



Nov.15,2007

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Summary Announcement of Consolidated Financial Results
for the Six Months Ended September 30, 2007

I. Financial Results for the six months ended September 30, 2007 (April 1, 2007—September 30, 2007)

A. Results of operations

(Rounded down to millions of yen, % indicates changes from the previous period)

	Six Months Ended Sep. 30, 2007	%	Six Months Ended Sep. 30, 2006	%	Year Ended Mar. 31, 2007
Net Sales	71,200	(6.6)	76,240	(3.8)	153,728
Operating Income	(319)	—	2,402	(19.3)	2,243
Ordinary Income	(377)	—	2,314	(20.1)	1,276
Net Income	(2,200)	—	1,273	4.9	18
Net Income per Share (yen)					
Non-diluted	(9.74)	—	5.64	—	0.08
Fully Diluted	—		5.18		0.07

Notes:

Investment gain (loss) by equity method:

Six months ended Sep. 30, 2007: —

Six months ended Sep. 30, 2006: —

Year ended Mar. 31, 2007: —

B. Financial Position

(Rounded down to millions of yen)

	Six Months Ended Sep. 30 2007	Six Months Ended Sep. 30 2006	Year Ended Mar. 31, 2007
Total Assets	180,791	189,396	181,362
Net Assets	52,672	57,029	55,724
Shareholders' Equity to Total Assets Ratio (%)	28.3	29.3	29.8
Net Assets per share (yen)	226.21	245.57	239.71

Notes:

Shareholders' Equity:

Six months ended Sep. 30, 2007: 51,085 million yen

Six months ended Sep. 30, 2006: 55,463 million yen

Year ended Mar. 31, 2007: 54,138 million yen

C. Cash Flows

(Rounded down to millions of yen)

	Six Months Ended Sep. 30 2007	Six Months Ended Sep. 30 2006	Year Ended Mar. 31, 2007
Cash Flows from Operating Activities	(2,869)	(4,177)	902
Cash Flows from Investing Activities	(243)	(2,420)	(4,718)
Cash Flows from Financing Activities	4,853	6,874	2,207
Cash and Cash Equivalents at End of Period	6,833	6,844	4,985

II. Payment of Dividends

	Dividend per Share	
	End of Period	Annual
Date of Record		
FY2007	- (yen)	0.0 (yen)
FY2008	-	0.0
FY2008 (Estimate)	-	

III. Performance Forecast for the Fiscal Year ending March 31, 2008 (April 1, 2007—March 31, 2008)

(Rounded down to Millions of yen,%)

	Net Sales	Operating Income	Ordinary Income	Net Income	Net Income per Share (yen)
Annual	149,000 (3.1)	1,100 (51.0)	100 (92.2)	(2,300) —	(10.18)

IV. Others

A. Change in important subsidiaries during the period (change in specified subsidiaries which accompanies a change in the range of consolidation): None.

B. Change in principle, procedure and method of statement of accounting procedures in preparation of consolidated financial statements (as stated in “Changes in essential matters which provide a basis for preparation of Consolidated Financial Statements”)

1) Change which accompanies revision of accounting standards: Yes

2) Change other than No.1. None

(Note) For details, please refer to “Changes in accounting principles” stated in “Changes in essential matters which provide a basis for preparation of Consolidated Interim Financial Statements”, P14.

C. Outstanding shares (Common shares)

1) Outstanding shares (Including treasury shares)	As of September 30, 2007	226,536,329 shares
	As of September 30, 2006	226,536,329 shares
	As of March 31, 2007	226,536,329 shares
2) Outstanding treasury shares	As of September 30, 2007	700,128 shares
	As of September 30, 2006	679,748 shares
	As of March 31, 2007	690,113 shares

(Note) Please refer to P21 “Per share information” as to the number of shares which provides a base for calculating net income per share (consolidated).

(Reference) Outline of Non-consolidated financial performance

I. Financial Results for the six months ended September 30, 2007 (April 1, 2007—September 30, 2007)

A. Results of operations

(Rounded down to millions of yen, %)

	Six Months Ended Sep. 30, 2007	%	Six Months Ended Sep. 30, 2006	%	Year Ended Mar. 31, 2007
Net Sales	41,313	(13.6)	47,792	(0.3)	90,784
Operating Income	157	(90.3)	1,620	(13.8)	744
Ordinary Income	462	(77.3)	2,038	(14.8)	841
Net Income	(844)	—	1,044	(19.8)	(4,818)
Net Income per Share (yen) Non-diluted Fully Diluted	(3.74)		4.63		(21.34)

B. Financial Position

(Rounded down to millions of yen)

	Six Months Ended Sep. 30 2007	Six Months Ended Sep. 30 2006	Year Ended Mar. 31, 2007
Total Assets	120,980	134,877	130,054
Net Assets	48,371	56,021	50,075
Shareholders' Equity to Total Assets Ratio (%)	40.0	41.5	38.5
Net Assets per share (yen)	214.19	248.04	221.72

Notes:

Shareholders' Equity:

Six months ended Sep. 30, 2007: 48,371 million yen

Six months ended Sep. 30, 2006: 56,021 million yen

Year ended Mar. 31, 2007: 50,075 million yen

II. Performance Forecast the Fiscal Year Ending March 31, 2008 (April 1, 2007—March 31, 2008)

(Rounded down to millions of yen, % indicates changes from the previous period)

	Net Sales	Operating Income	Ordinary Income	Net Income	Net Income per Share
Annual	Millions of Yen %	Millions of Yen %	Millions of Yen %	Millions of Yen %	Yen
	86,000 (5.3)	(1,400) —	(1,100) —	(2,200) —	(9.74)

Note. Cautionary statement regarding appropriate use of performance forecasts, and other special comments.

1. Descriptions contained in this announcement regarding future such as business performance forecasts are based on information available as of the day of this announcement, and actual results could differ considerably depending on various factors.
2. Full year business performance forecasts announced on August 9, 2007 have been revised as stated above. As for the reasons of the revision, please refer to "Notice of Revision of Business Performance Forecast" announced today, November 15, 2007.

Management Performance & Financial Position

1. Management Performance

(1) The Interim Period in Review

Sales in the interim period in review declined by ¥5.039 billion from the same period last year to ¥71.2 billion (down 6.6%). Domestic sales dropped by ¥5.725 billion to ¥61.825 billion (down 8.5%) due to a sluggish agricultural machinery market. In the meantime, overseas sales increased by ¥0.685 billion to ¥9.375 billion (up 7.9%), compensating for the effect of inventory reduction by an OEM partner in North America by active sales in Europe and Asia.

Operating income declined ¥2.721 billion from the same period last year, resulting in a loss of ¥0.377 billion mainly due to decreased gross income by reduced revenue as well as deteriorated profitability caused by intensified competition.

Ordinary income decreased ¥2.691 billion with a loss of ¥0.377 billion. Interim net income decreased ¥3.473 billion with a net loss of ¥2.2 billion mainly due to the reversal of deferred tax assets.

(2) Sales by Product

1. Domestic

Sales of machinery for soil preparation (tractors, tillers, etc) dropped to ¥16.393 billion (down 9.3% from the same period last year). Sales of cultivating machinery (rice transplanters, vegetable transplanters) were at ¥7.464 billion (up 11.2%). Sales of harvesting and processing machines (combine harvesters, drying machines, etc) were at ¥6.659 billion (down 26.6%). Sales of farming implements and spare parts were at ¥14.514 billion (down 7.2%). Sales of other agriculture-related items stood at ¥11.447 billion (down 8.2%), of which sales of agricultural facilities were ¥1.79 billion, down 40.1% from the same period last year. Other sales were at ¥5.346 billion (down 4.3%).

2. Overseas

Sales of machinery for soil preparation increased to ¥7.369 billion (up 3.2% from the same period last year) mainly due to an increased sale of lawn mowers and others. Sales of cultivating machinery were at ¥0.671 billion (up 227.5%), thanks to increased sales of rice transplanters. Sales of harvesting and processing machinery were at ¥0.62 billion (down 8.0%) mainly affected by decreased sales of combine harvesters.

(3) Forecast for the Fiscal Year Ending March 31, 2008

We expect sales for the current fiscal year to be ¥149.0 billion, ¥5.0 billion less than the previous forecast announced on August 9, 2007.

1. Domestic

We expect sales to decrease as we anticipate the unfavorable business climate to continue in the agricultural machinery market.

2. Overseas

While we expect the inventory reduction by our OEM partner in North America to continue until the end of the current fiscal year, we expect that it will be compensated by the sales expansion in European as well as Asian markets which remain active.

With respect to the forecast of operating income, we expect it to be ¥1.1 billion, ¥1.9 billion less than the previous forecast based on the actual results in the interim period just ended.

2. Financial Position

1) Financial Position

Total assets as of the end of the interim fiscal period just ended decreased ¥4.357 billion from the same period last year to ¥52.672 billion. In terms of assets, current assets decreased ¥5.632 billion. Main components were a ¥6.49 billion decrease in notes receivables and accounts receivable due to declined sales and a ¥1.259 billion increase in inventories. Fixed assets decreased ¥2.971 billion from the same period last year. Main components were a decrease

of ¥2.431 billion by an appraisal by market value of listed shares of investment securities and sale off of such securities etc. In the meantime, total liabilities decreased ¥4.247 billion from the same period last year due to a ¥1.18 billion decrease of allowance for retirement benefit and others.

2) Cash Flow

(Cash flow from operating activities)

Cash flow from operating activities for the interim period resulted in net expenditures of ¥2.869 billion (a decrease of ¥1.307 billion from the same period last year) mainly due to a net before tax loss of ¥0.978 billion and a ¥1.592 billion increase in account receivables.

(Cash flow from investment activities)

Cash flow from investment activities resulted in net expenditures of ¥0.243 billion (a decrease of ¥2.177 billion from the same period last year) mainly due to expenditures of ¥2.455 billion for capital investment and revenues of ¥1.762 billion from sale of investment securities.

(Cash flow from financing activities)

Cash flow from financing activities resulted in revenues of ¥4.853 billion (a decrease of ¥2.02 billion from the same period last year) mainly due to increased repayment of short-term borrowings and increased long-term debt.

The trend of cash flow indicators is as follows.

Indicator	Mar. 31, 2005	Mar. 31, 2006	Sep.30 2006	Mar. 31, 2007	Sep. 30, 2007
Equity ratio (%)	27.1	30.5	29.3	29.8	28.3
Market-based equity ratio (%)	39.2	66.2	42.1	30.4	24.6
Cash flow to interest bearing liabilities (times)	9.7	13.8	—	64.6	—
Interest coverage ratio (times)	4.8	4.0	—	0.9	—

- Equity ratio: Shareholders' equity / Total assets
- Market-based equity ratio: Total market price of shares / Total assets
- Cash flow to interest bearing liabilities: Interest bearing liabilities / Cash flow
- Interest coverage ratio: Cash flow from operating activities / Interest payments

Notes: 1. All figures have been calculated using consolidated-based financial figures.

2. The total market price of shares is calculated based on the total number of shares outstanding (less treasury stocks) at the end of the interim period.
3. The Operating cash flow uses the cash flows from operating activities as per the Consolidated Statement of Cash Flows. Interest-bearing liabilities use all the borrowings and debt as recorded in the Consolidated Balance Sheets. The Interest payments use the interest paid as recorded in the Consolidated Statement of Cash Flows.
4. Cash flow to interest bearing liabilities for the interim period was not given due to negative operating cash flow.

3. Our policy on Profit Distribution

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 keep a steady and improved dividend distribution taking into consideration, not just consolidated financial results, but our Group's financial position, future business movements and changing business environments etc. steady and improved dividend distribution.

With respect to dividend for the fiscal year ending March 31, 2008, we sincerely apologize to our shareholders that we were obliged to suspend end of period dividend payment due to substantial worsening of the financial performance for the period.

The Iseki Group

As there has been no significant change in “Schematic diagram of the Iseki Group (Business of the Group)” and “Situation of the Group Companies” since we filed latest Securities Report (Submitted on June 29, 2007), we omitted such disclosure in this statement.

Iseki's Management Policies

1. Iseki's Basic Management Principles

During the 80 years since its establishment, ISEKI has contributed to the modernization of Japan's agricultural industry as a full-line manufacturer specializing in agricultural machinery. Over the period, we have consistently pursued efficient and laborsaving advances in agriculture, and have served the market by pioneering the development of a quantity great deal of agricultural machinery and facilities.

When we consider the questions of an increasing world population and food supply, and then our own nation's food self-sufficiency and land preservation, the role performed by the farming sector is significant and our duty to society as a manufacturer of agricultural machinery becomes even more important.

ISEKI will continue to engage in speedy reforms of profit structure in order to create our corporate strength which enables us to secure stable profit for the future among drastically changing business environments.

We will make efforts in maintaining and expanding sales through enhanced customer satisfaction by offering low priced and high quality products as well as services that delight our customers. We are also determined to promote the establishment of a low cost corporate structure and strengthen consolidated financial position.

2. Mid to Long-term Management Strategies

Our basic strategies are as follows:

- (1) Expansion of overseas sales
- (2) Secure 20% of the share in the domestic agricultural machinery market
- (3) Further strengthening of international product competitiveness
- (4) Improve consolidated financial position by strengthening earning power and cash flow

With respect to our engagement in environmental issues, we will enforce our commitment to resource conservation, energy conservation, recycling, and the exhaust gases and noise pollution by an introduction of environment management system at each group company level.

3. Issues to be addressed

Preparation of an organization system related to internal control and work process

We prepared an organization system related to internal control and work process by creating a “Management Control Section” under control of Head of the Development & Production Division of ISEKI which assumes ordinary monitoring function of manufacturing subsidiaries, and for sales and other subsidiaries, we let them handle internal auditing themselves by having an internal auditing function at each company along with creation of a “Management Control Section” under Head of the Business Division.

We created a “Management Supervisory Committee” which is comprised of the President as chairperson, all directors as members and all auditors as observers, so that we can follow up monthly progress and the degree of completeness of corporate compliance.

Consolidated Interim Financial Statements

Consolidated Interim Balance Sheets

(millions of yen)

Account	Previous Period (as at Sep. 30, 2006)		Interim Period (as at Sep. 30, 2007)		Change from Previous Period	FY 2007 (as at Mar. 31, 2007)	
	Amount	Ratio	Amount	Ratio		Amount	Ratio
(Assets)		%		%			%
I Current Assets	94,454	49.9	88,821	49.1	(5,632)	86,371	47.6
Cash and time deposits	7,293		7,277		(15)	5,270	
Notes and accounts receivable	40,033		33,543		(6,490)	31,950	
Inventories	43,955		45,215		1,259	45,511	
Others	3,325		2,928		(397)	3,764	
Allowance for doubtful accounts	(154)		(143)		11	(125)	
II Fixed Assets	94,942	50.1	91,970	50.9	(2,971)	94,990	52.4
1. Tangible fixed assets	79,846	42.1	79,683	44.1	(162)	80,152	44.2
Buildings and structures	15,196		15,264		68	15,608	
Machinery, equipment and vehicles	8,661		9,634		972	9,725	
Land	50,206		50,585		379	50,562	
Others	5,782		4,199		(1,582)	4,256	
2. Intangible fixed assets	1,059	0.6	895	0.5	(163)	986	0.6
3. Investments and other assets	14,036	7.4	11,390	6.3	(2,645)	13,851	7.6
Investment securities	8,953		6,521		(2,431)	8,823	
Others	5,842		5,574		(268)	5,719	
Allowance for doubtful accounts	(759)		(706)		53	(691)	
Total Assets	189,396	100	180,791	100	(8,604)	181,362	100

Consolidated Interim Balance Sheets

(millions of yen)

Account	Previous Period (as at Sep. 30, 2006)		Interim Period (as at Sep. 30, 2007)		Change from Previous Period	FY2007 (as at Mar.31, 2007)	
	Amount	Ratio	Amount	Ratio	Amount	Amount	Ratio
(Liabilities)		%		%			%
I Current Liabilities	95,509	50.4	87,854	48.6	(7,654)	83,026	45.8
Notes and accounts payable, trade	42,974		42,212		(761)	42,352	
Short-term borrowings	27,185		23,789		(3,396)	24,150	
Bonds (due within one year)	140		5,500		5,360	140	
Long-term debt (due within one year)	15,534		8,370		(7,164)	7,525	
Accrued income taxes	738		614		(124)	612	
Others	8,935		7,368		(1,566)	8,245	
II Long - term Liabilities	36,857	19.5	40,264	22.3	3,407	42,612	23.5
Bonds	8,065		2,565		(5,500)	8,045	
Long-term debt	12,039		22,983		10,943	18,455	
Deferred tax liability from land revaluation gain	7,595		7,595		—	7,595	
Accrued retirement benefits for employees	5,044		3,863		(1,180)	5,185	
Accrued directors' retirement benefits	276		299		22	306	
Others	3,836		2,957		(878)	3,024	
Total Liabilities	132,366	69.9	128,119	70.9	(4,247)	125,638	69.3
(Net Assets)							
I Shareholders' Equity	42,243	22.3	38,782	21.5	(3,460)	40,985	22.6
Common stock	22,784	12.0	22,784	12.6	—	22,784	12.6
Capital surplus	12,815	6.8	12,815	7.1	—	12,815	7.1
Retained earnings	6,802	3.6	3,347	1.9	(3,455)	5,548	3.0
Treasury stock	(159)	(0.1)	(165)	(0.1)	(5)	(163)	(0.1)
II Difference of Appreciation and Conversion	13,220	7.0	12,303	6.8	(917)	13,153	7.2
Net unrealized holding gain on securities	2,679	1.4	1,738	1.0	(940)	2,598	1.4
Land revaluation reserve	10,527	5.6	10,527	5.8	—	10,527	5.8
Foreign currency translation adjustments	14	0.0	37	0.0	23	28	0.0
III Minority Interests in Consolidated Subsidiaries	1,566	0.8	1,586	0.8	20	1,585	0.9
Total Net Assets	57,029	30.1	52,672	29.1	(4,357)	55,724	30.7
Total Liabilities and Net Assets	189,396	100	180,791	100	(8,604)	181,362	100

Consolidated Interim Statements of Income

(millions of yen)

Account	Previous Period (Apr.1, 2006 - Sep. 30, 2006)		Interim Period (Apr.1, 2007 - Sep. 30, 2007)		Change from Previous Period	FY2007 (Apr. 1, 2006 - Mar.31, 2007)	
	Amount	Ratio	Amount	Ratio		Amount	Ratio
I Net sales	76,240	100	71,200	100	(5,039)	153,728	100
II Cost of sales	51,137	67.1	49,467	69.5	(1,670)	105,309	68.5
Gross Profit	25,102	32.9	21,733	30.5	(3,369)	48,419	31.5
III Selling, general and administrative expenses	22,700	29.8	22,053	30.9	(647)	46,175	30.0
Operating Income	2,402	3.1	(319)	(0.4)	(2,721)	2,243	1.5
IV Non-operating Income	731	1.0	773	1.1	42	1,509	0.9
Interest and dividend income	148		164		16	358	
Others	582		608		26	1,150	
V Non-operating Expenses	818	1.1	830	1.2	12	2,476	1.6
Interest expenses	540		613		72	1,135	
Others	278		217		(60)	1,341	
Ordinary Income	2,314	3.0	(377)	(0.5)	(2,691)	1,276	0.8
VI Extraordinary Gains	35	0.1	982	1.3	946	44	0.0
Gain on sale and property, plant and equipment	35		27		(7)	44	
Gain on sale of investment securities	—		925		925	—	
Reversal of allowance for retirement benefits for directors	—		28		28	—	
VII Extraordinary Losses	313	0.4	1,583	2.2	1,269	513	0.3
Loss on sale of property, plant and equipment	114		84		(30)	312	
Impairment loss	25		—		(25)	25	
Loss from bad debts	—		385		385	—	
Transfer to allowance for doubtful accounts	130		—		(130)	119	
Special retirement benefit	—		920		920	—	
Cost for product recall	—		140		140	—	
Others	42		53		10	55	
Income before income taxes and minority interests	2,036	2.7	(978)	(1.4)	(3,014)	807	0.5
Income taxes	559	0.7	430	0.6	(129)	866	0.6
Income taxes, deferred	189	0.3	783	1.1	594	(112)	(0.1)
Minority interests in consolidated subsidiaries	13	0.0	8	0.0	(5)	35	0.0
Net Income	1,273	1.7	(2,200)	(3.1)	(3,473)	18	0.0

Consolidated Interim Statements of Changes in Net Assets

Interim Period of the previous fiscal year(Apr.1, 2006-Sep. 30, 2006)

(millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at end of year	22,784	12,815	6,207	(154)	41,653
Changes of items during the period					
Dividends from surplus	—	—	(677)	—	(677)
Net income	—	—	1,273	—	1,273
Purchases of treasury stock	—	—	—	(5)	(5)
Net changes of items other than shareholders'equity	—	—	—	—	—
Total changes of items during the period	—	—	595	(5)	590
Balance at end of interim period	22,784	12,815	6,802	(159)	42,243

	Difference of appreciation and conversion				Minority interests in consolidated subsidiaries	Total net assets
	Net unrealized holding gain on securities	Land revaluation reserve	Foreign currency translation adjustments	Total difference of appreciation and conversion		
Balance at end of year	2,896	10,527	15	13,438	1,558	56,650
Changes of items during the period						
Dividends from surplus	—	—	—	—	—	(677)
Net income	—	—	—	—	—	1,273
Purchases of treasury stock	—	—	—	—	—	(5)
Net changes of items other than shareholders'equity	(217)	—	(1)	(218)	7	(210)
Total changes of items during the period	(217)	—	(1)	(218)	7	379
Balance at end of interim period	2,679	10,527	14	13,220	1,566	57,029

Consolidated Interim Statements of Changes in Net Assets

Interim Period of the current fiscal year(Apr.1, 2007-Sep. 30, 2007)

(millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at end of year	22,784	12,815	5,548	(163)	40,985
Changes of items during the period					
Net loss	—	—	(2,200)	—	(2,200)
Purchases of treasury stock	—	—	—	(2)	(2)
Net changes of items other than shareholders'equity	—	—	—	—	—
Total changes of items during the period	—	—	(2,200)	(2)	(2,202)
Balance at end of interim period	22,784	12,815	3,347	(165)	38,782

	Difference of appreciation and conversion				Minority interests in consolidated subsidiaries	Total net assets
	Net unrealized holding gain on securities	Land revaluation reserve	Foreign currency translation adjustments	Total difference of appreciation and conversion		
Balance at end of year	2,598	10,527	28	13,153	1,585	55,724
Changes of items during the period						
Net loss	—	—	—	—	—	(2,200)
Purchases of treasury stock	—	—	—	—	—	(2)
Net changes of items other than shareholders'equity	(859)	—	9	(850)	1	(849)
Total changes of items during the period	(859)	—	9	(850)	1	(3,051)
Balance at end of interim period	1,738	10,527	37	12,303	1,586	52,672

Previous fiscal year(Apr.1, 2006-Mar. 31, 2007)

(millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at end of year	22,784	12,815	6,207	(154)	41,653
Changes of items during the period					
Dividends from surplus	—	—	(677)	—	(677)
Net loss	—	—	18	—	18
Purchases of treasury stock	—	—	—	(8)	(8)
Net changes of items other than shareholders'equity	—	—	—	—	—
Total changes of items during the period	—	—	(659)	(8)	(667)
Balance at end of interim period	22,784	12,815	5,548	(163)	40,985

	Difference of appreciation and conversion				Minority interests in consolidated subsidiaries	Total net assets
	Net unrealized holding gain on securities	Land revaluation reserve	Foreign currency translation adjustments	Total difference of appreciation and conversion		
Balance at end of year	2,896	10,527	15	13,438	1,558	56,650
Changes of items during the period						
Dividends from surplus	—	—	—	—	—	(677)
Net loss	—	—	—	—	—	18
Purchases of treasury stock	—	—	—	—	—	(8)
Net changes of items other than shareholders'equity	(297)	—	12	(285)	27	(258)
Total changes of items during the period	(297)	—	12	(285)	27	(926)
Balance at end of interim period	2,598	10,527	28	13,153	1,585	55,724

Consolidated Interim Statements of Cash Flows

(millions of yen)

Account	Previous Period (Apr.1, 2006- Sep.30, 2006)	Interim Period (Apr.1, 2007- Sep.30, 2007)	Change from Previous Period	FY2007 (Apr.1, 2006- Mar.31, 2007)
I Cash Flows from Operating Activities				
Income before income taxes and minority interests	2,036	(978)	(3,014)	807
Depreciation and amortization	1,777	2,117	339	3,708
Impairment loss	25	—	(25)	25
Goodwill Amortization	(110)	(168)	(58)	(118)
Increase in reserve for retirement benefits	234	(1,332)	(1,556)	376
Loss (gain) on sales of investment securities	—	(925)	(925)	—
Interest and dividend income	(148)	(164)	(16)	(358)
Interest expenses	481	537	56	1,015
Effect of exchange rate changes	16	(71)	(87)	15
Loss on sales of tangible and intangible fixed assets	78	56	(22)	268
Special retirement benefit	—	920	920	—
Decrease(increase) in notes and accounts receivable	(5,163)	(1,592)	3,570	2,896
Decrease(increase)in inventories	(4,038)	295	4,334	(5,594)
decrease(Increase) in notes and accounts payable	1,369	(140)	(1,509)	748
Others	119	216	97	(1,202)
Subtotal	(3,321)	(1,219)	2,101	2,587
Interest and dividends received	145	168	22	356
Interest paid	(472)	(531)	(59)	(1,025)
Special retirement benefit	—	(920)	920	—
Income taxes paid	(1,106)	(426)	680	(1,591)
Refunded income taxes	575	59	(516)	575
Net cash provided by (used in) operating activities	(4,177)	(2,869)	1,307	902
II Cash Flows from Investing Activities				
Payments for purchases of marketable securities	(21)	(1)	20	(23)
Proceeds from sale of short-term securities	145	1	(143)	146
Payments for purchases of tangible and intangible fixed assets	(2,999)	(2,455)	543	(5,692)
Proceeds from sale of tangible and intangible fixed assets	552	254	(297)	990
Payments for purchase of investment securities	(100)	(0)	99	(100)
Proceeds from sale of investment securities	—	1,762	1,762	—
Payment for purchase of subsidiary	(276)	—	276	(276)
Net decrease (increase) of loans receivable	(16)	25	42	33
Net decrease (increase) of time deposits	(66)	(157)	(91)	96
Others	362	327	(34)	106
Net cash used in (provided by) investing activities	(2,420)	(243)	2,177	(4,718)
III Cash Flows from Financing Activities				
Net decrease(increase) in short-term borrowings	7,303	(394)	(7,698)	4,255
Proceeds from long-term debt	6,840	9,550	2,710	18,180
Repayments of long-term debt	(6,503)	(4,176)	2,326	(19,437)
Redemption of bonds	(80)	(120)	(40)	(100)
Payments for purchases of treasury stock	(5)	(2)	3	(8)
Payment of dividends	(677)	—	677	(677)
Others	(3)	(3)	(0)	(3)
Net cash used in financing activities	6,874	4,853	(2,020)	2,207
IV Effect of Exchange rate Changes on Cash and Cash Equivalents	(20)	108	128	3
V Net Increase (decrease) in Cash and Cash Equivalents	254	1,848	1,593	(1,604)
VI Cash and Cash Equivalents at beginning of year	6,589	4,985	(1,604)	6,589
VII Cash and Cash Equivalents at end of interim period	6,844	6,833	(10)	4,985

Base of Interim Consolidated Financial Statements

1. Scope of consolidation

Number of consolidated subsidiaries 34 companies

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

2. Scope of the equity method companies

The equity method is not applied to any of the group companies.

3. Interim consolidated accounting period

Of the consolidated subsidiaries, Iseki-Hokkaido Co., Ltd. and 19 other companies use an interim period balance sheet date of June 30. Iseki-Matsuyama Mfg. Co., Ltd. and 13 other companies use an interim period balance sheet date of September 30. In preparing interim period consolidated financial statements, we use interim period settlement financial statements as of the date, and necessary adjustment for consolidation is made regarding important transactions which occur during the interim consolidated balance sheet date.

4. Accounting policies

(1) Valuation basis and methods of important assets

(a) Securities

Held-to-maturity debt securities recorded at amortized cost

Other securities

Securities with fair market value..... recorded at market value, based on the fair market price at the closing date of the consolidated interim reporting period.

(Any estimate variance is credited or debited to net assets)

Securities without at fair market value..... recorded at cost, based on the moving-average method

(b) Inventories..... mainly recorded at the lower of cost or market value using the gross average method

(c) Derivatives recorded using the market value method

(2) Depreciation methods for material depreciable assets

(a) Tangible fixed assets

The straight-line method is used to depreciate tools. For others, the declining-balance method is used.

However, for new buildings (not including building fixtures and furnishings) acquired on or after April 1, 1998, the straight-line method is used.

(Changes in accounting policies)

In accordance with revised Corporate Tax Law (“Law No.6, March 30, 2007, Law to revise part of Income Tax Law etc.” and “Decree No.83, March 30, 2007, Decree to revise part of Enforcement Ordinance of Corporate Tax Law”), ISEKI and its consolidated domestic subsidiaries have changed to apply method based on the revised Corporate Tax Law starting from the consolidated interim accounting period under review with respect to tangible fixed assets acquired on and after April 1, 2007. The influence created by the change is negligible.

(Additional information)

In accordance with the revised Corporate Tax Law, with respect to tangible fixed assets acquired before March 31, 2007, ISEKI and its consolidated domestic subsidiaries depend on a method of equal depreciation in five years since the following year when such depreciation has reached allowable limit of depreciation.

As a result, operating loss, ordinary loss as well as interim net loss before tax increased ¥214 million respectively.

- (b) Intangible fixed assets
- Straight-line method is used .However, software for internal use is depreciated using the straight-line method over an expected useful life within the company of five years, while software for marketing is depreciated using the straight-line method over an expected marketable period of three years.
- (3) Allowance and reserves
- (a) 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.
- (b) Accrued retirement benefits for employees
- Accrued retirement benefits for employees is recorded as at the end of the consolidated accounting period, and is principally based on the amounts for the obligation for employees' retirement benefits and pension plan assets. Disparities arising out of changes to accounting standards are expensed pro rata over 15 years. Past service liabilities are amortized using the straight-line method over the average of the estimated remaining years of service. Actuarial differences are amortized using the straight-line method over the average of the estimated remaining years of service, with the first expense being recognized in the following consolidated fiscal period.
- (c) Accrued directors' retirement benefits
- The company and some of the consolidated subsidiaries record an accrued directors' retirement benefits in an amount as required by companies' internal regulations to be prepared for payment of directors retirement benefits.
- (4) 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 the overseas subsidiary are translated into yen at the rates of exchange in effect at the balance sheet dates. Differences arising from the translation are presented as "Foreign currency translation adjustments" in net assets and financial statements.
- (5) Leases
- Finance leases, other than those leases which transfer the ownership of the assets to the lessee, are accounted for based on the regular treatment of operating leases.
- (6) Hedge accounting
- (a) Hedge accounting
- Recorded in accordance with deferred hedge accounting. Such 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
- (i) Hedging instruments
- Forward exchange contracts and interest rate swap agreements
- (ii) Hedged items
- Receivables and payables denominated in foreign currencies and borrowings
- (c) Hedging policies
- Forward exchange contracts and interest rate swap agreements are entered into in order to hedge the risks associated with fluctuations in foreign currencies exchange rates and interest rates.
- (7) Other notes pertaining to the preparation of the Consolidated Interim Financial Statements
- (a) Accounting treatment of consumption tax
- Consumption tax and local consumption taxes are accounted for using a tax-exclusive method.

5. Range of funds in the interim statements

Cash and cash equivalents consist of cash on hand, deposits with banks with draw able on demand, and short-term investments which are readily convertible to cash subject to an insignificant risk of any change in their value and which were purchased with an original maturity of three months or less.

Notes

(Consolidated Interim Balance Sheet information)

	Previous Period	Interim Period	FY 2007
1. Accumulated depreciation of tangible fixed assets	86,827 million yen	87,924 million yen	87,024 million yen
2. Guaranteed liabilities	9,874 million yen	9,647 million yen	9,706 million yen
3. Notes receivable less discount	101 million yen	19 million yen	65 million yen
4. Endorsed notes receivable	636 million yen	593 million yen	639 million yen
5. Matured notes as of the end of the consolidated interim period			

The last day of the interim period just ended coincidentally fell on a holiday for financial institutions, so the recording of matured notes was made on an assumption that the settlements were made as of the date of maturity. Following are outstanding matured notes as of the end of the consolidated interim period.

	Previous	Interim Period	FY2007
• Notes receivable	102 million yen	94 million yen	25 million yen
• Notes payable	2,609 million yen	2,419 million yen	2,274 million yen
• Notes payable for equipment	52 million yen	105 million yen	169 million yen

(Consolidated Interim Statements of Income Information)

1. Impairment loss

Previous interim period (Apr.1, 2006-Sep.30, 2006)

Impairment loss has been realized recognized regarding following assets.

(millions of yen)

Usage	Type	Location	Impairment loss
Idle property	Land	Ebetsu-shi, Hokkaido.	17
	Building, land	Tsugaru-shi, Aomori Pref.	8
Total			25

Interim period (Apr.1, 2007 -Sep.30, 2007)

There was no corresponding impairment loss.

Previous Period (Apr.1, 2006 -Mar.31, 2007)

Impairment loss was realized regarding following assets.

(millions of yen)

Usage	Type	Location	Impairment loss
Idle property	Land	Ebetsu-shi, Hokkaido.	17
	Building, land	Tsugaru-shi, Aomori Pref.	8
Total			25

(Reason to recognized impairment loss)

We realized impairment loss of the above assets as they are not being used, with no prospect to be used in the future, and besides, market price of the land is declining.

(Measurement of recoverable amount)

Recoverable amount is measured using net selling price. In case of land, the price is determined by applying reasonable adjustments to the assessed value of fixed assets for property tax.

(Consolidated Interim Statements of changes in Net Assets)

Interim Period (Apr. 1, 2006-Sep. 30, 2006)

1. Matters concerning the classes and number of outstanding stock and classes and number of treasury stock.

	Number of shares (as of Mar. 31, 2006)	Increase in number of shares during period	Decrease in number of shares during period	Number of shares (as of Sep.30, 2006)
(Number of outstanding shares)				
Common stock	226,536,329	—	—	226,536,329
(Treasury stock)				
Common stock	666,946	12,802	—	679,748

Increase in the number of shares, 12,802 shares during the interim period that just ended was by purchasing of shares below stock trading unit.

2. Matters concerning dividends dividend payment

(Resolution)	Class of shares	Total amount of dividends (millions of yen)	Dividend per share (yen)	Date of record	Effective date
General meeting of shareholders(June 27, 2006)	Common stock	677	3	Mar.31,2006	Jun.27,2006

FY2007 (Apr.1, 2007-Sep. 30, 2007)

Matters concerning the classes and number of outstanding stock and classes and number of treasury stock.

	Number of shares (as of Mar. 31, 2007)	Increase in number of shares during period	Decrease in number of shares during period	Number of shares (as of Sep.30, 2007)
(Number of outstanding shares)				
Common stock	226,536,329	—	—	226,536,329
(Treasury stock)				
Common stock	690,113	10,015	—	700,128

Increase in the number of shares, 10,015 shares during the interim period that just ended was by purchasing of shares below stock trading unit.

FY2007 Period (Apr. 1, 2006-Mar. 31, 2007)

1. Matters concerning the classes and number of outstanding stock and classes and number of treasury stock.

	Number of shares (as of Mar. 31, 2006)	Increase in number of shares during period	Decrease in number of shares during period	Number of shares (as of Mar.31, 2007)
(Number of outstanding shares)				
Common stock	226,536,329	—	—	226,536,329
(Treasury stock)				
Common stock	666,946	23,167	—	690,113

Increase in the number of shares, 23,167 shares during the interim period that just ended was by purchasing of shares below stock trading unit.

2. Dividend payment

(Resolution)	Class of shares	Total amount of dividends (millions of yen)	Dividend per share (yen)	Date of record	Effective date
General meeting of shareholders(June 27, 2006)	Common stock	677	3	Mar.31,2006	Jun.27,2006

(Consolidated Interim Statements of Cash Flows Information)

Correlation between balance of cash and cash equivalents at the end of interim period and the amount of items recorded in the consolidated interim balance sheet.

	Previous Period	Interim Period	FY2006
Cash and time deposits	7,293 million yen	7,277 million yen	5,270 million yen
Time deposits with terms of			
3 months or more	(448)	(443)	(285)
Cash and cash equivalents	6,844	6,833	4,985

(Segment Information)

1. Business Segment Information

For the interim period (Apr. 1, 2007 – Sep. 30, 2007), the previous period (Apr. 1, 2006 – Sep. 30, 2006), and FY 2007 (Apr. 1, 2006 – Mar. 31, 2007), the total sales, operating income, and total assets of the “Agricultural machinery related operations” segment accounted for more than 90% of all segments. Accordingly, the breakdown of segment information by business type is not presented.

2. Geographical Segment Information

For the interim period (Apr. 1, 2007 – Sep. 30, 2007), the previous period (Apr. 1, 2006 – Sep. 30, 2006), and FY 2007 (Apr. 1, 2006 – Mar. 31, 2007), the total sales and total assets of the “Japan” segment accounted for more than 90% of all segments. Accordingly, the breakdown of segment information by region is not presented.

3. Overseas sales Information

Interim Period of FY2007 (Apr. 1, 2006 – Sep. 30, 2006)

(millions of yen)

	The United States	Europe	Others	Total
I Overseas sales	3,555	3,769	1,363	8,689
II Consolidated net sales	—	—	—	76,240
III Overseas sales as a percentage of consolidated net sales (%)	4.7	4.9	1.8	11.4

Interim Period (Apr. 1, 2007 – Sep.30, 2007)

(millions of yen)

	The United States	Europe	Others	Total
I Overseas sales	2,627	4,903	1,843	9,375
II Consolidated net sales	—	—	—	71,200
III Overseas sales as a percentage of consolidated net sales (%)	3.7	6.9	2.6	13.2

FY 2007 (Apr. 1, 2006 – Mar. 31, 2007)

(millions of yen)

	The United States	Europe	Others	Total
I Overseas sales	6,751	8,936	3,165	18,853
II Consolidated net sales	—	—	—	153,728
III Overseas sales as a percentage of consolidated net sales (%)	4.4	5.8	2.1	12.3

(a) Countries and regions are defined based on geographical proximity.

(b) Classification by Area

Europe: France, Germany, the United Kingdom, Belgium, Switzerland, the Netherlands, etc.

Other geographical areas: South Korea, Taiwan, China, Thailand, Australia, New Zealand, etc.

(Securities)**1. Held-to-maturity securities with fair market value**

(millions of yen)

Category	Previous Period as at Sep. 30, 2006			Interim Period as at Sep. 30, 2007			FY 2007 as at Mar.31, 2007		
	as recorded on Consolidated Interim Balance Sheet	Fair Market Value	Variance	as recorded on Consolidated Interim Balance Sheet	Fair Market Value	Variance	as recorded on Consolidated Balance Sheet	Fair Market Value	Variance
Others	250	247	(2)	250	248	(1)	250	248	(1)
Total	250	247	(2)	250	248	(1)	250	248	(1)

2. Other securities with fair market value

(millions of yen)

Category	Previous Period as at Sep. 30, 2006			Interim Period as at Sep. 30, 2007			FY 2007 as at Mar. 31, 2007		
	Purchase cost	as recorded on Consolidated Interim Balance Sheet	Variance	Purchase cost	as recorded on Consolidated Interim Balance Sheet	Variance	Purchase cost	as recorded on Consolidated Balance Sheet	Variance
(1) Shares	2,734	7,218	4,484	2,391	5,296	2,904	2,734	7,075	4,340
(2) Bonds									
Others	100	78	(21)	100	100	—	100	92	(7)
Total	2,834	7,297	4,462	2,491	5,396	2,904	2,834	7,168	4,333

3. Major securities not valued at fair market val

(millions of yen)

Category	Interim Period as at Sep. 30, 2006	Interim Period as at Sep. 30, 2007	FY2007 as at Mar. 31, 2007
	as recorded on Consolidated Interim Balance Sheet	as recorded on Consolidated Interim Balance Sheet	as recorded on Consolidated Balance Sheet
(1) Held-to-maturity securities Discounted bank debenture	23	23	23
(2) Other securities Non-listed shares	1,326	826	1,326

Per share information

	Previous Period (Apr.1,2006-Sep.30,2006)	Interim Period (Apr.1,2007-Sep.30,2007)	FY2007 (Apr.1,2006-Mar.31,2007)
Net asset per share	245.57	226.21	239.71
Net income per share	5.64	(9.74)	0.08
Fully diluted net income per share	5.18	—	0.07

Note: Basis of calculation for net income per share and fully diluted net income per share are as follows.

	Previous Period (Apr.1,2006-Sep.30,2006)	Interim Period (Apr.1,2007-Sep.30,2007)	FY2007 (Apr.1,2006-Mar.31,2007)
Net income per share Net income on Consolidated Profit and Loss Statement (millions of yen)	1,273	(2,200)	18
Net income pertaining to common stock (millions of yen)	1,273	(2,200)	18
Net income not pertaining to common stock (millions of yen)	—	—	—
Average number of common stock during the period (shares)	225,862,188	225,841,221	225,856,320
Net income per fully diluted share Diluted net income (millions of yen)	—	—	—
Number of increased shares of common stock (shares) (Equity warrant)	20,103,550 (20,103,550)	— —	20,103,550 (203,103,550)
Number of non dilutive securities not included in the calculation of net income per dilutive securities	—	—	—

(Important post-balance sheet events)

On October 5, 2007, we redeemed yen denominated zero coupon CB type warrant bond maturing on October 5, 2009 by exercise of purchasing right by bond holders.

Redemption of the bond

1. Balance of aggregate face value before redemption	6,795 million yen
2. Amount of redemption	5,400 million yen
3. Aggregate face value after redemption	1,395 million yen

(Omission of disclosure)

Disclosures of following annotations have been omitted as we considered the necessity of disclosure in the summary announcement of financial results is not significant.

- Lease transactions

Disclosure of following items has been omitted in the absence of corresponding matters.

- Derivative transactions
- Stock option, etc.
- Business combination, etc.

Production, Orders & Sales

1. Production results per product-type

(millions of yen)

Product-type	Previous Period (Apr. 1, 2006 - Sep. 30, 2006)	Interim Period (Apr. 1, 2007 - Sep. 30, 2007)	FY 2007 (Apr.1, 2006-Mar.31, 2007)
Machinery for soil preparation	21,485	20,421	45,843
Cultivating machinery	7,037	7,435	15,187
Harvesting and processing machinery	18,172	13,411	30,246
Parts and farming implements	1,402	997	2,576
Agricultural machinery related	3,899	2,629	8,055
Others	1,131	1,097	2,263
Total	53,128	45,993	104,173

Note: Figures are shown in terms of sales values.

2. Orders

We operate a system whereby production is based mostly on projected demand. We hardly ever produce on order.

3. Sales results per product-type

(1) Total

(millions of yen)

Product-type	Previous Period (Apr. 1, 2006 - Sep. 30, 2006)		Interim Period (Apr. 1, 2007 - Sep. 30, 2007)		FY 2007 (Apr.1, 2006-Mar.31, 2007)	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
		%		%		%
Machinery for soil preparation	25,218	33.1	23,762	33.4	44,641	29.0
Cultivating machinery	6,917	9.1	8,135	11.4	11,755	7.7
Harvesting and processing machinery	9,747	12.8	7,279	10.2	29,671	19.3
Parts and farming implements	16,137	21.1	15,012	21.1	30,798	20.0
Agricultural machinery related	12,518	16.4	11,620	16.3	25,130	16.4
Others	5,701	7.5	5,388	7.6	11,732	7.6
Total	76,240	100	71,200	100	153,728	100

(2) Domestic

(millions of yen)

Product-type	Previous Period (Apr. 1, 2006 - Sep. 30, 2006)		Interim Period (Apr. 1, 2007 - Sep. 30, 2007)		FY 2007 (Apr.1, 2006-Mar.31, 2007)	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
		%		%		%
Machinery for soil preparation	18,078	26.8	16,393	26.5	29,389	21.8
Cultivating machinery	6,712	9.9	7,464	12.1	10,599	7.8
Harvesting and processing machinery	9,073	13.4	6,659	10.8	28,670	21.3
Parts and farming implements	15,632	23.1	14,514	23.5	29,788	22.1
Agricultural machinery related	12,466	18.5	11,447	18.5	24,864	18.4
Others	5,588	8.3	5,346	8.6	11,562	8.6
Total	67,550	100	61,825	100	134,875	100

(3) Overseas

(millions of yen)

Product-type	Previous Period (Apr. 1, 2006 - Sep. 30, 2006)		Interim Period (Apr. 1, 2007 - Sep. 30, 2007)		FY 2007 (Apr.1, 2006-Mar.31, 2007)	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
		%		%		%
Machinery for soil preparation	7,139	82.2	7,369	78.6	15,251	80.9
Cultivating machinery	204	2.3	671	7.2	1,155	6.1
Harvesting and processing machinery	674	7.8	620	6.6	1,000	5.3
Parts and farming implements	504	5.8	497	5.3	1,009	5.4
Agricultural machinery related	52	0.6	173	1.8	265	1.4
Others	112	1.3	42	0.5	169	0.9
Total	8,689	100	9,375	100	18,853	100

Non-Consolidated Interim Financial Statements

Non-Consolidated Interim Balance Sheets

(millions of yen)

Account	Previous Period (as at Sep. 30, 2006)		Interim Period (as at Sep. 30, 2007)		Change from Previous Period Amount	FY 2007 (as at Mar. 31, 2007)	
	Amount	Ratio	Amount	Ratio		Amount	Ratio
(Assets)		%		%			%
I Current Assets	67,724	50.2	61,389	50.7	(6,334)	67,863	52.2
Cash and time deposits	2,660		2,787		126	1,988	
Notes receivable	5,466		5,207		(258)	6,129	
Trade accounts receivables	27,016		20,337		(6,679)	24,364	
Inventories	15,039		15,167		128	15,930	
Short-term loans	15,942		16,639		696	16,974	
Others	1,638		1,280		(357)	2,516	
Allowance for doubtful accounts	(40)		(31)		9	(39)	
II Fixed Assets	67,153	49.8	59,590	49.3	(7,562)	62,190	47.8
1. Tangible fixed assets	33,966	25.2	34,678	28.7	711	34,449	26.5
Buildings and structures	3,119		3,202		83	3,330	
Machinery, equipment and vehicles	3,078		3,292		214	3,653	
Land	25,334		25,455		121	25,455	
Others	2,434		2,727		292	2,010	
2. Intangible fixed assets	622	0.5	503	0.4	(118)	576	0.4
3. Investments and other assets	32,564	24.1	24,408	20.2	(8,155)	27,165	20.9
Investment securities	8,744		6,315		(2,429)	8,607	
Stocks of affiliates	21,138		17,660		(3,477)	17,660	
Others	4,677		4,024		(652)	4,444	
Allowance for doubtful accounts	(1,996)		(2,637)		(641)	(2,592)	
Allowance for loss on investment	—		(954)		(954)	(954)	
Total Assets	134,877	100	120,980	100	(13,896)	130,054	100

Non-Consolidated Interim Balance Sheets

(millions of yen)

Account	Previous Period (as at Sep. 30, 2006)		Interim Period (as at Sep. 30, 2007)		Change from Previous Period	FY2007 (as at Mar.31, 2007)	
	Amount	Ratio	Amount	Ratio	Amount	Amount	Ratio
(Liabilities)		%		%			%
I Current Liabilities	52,531	39.0	42,355	35.0	(10,175)	47,568	36.6
Notes and accounts payable, trade	18,338		14,949		(3,389)	16,189	
Trade accounts payable	10,618		9,085		(1,533)	12,540	
Short-term borrowings	4,800		4,800		—	10,200	
Bonds (due within one year)	—		5,400		5,400	—	
Long-term debt (due within one year)	12,342		4,804		(7,537)	4,341	
Accrued income taxes	244		136		(107)	154	
Others	6,187		3,179		(3,008)	4,142	
II Long - term Liabilities	26,324	19.5	30,253	25.0	3,929	32,411	24.9
Bonds	7,795		2,395		(5,400)	7,795	
Long-term debt	6,203		17,497		11,293	13,031	
Deferred tax liability from land revaluation gain	7,595		7,595		—	7,595	
Accrued retirement benefits for employees	1,534		326		(1,207)	1,594	
Accrued directors' retirement benefits	204		220		16	228	
Allowance for loss on loan guarantee	43		38		(4)	40	
Others	2,949		2,180		(768)	2,125	
Total Liabilities	78,856	58.5	72,609	60.0	(6,246)	79,979	61.5
(Net Assets)							
I Shareholders' Equity	42,826	31.7	36,112	29.9	(6,713)	36,959	28.4
1 Common stock	22,784	16.9	22,784	18.8	—	22,784	17.5
2 Capital surplus	13,366	9.9	13,366	11.1	—	13,366	10.3
Additional paid-in capital	10,994		10,994		—	10,994	
Other capital surplus	2,371		2,371		—	2,371	
3 Retained earnings	6,835	5.0	127	0.1	(6,708)	971	0.7
Other retained earnings	6,835		127		(6,708)	971	
Retained earnings carried forward	6,835		127		(6,708)	971	
4 Treasury stock	(159)	(0.1)	(165)	(0.1)	(5)	(163)	(0.1)
II Difference of Appreciation and Conversion	13,194	9.8	12,258	10.1	(936)	13,115	10.1
1 Net unrealized holding gain on securities	2,667	2.0	1,731	1.4	(936)	2,588	2.0
2 Land revaluation reserve	10,527	7.8	10,527	8.7	—	10,527	8.1
Total Net Assets	56,021	41.5	48,371	40.0	(7,649)	50,075	38.5
Total Liabilities and Net Assets	134,877	100	120,980	100	(13,896)	130,054	100

Non-Consolidated Interim Statements of Income

(millions of yen)

Account	Previous Period (Apr.1, 2006 - Sep. 30, 2006)		Interim Period (Apr.1, 2007 - Sep. 30, 2007)		Change from Previous Period	FY2007 (Apr. 1, 2006- Mar.31, 2007)	
	Amount	Ratio	Amount	Ratio		Amount	Ratio
I Net sales	47,792	100	41,313	100	(6,478)	90,784	100
II Cost of sales	39,517	82.7	35,072	84.9	(4,445)	76,834	84.6
Gross Profit	8,274	17.3	6,241	15.1	(2,033)	13,950	15.4
III Selling, general and administrative expenses	6,654	13.9	6,083	14.7	(570)	13,205	14.6
Operating Income	1,620	3.4	157	0.4	(1,462)	744	0.8
IV Non-operating Income	1,165	2.4	1,258	3.0	93	2,575	2.8
Interest and dividend income	316		372		56	808	
Rent revenue	574		676		101	1,221	
Others	273		209		(64)	546	
V Non-operating Expenses	747	1.5	954	2.3	206	2,479	2.7
Interest expenses	254		272		18	486	
Expenses for lent assets	362		554		192	807	
Others	131		126		(4)	1,185	
Ordinary Income	2,038	4.3	462	1.1	(1,576)	841	0.9
VI Extraordinary Gains	296	0.6	1,014	2.5	717	495	0.5
Gain on sale and property, plant and equipment	22		24		1	29	
Gain on sale of investment securities	—		925		925	—	
Reversal of allowance for doubtful accounts	271		33		(238)	461	
Reversal of allowance for retirement benefits for directors	—		28		28	—	
Others	2		2		0	4	
VII Extraordinary Losses	1,007	2.1	1,263	3.1	256	6,296	6.9
Loss on sale of property, plant and equipment	32		50		18	102	
Evaluation loss on stocks of affiliates	374		—		(374)	3,853	
Evaluation loss on investment	244		101		(142)	244	
Transfer to allowance for loss on investment	—		—		—	954	
Transfer to allowance for doubtful accounts	356		69		(287)	1,142	
Special retirement benefit	—		900		900	—	
Cost for product recall	—		140		140	—	
Others	—		1		1	—	
Income before income taxes and minority interests	1,327	2.8	213	0.5	(1,114)	(4,959)	(5.5)
Income taxes	128	0.3	11	0.0	(117)	24	0.0
Income taxes, deferred	154	0.3	1,046	2.5	892	(165)	(0.2)
Net Income	1,044	2.2	(844)	(2.0)	(1,889)	(4,818)	(5.3)

Non-Consolidated Interim Statements of Changes in Net Assets

Previous fiscal year(Apr.1, 2006-Sep. 30, 2006)

(millions of yen)

	Shareholders' equity							
	Common stock	Capital surplus			Retained surplus			
		Additional pain-in capital	Other capital surplus	Total	Other retained earnings	Total	Treasury stock	Total shareholders' equity
Balance at end of year	22,784	10,994	2,371	13,366	6,468	6,468	(154)	42,465
Changes of items during the period								
Dividends from surplus	—	—	—	—	(677)	(677)	—	(677)
Net income	—	—	—	—	1,044	1,044	—	1,044
Purchases of treasury stock	—	—	—	—	—	—	(5)	(5)
Net changes of items other than shareholders' equity	—	—	—	—	—	—	—	—
Total changes of items during the period	—	—	—	—	367	367	(5)	361
Balance at end of interim period	22,784	10,994	2,371	13,366	6,835	6,835	(159)	42,826

	Difference of appreciation and conversion			Total net assets
	Net unrealized holding gain on securities	Land revaluation reserve	Total difference of appreciation and conversion	
Balance at end of year	2,883	10,527	13,410	55,875
Changes of items during the period				
Dividends from surplus	—	—	—	(677)
Net income	—	—	—	1,044
Purchases of treasury stock	—	—	—	(5)
Net changes of items other than shareholders' equity	(216)	—	(216)	(216)
Total changes of items during the period	(216)	—	(216)	145
Balance at end of interim period	2,667	10,527	13,194	56,021

Previous fiscal year(Apr.1, 2007-Sep. 30, 2007)

(millions of yen)

	Shareholders' equity							
	Common stock	Capital surplus			Retained surplus			
		Additional pain-in capital	Other capital surplus	Total	Other retained earnings	Total	Treasury stock	Total shareholders' equity
Balance at end of year	22,784	10,994	2,371	13,366	971	971	(163)	36,959
Changes of items during the period								
Net loss	—	—	—	—	(844)	(844)	—	(844)
Purchases of treasury stock	—	—	—	—	—	—	(2)	(2)
Net changes of items other than shareholders' equity	—	—	—	—	—	—	—	—
Total changes of items during the period	—	—	—	—	(844)	(844)	(2)	(846)
Balance at end of interim period	22,784	10,994	2,371	13,366	127	127	(165)	36,112

	Difference of appreciation and conversion			Total net assets
	Net unrealized holding gain on securities	Land revaluation reserve	Total difference of appreciation and conversion	
Balance at end of year	2,588	10,527	13,115	50,075
Changes of items during the period				
Net loss	—	—	—	(844)
Purchases of treasury stock	—	—	—	(2)
Net changes of items other than shareholders' equity	(856)	—	(856)	(856)
Total changes of items during the period	(856)	—	(856)	(1,703)
Balance at end of interim period	1,731	10,527	12,258	48,371

Previous fiscal year(Apr.1, 2006-Mar. 31, 2007)

(millions of yen)

	Shareholders' equity							
	Common stock	Capital surplus surplus			Retained surplus		Treasury stock	Total shareholders' equity
		Additional pain-in capital	Other capital surplus	Total	Other retained earnings	Total		
					Retained earnings carried forward			
Balance at end of year	22,784	10,994	2,371	13,366	6,468	6,468	(154)	42,465
Changes of items during the period								
Dividends from surplus	—	—	—	—	(677)	(677)	—	(677)
Net loss	—	—	—	—	(4,818)	(4,818)	—	(4,818)
Purchases of treasury stock	—	—	—	—	—	—	(8)	(8)
Net changes of items other than shareholders' equity	—	—	—	—	—	—	—	—
Total changes of items during the period	—	—	—	—	(5,496)	(5,496)	(8)	(5,505)
Balance at end of interim period	22,784	10,994	2,371	13,366	971	971	(163)	36,959

	Difference of appreciation and conversion			Total net assets
	Net unrealized holding gain on securities	Land revaluation reserve	Total difference of appreciation and conversion	
Balance at end of year	2,883	10,527	13,410	55,875
Changes of items during the period				
Dividends from surplus	—	—	—	(677)
Net loss	—	—	—	(4,818)
Purchases of treasury stock	—	—	—	(8)
Net changes of items other than shareholders' equity	(295)	—	(295)	(295)
Total changes of items during the period	(295)	—	(295)	(5,800)
Balance at end of interim period	2,588	10,527	13,115	50,075

Base of Interim Financial Statements

(1) Valuation basis and methods of important assets

(a) Securities

Held-to-maturity debt securities recorded at amortized cost

Other securities

- Securities with fair market value recorded at market value, based on the fair market price at the closing date of the consolidated interim reporting period.

(Any estimate variance is credited or debited to net assets)

- Securities without at fair market value ... recorded at cost, based on the moving-average method

(b). Depreciation methods for inventories

(1) Finished goods and parts for sales.....recorded at lower of cost or market method, based on periodic average method

(2) Raw materials and supplies..... recorded at cost, based on the moving-average method

(2) Depreciation methods for material depreciable assets

(a) Tangible fixed assets

a. Buildings.....declining balance method (a straight-line method is used for new buildings (not including building fixtures and furnishings) acquired on or after April 1, 1998.)

b. Tools.....straight-line method

c. Others.....declining balance method

(Changes in accounting policies)

In accordance with revised Corporate Tax Law (“Law No.6, March 30, 2007, Law to revise part of Income Tax Law etc.” and “Decree No.83, March 30, 2007, Decree to revise part of Enforcement Ordinance of Corporate Tax Law”), ISEKI and its consolidated domestic subsidiaries have changed to apply method based on the revised Corporate Tax Law starting from the consolidated interim accounting period under review with respect to tangible fixed assets acquired on and after April 1, 2007. The influence created by the change is negligible.

(Additional information)

In accordance with the revised Corporate Tax Law, with respect to tangible fixed assets acquired before March 31, 2007, ISEKI and its consolidated domestic subsidiaries depend on a method of equal depreciation in five years since the following year when such depreciation has reached allowable limit of depreciation.

As a result, operating income has been reduced by ¥25 million and ordinary income and interim net income before tax have been reduced by ¥180 million respectively compared with traditional method.

(b) Intangible fixed assets

Straight-line method is used .However, software for internal use is depreciated using the straight-line method over an expected useful life within the company of five years, while software for marketing is depreciated using the straight-line method over an expected marketable period of three years.

(3) Allowance and reserves

(a) 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.

(b) Allowance for loss on investments

Starting from the current fiscal year, allowance for investment loss has been newly appropriated in order to be prepared for investment loss to affiliated companies.

- (c) Accrued retirement benefits for employees
Accrued retirement benefits for employees is recorded as at the end of the current fiscal year, and is principally based on the amounts for the obligation for employees' retirement benefits and pension plan assets. Disparities arising out of changes to accounting standards are expensed pro rata over 15 years. Past service liabilities are amortized using the straight-line method over the average of the estimated remaining years of service. Actuarial differences are amortized using the straight-line method over the average of the estimated remaining years of service, with the first expense being recognized in the following the end of the current fiscal year
- (d) Accrued directors' retirement benefits
The Company and some of the consolidated subsidiaries record an accrued directors' retirement benefits in an amount as required by companies' internal regulations to be prepared for payment of directors retirement benefits.
- (e) Allowance for loss on guarantees
In order to be prepared for loan guarantee loss, an estimated amount of loan loss is appropriated in consideration of the financial situation etc. of the insured.
- (4) Foreign currency translation
Monetary assets and liabilities in foreign currencies are translated into yen at the rates of exchange in effect at the interim balance sheet date. Gains or losses resulting from translation are credited or charged to income.
- (5) Leases
Finance leases, other than those leases which transfer the ownership of the assets to the lessee, are accounted for based on the regular treatment of operating leases.
- (6) Hedge accounting
 - (a) Hedge accounting
Recorded in accordance with deferred hedge accounting. Such 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
 - (i) Hedging instruments
Forward exchange contracts
 - (ii) Hedged items
Receivables and payables denominated in foreign currencies and borrowings
 - (c) Hedging policies
Forward exchange contracts are entered into in order to hedge the risks associated with fluctuations in foreign currencies exchange rates and interest rates.
- (7) Other notes pertaining to the preparation of the Consolidated Interim Financial Statements
Accounting treatment of consumption tax
Consumption tax and local consumption taxes are accounted for using a tax-exclusive method.

Notes

(Non-Consolidated Interim Balance Sheet information)

	Previous Period	Interim Period	FY 2007
1. Accumulated depreciation of tangible fixed assets	53,458 million yen	53,364 million yen	53,317 million yen
2. Guaranteed liabilities (Including loan guarantees)	25,933 million yen 303 million yen	23,003 million yen 237 million yen	22,737 million yen 270 million yen
3. Matured notes as of the end of the consolidated interim period			

The last day of the interim period just ended coincidentally fell on a holiday for financial institutions, so the recording of matured notes was made on an assumption that the settlements were made as of the date of maturity. Following are outstanding matured notes as of the end of the consolidated interim period.

	Previous	Interim Period	FY2007
• Notes receivable	42 million yen	9 million yen	— million yen
• Notes payable	1,969 million yen	1,778 million yen	1,711 million yen
• Notes payable for equipment	131 million yen	102 million yen	162 million yen

	Previous Period	Interim Period	FY2007
1. Depreciation and amortization			
Property	457 million yen	679 million yen	981 million yen
Intangible assets	98 million yen	94 million yen	207 million yen

(Non-Consolidated Interim Statements of changes in Net Assets)

Interim Period (Apr. 1, 2006-Sep. 30, 2006)

Matters concerning the classes and number of outstanding stock and classes and number of treasury stock.

	Number of shares (as of Mar. 31, 2006)	Increase in number of shares during period	Decrease in number of shares during period	Number of shares (as of Sep.30, 2006)
(Treasury stock)				
Common stock	666,946	12,802	—	679,748

Increase in the number of shares, 12,802 shares during the interim period that just ended was by purchasing of shares

Interim Period (Apr. 1, 2007-Sep. 30, 2007)

Matters concerning the classes and number of outstanding stock and classes and number of treasury stock.

	Number of shares (as of Mar. 31, 2007)	Increase in number of shares during period	Decrease in number of shares during period	Number of shares (as of Sep.30, 2007)
(Treasury stock)				
Common stock	690,113	10,015	—	700,128

Increase in the number of shares, 10,015 shares during the interim period that just ended was by purchasing of shares below stock trading unit.

Previous Period (Apr. 1, 2006-Mar. 31, 2007)

Matters concerning the classes and number of outstanding stock and classes and number of treasury stock.

	Number of shares (as of Mar. 31, 2006)	Increase in number of shares during period	Decrease in number of shares during period	Number of shares (as of Mar.31, 2007)
(Treasury stock)				
Common stock	666,946	23,167	—	690,113

Increase in the number of shares, 23,167 shares during the interim period that just ended was by purchasing of shares below stock trading unit.

(Important post-balance sheet events)

On October 5, 2007, we redeemed yen denominated zero coupon CB type warrant bond maturing on October 5, 2009 by exercise of purchasing right by bond holders.

Redemption of the bond

1. Balance of aggregate face value before redemption	6,795 million yen
2. Amount of redemption	5,400 million yen
3. Aggregate face value after redemption	1,395 million yen