

**Summary Announcement of Consolidated Financial Statements  
for the six months ending September 30, 2004**

November 18, 2004

Name of listed company: Iseki & Co., Ltd. Stock Exchange Listings: Tokyo, Osaka  
 Company Code: 6310 (URL <http://www.iseki.co.jp>) Head Office: Tokyo  
 Representative: Title President Name Hiroyuki Nakano  
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 Date of meeting of Board of Directors to approve financial results: November 18, 2004  
 Adoption of U.S. GAAP: None

1. Consolidated Financial Results for the six months ending September 30, 2004 (April 1, 2004 - September 30, 2004)

(1) Consolidated results of operations (Rounded down to millions of yen)

	Net Sales		Operating Income		Ordinary Income	
	millions of yen	%	millions of yen	%	millions of yen	%
September 30, 2004	76,578	2.9	2,838	11.0	2,592	34.4
September 30, 2003	74,391	0.1	2,556	18.1	1,929	49.9
March 31, 2004	153,624		6,373		5,092	

	Net Income		Net Income per share		Fully diluted net income per share	
	millions of yen	%	yen		yen	
September 30, 2004	2,001	24.9	9.16		-	
September 30, 2003	1,602	59.8	7.25		-	
March 31, 2004	3,077		13.90		-	

Notes: ① Investment Gain (loss) by equity method: Six months ended September 30, 2004: - million yen  
 Six months ended September 30, 2003: - million yen  
 Year ended March 31, 2004: - million yen

② Average number of shares outstanding (consolidated): Six months ended September 30, 2004: 218,578,559 shares  
 Six months ended September 30, 2003: 221,088,774 shares  
 Year ended March 31, 2004: 221,423,508 shares

③ Changes in accounting policies: None

④ Changes (%) in net sales, operating income, ordinary income and net income for the period represent the increase or decrease relative to the same period of the previous year.

(2) Consolidated Financial Position

	Total Assets	Total Shareholders' Equity	Shareholders' Equity to Assets Ratio	Shareholders' Equity per share
	millions of yen	millions of yen	%	yen
September 30, 2004	190,599	50,695	26.6	231.91
September 30, 2003	217,864	48,683	22.3	218.80
March 31, 2004	197,156	49,576	25.1	226.85

Note: Number of shares outstanding (consolidated) at: September 30, 2004: 218,593,641 shares  
 September 30, 2003: 222,501,919 shares  
 March 31, 2004: 218,546,196 shares

(3) Consolidated Cash Flow

	Cash Flow from			Cash/cash equivalents at end of period
	Operating Activities	Investing Activities	Financing Activities	
	millions of yen	millions of yen	millions of yen	millions of yen
September 30, 2004	5,332	10,474	△ 5,659	10,515
September 30, 2003	3,327	188	1,771	18,210
March 31, 2004	12,368	5,633	26,639	11,029

(4) Note concerning the scope of consolidation and application of the equity method

Number of consolidated subsidiaries: 36

Number of non-consolidated subsidiaries accounted for by the equity method: -

Number of affiliates companies accounted for by the equity method: -

(5) Changes in scope of consolidation and application of the equity method

Number of consolidated subsidiaries added: -, exclusion: -

Number of companies commenced using equity method added: -, exclusion: -

2. Forecast for the Fiscal Year Ending March 31, 2005 Operating Results (April 1, 2004 - March 31, 2005)

	Net Sales	Operating Income	Ordinary Income	Net Income
	millions of yen	millions of yen	millions of yen	millions of yen
Annual	160,000	7,800	6,500	3,500

Note: The estimated net income per share for the year is ¥16.01.

Cautionary Statement: The above forecasts were based on information that was available as of the day of this announcement and on assumptions made as of the same day regarding a number of uncertainties that could affect future financial performance. Actual results could differ considerably depending on a variety of factors hereafter.

**The Iseki Group**

The main business of the Iseki Group is the development, manufacture and sale of agricultural machinery for rice and vegetable farming. We also manufacture testing equipment and are currently developing our sales and service as well as other business activities. Below is a diagrammatic representation of the Iseki Group.

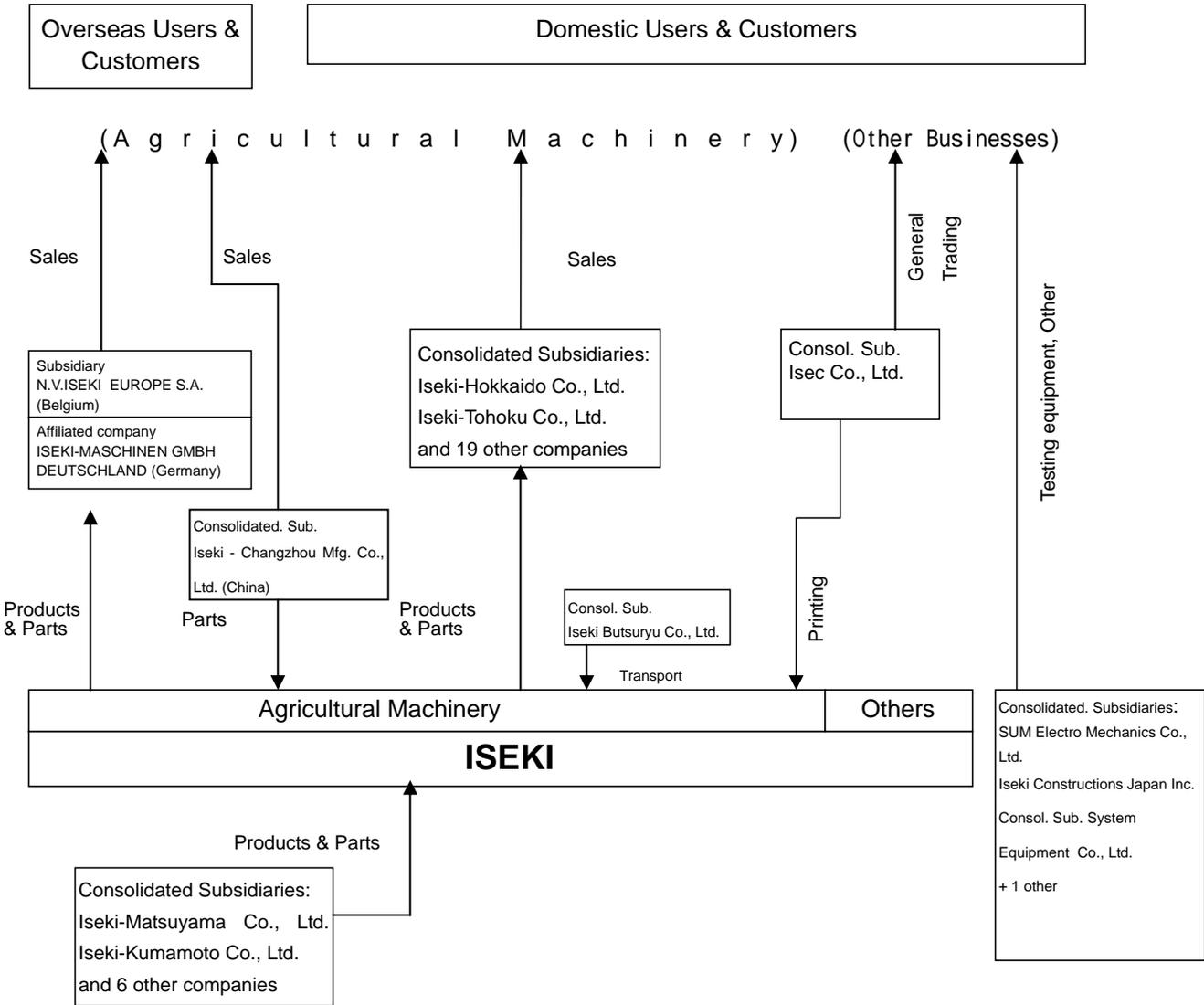
(Agricultural Machinery)

Six companies, including Iseki-Matsuyama Mfg. Co., Ltd. and Iseki-Kumamoto Mfg. Co., Ltd. conduct our manufacturing activities, and 21 domestic sales companies market and sell the machinery across the country. Isec Co., Ltd. is mainly responsible for printing brochures' of Iseki products.

(Other businesses)

SUM Electro Mechanics Co., Ltd. is responsible for the manufacture and sale of testing equipment, and System Equipment Co., Ltd. for information processing services.

Following is a schematic diagram of the Iseki Group.



## **Iseki's Management Policies**

### **1. Iseki's Basic Management Principles**

Since its foundation 80 years ago, ISEKI has contributed to the modernization of Japan's agricultural industry as a full-line manufacturer specializing in farming machinery. During this time, we have consistently pursued efficient and laborsaving advances in agriculture, and have served the market by pioneering the development of a great deal of agricultural machinery.

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

ISEKI will continue to operate under our basic business philosophy to deliver products that satisfy consumer demand so that we can contribute to agriculture, both in Japan and throughout the world. To reach this goal, our highest priority objectives are "to promote our brand name products, to improve quality, to accelerate cost-cutting measures and to strengthen our service". We are aiming for a corporate culture that can maintain a stable operating performance and will continue our efforts to reform our profit structure.

### **2. Our Policy on Profit Distribution**

At Iseki, we recognize that the determination of dividends to shareholders is one of the most important policies to be made. Our basic policy is to take into consideration, not just consolidated financial results, but also our Group's financial position and future business movements, before settling on a sustainable and steady dividend distribution.

### **3. Three - year Plan Management Strategies & Issues to be Addressed**

#### **(1) Three - year Plan Management Strategies**

Iseki has drawn up a Three-year Interim Business Plan to start in FY 2003. The management targets for FY 2005 and the basic strategies to achieve these targets are set out below. The strategies for the Group are currently being implemented.

#### 1) Strategic Targets (FY 2005)

- (i) Operating income of ¥10.0 billion
- (ii) Reduce interest-bearing liabilities to a balance in the ¥60.0billion bracket

#### 2) Basic Strategy

By focusing on the following four strategies and achieving the Three-year Business Plan we aim to "expand business worth".

- (i) Enhance and expand sales overseas
- (ii) Secure a 20% share of the domestic market for agricultural equipment by intensifying our commitment to sales and marketing
- (iii) Further bolster our capability to develop new products which capitalize on our strength as a manufacturer specializing in agricultural equipment
- (iv) Build a "low cost structure" by reforming our consolidated revenue structure

#### 3) Strategies and policies for each market

##### (i) Overseas markets

Iseki is progressing well with its plan to open up overseas markets, and is aiming to increase product sales by 50% (by FY 2005 achieve sales of ¥15.5 billion, an increase of 50% on FY 2002). To reach this target we are proceeding with such strategies as: increasing price competitiveness of tractors aimed at the North American market; expanding sales in the European market; tractor sales in the Southeast Asian markets; and the opening up of the Chinese market.

##### (ii) Domestic market

With a focus on expanding our sales of heavy agricultural machinery and machinery that assists in the cultivation of vegetables, we are aiming to secure a 20% share in the domestic market by stepping up direct sales and bolstering efforts aimed at large-scale farming.

We are also aiming to expand sales of non-machinery businesses and equipment (hydroponics facilities, coin-operated rice-polisher operations, servicing and repairs, and agricultural materials).

(iii) Increase capability to develop new products

We are continuing to develop products that accurately meet our clients' needs, and are planning for sweeping cost reductions. As a strategy for this, we are proceeding to: reduce the costs of new products; increase overseas procurement; and build on manufacturing operations in our Chinese manufacturing site; as well as reducing the number of models and lead times.

(iv) Promotion of reforms to consolidated revenue structure

We are aiming to reform the consolidated revenue structure, bolster the financial position of the group, and we are building a corporate culture that has a low cost structure. To achieve our target of reducing total costs by 30%, we are proceeding with our strategies of: reducing stock inventories; reducing the balance of interest-bearing liabilities; reforming the revenue structure of our sales subsidiaries.

4) Financial strategies & capital measures

(i) Reduction of interest-bearing liabilities

Through revenue structure reforms, we are progressing toward our objectives of: a book value to price ratio of approximately 1; a cash flow to price ratio of approximately 8; and a reduction in interest-bearing liabilities outstanding at the end of FY 2005 to a balance in the ¥60.0 billion bracket.

Due to the proceeds from the June 2004 devolution of the credit business operations being used to fund the repayment of borrowings, the balance of interest-bearing liabilities at the end of this half year was ¥73.2 billion, down ¥32.8 billion compared to the same time last year. We are moving toward reaching the medium term target balance one year ahead of schedule, and should be on target to reach ¥62.0 billion by the end of this fiscal period.

(ii) Purchase of treasury stock

As part of the 3-year Business Plan, Iseki has implemented an ongoing purchase plan with the aim of buying back a total of 20 million shares for approximately ¥2.5 billion. The number of treasury stock at the end of this half year period was 6.34 million shares.

## **(2) Issues to be addressed**

It is recognized that these harsh economic times will continue for some time, and it is because of this climate that Iseki is striving to accelerate the profit structure reforms across the whole Iseki Group and across all business operations. We are developing a low cost structure and aiming to strengthen our consolidated financial position. We are committed to improving customer satisfaction and are undertaking to expand and maintain sales by offering products that are inexpensive and of high quality. We are working to secure stable profits, and we are devoting our full efforts to strengthening our business platform.

Following are the major issues we need to address.

- (i) We are striving to meet our customers' diverse needs. Iseki is aiming to drastically cut costs, strengthen our price competitiveness and increase our market share.
- (ii) On the export front, we will continue to launch new products mainly in the North American and European markets in order to bolster our sales platform, and in regions such as China and Southeast Asia, we will work to open up new markets and expand our sales.
- (iii) We plan to manage the Group's capital and assets more effectively. We aim to improve earnings by cutting our trading stock further, cutting the balance of our interest-bearing liabilities, and radically cutting our fixed costs.

One of the important issues that management needs to work to resolve is in the area of the environment. We will increase our efforts in tackling the issues of resource saving, energy saving, recycling, gas emissions and noise.

In May 2003, the Committee on Environment was established with the President serving as Chairman. In May 2004, the Committee issued its first edition of the "Environment Report", and then in August 2004 the 2004 edition was issued.

#### **4. Our Basic Philosophy on Corporate Governance and Measures Implemented**

Iseki is responding quickly and accurately to the changes in the business environment. We operate under a management system whose primary purpose is the maintenance of a fair and equitable management. We believe that a critical issue for management is the improvement of a stable shareholder value. To achieve this, we will both build good relationships with our stakeholders, including our shareholders, private customers, trading customers, the local community and our employees; and we will take various measures to enrich our corporate governance.

##### **1) Executive Management System**

The Board of Directors, consisting of ten directors and four permanent Auditors (including three external auditors), reviews Iseki's operations. The Management Committee is made up of the ten directors as well as specially appointed executive officers. This Committee meets to make decisions concerning the business and affairs of the Group, and to make decisions on the various policies relating to business development. Decisions are reported to the Board of Directors.

The five executive officers are placed in charge of operations at each of the places of business, and administer operations with swift and appropriate decisions.

##### **2) Audit System**

The corporate auditors, who act as our financial auditors, have no invested interest in Iseki. Iseki and the corporate auditors enter into an audit contract for audits according to the Commercial Code and the Securities Exchange Law, and compensation is paid to the auditors based on this contract. The corporate auditors and our internal Auditors hold regular meetings and exchange information.

##### **3) Compliance**

An Ethics Committee consisting of all Directors and all Auditors will be established and compliance-related activities will be carried out, based on the Ethics Code. These orders will be made known to all by the distribution of a booklet entitled "The Iseki Group Code of Conduct". The Auditors carry out audits on each program and on each business group. Based on the various ordinances, regulations and rules, the Auditors shall confirm that business operations are performing normally, and issue instructions where necessary. An Audit Office has been set up for internal auditing. Based on the "Internal Audit Regulations", the Audit Office will audit the accuracy of daily business operations, and the reasonableness and effectiveness of the management of affiliated companies as well as the internal business groups.

##### **4) Information Disclosure**

To ensure the transparency of management, we have been working for the proactive disclosure of information. As a matter of course, we are striving for the responsible disclosure of corporate information, such as management strategies and business activities, but also the timely disclosure for our shareholders and investors. During this fiscal period, we commenced the reporting of quarterly financial results and overseas Investor Relations activities. Also, in August this year, we issued the "Intellectual Property Report", and have disclosed information on our research and development activities and intellectual property enhancement. We should continue to deepen and broaden our Investor Relations activities and will raise the level of one more notch.

## **Management Performance & Financial Position**

### **1. Management Performance**

#### **(1) The Interim Fiscal Period in Review**

The Japanese economy in this interim fiscal period has seen a growth in exports, an increase in capital expenditure and an improvement to corporate profits, led by business conditions shifting onto tracks of mild recovery. Despite consumer spending showing signs of recovery, there is still uncertainty about the future amid fears of a deflationary spiral brought on by steep rises in the price of materials and the price of crude oil, as well as the continued appreciation of the yen.

Meanwhile, the climate that grips agriculture is expected to shift exponentially, affected by both structural problems, such as dwindling numbers of farm houses and the polarization of farm sizes, on top of the return of the “New Foods, Agriculture and Farming Village Plan” verdict in August 2004, which will see the beginning of a review into the stabilization of farm management as well as other specific measures take place from now on. Against this backdrop, the demand for agricultural machinery has moved on par to previous years.

The Iseki Group has broadened its line of new products that meet the diverse needs of the customers, and has strived to expand sales both domestically and overseas.

As a result, domestic sales rose ¥1.0 billion on the same period last year to ¥70.0 billion (up 1.5%) and overseas sales, especially in North America, rose ¥1.2 billion on the same period last year to ¥6.6 billion (up 21.6%). Overall, total sales were up ¥2.2 billion on the same period last year to be at ¥76.6 billion (up 2.9%). Operating income reached ¥2.838 billion, an increase of ¥0.281 billion (up 11.0%) on the same period last year, due to both an increased profit owing to increased revenue, and an improvement in cost percentages owing to cost reductions. Ordinary income shot to ¥2.592 billion, up ¥0.663 billion (up 34.4%) on the same period last year, driven by a decrease in interest expenses, which was the result of a decrease in interest-bearing liabilities. Net income soared to ¥2.001 billion, up ¥0.398 billion (up 24.9%) due to the recording of ¥0.6 billion of proceeds from the devolution of the credit business operations.

#### **(2) Sales by Product**

##### **1) Domestic**

As a result of favorable demand for the GEAS-AT series, which underwent its first complete update in ten years, sales of machinery for soil preparation (tractors, cultivators, etc) rose by ¥1.3 billion (up 7.6%) on the same period last year to be at ¥18.4 billion. Sales of cultivating machinery (rice transplanters, vegetable transplanters, etc) were at ¥7.8 billion (down 1.6%). Despite securing sales of the flagship combine harvesters at similar levels to the same period last year, due to a decrease in sales of driers, etc, overall sales of rice dryers and processing machinery was down ¥0.3 billion on the same period last year to be at ¥10.1 billion (down 3.0%). Sales of spare parts and farming implements were at ¥15.9 billion (unchanged from the same period last year). Sales of agricultural facilities and other agriculture-related items was ¥12.4 billion (up 2.6% on the same period last year), and other sales reached ¥5.4 billion (down 3.0% on the same period last year).

##### **2) Overseas**

Sales of machinery for soil preparation rose ¥1.2 billion on the same period last year, to be at ¥5.5 billion (up 28.0%). New model tractors and the sub-compact GC Series tractor extended their sales in the North American markets, as did the new model tractor released this year in the European markets. Sales of harvesting and processing machinery were at ¥0.5 billion (up 184.1% on the same period last year), thanks to an increase in sales of the large-scale combine harvesters targeted at the South Korean market.

### **(3) Progress of the 3-year Business Plan**

#### **1) Strengthening and Expanding Sales Overseas**

Proceeds from product sales overseas were ¥0.2 billion above target at ¥6.0 billion (up ¥1.5 billion on the same period last year). In North America, sales were on target at ¥3.3 billion (up ¥1.0 billion on the same period last year), strengthened by an increase in sales of the new model tractor and the GC Series tractors. In Europe, sales were ¥0.2 billion above target at ¥2.1 billion (up ¥0.3 billion on the same period last year), strengthened by an increase in sales of the new model tractor released earlier this year. In Asia, sales were on target at ¥0.5 billion (up ¥0.2 billion on the same period last year), strengthened by an increase in sales of the large-scale combine harvesters targeted at the South Korean market.

In conjunction with the commencement of the trial marketing of combine harvesters in the Chinese market this August, we will bolster our sales platforms in the Asian region, in a move toward achieving our 3-year Business Plan targets.

#### **2) Domestic Market**

Proceeds from sales of agricultural machinery were marginally down on target, at ¥36.3 billion (up ¥0.9 billion on the same period last year). The expansion of sales of non-machinery businesses (hydroponics facilities, coin-operated rice-polisher operations, servicing and repairs, and agricultural materials) was virtually right on track. This fiscal period, we are running the Group's "80th Anniversary Campaign" to bolster sales with a focus on new products.

#### **3) Increase capability to develop new products**

The GEAS-AT tractors, which were released this June, are equipped with an automatic shift function which operates just by pressing on the accelerator, as well as a function which remembers tasks and automatically changes gears. The tractors have been highly regarded by our customers, and orders have exceeded targets.

The reduction of costs for new products has had good results, with targets being surpassed thanks to an increase in sales of the GEAS-AT tractors.

Actual progress on the cut to numbers of models is generally along the lines of this fiscal period's plan of 9% (compared to numbers at the end of the previous reporting period).

As far as reducing lead times to the target of within 15 days, we expect to achieve this by the end of this fiscal period.

### **(4) Forecast for the Fiscal Year Ending March 31, 2005**

It is expected that Japan's economic climate will continue to be unpredictable, amid fears of appreciating prices of materials and crude oil. Against this economic backdrop, Iseki will strive to secure a stable profit and to strengthen its business base.

The forecast for the full year operating results are as previously announced: net sales of ¥160.0 billion, operating income of ¥7.8 billion, ordinary income of ¥6.5 billion, and net income of ¥3.5 billion.

## 2. Financial Position

### (1) The Interim Fiscal Period in Review

Cash flows from operating activities for interim fiscal period result in net expenditure due to the seasonality of Iseki's businesses. The result for the current interim fiscal period was expenditure of ¥5.3 billion (an increase in expenditure of ¥2.0 billion compared to the same period last year) and was driven by an increase in notes and accounts receivable attached to the increase in sales.

Cash flows from investing activities resulted in net revenue of ¥10.5 billion (an increase in revenue of ¥10.3 billion compared to the same period last year) and was mostly due to proceeds of ¥10.6 billion from the devolution of the credit services business.

Cash flows from financing activities resulted in net expenditure of ¥5.7 billion (an increase in expenditure of ¥7.4 billion compared to the same period last year) and was mostly driven by an outlay of ¥5.0 billion for the repayment of debt.

The trend of cash flow indicators is as follows.

Indicator	Mar 31, 2002	Mar 31, 2003	Sep 30, 2003	Mar 31, 2004	Sep 30, 2004
Equity ratio (%)	19.5	21.6	22.3	25.1	26.6
Market-based equity ratio (%)	6.2	9.5	20.6	34.3	29.2
Years until debt redeemed (years)	8.1	8.3	—	6.3	—
Interest coverage ratio	5.9	5.5	—	7.0	—

- Equity ratio: Shareholders' equity / Total assets
- Market-based equity ratio: Total market price of shares / Total assets
- Years until debt recovered: Interest-bearing liabilities / Operating 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 the product of the closing share price at the end of the interim fiscal (full fiscal) period and the total number of shares outstanding (less treasury stocks) at the end of the interim fiscal (full fiscal) 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. Years until debt redeemed and Interest coverage ratio for this interim fiscal period have not been recorded as the cash flow from operating activities is negative.

### (2) Forecast for the Fiscal Year Ending March 31, 2005

The full year cash flow from operating activities is expected to be net revenue of approximately ¥6.0 billion, helped by a reduction in carried inventories. The cash flow from investing activities is expected to be net revenue in the order of ¥10.0 billion, driven by the proceeds from the devolution of the credit services business. The cash flow from financing activities is forecast at net expenditure of ¥17.5 billion, as part of ongoing plans for the repayment of interest-bearing debt. In October 2004, Iseki issued ¥10.0 billion of zero-coupon yen-based convertible bond type notes with share acquisition rights. It is planned that the funds raised will be appropriated to capital expenditure as well as to the repayment of borrowings and debts of Iseki and the Group's subsidiaries.

The forecasts for future results and target figures produced by Iseki & Co.,Ltd., were available of the day of this announcement and or assumptions made as of the same day regarding a number of latent risks and uncertainties that could affect future financial performance. Actual results could differ considerably depending or economic conditions, market trends and future conditions for business operations hereafter.

## Consolidated Interim Financial Statements

### Consolidated Interim Balance Sheets

(millions of yen)

Account	Current Period as at Sep 30, 2004		Previous Period as at Sep 30, 2003		Change from previous period	Previous Period as at Mar 31, 2004	
	Amount	Ratio	Amount	Ratio	Amount	Amount	Ratio
(Assets)		%		%			%
<b>I Current Assets</b>	<b>99,006</b>	<b>51.9</b>	<b>125,201</b>	<b>57.5</b>	<b>Δ 26,195</b>	<b>104,239</b>	<b>52.9</b>
Cash and time deposits	11,601		27,798		Δ 16,196	13,465	
Notes and accounts receivable	44,113		39,093		5,019	33,818	
Installment accounts receivable	1,009		15,392		Δ 14,382	13,091	
Inventories	38,174		38,774		Δ 599	38,921	
Others	4,800		4,854		Δ 53	5,699	
Allowance for doubtful accounts	Δ 694		Δ 712		18	Δ 757	
<b>II Property, plant and equipment</b>	<b>91,593</b>	<b>48.1</b>	<b>92,663</b>	<b>42.5</b>	<b>Δ 1,070</b>	<b>92,916</b>	<b>47.1</b>
<b>1. Tangible fixed assets</b>	<b>79,185</b>	<b>41.6</b>	<b>80,546</b>	<b>37.0</b>	<b>Δ 1,360</b>	<b>79,805</b>	<b>40.5</b>
Buildings and structures	15,222		15,715		Δ 492	15,516	
Machinery, equipment and vehicles	8,529		9,735		Δ 1,205	9,335	
Land	50,390		50,321		68	50,399	
Others	5,042		4,774		268	4,552	
<b>2. Intangible fixed assets</b>	<b>1,119</b>	<b>0.6</b>	<b>1,156</b>	<b>0.5</b>	<b>Δ 36</b>	<b>1,058</b>	<b>0.5</b>
<b>3. Investment and other assets</b>	<b>11,287</b>	<b>5.9</b>	<b>10,960</b>	<b>5.0</b>	<b>327</b>	<b>12,052</b>	<b>6.1</b>
Investment securities	7,077		6,739		338	7,699	
Others	4,633		4,699		Δ 66	5,130	
Allowance for doubtful accounts	Δ 422		Δ 478		55	Δ 777	
<b>Total Assets</b>	<b>190,599</b>	<b>100</b>	<b>217,864</b>	<b>100</b>	<b>Δ 27,265</b>	<b>197,156</b>	<b>100</b>

**Consolidated Interim Balance Sheets**

(millions of yen)

Account	Current Period as at Sep 30, 2004		Previous Period as at Sep 30, 2003		Change from previous period	Previous Period as at Mar 31, 2004	
	Amount	Ratio	Amount	Ratio	Amount	Amount	Ratio
(Liabilities)		%		%			%
<b>I Current liabilities</b>	<b>97,361</b>	<b>51.1</b>	<b>135,574</b>	<b>62.2</b>	<b>Δ 38,212</b>	<b>102,196</b>	<b>51.8</b>
Notes and accounts payable, trade	38,463		35,687		2,776	39,937	
Short-term borrowings	38,813		79,695		Δ 40,881	39,337	
Bonds (due within one year)	40		—		40	40	
Long-term debt (due within one year)	8,376		8,839		Δ 463	10,499	
Accrued income taxes	1,138		1,183		Δ 44	1,750	
Others	10,528		10,168		360	10,631	
<b>II Long - term liabilities</b>	<b>41,069</b>	<b>21.5</b>	<b>32,184</b>	<b>14.8</b>	<b>8,884</b>	<b>43,924</b>	<b>22.3</b>
Bonds	460		220		240	480	
Long-term debt	25,391		16,591		8,800	27,739	
Deferred tax liability from revaluation gain	7,131		7,131		—	7,131	
Accrued for employees' retirement benefits	4,631		4,705		Δ 73	4,821	
Accrued for directors' retirement benefits	211		234		Δ 23	226	
Others	3,243		3,301		Δ 57	3,525	
<b>Total Liabilities</b>	<b>138,430</b>	<b>72.6</b>	<b>167,758</b>	<b>77.0</b>	<b>Δ 29,328</b>	<b>146,121</b>	<b>74.1</b>
(Minority interests in consolidated subsidiaries)							
Minority interests in consolidated subsidiaries	1,473	0.8	1,422	0.7	51	1,458	0.8
(Shareholders' Equity)							
I Common stock	22,534	11.8	22,534	10.3	—	22,534	11.4
II Capital surplus	11,650	6.1	11,599	5.3	51	11,645	5.9
III Retained earnings	5,865	3.1	3,045	1.4	2,820	4,519	2.3
IV Land revaluation reserve	10,696	5.6	10,696	4.9	—	10,696	5.4
V Net unrealized holding gain on securities	1,345	0.7	996	0.5	348	1,584	0.8
VI Foreign currency translation adjustments	Δ 5	Δ 0.0	—	—	Δ 5	Δ 7	Δ 0.0
VII Treasury stock	Δ 1,392	Δ 0.7	Δ 189	Δ 0.1	Δ 1,203	Δ 1,395	Δ 0.7
<b>Total Shareholders' Equity</b>	<b>50,695</b>	<b>26.6</b>	<b>48,683</b>	<b>22.3</b>	<b>2,011</b>	<b>49,576</b>	<b>25.1</b>
<b>Total liabilities, minority interests and shareholders' equity</b>	<b>190,599</b>	<b>100</b>	<b>217,864</b>	<b>100</b>	<b>Δ 27,265</b>	<b>197,156</b>	<b>100</b>

**Consolidated Interim Statements of Income**

(millions of yen)

Account	Current Period		Previous Period		Change from previous period	Previous Period	
	Apr 1, 2004 - Sep 30, 2004		Apr 1, 2003 - Sep 30, 2003			Apr 1, 2003 - Mar 31, 2004	
	Amount	Ratio	Amount	Ratio	Amount	Amount	Ratio
I Net sales	76,578	100	74,391	100	2,187	153,624	100
II Cost of sales	51,429	67.2	50,187	67.5	1,242	103,100	67.1
<b>Gross Profit</b>	<b>25,148</b>	<b>32.8</b>	<b>24,203</b>	<b>32.5</b>	<b>945</b>	<b>50,523</b>	<b>32.9</b>
III Selling, general and administrative expenses	22,310	29.1	21,646	29.1	663	44,149	28.8
<b>Operating Income</b>	<b>2,838</b>	<b>3.7</b>	<b>2,556</b>	<b>3.4</b>	<b>281</b>	<b>6,373</b>	<b>4.1</b>
IV Non-operating income	673	0.9	481	0.7	192	1,177	0.8
Interest and dividend income	145		97		47	253	
Others	528		383		144	924	
V Non-operating expenses	919	1.2	1,108	1.5	△ 189	2,459	1.6
Interest expenses	744		937		△ 193	1,749	
Others	174		170		4	709	
<b>Ordinary Income</b>	<b>2,592</b>	<b>3.4</b>	<b>1,929</b>	<b>2.6</b>	<b>663</b>	<b>5,092</b>	<b>3.3</b>
VI Extraordinary gains	856	1.1	536	0.7	320	553	0.4
Gain on sale or disposal of property, plant and equipment, net	32		36		△ 4	54	
Gain on sale of investment securities	211		62		149	62	
Gain on sale of credit business	612		—		612	—	
Gain on sale of leasing business	—		341		△ 341	341	
Gain on insurance claim	—		94		△ 94	94	
VII Extraordinary losses	249	0.3	372	0.5	△ 123	1,400	0.9
Loss on sale or disposal of property, plant and equipment, net	117		88		29	473	
Transfer to allowance for doubtful accounts	—		236		△ 236	566	
Write-down of property for sale	—		—		—	245	
Others	131		47		84	113	
<b>Income before income taxes and minority interests</b>	<b>3,199</b>	<b>4.2</b>	<b>2,093</b>	<b>2.8</b>	<b>1,106</b>	<b>4,245</b>	<b>2.8</b>
Income taxes,current	1,020	1.4	1,248	1.7	△ 228	2,298	1.5
Income taxes,deferred	166	0.2	△ 781	△ 1.1	947	△ 1,188	△ 0.8
Minority interests in consolidated subsidiaries	12	0.0	23	0.0	△ 11	58	0.1
<b>Net Income</b>	<b>2,001</b>	<b>2.6</b>	<b>1,602</b>	<b>2.2</b>	<b>398</b>	<b>3,077</b>	<b>2.0</b>

**Consolidated Interim Statements of Income and Retained Earnings**

(millions of yen)

Account	Current Period Apr 1, 2004 - Sep 30, 2004	Previous Period Apr 1, 2003 - Sep 30, 2003	Change from previous period	Previous Period Apr 1, 2003 - Mar 31, 2004
<b>(Capital Surplus)</b>				
I Balance of capital surplus at beginning of the year	11,645	11,599	45	11,599
II Increase in capital surplus	5	0	5	45
Gain on disposition of treasury stock	5	0	5	45
III Balance of capital surplus at the end of the period	11,650	11,599	51	11,645
<b>(Retained Earnings)</b>				
I Balance of retained earnings at beginning of the year	4,519	1,442	3,077	1,442
II Increase in retained earnings	2,001	1,602	398	3,077
Net income	2,001	1,602	398	3,077
III Decrease in retained earnings	655	—	655	—
Cash Dividends	655	—	655	—
IV Balance of retained earnings at the end of the period	5,865	3,045	2,820	4,519

**Consolidated Interim Statements of Cash Flows**

(millions of yen)

Account	Current Period	Previous Period	Change from previous period (half year)	Previous Period
	(half year) Apr 1, 2004 - Sep 30, 2004	(half year) Apr 1, 2003 - Sep 30, 2003		(half year) Apr 1, 2003 - Mar 31, 2004
<b>I Cash flows from operating activities</b>				
Income before income taxes and minority interests	3,199	2,093	1,106	4,245
Depreciation and amortization	1,974	2,214	△ 240	4,483
Amortization of consolidated adjustment account	△ 112	3	△ 115	△ 193
Increase (decrease) in reserve for retirement benefits	△ 189	194	△ 384	310
Loss (gain) on sales of investment securities	△ 211	△ 62	△ 149	△ 62
Interest and dividend income	△ 145	△ 97	△ 47	△ 253
Gain on insurance claim	—	△ 94	94	△ 94
Interest expenses	680	873	△ 192	1,620
Effect of exchange rate changes	△ 2	△ 13	10	△ 109
Loss on sales of tangible and intangible fixed assets	85	51	34	419
Gain on sale of credit business	△ 612	—	△ 612	—
Gain on sale of leasing business	—	△ 341	341	△ 341
Decrease (increase) in notes and accounts receivable	△ 9,034	△ 6,495	△ 2,538	309
Decrease in inventories	1,362	878	484	1,141
Increase (decrease) in notes and accounts payable	△ 1,474	△ 1,733	259	2,516
Others	1,403	526	876	832
Sub-total	△ 3,074	△ 2,002	△ 1,071	14,824
Interest and dividends received	145	98	47	254
Proceeds from insurance claim	—	152	△ 152	152
Interest paid	△ 690	△ 968	278	△ 1,771
Income taxes paid	△ 1,713	△ 607	△ 1,106	△ 1,090
<b>Net cash used in (provided by) operating activities</b>	<b>△ 5,332</b>	<b>△ 3,327</b>	<b>△ 2,004</b>	<b>12,368</b>
<b>II Cash flows from investing activities</b>				
Payments for purchases of marketable securities	△ 7	△ 5	△ 2	△ 34
Proceeds from sale of short-term securities	149	231	△ 82	260
Payments for purchases of tangible and intangible fixed assets	△ 2,546	△ 2,303	△ 243	△ 5,080
Proceeds from sale of tangible and intangible fixed assets	594	154	440	894
Proceeds from sale of credit business	10,560	—	10,560	—
Proceeds from sale of leasing business	—	767	△ 767	767
Payments for purchase of investment securities	△ 130	△ 39	△ 91	△ 79
Proceeds from sale of investment securities	379	106	272	106
Net decrease in long-term loans	7	33	△ 25	71
Net decrease in time deposits	1,350	1,836	△ 486	8,988
Others	116	△ 592	709	△ 262
<b>Net cash provided by investing activities</b>	<b>10,474</b>	<b>188</b>	<b>10,285</b>	<b>5,633</b>
<b>III Cash flows from financing activities</b>				
Decrease(increases) in short-term borrowings	△ 523	7,179	△ 7,702	△ 33,178
Proceeds from long-term debt	2,686	8,435	△ 5,748	26,690
Repayments of long-term debt	△ 7,156	△ 5,950	△ 1,206	△ 11,398
Proceeds from bonds issued	—	120	△ 120	420
Redemption of bonds	△ 20	△ 8,000	7,980	△ 8,000
Payments for purchases of treasury stock	△ 3	△ 8	5	△ 1,235
Proceeds from sale of treasury stock	15	0	15	66
Payment of dividends	△ 655	—	△ 655	—
Others	△ 3	△ 3	0	△ 3
<b>Net cash used in (provided by) financing activities</b>	<b>△ 5,659</b>	<b>1,771</b>	<b>△ 7,430</b>	<b>△ 26,639</b>
<b>IV Effect of exchange rate changes on cash and cash equivalents</b>	<b>4</b>	<b>13</b>	<b>△ 8</b>	<b>101</b>
<b>V Net decrease in cash and cash equivalents</b>	<b>△ 513</b>	<b>△ 1,354</b>	<b>841</b>	<b>△ 8,535</b>
<b>VI Cash and cash equivalents at beginning of year</b>	<b>11,029</b>	<b>19,565</b>	<b>△ 8,535</b>	<b>19,565</b>
<b>VII Cash and cash equivalents at the end of the period</b>	<b>10,515</b>	<b>18,210</b>	<b>△ 7,694</b>	<b>11,029</b>

## **Basis of Consolidated Interim Financial Statements**

### **1. Scope of consolidation**

Number of consolidated subsidiaries 36 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, 21 companies (including Iseki-Hokkaido Co., Ltd. and Iseki-Changzhou Mfg. Co., Ltd.) use an end-of-period balance sheet date of June 30. Fifteen companies (including Iseki-Matsuyama Mfg. Co., Ltd.) use a balance sheet date of September 30. With regard to the preparation of the half year consolidated financial statements, the same current date is employed in the half year financial statements, and necessary adjustments at consolidation are made for any significant transactions that occur between the balance date and this 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 at fair market value ..... recorded at market value, based on the fair market price at the closing date of the half year consolidated reporting period  
(Any estimate variance is credited or debited to Shareholders' Equity)

Securities not at fair market value ..... recorded at cost, based on the moving-average method

(b) Inventories..... 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 of material depreciable assets**

Tangible non-current assets

In general, the straight-line method is used to depreciate tangible non-current assets. In other cases, 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.

Intangible non-current assets

Straight-line method (However, in-house software is depreciated using the straight-line method over an expected useful life of five years.)

#### **(3) Allowances and reserves**

##### **(a) Allowance for doubtful debts**

A likely unrecoverable amount is calculated by applying the bad debts ratio to common receivables, and to specific receivables, such as doubtful debt receivables, individually evaluating the likelihood of them being collected.

##### **(b) Reserve for employees' retirement benefits**

The reserve for employees' retirement benefits is recorded as at the end of the half year consolidated accounting period, and is principally based on the amounts for the obligation for employees' retirement benefits and pension plan assets projected to the end of the current consolidated fiscal period. 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 gains and losses 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) Reserve for directors' retirement benefits

The company submitting consolidated financial statements and some of the consolidated subsidiaries record the reserve for directors' retirement benefits at the amount necessary at the end of the accounting period to provide for that expenditure on directors' retirement benefits and the amount is based on internal regulations.

(4) 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.

(5) Material hedging activities

(a) Accounting treatment of hedging activities

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 methods and hedged transactions

(i) Hedging methods

Forward exchange contracts and interest rate swap agreements

(ii) Hedged transactions

Foreign currency denominated receivables and payables; and borrowings

(c) Principle of hedging

Forward exchange contracts and interest rate swap agreements are entered into, in order to hedge the risks associated with fluctuations in foreign currency exchange rates and interest rates.

(6) Other notes pertaining to the preparation of the Half Year Consolidated Financial Statements

Accounting treatment of consumption tax

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

## **5. The scope of funds in the Consolidated Interim Statements of Cash Flows**

Consists of cash on hand; money at call; and short-term investments that are liquid and readily convertible (having a maturity date of within three months) and have little risk of shifting in value.

## Notes

### **(Consolidated Interim Balance Sheet information)**

	Current Period (half year)	Previous Period (half year)	Previous Period
Accumulated depreciation of			
1. tangible non-current assets	84,027 million yen	85,144 million yen	84,440 million yen
2. Guaranteed liabilities	10,146 million yen	10,539 million yen	10,152 million yen
3. Notes receivable less discount	109 million yen	604 million yen	191 million yen
4. Endorsed notes receivable	729 million yen	733 million yen	710 million yen
5. Treasury stocks	6,460,447 shares	2,552,169 shares	6,507,892 shares

### **(Consolidated Interim Cash Flow Statements information)**

Relationship between the end of half year balance of cash and cash equivalents and the amount reported in the Consolidated Interim Balance Sheet.

	Current Period (half year)	Previous Period (half year)	Previous Period
Cash and deposit accounts	11,601 million yen	27,798 million yen	13,465 million yen
Fixed-term deposits with terms of 3 months or greater	<u>Δ1,085 million yen</u>	<u>Δ9,587 million yen</u>	<u>Δ2,435 million yen</u>
Cash and cash equivalents	10,515 million yen	18,210 million yen	11,029 million yen

## **Segment Information**

### 1. Segment information per business type

For the current half year period, previous half year period and the previous period, 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 description of segment information per business type has been abbreviated.

### 2. Segment information per region

For the current half year period and the previous period, the total sales and total assets of Japanese segment accounted for more than 90% of all segments. Accordingly, the description of segment information per region has been abbreviated.

For the previous half year period, there are no foreign-based consolidated subsidiaries or overseas offices. Accordingly, there are no corresponding entries.

### 3. Overseas sales

For the current half year period, previous half year period and the previous period, overseas sales accounted for less than 10% of consolidated sales. Accordingly, there are no corresponding entries.

## Securities

### 1. Held-to-maturity securities at fair market value

(millions of yen)

Category	Current Period (half year) as at Sep 30, 2004			Previous Period (half year) as at Sep 30, 2003			Previous Period as at Mar 31, 2004		
	as recorded on Consolidated Balance Sheet	Fair Market Value	Variance	as recorded on Consolidated Balance Sheet	Fair Market Value	Variance	as recorded on Consolidated Balance Sheet	Fair Market Value	Variance
(1) Government bonds	40	40	0	—	—	—	40	40	—
(2) Others	605	606	1	605	606	1	605	606	1
Total	645	646	1	605	606	1	645	646	1

### 2. Other securities at fair market value

(millions of yen)

Category	Current Period (half year) as at Sep 30, 2004			Previous Period (half year) as at Sep 30, 2003			Previous Period as at Mar 31, 2004		
	Purchase cost	as recorded on Consolidated Balance Sheet	Variance	Purchase cost	as recorded on Consolidated Balance Sheet	Variance	Purchase cost	as recorded on Consolidated Balance Sheet	Variance
(1) Shares	3,002	5,248	2,245	3,175	4,839	1,664	3,176	5,819	2,643
(2) Bonds									
Others	1	1	0	1	1	0	1	1	0
(3) Others	0	0	0	0	0	0	0	0	0
Total	3,003	5,249	2,245	3,176	4,841	1,664	3,177	5,821	2,644

### 3. Major securities not valued at fair market value

(millions of yen)

Category	Current Period (half year) as at Sep 30, 2004	Previous Period (half year) as at Sep 30, 2003	Previous Period as at Mar 31, 2004
	as recorded on Consolidated Balance Sheet	as recorded on Consolidated Balance Sheet	as recorded on Consolidated Balance Sheet
(1) Held-to-maturity securities			
Discounted bank debenture	56	56	56
(2) Other securities			
Non-listed shares (excluding over-the-counter shares)	1,383	1,348	1,378

## **Production, Orders & Sales**

### **1. Production results per product-type**

(millions of yen)

Product-type	Current Period (half year) (Apr 1, 2004 - Sep 30, 2004)		Previous Period (half year) (Apr 1, 2003 - Sep 30, 2003)		Previous Period (Apr 1, 2003 - Mar 31, 2004)	
	amount	ratio	amount	ratio	amount	ratio
Machinery for soil preparation	22,114		19,062		39,019	
Cultivating machinery	5,668		6,896		15,640	
Harvesting and processing machinery	14,148		14,385		30,606	
Parts and farming implements	970		1,125		2,093	
Agricultural machinery related	3,126		4,108		8,646	
Others	1,109		1,043		2,177	
<b>Total</b>	<b>47,138</b>		<b>46,621</b>		<b>98,182</b>	

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	Current Period (half year) (Apr 1, 2004 - Sep 30, 2004)		Previous Period (half year) (Apr 1, 2003 - Sep 30, 2003)		Previous Period (Apr 1, 2003 - Mar 31, 2004)	
	amount	ratio	amount	ratio	amount	ratio
Machinery for soil preparation	23,944	31.3	21,434	28.8	40,351	26.3
Cultivating machinery	7,798	10.2	7,932	10.7	12,724	8.3
Harvesting and processing machinery	10,540	13.7	10,545	14.2	31,876	20.7
Parts and farming implements	16,225	21.2	16,224	21.8	30,399	19.8
Agricultural machinery related	12,638	16.5	12,656	17.0	26,870	17.5
Others	5,431	7.1	5,598	7.5	11,402	7.4
<b>Total</b>	<b>76,578</b>	<b>100</b>	<b>74,391</b>	<b>100</b>	<b>153,624</b>	<b>100</b>

## (2) Domestic

(millions of yen)

Product-type	Current Period (half year) (Apr 1, 2004 - Sep 30, 2004)		Previous Period (half year) (Apr 1, 2003 - Sep 30, 2003)		Previous Period (Apr 1, 2003 - Mar 31, 2004)	
	amount	ratio	amount	ratio	amount	ratio
		%		%		%
Machinery for soil preparation	18,456	26.4	17,147	24.9	29,683	21.2
Cultivating machinery	7,796	11.1	7,922	11.5	12,077	8.6
Harvesting and processing machinery	10,072	14.4	10,380	15.0	31,710	22.6
Parts and farming implements	15,849	22.6	15,857	23.0	29,648	21.1
Agricultural machinery related	12,372	17.7	12,059	17.5	25,778	18.4
Others	5,431	7.8	5,598	8.1	11,402	8.1
Total	69,979	100	68,966	100	140,301	100

## (3) Overseas

(millions of yen)

Product-type	Current Period (half year) (Apr 1, 2004 - Sep 30, 2004)		Previous Period (half year) (Apr 1, 2003 - Sep 30, 2003)		Previous Period (Apr 1, 2003 - Mar 31, 2004)	
	amount	ratio	amount	ratio	amount	ratio
		%		%		%
Machinery for soil preparation	5,487	83.2	4,286	79.0	10,667	80.1
Cultivating machinery	1	0.0	9	0.2	646	4.9
Harvesting and processing machinery	468	7.1	164	3.0	165	1.2
Parts and farming implements	376	5.7	367	6.8	750	5.6
Agricultural machinery related	265	4.0	596	11.0	1,092	8.2
Others	—	—	—	—	—	—
Total	6,599	100	5,425	100	13,323	100