 2014 through March 31, 2015).

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)

	FY2014 (As of March 31, 2014)	FY2015 (As of March 31, 2015)
Assets		
Current Assets:		
Cash and deposits	8,228	6,603
Notes and accounts receivable—trade	41,598	30,404
Merchandise and finished goods	36,889	42,554
Work in process	*3 4,882	3,679
Raw materials and supplies	1,548	1,478
Deferred tax assets	1,794	1,444
Others	2,944	5,777
Allowance for doubtful accounts	(107)	(91)
Total Current Assets	97,779	91,851
Non-current Assets:		
Property, plant and equipment		
Buildings and structures, net	*1 16,602	*1 20,224
Machinery, equipment and vehicles, net	7,041	9,363
Tools, furniture and fixtures, net	2,550	2,754
Land	*1,8 51,015	*1,8 50,395
Leased assets, net	7,311	8,455
Construction in progress	2,611	1,771
Other, net	19	28
Total property, plant and equipment	*2 87,152	*2 92,992
Intangible assets	1,006	1,105
Investments and other assets		
Investment securities	*4 7,269	*4 9,495
Long-term loans receivable	106	1,003
Deferred tax assets	1,374	846
Net defined benefit asset	288	513
Other	*4 3,116	*4 6,766
Allowance for doubtful accounts	(464)	(436)
Total investments and other assets	11,690	18,189
Total Non-current Assets	99,848	112,287
Total Assets	197,628	204,138

(Millions of yen)

	FY2014 (As of March 31, 2014)	FY2015 (As of March 31, 2015)
Liabilities		
Current Liabilities:		
Notes and accounts payable—trade	47,536	36,935
Electronically recorded obligations—operating	—	1,778
Short-term loans payable	[*1] 20,132	[*1] 25,134
Current portion of long-term loans payable	[*1] 6,387	[*1] 13,941
Lease obligations	2,087	2,662
Accrued consumption taxes	354	1,175
Income taxes payable	1,788	776
Deferred tax liabilities	—	75
Accrued expenses	5,084	5,432
Provision for bonuses	350	322
Provision for loss on construction contracts	[*3] 33	—
Other	[*1] 6,161	[*1] 4,453
Total Current Liabilities	89,916	92,689
Non-current Liabilities:		
Long-term loans payable	[*1] 17,870	[*1] 18,520
Lease obligations	5,730	6,559
Deferred tax liabilities	250	1,018
Deferred tax liabilities for land revaluation	[*8] 6,644	[*8] 6,074
Provision for directors’ retirement benefits	126	125
Net defined benefit liability	6,660	5,298
Asset retirement obligations	264	266
Other	[*1] 1,429	[*1] 2,519
Total Non-current Liabilities	38,977	40,383
Total Liabilities	128,893	133,073
Net Assets		
Shareholders’ equity		
Capital stock	23,344	23,344
Capital surplus	13,454	13,454
Retained earnings	17,266	15,658
Treasury shares	(30)	(986)
Total Shareholders’ Equity	54,034	51,470
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,338	2,979
Revaluation reserve for land	[*8] 11,831	[*8] 12,401
Foreign currency translation adjustment	1,170	1,771
Remeasurements of defined benefit plans	(1,269)	750
Total Accumulated Other Comprehensive Income	13,072	17,902
Subscription rights to shares	—	68
Minority interests	1,628	1,624
Total Net Assets	68,734	71,065
Total Liabilities and Net Assets	197,628	204,138

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

[Consolidated Statements of Income]

(Millions of yen)

	FY2014 (April 1, 2013– March 31, 2014)	**FY2015** (April 1, 2014– March 31, 2015)
Net sales	169,129	157,417
Cost of sales	*1,2,3 116,412	*2,3 111,777
Gross profit	52,716	45,640
Selling, general and administrative expenses		
Advertising expenses	987	1,285
Packing and transportation expenses	4,048	3,672
Directors' compensations, salaries and allowances	18,114	18,382
Bonuses	3,475	3,271
Retirement benefit expenses	1,559	1,651
Provision for directors' retirement benefits	25	26
Depreciation	1,537	1,507
Other	15,595	16,377
Total selling, general and administrative expenses	*3 45,345	*3 46,175
Operating income (loss)	7,371	(535)
Non-operating income		
Interest income	192	247
Dividend income	147	168
Foreign exchange gains	1,268	423
Subsidies received	80	78
Rent income	172	172
Gain on sales of scraps	170	131
Other	564	903
Total non-operating income	2,596	2,125
Non-operating expenses		
Interest expenses	758	623
Sales discounts	105	99
Loss on abandonment of inventories	410	15
Other	407	352
Total non-operating expenses	1,682	1,091
Ordinary income	8,285	499

(Millions of yen)

	FY2014 (April 1, 2013– March 31, 2014)	FY2015 (April 1, 2014– March 31, 2015)
Extraordinary income		
Gain on sales of non-current assets	*4 30	*4 47
Gain on bargain purchase	—	900
Gain on change in equity	—	589
Compensation income	45	21
Gain on sales of investment securities	32	25
Gain on sales of shares of subsidiaries and associates	—	96
Total extraordinary income	107	1,680
Extraordinary losses		
Loss on sales and retirement of non-current assets	*5 355	*5 395
Impairment loss	*6 86	*6 165
Surcharges	—	305
Other	24	8
Total extraordinary losses	467	874
Income before income taxes and minority interests	7,926	1,304
Income taxes—current	2,756	1,662
Income taxes—deferred	(1,297)	(29)
Total income taxes	1,459	1,633
Income (loss) before minority interests	6,466	(328)
Minority interests in income (loss)	19	(9)
Net income (loss)	6,447	(319)

[Consolidated Statements of Comprehensive Income]

(Millions of yen)

	FY2014 (April 1, 2013– March 31, 2014)	**FY2015** (April 1, 2014– March 31, 2015)
Income (loss) before minority interests	6,466	(328)
Other comprehensive income		
Valuation difference on available-for-sale securities	405	1,636
Revaluation reserve for land	—	569
Foreign currency translation adjustment	836	(31)
Remeasurements of defined benefit plans, net of tax	—	2,018
Share of other comprehensive income of entities accounted for using equity method	63	645
Total other comprehensive income	*1 1,305	*1 4,838
Comprehensive income	7,772	4,509
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	7,740	4,510
Comprehensive income attributable to minority interests	32	(1)

(3) Consolidated Statements of Changes in Net Assets

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
Cumulative effects of changes in accounting policies					—
Restated balance	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)
Change of scope of equity method					—
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

(Millions of yen)

	Accumulated Other Comprehensive Income					Subscription rights to shares	Minority Interests	Total Net Assets
	Valuation Difference on Available-for-sale Securities	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
Cumulative effects of changes in accounting policies								—
Restated balance	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)
Change of scope of equity method								—
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

FY2015 (Apr. 1, 2014-Mar. 31, 2015)

(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	17,266	(30)	54,034
Cumulative effects of changes in accounting policies			(360)		(360)
Restated balance	23,344	13,454	16,905	(30)	53,673
Changes of items during period					
Dividends of surplus			(918)		(918)
Net loss			(319)		(319)
Purchase of treasury shares				(956)	(956)
Reversal of revaluation reserve for land					—
Change of scope of equity method			(8)		(8)
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	(1,247)	(956)	(2,203)
Balance at end of current period	23,344	13,454	15,658	(986)	51,470

(Millions of yen)

	Accumulated Other Comprehensive Income					Subscription rights to shares	Minority Interests	Total Net Assets
	Valuation Difference on Available-for-sale Securities	Revaluation Reserve for Land	Foreign Currency Translation Adjustment	Remeasurements of defined benefit plans	Total Accumulated Other Comprehensive Income			
Balance at beginning of current period	1,338	11,831	1,170	(1,269)	13,072	—	1,628	68,734
Cumulative effects of changes in accounting policies								(360)
Restated balance	1,338	11,831	1,170	(1,269)	13,072	—	1,628	68,374
Changes of items during period								
Dividends of surplus								(918)
Net loss								(319)
Purchase of treasury shares								(956)
Reversal of revaluation reserve for land								—
Change of scope of equity method								(8)
Net changes of items other than shareholders’ equity	1,640	569	600	2,019	4,830	68	(3)	4,895
Total changes of items during period	1,640	569	600	2,019	4,830	68	(3)	2,691
Balance at end of current period	2,979	12,401	1,771	750	17,902	68	1,624	71,065

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	FY2014 (April 1, 2013– March 31, 2014)	FY2015 (April 1, 2014– March 31, 2015)
Cash Flows from Operating Activities:		
Income before income taxes and minority interests	7,926	1,304
Depreciation	5,887	5,902
Impairment loss	86	165
Gain on bargain purchase	—	(900)
Amortization of goodwill	0	—
Increase (decrease) in provision for retirement benefits	(5,453)	—
Increase (decrease) in net defined benefit liability	4,716	(1,964)
Loss (gain) on sales of investment securities	(32)	(24)
Loss (gain) on sales of shares of subsidiaries and associates	—	(96)
Interest and dividend income	(339)	(415)
Interest expenses	758	623
Foreign exchange losses (gains)	(237)	(272)
Loss (gain) on sales of property, plant and equipment and intangible assets	324	348
Loss (gain) on change in equity	—	(589)
Compensation income	(45)	(21)
Surcharges	—	305
Decrease (increase) in notes and accounts receivable—trade	(10,729)	13,063
Decrease (increase) in inventories	238	(7,835)
Increase (decrease) in notes and accounts payable—trade	4,573	(10,424)
Other	1,617	(115)
Subtotal	9,292	(946)
Interest and dividend income received	343	423
Interest expenses paid	(753)	(659)
Proceeds from compensation	56	21
Income taxes paid	(2,084)	(3,086)
Income taxes refund	152	—
Net cash provided by (used in) operating activities	7,007	(4,247)
Cash Flows from Investment Activities:		
Proceeds from sales of securities	19	—
Purchase of property, plant and equipment and intangible assets	(9,931)	(11,583)
Proceeds from sales of property, plant and equipment and intangible assets	205	825
Purchase of investment securities	(154)	(1)
Proceeds from sales of investment securities	67	110
Decrease (increase) in loans receivable	21	(453)
Decrease (increase) in time deposits	185	3
Payments for investments in capital of subsidiaries and associates	(322)	(543)
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	—	(57)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	—	*2 522
Other	(129)	(128)
Net cash provided by (used in) investment activities	(10,038)	(11,305)

(Millions of yen)

	FY2014 (April 1, 2013– March 31, 2014)	FY2015 (April 1, 2014– March 31, 2015)
Cash Flows from Financing Activities:		
Net increase (decrease) in short-term loans payable	4,223	7,578
Proceeds from long-term loans payable	4,360	16,140
Repayments of long-term loans payable	(6,469)	(7,649)
Redemption of bonds	(100)	—
Proceeds from sales and leasebacks	2,119	2,050
Repayments of lease obligations	(1,912)	(2,208)
Purchase of treasury shares	(4)	(956)
Cash dividends paid	(682)	(910)
Other	(13)	(12)
Net cash provided by (used in) financing activities	1,521	14,031
Effect of Exchange Rate Change on Cash and Cash Equivalents	638	392
Net Increase (Decrease) in Cash and Cash Equivalents	(870)	(1,129)
Cash and Cash Equivalents at Beginning of Period	9,040	8,169
Decrease in Cash and Cash Equivalents Resulting from Exclusion of Subsidiaries from Consolidation	—	*3 (469)
Cash and Cash Equivalents at End of Period	8,169	6,570

[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.)

Iseki-Changzhou Mfg. Co., Ltd. was excluded from the scope of consolidation due to its integration into Dongfeng Iseki Agricultural Machinery Co., Ltd., an associated company accounted for by the equity method in May 2014. Iseki-Ueki Mfg. Co., Ltd. was excluded from the scope of consolidation due to the sale in March 2015 of all shares that the Company had held in it.

In addition, in July 2014, the Company acquired all the shares of YB Holding S.A.S (the name was changed to ISEKI France Holding S.A.S) which owns 100% of the shares of YVAN BEAL S.A.S (the name was changed to ISEKI France S.A.S), the Company's sales agent in Europe. Accordingly, these entities have been included in the scope of consolidation.

(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: 2 companies

Dongfeng Iseki Agricultural Machinery Co., Ltd., ISEKI SALES (THAILAND) CO., LTD.

ISEKI SALES (THAILAND) CO., LTD. has been included in the scope of the equity method from the consolidated fiscal year under review, due to its increasing significance to the company.

(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, Iseki-Hokkaido Co., Ltd. and 13 other companies 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, and, ISEKI France S.A.S and one other company use a balance sheet date of September 30.

In preparing consolidated financial statements, the financial statements as of the balance sheet dates of the respective companies were used, except ISEKI France S.A.S and one other company with a settlement date of September 30. The provisional settlement of accounts as of December 31 has been made on a consolidated basis for these companies. And necessary adjustments at consolidation were 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 applied.

(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

(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.

(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.

(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 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.)

From the consolidated fiscal year under review, the Company has adopted the provisions prescribed in Article 35 of the "Accounting Standard for Retirement Benefits" (Accounting Standards Board of Japan, May 17, 2012, ASBJ Statement No. 26) and the provisions stipulated in Article 67 of the "Guidance on Accounting Standard for Retirement Benefits" (Accounting Standards Board of Japan, March 26, 2015, ASBJ Statement No. 25). Accordingly, the calculation of the provision for retirement benefit obligations and service costs were reviewed and the attribution method for projected retirement benefits was changed from a straight-line method to a projected benefit method, while the method to determine the discount rate was changed from a method of using figures nearest to the average period of employees' remaining service years to using a single weighted-average discount method in which retirement benefits for the projected payment period and the respective amount by the projected payment period are reflected.

Upon the application of Accounting Standard for Retirement Benefits, the transitional treatment was undertaken in accordance with the provision stipulated in Article 37 of the Accounting Standard for Retirement Benefits, and accounting effects due to the change in the calculation method of retirement benefit obligations and service costs have been posted in retained earnings.

As a result, net defined benefit liability at the beginning of the consolidated fiscal year under review increased by ¥554 million and retained earnings decreased ¥360 million. In addition, operating loss increased ¥31 million, while ordinary income and income before income taxes and minority interests decreased ¥31 million, respectively, in the consolidated fiscal year under review.

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

(Accounting standards that have not yet come into effect)

- "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 2015. 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 2015.

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 accounting policies which are difficult to distinguish from changes in accounting estimates)

The Company and its domestic consolidated subsidiaries conventionally applied the declining balance method for the depreciation of property, plant and equipment (excluding leased assets), except for tools and new buildings (excluding facilities attached to buildings) acquired on and after April 1, 1998 along with the straight-line method. The conventional method was replaced with the straight-line method from the consolidated fiscal year under review.

The domestic economic environment is seeing a slowdown in the decline in demand for agricultural machinery, mainly due to a growing need for the upgrading of machinery in recent years, while foreseeing significant changes in the agricultural environment, such as changes in agricultural policies in years to come. On the other hand, in the overseas environment, Asian markets for agricultural machinery products are expected to grow and the markets on a global basis will likely stay on an upward trend.

Under such circumstances, the Company completed reforming its cost structure to cope with significant changes within and outside Japan, and with an eye on expanding business globally, carried out large-scale capital investments, including the formation of new overseas bases and installation of advanced facilities that offer excellent energy savings, are multi-functional, and have the versatility to improve the efficiency of domestic production. In conjunction with the commencement of full-fledged operations of these facilities from the consolidated fiscal year under review, the Company reviewed the conventional depreciation method for its property, plant and equipment.

Taking measures to respond to changes in demand for agricultural machinery and forming low-cost production systems, the Company stabilized its customer base in the domestic market, while constructing a global production framework capable of meeting, as the central plant, demand from potential growth in Asian markets. As a result, anticipating stable operations at production facilities, in the long term, the Company decided to adopt a straight-line method which allocates expenses equally over useful lives, as a better method to reflect the Group’s operating performance more appropriately.

Compared with the old method, the change in the depreciation method resulted in a decline of ¥883 million in depreciation, a decrease of ¥876 million in operating loss, and increases of ¥883 million in ordinary income and income before income taxes and minority interests, respectively.

(Consolidated Balance Sheet Information)

*1 Assets provided as collateral

	FY2014 (as of March 31, 2014)	FY2015 (as of March 31, 2015)
I Property, plant and equipment		
Buildings and structures	¥1,883 million	¥1,982 million
Land	¥5,627 million	¥5,341 million
Total	¥7,510 million	¥7,323 million
II Liabilities pertaining to the above items		
Short-term loans payable	¥3,805 million	¥7,190 million
Current portion of long-term loans payable	¥1,304 million	¥1,247 million
Other (accounts payable)	¥9 million	¥9 million
Long-term loans payable	¥2,435 million	¥2,591 million
Other (long-term accounts payable)	¥19 million	¥9 million
Total	¥7,575 million	¥11,048 million

*2 Accumulated depreciation of property, plant and equipment

	FY2014 (as of March 31, 2014)	FY2015 (as of March 31, 2015)
Accumulated depreciation	¥100,103 million	¥100,630 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.

	FY2014 (as of March 31, 2014)	FY2015 (as of March 31, 2015)
Work in process	¥1,383 million	— million

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

	FY2014 (as of March 31, 2014)	FY2015 (as of March 31, 2015)
Investment securities (shares)	¥206 million	¥196 million
Other (investments in capital)	¥547 million	¥4,385 million
(Of which, amount of investment in jointly controlled entity)	¥533 million	¥4,371 million

5 Guaranteed liabilities

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

FY2014 (as of March 31, 2014)		FY2015 (as of March 31, 2015)	
Higashi Nihon Agricultural Equipment Cooperative Union	¥2,271 million	Iseki-Changzhou Mfg. Co., Ltd. (China)	¥3,230 million
Nishi Nihon Agricultural Equipment Cooperative Union	¥1,333 million	Higashi Nihon Agricultural Equipment Cooperative Union	¥2,271 million
Kinki Agricultural Equipment Cooperative Union	¥831 million	Nishi Nihon Agricultural Equipment Cooperative Union	¥1,333 million
Tokai Agricultural Equipment Cooperative Union	¥565 million	Kinki Agricultural Equipment Cooperative Union	¥831 million
Other	¥527 million	Other	¥1,165 million
Total	¥5,527 million	Total	¥8,830 million

6 Contingent liabilities

On November 19, 2013, the Company underwent an on-site investigation by the Fair Trade Commission (FTC), in accordance with the Antimonopoly Act, regarding bidding on facility construction projects in areas excluding Hokkaido, and then received an order for a surcharge payment on March 26, 2015. The amount paid was ¥305 million and was posted as an extraordinary loss.

In addition, on July 29, 2014, Iseki-Hokkaido Co., Ltd., the Company's consolidated subsidiary, underwent an on-site investigation by the FTC on suspicion of violating the Antimonopoly Act regarding construction of facilities which are to be used for drying, preparing and keeping grain, and machinery to be installed at the facilities, based on orders from Hokkaido's Agricultural Cooperative Associations and local government offices, etc. The investigation is still in progress. The case may result in a loss due to a surcharge payment, etc., in future, and making a reasonable estimate of the surcharge is difficult at present, and it is also uncertain whether the said matter will affect the consolidated financial results.

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

	FY2014 (as of March 31, 2014)	FY2015 (as of March 31, 2015)
Notes receivable less discount—trade	¥6 million	¥2 million
Endorsed notes receivable—trade	¥153 million	¥106 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

	FY2014 (as of March 31, 2014)	FY2015 (as of March 31, 2015)
Variance between the market value of the revalued land at the end of the period and the revalued book value	¥ (12,016) million	¥ (12,294) 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:

	FY2014 (as of March 31, 2014)	FY2015 (as of March 31, 2015)
Aggregate amount of lending commitment	¥20,030 million	¥20,030 million
Used portion of commitments	¥— million	¥2,400 million
Balance unused	¥20,030 million	¥17,630 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

FY2014 (April 1, 2013–March 31, 2014)	FY2015 (April 1, 2014–March 31, 2015)
¥33 million	¥— 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

FY2014 (April 1, 2013–March 31, 2014)	FY2015 (April 1, 2014–March 31, 2015)
¥ (31) million	¥ 425 million

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

FY2014 (April 1, 2013–March 31, 2014)	FY2015 (April 1, 2014–March 31, 2015)
¥4,664 million	¥4,580 million

*4 Gain on sales of non-current assets

	FY2014 (April 1, 2013–March 31, 2014)	FY2015 (April 1, 2014–March 31, 2015)
Buildings and structures	¥15 million	¥11 million
Machinery, equipment and vehicles	¥11 million	¥15 million
Tools, furniture and fixtures	¥3 million	¥3 million
Land	¥0 million	¥16 million
Total	¥30 million	¥47 million

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

	FY2014 (April 1, 2013–March 31, 2014)	FY2015 (April 1, 2014–March 31, 2015)
Buildings and structures	¥215 million	¥193 million
Machinery, equipment and vehicles	¥90 million	¥135 million
Tools, furniture and fixtures	¥10 million	¥8 million
Land	¥26 million	¥55 million
Other	¥12 million	¥2 million
Total	¥355 million	¥395 million

*6 Impairment loss

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.

FY2015 (April 1, 2014–March 31, 2015)

The Company recorded an impairment loss of ¥165 million (¥21 million for buildings and structures and ¥143 million for land) on the following assets.

Usage	Type	Location	Amount (Millions of yen)
Idle property	Buildings, structures and land	Inashiki, Ibaraki Prefecture	20
		Ohtawara, Tochigi Prefecture	82
		Matsusaka, Mie Prefecture	4
		Mihara, Hiroshima Prefecture	5
	Buildings and land	Kitaakita, Akita Prefecture	11
	Land	Annaka, Gunma Prefecture	13
		Anjo, Aichi Prefecture	24
		Kunisaki, Oita Prefecture	3
Total			165

(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

	FY2014 (April 1, 2013– March 31, 2014)	FY2015 (April 1, 2014– March 31, 2015)
Valuation difference on available-for-sale securities		
Amount arising during fiscal year under review	¥650 million	¥2,339 million
Reclassification	¥(32) million	¥(24) million
Before tax effect adjustment	¥618 million	¥2,315 million
Tax effect	¥(213) million	¥(679) million
Valuation difference on available-for-sale securities	¥405 million	¥1,636 million
Revaluation reserve for land		
Tax effect	¥— million	¥569 million
Foreign currency translation adjustment		
Amount arising during fiscal year under review	¥836 million	¥210 million
Reclassification	¥— million	¥(241) million
Foreign currency translation adjustment	¥836 million	¥(31) million
Remeasurements of defined benefit plans, net of tax		
Amount arising during fiscal year under review	¥— million	¥1,435 million
Reclassification	¥— million	¥1,615 million
Before tax effect adjustment	¥— million	¥3,051 million
Tax effect	¥— million	¥(1,032) million
Remeasurements of defined benefit plans, net of tax	¥— million	¥2,018 million
Share of other comprehensive income of entities accounted for using equity method		
Amount arising during fiscal year under review	¥63 million	¥645 million
Total other comprehensive income	¥1,305 million	¥4,838 million

(Consolidated Statements of Changes in Net Assets Information)

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) 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
Ordinary General 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 will be in the fiscal year ending March 31, 2015.

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
Ordinary General Meeting of Shareholders on June 25, 2014	Common shares	Retained earnings	918	4.00	March 31, 2014	June 26, 2014

FY2015 (April 1, 2014–March 31, 2015)

1. Matters concerning outstanding stocks

Class of shares	Number of shares (as of April 1, 2014)	Increase in number of shares	Decrease in number of shares	Number of shares (as of March 31, 2015)
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, 2014)	Increase in number of shares	Decrease in number of shares	Number of shares (as of March 31, 2015)
Common shares	117,254	3,841,893	—	3,959,147
Total	117,254	3,841,893	—	3,959,147

Note: The increase in the number of shares of common stock (3,841,893 shares) was due to the purchase of 11,893 shares which were below the stock trading unit, and the acquisition of 3,830,000 shares through a resolution at the Board of Directors' meeting on May 29, 2014.

3. Matters concerning subscription rights to shares, etc.

Name of the company	Details	Class of shares to be issued as the subscription rights to shares	Class of shares to be issued as the subscription rights to shares				Balance as of March 31, 2015 (millions of yen)
			As of April 1, 2014	Increase	Decrease	As of March 31, 2015	
Submitting company	Iseki & Co., Ltd. Subscription rights to shares 2014	—	—	—	—	—	68
Total			—	—	—	—	68

4. Matters concerning dividends

(1) Dividends paid

Resolution	Type of share	Total amount of dividends paid (millions of yen)	Dividend per share (yen)	Record date	Effective date
Ordinary General Meeting of Shareholders on June 25, 2014	Common shares	918	4.00	March 31, 2014	June 26, 2014

(2) Of the dividends with a record date within the fiscal year ended March 31, 2015, the effective date of the dividends will be in the fiscal year ending March 31, 2016.

Resolution	Type of share	Source of funds for dividends	Total dividends paid (millions of yen)	Dividend per share (yen)	Record date	Effective date
Ordinary General Meeting of Shareholders on June 24, 2015	Common shares	Retained earnings	677	3.00	March 31, 2015	June 25, 2015

(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

	FY2014 (April 1, 2013– March 31, 2014)	FY2015 (April 1, 2014– March 31, 2015)
Cash and deposits	¥8,228 million	¥6,603 million
Time deposits with terms of 3 months or more	¥(59) million	¥(32) million
Total cash and cash equivalents	¥8,169 million	¥6,570 million

*2 Major assets and liabilities of a newly consolidated subsidiary incorporated through the acquisition of shares

Consolidated fiscal year under review (from April 1, 2014 to March 31, 2015)

The following represent 1) major assets and liabilities with amounts at the start of consolidation of ISEKI France Holding S.A.S. and ISEKI France S.A.S., which were incorporated through the acquisition of shares, and 2) the acquisition price of shares of ISEKI France Holding S.A.S. and income earned from the acquisition

Current assets	¥5,743 million
Non-current assets	¥65 million
Current liabilities	¥(3,933) million
Non-current liabilities	¥(974) million
Gain on bargain purchase	¥(900) million
Acquisition price of shares	¥0 million
Cash and cash equivalents	¥(522) million
Balance: Proceeds from purchase	¥522 million

*3 Major assets and liabilities of the company which was removed from the scope of consolidated subsidiaries as a result of capital contribution by means of investment in kind.

Consolidated fiscal year under review (from April 1, 2014 to March 31, 2015)

Iseki-Changzhou Mfg. Co., Ltd. was eliminated from the scope of consolidated subsidiaries because of the capital contribution in the form of investment in kind. The company's major assets and liabilities with amounts at the time of investment in kind are as follows.

Current assets (Note)	¥8,142 million
Non-current assets	¥291 million
Current liabilities	¥(6,153) million

(Note): The current assets include cash and cash equivalents of ¥469 million, and the amount is shown as "a decrease in cash and cash equivalents resulting from the exclusion of subsidiaries from consolidation" in the Consolidated Statements of Cash Flow.

4. Major noncash transactions

	FY2014 (April 1, 2013– March 31, 2014)	FY2015 (April 1, 2014– March 31, 2015)
Amount of assets and liabilities derived from finance leases	¥3,261 million	¥3,526 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

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

FY2015 (As of March 31, 2015)

	Machinery, equipment and vehicles	Total
Acquisition cost	¥339 million	¥339 million
Accumulated depreciation	¥299 million	¥299 million
Net book value as of the fiscal year-end	¥40 million	¥40 million

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

	FY2014 (As of March 31, 2014)	FY2015 (As of March 31, 2015)
Within one year	¥110 million	¥32 million
More than one year	¥47 million	¥15 million
Total	¥158 million	¥47 million

(iii) Lease payment, depreciation and interest expense

	FY2014 (April 1, 2013– March 31, 2014)	FY2015 (April 1, 2014– March 31, 2015)
Lease payment	¥209 million	¥130 million
Depreciation	¥188 million	¥101 million
Interest expense	¥9 million	¥18 million

(iv) Calculation methods for depreciation and interest

- Calculation method for 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 for 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

	FY2014 (As of March 31, 2014)	FY2015 (As of March 31, 2015)
Within one year	¥236 million	¥236 million
More than one year	¥777 million	¥625 million
Total	¥1,014 million	¥861 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, and electronically recorded obligations—operating 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

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 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) 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 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 for which 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

FY2015 (April 1, 2014–March 31, 2015)

Carrying value, market value and unrealized gain (loss) as of March 31, 2015 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	6,603	6,603	—
(2) Notes and accounts receivable—trade	30,404	30,404	—
(3) Investment securities			
Available-for-sale securities	8,800	8,800	—
(4) Notes and accounts payable—trade	36,935	36,935	—
(5) Electronically recorded obligations—operating	1,778	1,778	—
(6) Short-term loans payable	25,134	25,134	—
(7) Long-term loans payable	32,462	32,503	41
(8) Derivative transactions	—	—	—

(Note 1) Matters concerning calculation method for 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.

(4) Notes and accounts payable—trade, (5) Electronically recorded obligations—operating, and (6) 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.

(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 whose market values are deemed to be extremely difficult to estimate
Because unlisted equity securities (carrying value: ¥695 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	6,603	—	—	—
Notes and accounts receivable—trade	30,338	65	—	—
Long-term loans receivable	813	941	13	48
Total	37,755	1,007	13	48

(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	25,134	—	—	—	—	—
Long-term loans payable	13,941	5,952	4,278	2,367	5,859	61
Lease obligations	2,662	2,049	1,458	1,181	801	1,067
Other interest-bearing debt	9	9	—	—	—	—
Total	41,748	8,012	5,737	3,548	6,661	1,129

(Securities Information)

1. Available-for-sale securities

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

FY2015 (As of March 31, 2015)

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	8,553	4,088	4,465
	Subtotal	8,553	4,088	4,465
Securities whose carrying values do not exceed their acquisition cost	Shares	246	309	(62)
	Subtotal	246	309	(62)
Total		8,800	4,397	4,402

2. Available-for-sale securities sold during consolidated fiscal years.

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	—

FY2015 (April 1, 2014–March 31, 2015)

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	110	25	0
Total	110	25	0

(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

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.

FY2015 (As of March 31, 2015)

Not applicable

(2) Interest rates

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–floating	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.

FY2015 (As of March 31, 2015)

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-floating	Long-term loans payable	653	191	(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)

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).

	FY2014 (April 1, 2013– March 31, 2014)		FY2015 (April 1, 2014– March 31, 2015)	
Balance at the beginning of the period: Retirement benefit obligations:	¥17,838	million	¥17,339	million
Cumulative effects of changes in accounting policy	—	million	¥554	million
Balance at the beginning of the period reflecting the change in accounting policy:	¥17,838	million	¥17,894	million
Service cost	¥784	million	¥812	million
Interest cost	¥214	million	¥192	million
Actuarial differences	¥145	million	¥(121)	million
Retirement benefits paid	¥(1,643)	million	¥(1,503)	million
Balance at the end of the period	¥17,339	million	¥17,275	million

(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).

	FY2014 (April 1, 2013– March 31, 2014)		FY2015 (April 1, 2014– March 31, 2015)	
Balance at the beginning of the period	¥10,499	million	¥12,565	million
Expected return on plan assets	¥209	million	¥251	million
Actuarial differences	¥1,153	million	¥1,314	million
Contributions from the employer	¥1,840	million	¥729	million
Retirement benefits paid	¥(1,137)	million	¥(1,049)	million
Balance at the end of the period	¥12,565	million	¥13,812	million

(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.

	FY2014 (April 1, 2013– March 31, 2014)		FY2015 (April 1, 2014– March 31, 2015)	
Balance at the beginning of the period	¥2,175	million	¥1,598	million
Retirement benefit expenses	¥161	million	¥195	million
Retirement benefits paid	¥(414)	million	¥(197)	million
Contributions to plans	¥(323)	million	¥(322)	million
Changes in the scope of consolidation	—	million	¥48	million
Balance at the end of the period	¥1,598	million	¥1,322	million

(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.

	FY2014 (As of March 31, 2014)		FY2015 (As of March 31, 2015)	
Retirement benefit obligations under saving-type plans	¥15,372	million	¥15,067	million
Pension assets	¥(15,174)	million	¥(16,636)	million
	¥198	million	¥(1,569)	million
Retirement benefit obligations under non-saving-type plans	¥6,174	million	¥6,354	million
Net amount of liabilities and assets, reported in the consolidated balance sheet	¥6,372	million	¥4,785	million
Net defined benefit liability	¥6,660	million	¥5,298	million
Net defined benefit asset	¥(288)	million	¥(513)	million
Net amount of liabilities and asset, reported in the consolidated balance sheet	¥6,372	million	¥4,785	million

(Note: Including plans using the simplified method.)

(5) Matters concerning retirement benefit expenses

	FY2014 (April 1, 2013– March 31, 2014)		FY2015 (April 1, 2014– March 31, 2015)	
Service cost	¥784	million	¥812	million
Interest cost	¥214	million	¥192	million
Expected return on plan assets	¥(209)	million	¥(251)	million
Amortization of actuarial differences	¥355	million	¥195	million
Amortization of past service expenses	¥(50)	million	¥(35)	million
Amortization of net retirement benefit obligation at transition	¥1,458	million	¥1,455	million
Retirement benefit expenses calculated by the simplified method	¥161	million	¥195	million
Others	¥51	million	¥67	million
Retirement benefit expenses in defined benefit plans	¥2,764	million	¥2,632	million

(6) Remeasurements of defined benefit plans, net of tax

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

	FY2014 (April 1, 2013– March 31, 2014)	FY2015 (April 1, 2014– March 31, 2015)
Past service costs	— million	¥(35) million
Actuarial differences	— million	¥1,631 million
Amount at the time of change in accounting standards	— million	¥1,455 million
Total	— million	¥3,051 million

(7) 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).

	FY2014 (As of March 31, 2014)	FY2015 (As of March 31, 2015)
Unrecognized past service costs	¥(178) million	¥(142) million
Unrecognized actuarial differences	¥666 million	¥(964) million
Unappropriated amount at the time of changes in accounting standards	¥1,455 million	— million
Total	¥1,944 million	¥(1,107) million

(8) Matters concerning pension assets

(i) Rough breakdown of pension assets

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

	FY2014 (April 1, 2013– March 31, 2014)	FY2015 (April 1, 2014– March 31, 2015)
Shares	40.5 %	43.3 %
General accounts	29.3 %	26.6 %
Bonds	27.3 %	27.1 %
Others	2.9 %	3.0 %
Total	100 %	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.

(9) Matters concerning the basis for actuarial calculation

Main items for actuarial calculation

	FY2014 (April 1, 2013– March 31, 2014)	FY2015 (April 1, 2014– March 31, 2015)
Discount rate	Mainly 1.1 %	Mainly 1.1 %
Profitability of long-term expected return on plan assets	2.0 %	2.0 %

3. Defined contribution plans

Required contributions to defined contribution plans of consolidated subsidiaries were ¥29 million in fiscal year 2014 and ¥29 million in fiscal year 2015.

(Stock-Option-Related Matter)

1. Stock option expenses posted and the account item

	FY2014 (April 1, 2013– March 31, 2014)	FY2015 (April 1, 2014– March 31, 2015)
Share-based compensation expenses in selling, general and administrative expenses	¥ — million	¥ 68 million

2. Content, amount and fluctuations of the stock option

(1) Details of the stock option

	ISEKI & Co., Ltd. Subscription rights to shares 2014
Title and number of people who will be granted the subscription rights to shares	Nine individuals serving as the Company's board directors (excluding outside directors), and four individuals serving as the Company's corporate auditors (excluding part-time corporate auditors)
The number of stock options by class of shares (Note)	Common stock, 401,000 shares
Granting date	August 25, 2014
Vesting conditions	There are no specific requirements as vesting conditions.
Requisite service period	There is no specifically determined service period.
Exercise period of stock option rights	From August 26, 2014 to August 25, 2039

(Note): The number of stock options is arrived at by converting the number of stock option units into the number of shares.

(2) Amount and fluctuation of stock options

Below is the status of stock options in the consolidated fiscal year under review (the fiscal year ended March 31, 2015) and the number of stock options is arrived at by converting the number of stock option units into the number of shares.

1) Size of the stock option

	ISEKI & Co., Ltd. Subscription rights to shares 2014
Before vesting (shares)	
At the end of the previous consolidated fiscal year	—
Granting	401,000
Lapsed option rights	—
Vested option rights	—
Remaining option rights unvested	401,000
After vesting (shares)	
At the end of the previous consolidated fiscal year	—
Vested option rights	—
Exercised option rights	—
Lapsed option rights	—
Remaining option rights unvested	—

2) Unit price information

	ISEKI & Co., Ltd. Subscription rights to shares 2014
Exercise price	¥1
Average stock price at the time of exercise	—
Fair valuation unit price at the grant date	¥ 229

3 Method for estimating fair value unit price of the stock option granted in the consolidated fiscal year under review

(1) Valuation technique used: Black Scholes model

(2) Major base figures and the estimation method

	ISEKI & Co., Ltd. Subscription rights to shares 2014
Volatility of stock price (Note 1)	50.395%
Expected remaining period (Note 2)	12.5 years
Expected dividend (Note 3)	¥4 per share
Risk-free interest rate (Note 4)	0.729%

Notes

1: Based on actual results of stock prices for the 12.5 years (from February 25, 2002 to August 25, 2014)

2: Due to the lack of data and difficulty in making a reasonable estimate, the expected remaining period is based on the assumption that the stock option will be exercised at the midpoint of the exercise period.

3: Based on actual results for the fiscal year ended March 31, 2014.

4: The rate represents the yield of a Japanese Government Bond having the same expected remaining period.

4. Method of estimating vested stock option rights

Basically only the actual lapsed number of vested stock options is used for calculating the vested stock option rights because making a reasonable estimate of those that will lapse in future is not possible.

(Tax Effect Accounting Information)

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

	FY2014 (As of March 31, 2014)	FY2015 (As of March 31, 2015)
(Deferred tax assets)		
Loss on valuation of inventories	¥279 million	¥292 million
Impairment loss	¥541 million	¥544 million
Provision for bonuses	¥453 million	¥357 million
Net defined benefit liability	¥2,344 million	¥1,777 million
Unrealized income	¥2,867 million	¥3,217 million
Net operating loss carried forward	¥149 million	¥753 million
Other	¥861 million	¥1,527 million
Subtotal deferred tax assets	¥7,496 million	¥8,470 million
Valuation allowance	¥(3,357) million	¥(4,701) million
Total deferred tax assets	¥4,138 million	¥3,769 million
(Deferred tax liabilities)		
Reserve for reduction entry	¥(100) million	¥(102) million
Net defined benefit asset	¥(101) million	¥(177) million

	FY2014 (As of March 31, 2014)	FY2015 (As of March 31, 2015)
Valuation difference on available-for-sale securities	¥(727) million	¥(1,406) million
Other	¥(290) million	¥(885) million
Total deferred tax liabilities	¥(1,221) million	¥(2,572) million
Net deferred tax liabilities	¥2,917 million	¥1,197 million

Note: Net amounts of deferred tax assets for the previous consolidated fiscal years and the consolidated fiscal year under review are based on the following items reported in the consolidated balance sheets.

	FY2014 (As of March 31, 2014)	FY2015 (As of March 31, 2015)
Current assets – Deferred tax assets	¥1,794 million	¥1,444 million
Non-current assets – Deferred tax assets	¥1,374 million	¥846 million
Current liabilities – Deferred tax liabilities	— million	¥(75) million
Non-current liabilities – Deferred tax liabilities	¥(250) million	¥(1,018) 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

	FY2014 (As of March 31, 2014)	FY2015 (As of March 31, 2015)
Statutory tax rate	38.0%	35.0%
(Reconciliation items)		
Permanently non-deductible expenses such as entertainment expenses	1.3%	7.4%
Per capita portion of inhabitants' taxes	1.8%	10.9%
Valuation allowance	(19.7%)	114.3%
Tax exemption	(3.0%)	(12.8%)
Surcharges	— %	8.2%
Revised reduction in the year-end deferred tax assets due to change in tax rate	0.5%	8.7%
Gain on bargain purchase	— %	(24.1%)
Gain on change in equity	— %	(15.8%)
Revised consolidation in gain on sale of shares of affiliates	— %	(2.3%)
Other	(0.5%)	(4.3%)
Income tax rate, etc., after application of tax effect accounting	18.4%	125.2%

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. 9 of 2015) and "The Act for Partial Revision of Local Taxes" (Act No. 2 of 2015) were promulgated on March 31, 2015 and the reduction of corporate tax rates went into effect from the consolidated fiscal year starting on or after April 1, 2015.

Accompanying this change, the statutory tax rate that is used for calculating deferred tax assets and deferred tax liabilities changed from the past 35% to 33% with regard to temporary differences that are expected to be resolved in the consolidated fiscal year starting on April 1, 2015, and to 32% with regard to temporary differences that are expected to be resolved in the consolidated fiscal year starting on or after April 1, 2016.

Due to this tax rate change, deferred tax assets and deferred tax liabilities decreased by ¥42 million and ¥90 million, respectively, while income taxes–deferred, valuation difference on available-for-sale securities, and remeasurements of defined benefit plans increased by ¥113 million, ¥130 million and ¥30 million, respectively.

In addition, deferred tax liabilities for land revaluation decreased by ¥569 million and revaluation reserve for land increased by ¥569 million.

(Business-Combination-Related Matter)

Business integration of subsidiaries and affiliates in China

There was a business integration between Iseki-Changzhou Mfg. Co., Ltd. (hereinafter referred to as "Iseki-Changzhou"), which is a consolidated subsidiary in China, and Dongfeng Iseki Agricultural Machinery Co., Ltd. (hereinafter referred to as "Dongfeng Iseki"), which is an associated company accounted for by the equity method in China. The Company's Board of Directors' meeting held on December 6, 2013 had passed a resolution that the Company would enter into a joint venture agreement with shareholders of Dongfeng Iseki that were Dongfeng Asset Management Co., Ltd., Shanghai Jiahua Investment Co., Ltd. and Dongfeng Industrial Co., Ltd. (hereinafter referred to as the "Dongfeng Motor Group"). The Company completed the business integration procedures on May 27, 2014.

The business integration is structured in such a way that the equity of Iseki Changzhou, the Company's wholly owned subsidiary, capitalizes Dongfeng Iseki, an associated company accounted for by the equity method, through investment in kind. In addition, each company of the Dongfeng Motor Group shall execute a capital increase in Dongfeng Iseki through investment in kind to match the value of the investment in kind provided by Iseki Changzhou, thereby the Company and Dongfeng Motor Group contribute to Dongfeng Iseki equally to maintain an equitable relationship.

As a result, Iseki-Changzhou, the Company's wholly owned subsidiary, became a 100% subsidiary of Dongfeng Iseki, thereby being excluded from the scope of consolidation from the end of the first quarter of the consolidated fiscal year under review.

1. Business combination of subsidiaries

(1) Overview of business combination

1) Name of companies combined and description of business

Name of companies combined	Description of business
Dongfeng Iseki Agricultural Machinery Co., Ltd. (the Company's affiliate accounted for by the equity method)	Manufacture and sale of agricultural machinery
Iseki-Changzhou Mfg. Co., Ltd. (the Company's wholly owned consolidated subsidiary)	Manufacture and sale of agricultural machinery

2) Major reasons for business combination

With an eye on Chinese markets as a key to global business expansion, the Company established Iseki-Changzhou Mfg. Co., Ltd as an operations base in Changzhou, Jiangsu, China in 2003 and carried out the manufacture and sale of combine harvesters and rice transplanters. In 2011, the Company established a joint venture firm, Dongfeng Iseki Agricultural Machinery Co., Ltd. with the Dongfeng Motor Group, expanding business into the growing agricultural machinery market in China.

In line with the Chinese government's policy that the country would support the development of promising agricultural machinery manufacturers with global competitiveness, the Dongfeng Motor Group sees high potential for growth of the agricultural machinery business, considering Dongfeng Iseki's business expansion as a key business strategy.

Given such circumstances, the Company and the Dongfeng Motor Group integrated Dongfeng Iseki and Iseki-Changzhou, thereby making it possible to effectively use both companies' technologies, know-how and sales distribution networks to generate synergies. With the business integration, we aim to build a robust management structure to strengthen the business base and improve competitiveness in the Chinese and global markets

3) Date of business combination: May 27, 2014

4) Outline of the transaction including the legal form

Iseki-Changzhou is to contribute its entire equity to Dongfeng Iseki through investment in kind and acquire Dongfeng Iseki's equity equivalent to the contributed portion as consideration

(2) Outline of the accounting treatment adopted

The Company treated the business transaction in accordance with the "Accounting Standard for Business Divestitures" (Accounting Standards Board of Japan (ASBJ) Statement No. 7, December 26, 2008) and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, December 26, 2008).

Gain (loss) on change in equity to be recognized by the said accounting treatment

Gain on change in equity: ¥589 million

(3) Category of the said integrated company in the segment information: Agriculture-related business

(4) Approximate amount of gain (loss) brought by the said subsidiary to the consolidated financial statements in the consolidated fiscal year under review is as follows: Net sales of ¥807 million, and operating income of ¥7 million.

2. Formation of a joint controlled entity

(1) Outline of transaction

1) Name and content of business of the combined company

Name of business: Agriculture-related business

Content of business: Mainly manufacture and sale of agricultural machinery

2) Date of the business combination: May 27, 2014

3) Legal form of the business combination:

The joint venture company is one in which the Company holds a 50% stake, Dongfeng Asset Management Co., Ltd. has a 46.77% stake, Shanghai Jiahua Investment Co., Ltd. holds a 1.96% stake and Dongfeng Industrial Co., Ltd. has a 1.27% stake.

4) Name of the company after the integration

Dongfeng Iseki Agricultural Machinery Co., Ltd.

5) Other matters concerning the business combination

The Company formally entered into a joint venture agreement with the Dongfeng Motor Group to form a joint controlled entity. The agreement confirms the integration of Iseki-Changzhou Mfg. Co., Ltd. and Dongfeng Iseki Agricultural Machinery Co., Ltd. and assures the integration would produce synergistic effects with effective use of both companies' technologies, know-how and sales distribution networks, while bolstering the business base with a robust management structure, and aiming to become a more competitive player in the Chinese and global markets.

6) Reason for deeming the business combination to be a joint controlled entity

The joint controlled entity was formed under the joint venture agreement between the Company and the Dongfeng Motor Group and the consideration paid for the business integration comprised only equities with voting rights.

In addition, there are no specific facts indicating other controlled relationships exist. Accordingly, we deemed that the business combination would be regarded as a jointly controlled entity.

(2) Outline of the accounting treatment adopted

The Company treated the business combination as a jointly controlled entity in accordance with the “Accounting Standard for Business Combinations” (Accounting Standards Board of Japan (ASBJ) Statement No. 21, December 26, 2008) and the “Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No. 10, December 26, 2008).

As a result of this business integration, Dongfeng Iseki Agricultural Machinery Co., Ltd. remains the Company’s affiliate accounted for by the equity method.

Business combination through acquisitions

By resolution of the Company’s Board of Directors on July 22, 2014 to conclude the share transfer agreement concerning the acquisition of all shares of YB HOLDING, a shareholder that owns 100% of shares of our sales agent in Europe, YVAN REAL, to convert it into our subsidiary, and concluded the agreement and share transfer procedures on the same day (July 22, 2014).

(1) Outline of the business combination

1) Name of the acquired company and business description

Name of the acquired company	YB HOLDING	YVAN BEAL
Content of business	Holding company of YVAN BEAL	Green business, sales/repair of agricultural machinery

2) Major reasons for the business combination

European markets are positioned as key areas targeted in the Company’s global strategy. In addition, with the long-established relationship with YVAN BEAL that spans more than 40 years since 1967, the Company has supplied agricultural machinery and landscaping products to markets in France and has the largest market share of agricultural business in European markets. Since its foundation in 1929, YVAN BEAL has operated for 85 years centered on the greenery business and sales and repairs of agricultural machinery with a focus on local communities, having built a solid customer base and good distribution networks in the French market.

This business integration makes it possible for the Company to execute its global strategy in a more direct and timely manner as well as determine market needs, which could contribute to developing a strategy for future products, promoting sales expansion and boosting market share in France.

The decision in favor of the business integration also rests on our belief that the business integration would enable us to bolster business alliances with the German operating base in Germany and the European operating base in Belgium, ensure the building of effective and efficient operational structures across Europe, and create the foundation for a stronger business base and sales expansion in Europe.

3) Date of the business combination:

July 22, 2014

4) Legal form of the business combination

Acquisition of shares in exchange for cash

5) Name of the company after the business combination

ISEKI France Holding S.A.S (changed from YB HOLDING)

6) Voting rights ratio acquired

Voting rights ratio held before the business combination date: 0%

Voting rights ratio held after the business combination date: 100%

7) Main reason for deciding on the acquired company

The Company acquired shares in exchange for cash.

(2) The period in which the acquired company's operating performance is incorporated in the consolidated financial statements

From July 1, 2014 to December 31, 2014 based on the deemed acquisition date of June 30, 2014

(3) Acquisition cost for the acquired company and the breakdown

Consideration for the acquisition: Cash, ¥0 million

(4) Amount of gain on bargain purchase and the reason thereof

1) Amount of gain on bargain purchase: ¥900 million

2) Reason: The fair value of net assets of the acquired company exceeded the acquisition cost, and the difference was recognized as gain on bargain purchase.

(5) Major assets and liabilities assumed at the business combination date

Current assets	¥5,743 million
Non-current assets	¥65 million
Total asset	¥5,809 million
Current liabilities	¥3,933 million
Non-current liabilities	¥974 million
Total liabilities	¥4,908 million

(6) Approximate amount of impact on consolidated financial statements in the consolidated fiscal year under review under the assumption that the business combination was completed at the start date of the consolidated fiscal year, and the calculation method

Estimates were not made because it is difficult to do so.

(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

	FY2014 (April 1, 2013– March 31, 2014)	FY2015 (April 1, 2014– March 31, 2015)
Balance at the beginning of the period	¥262 million	¥264 million
Increase due to purchase of property, plant and equipment	¥10 million	¥13 million
Adjustment due to depreciation	¥2 million	¥2 million
Decrease due to discharge of asset retirement obligations	¥(11) million	¥(14) million
Balance at the end of the period	¥264 million	¥266 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, 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.

Gain or loss on rent regarding said real estate for rent for the year ended March 31, 2015 was ¥84 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). Also, there was a gain on sale of non-current assets of ¥18 million, loss on sale and retirement of non-current assets of ¥41 million, and impairment loss of ¥165 million.

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

			FY2014 (April 1, 2013– March 31, 2014)	FY2015 (April 1, 2014– March 31, 2015)
Carrying value	Balance at the beginning of the period	(Millions of yen)	2,794	3,308
	Increase (or decrease) during the period	(Millions of yen)	513	(492)
	Balance at the end of the period	(Millions of yen)	3,308	2,815
Market value at the end of the period		(Millions of yen)	2,947	2,568

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, 2014 are transfer of assets for business use to real estate for rent (increase of ¥645 million) and impairment loss (decrease of ¥86 million).

   The main components of the increase (or decrease) for the fiscal year ended March 31, 2015 are transfer of assets for business use to real estate for rent (increase of ¥226 million), sales and disposal (decrease of ¥533 million), and impairment loss (decrease of ¥165 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.

The Company liquidated System Equipment Co., Ltd., the consolidated subsidiary reported under the “other business,” segment during the second quarter of the previous consolidated fiscal year. Accordingly, the Group comprises a single business segment, the “agriculture-related business” from the consolidated fiscal year under review.

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

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

FY2015 (April 1, 2014–March 31, 2015)

Description is omitted as the Company comprises a single business segment, the "agriculture-related business."

[Relevant Information]

FY2014 (April 1, 2013–March 31, 2014)

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

(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)	19,744	Agriculture-related business

FY2015 (April 1, 2014–March 31, 2015)

1. Information by product and by service

Description is omitted as net sales to external customers in the category of single products and services exceeded 90% of net sales reported in the Consolidated Statements of Income.

2. Net sales by region

(1) Net sales

	Japan	The United States	Europe	China	Others	Total
Net sales (millions of yen)	131,956	11,447	9,526	2,230	2,256	157,417

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)	17,955	Agriculture-related business

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

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

FY2015 (April 1, 2014–March 31, 2015)

Description is omitted as the Company comprises a single business segment, the “agriculture-related business.”

[Amortization and Unamortized Balance of Goodwill by Reportable Segment]

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.

FY2015 (April 1, 2014–March 31, 2015)

Not applicable

[Gain on Bargain Purchase]

FY2014 (April 1, 2013–March 31, 2014)

Not applicable.

FY2015 (April 1, 2014–March 31, 2015)

Description is omitted as the Company comprises a single business segment, the “agriculture-related business.”

[Related Party Information]

1. Related party transactions

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

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.

FY2015 (April 1, 2014–March 31, 2015)

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 33.3	Sales of the Company's products Interlocking directorships	Debt guarantee (Note 3)	2,271	Notes and accounts payable (Note 2,3)	2,242
Affiliated company's subsidiary	Iseki-Changzhou Mfg. Co., Ltd	Changzhou, Jiangsu, China	94,595,000 yuan	Manufacture and sale of agricultural machinery	(Ownership) Indirect 50.0	Manufacture and sale of the Group's products Interlocking directorships	Debt guarantee (Note 4)	3,230	—	—

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.
4. The company which submitted the Consolidated Financial Statements assumes the loan guarantee on loans financed by banks to Iseki-Changzhou Mfg. Co., Ltd.

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

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 production facilities (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.

FY2015 (April 1, 2014–March 31, 2015)

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)	182	—	—
Director of a subsidiary	Joji Kurihara	—	—	Representative Director of Iseki-Ueki Mfg. Co., Ltd.	Nil	Sales of available for sale of securities,	Sales of available for sale of securities, proceeds from the sale (Note 3)	11	—	—
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)	137	Notes and accounts payable	66
							Purchase of equipment for production (Note 5)	67	Other current liabilities	27

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. Iseki-Ueki Mfg. Co., Ltd. was the consolidated subsidiary of the Company, and all of its shares held by the company submitting the Consolidated Financial Statements were sold to Mr. Joji Kurihara, the representative director of Iseki-Ueki Mfg. Co., Ltd. in the consolidated fiscal year under review. The sale price was determined through a negotiation with consideration given to the said company's financial condition.
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)

	FY2014 (April 1, 2013– March 31, 2014)	FY2015 (April 1, 2014– March 31, 2015)
Net asset per share	¥292.11	¥307.11
Net income (loss) per share	¥28.06	¥(1.40)

Notes:

1. Net income per share after adjustments for dilutive securities in the previous consolidated fiscal year was not stated because there were no dilutive securities. For the consolidated fiscal year under review, no description is presented due to a net loss per share, though there are dilutive securities.
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 ¥1.73.
3. Basis of calculation of net income (loss) per share

Item	FY2014 (April 1, 2013– March 31, 2014)	FY2015 (April 1, 2014– March 31, 2015)
Net income (loss) per share		
Net income (loss) reported in the Consolidated Statements of Income (millions of yen)	6,447	(319)
Net income (loss) attributable to common shares (millions of yen)	6,447	(319)
Net income (loss) not attributable to common shares (millions of yen)	—	—
Average number of common shares during the period (shares)	229,740,557	228,018,246
Descriptions of potentially dilutive common shares that were not included in the computation of diluted net income per share because of their anti-dilutive effect	—	—

4. Basis of calculation of net asset per share

Item	FY2014 (As of March 31, 2014)	FY2015 (As of March 31, 2015)
Total net assets (millions of yen)	68,734	71,065
Amount to be deducted from total net assets (millions of yen)	1,628	1,693
(Subscription rights to shares) (millions of yen)	(—)	(68)
(Minority interests included) (millions of yen)	(1,628)	(1,624)
Net assets as of the fiscal year-end related to common shares (millions of yen)	67,106	69,372
Number of common shares as of the fiscal year-end used for calculating net asset per share (shares)	229,732,682	225,890,789

(Subsequent Events)

Not applicable

(5) Consolidated Supplementary Schedules

[Schedule of Bonds Payable]

Not applicable

[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	20,132	25,134	0.77	—
Current portion of long-term loans payable	6,387	13,941	0.91	—
Current portion of lease obligations	2,087	2,662	—	—
Long-term loans payable (excluding current portion of long-term loans payable)	17,870	18,520	0.97	2016 – 2023
Lease obligations (excluding current portion of lease obligations)	5,730	6,559	—	2016 – 2024
Other interest-bearing liabilities				
Other (Accounts payable)	9	9	1.79	—
Other (Long-term accounts payable)	19	9	1.79	2016
Total	52,237	66,838	—	—

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	5,952	4,278	2,367	5,859
Lease obligations	2,049	1,458	1,181	801
Other interest-bearing liabilities	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 FY2015

(Accumulated period)	First quarter	Second quarter	Third quarter	Fourth quarter
Net sales (millions of yen)	49,222	82,450	118,505	157,417
Income before income taxes and minority interests (millions of yen)	2,363	2,745	3,293	1,304
Net income (loss) (millions of yen)	1,248	1,341	1,401	(319)
Net income (loss) per share (millions of yen)	5.44	5.84	6.13	(1.40)

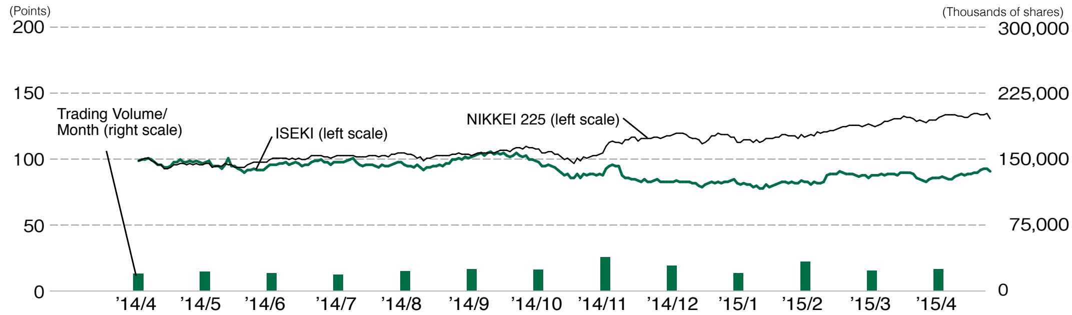
(Accounting period)	First quarter	Second quarter	Third quarter	Fourth quarter
Quarterly net income (loss) per share (yen)	5.44	0.40	0.27	(7.62)

Corporate Data

As of March 31, 2015

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)	6,039
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	225,890,789
Number of Shareholders	27,905
Independent Auditor	Ernst & Young ShinNihon LLC

Stock Performance and Trading Volume per Month



	'14/4	'14/5	'14/6	'14/7	'14/8	'14/9	'14/10	'14/11	'14/12	'15/1	'15/2	'15/3	'15/4
Opening Price	272	263	258	266	260	280	267	265	229	232	224	241	230
High	278	276	274	276	282	290	269	265	232	235	251	250	256
Low	254	244	256	254	250	266	232	224	215	212	220	229	226
Closing Price	264	257	266	263	279	269	254	228	229	226	242	230	249
Trading Volume/Month (Unit: thousands)	19,328	21,341	19,422	18,055	22,052	24,368	23,879	37,673	27,971	19,624	33,044	22,654	24,443

Share Price on April 1, 2014: ¥270 = 100

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