

**Summary report of First Quarter Consolidated Financial Results  
for the three months ending June 30, 2003**

August 8, 2003

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Company code: 6310  
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**1. Notes pertaining to the preparation of the summary reports for the quarterly financial results**

(1) There are inconsistencies in the accounting procedures with practices recognized in the most recent consolidated accounting year.

Namely:

- a physical inventory check has not occurred; and
- we have employed a simplified method as standards for accounting for such items as corporate tax.

(2) There have been no shifts in the scope of consolidation or equity methods

**2. Summary report of Financial Results for FY 2003 First Quarter (April 1, 2003 – June 30, 2003)**

**(1) Consolidated results of operations**

(Rounded down to millions of yen)

	Sales (millions of yen)	Operating Income (millions of yen)	Ordinary Profit (millions of yen)
3 months ended June 30, 2003	33,791	22	△298
Year ending March 31, 2003	156,381	6,192	4,124

	Net Income for the period (quarter) (millions of yen)	Net Income per share for the period (yen)	Net Income per share for the period, adjusted for residual shares (yen)
3 months ended June 30, 2003	△326	△1.48	–
Year ending March 31, 2003	1,009	4.56	–

(Note: Disclosure of quarterly financial results commenced from this quarter. Similar quarterly financial results for previous years are not shown.)

**[Qualitative information concerning the status of consolidated financial results]**

Sales of Iseki Group's core business, domestic agricultural machinery, are seasonal. Each year, there is a tendency for sales to be low in the first quarter and then peak in the second and third quarters. First quarter sales usually make up about 20% of annual sales. Sales for the first quarter this period were ¥33.7 billion. This is a rise of ¥1.8 billion on sales for the first quarter of the previous period, ¥31.9 billion. Domestic sales were up ¥1.5 billion (up 5%) and overseas sales rose ¥300 million (up 16%). Financial results for this first quarter are progressing generally as expected for this initial phase.

## (2) Shifts in the Consolidated Financial Position

	Total Assets (millions of yen)	Total Shareholders' Equity (millions of yen)	Equity to Assets Ratio (%)	Shareholders' Equity per share (yen)
June 30, 2003	224,898	46,359	20.6	209.96
March 31, 2003	215,163	46,483	21.6	210.44

### [Qualitative information concerning the shifts in consolidated financial position]

Total assets at June 30, 2003, reached ¥224.8 billion, up ¥9.7 billion on the end of the last period. The main increases were increases in accounts receivable (¥3.2 billion), inventories (¥4.5 billion), cash and cash equivalents (¥2.9 billion) and borrowings (¥11.0 billion).

Every year, accounts receivable and inventories in the first quarter tend to rise on the end of the previous period due to the seasonality of agricultural machinery sold by the sales subsidiaries and the recovery of debt. Borrowings, as a form of working capital, have also increased.

## 3. Outlook for the FY 2003 Financial Results (April 1, 2003 – March 31, 2004)

The mid-year and full-year outlook on financial results has not changed since May 23, 2003, when the financial statements were released.

	Sales (millions of yen)	Operating Income (millions of yen)	Ordinary Profit (millions of yen)	Net Income for the period (millions of yen)
Mid-year	74,000	2,500	2,000	1,000
Full-year	158,000	7,000	5,000	2,000

For reference, the expected net income per share for the year ending March 31, 2004 is ¥9.06.

Note: The forecast for financial results has been produced based on information presently available. It is possible that in the future, actual results may differ from the anticipated figures for a variety of reasons.

**First Quarter Consolidated Financial Statements**  
**Consolidated Balance Sheets**

(Millions of yen)

Account	FY 2003 First Quarter (as at June 30, 2003)		FY 2002 Consolidated (as at March 31, 2003)	
	Amount	Ratio	Amount	Ratio
<b>(Assets)</b>		%		%
<b>I. Current assets</b>	<b>132,426</b>	<b>58.9</b>	<b>122,568</b>	<b>57.0</b>
Cash and bank deposits	33,977		30,989	
Notes and accounts receivable, trade	35,031		31,984	
Installment accounts receivable, trade	16,180		16,005	
Inventories	43,909		39,348	
Others	4,069		4,967	
Allowance for doubtful debts	△742		△728	
<b>II. Non-current assets</b>	<b>92,472</b>	<b>41.1</b>	<b>92,595</b>	<b>43.0</b>
<b>1. Tangible non-current assets</b>	<b>80,917</b>	<b>36.0</b>	<b>81,390</b>	<b>37.8</b>
Buildings and structures	15,909		16,064	
Machinery and equipment and vehicles	10,020		10,345	
Land	50,273		50,234	
Others	4,714		4,747	
<b>2. Intangible non-current assets</b>	<b>1,166</b>	<b>0.5</b>	<b>1,129</b>	<b>0.5</b>
<b>3. Investments and other assets</b>	<b>10,388</b>	<b>4.6</b>	<b>10,074</b>	<b>4.7</b>
Investment securities	6,395		6,070	
Others	4,208		4,247	
Allowance for doubtful accounts	△216		△242	
<b>Total assets</b>	<b>224,898</b>	<b>100</b>	<b>215,163</b>	<b>100</b>

**First Quarter Consolidated Financial Statements**  
**Consolidated Balance Sheets**

(Millions of yen)

Account	FY 2003 First Quarter (as at June 30, 2003)		FY 2002 Consolidated (as at March 31, 2003)	
	Amount	Ratio	Amount	Ratio
<b>(Liabilities)</b>		%		%
<b>I. Current liabilities</b>	<b>149,925</b>	<b>66.7</b>	<b>138,466</b>	<b>64.4</b>
Notes and accounts payable, trade	39,386		37,421	
Short-term borrowings	86,657		72,516	
Bonds (due within one year)	8,000		8,000	
Long-term debt (due within one year)	7,917		9,337	
Others	7,964		11,191	
<b>II. Non-current liabilities</b>	<b>26,811</b>	<b>11.9</b>	<b>28,424</b>	<b>13.2</b>
Bonds	220		100	
Long-term debt	11,889		13,610	
Deferred tax liability from revaluation gain	7,131		7,131	
Reserve for employees' retirement benefits	4,465		4,510	
Others	3,105		3,072	
<b>Total liabilities</b>	<b>176,737</b>	<b>78.6</b>	<b>166,891</b>	<b>77.6</b>
<b>(Minority interests in consolidated subsidiaries)</b>				
Minority interests in consolidated subsidiaries	<b>1,801</b>	<b>0.8</b>	<b>1,789</b>	<b>0.8</b>
<b>(Shareholders' equity)</b>				
I. Common stock	22,534	10.0	22,534	10.5
II. Capital surplus	11,599	5.2	11,599	5.4
III. Earned surplus	1,115	0.5	1,442	0.7
IV. Revaluation surplus on land	10,696	4.8	10,696	5.0
V. Net unrealized holding gain on securities	724	0.3	514	0.2
VI. Treasury stock	△311	△0.2	△303	△0.2
<b>Total assets</b>	<b>46,359</b>	<b>20.6</b>	<b>46,483</b>	<b>21.6</b>
<b>Total assets, liabilities and minority interests in consolidated subsidiaries</b>	<b>224,898</b>	<b>100</b>	<b>215,163</b>	<b>100</b>

## First Quarter Consolidated Statement of Income

(Millions of yen)

Account	FY 2003 First Quarter (April 1, 2003 - June 30, 2003)		FY 2002 Consolidated (April 1, 2002 - March 31, 2003)	
	Amount	Ratio	Amount	Ratio
		%		%
I. Net Sales	33,791	100	156,381	100
II. Cost of sales	23,757	70.3	105,374	67.4
<b>Gross profit</b>	<b>10,034</b>	<b>29.7</b>	<b>51,007</b>	<b>32.6</b>
III. Selling, general and administrative expenses	10,011	29.6	44,814	28.6
<b>Operating income</b>	<b>22</b>	<b>0.1</b>	<b>6,192</b>	<b>4.0</b>
IV. Non-operating income	232	0.7	1,140	0.7
Interest and dividend income	57		256	
Others	175		884	
V. Non-operating expenses	553	1.7	3,209	2.1
Interest expenses	510		2,345	
Others	43		863	
<b>Ordinary Income</b>	<b>Δ298</b>	<b>Δ0.9</b>	<b>4,124</b>	<b>2.6</b>
VI. Extraordinary gains of Property plant and equipment	51	0.1	710	0.5
Gain on sale and disposal	27		393	
Gain on sale of leasing securities	24		268	
Reversal of allowance for doubtful	-		48	
VII. Extraordinary losses	38	0.1	3,089	2.0
Loss on sale and disposal of property, plant and equipment, net	31		636	
Loss on sale of investment securities	-		852	
Bad debts loss	-		1,158	
Special retirement payment	-		319	
Others	7		122	
<b>Income before income taxes and minority interests</b>	<b>Δ285</b>	<b>Δ0.9</b>	<b>1,744</b>	<b>1.1</b>
Income taxes	26	0.1	645	0.4
Minority interests	15	0.0	89	0.1
<b>Net income</b>	<b>Δ326</b>	<b>Δ1.0</b>	<b>1,009</b>	<b>0.6</b>

Note: "Income taxes" includes current and deferred taxes.

## Notes pertaining to the First-Quarter Consolidated Financial Statements

### 1. Notes concerning the scope of consolidation

Number of consolidated subsidiaries      35 companies  
(including Iseki-Matsuyama Mfg. Co., Ltd., Iseki-Kumamoto Mfg. Co., Ltd., Iseki-Hokkaido Co., Ltd. and Iseki-Tohoku Co., Ltd.)

### 2. Notes concerning the application of the Equity Method

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

### 3. Notes concerning the consolidated subsidiaries' quarterly balance sheet date

Of the consolidated subsidiaries, 19 companies (including Iseki-Hokkaido Co., Ltd.) use a first-quarter balance sheet date of March 31. Fourteen companies (including Iseki-Matsuyama Mfg. Co., Ltd.) use a first-quarter balance sheet date of June 30.

With regard to the preparation of the first-quarter consolidated financial statements, the same current date is employed in the financial statements, and necessary adjustments for consolidation are made for any significant transactions that occur between the first-quarter balance date and this date.

### 4. Notes concerning accounting policies

#### (1) Valuation standards and valuation methods of material 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 first-quarter consolidated accounts  
(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 .....typically recorded 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) Accounting standards for material 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 first quarter 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.
  
- (4) Accounting treatment of material 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) Accounting treatment of 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) Accounting treatment of consumption tax  
Consumption tax and local consumption taxes are accounted for using a tax-exclusive method.

August 8, 2003

## Supplementary Explanation to the First Quarter Financial Results

### 1. Consolidated Sales

- Financial results for the first quarter are a consolidation of the sales subsidiaries from January to March and of Iseki (non-consolidated) and other affiliates and collaborate companies from April to June.
- Domestic sales of agricultural machinery, which account for 70% of the Groups' sales, are particularly low from January to March and peak in the second (spring demand) and third (autumn demand) quarters.

Domestic agricultural machinery	112,400	(72%)
Domestic facilities, etc	31,900	(20%)
Export sales	12,100	(8%)
FY 2002 Total Sales	156,400	(100%)

(Domestic agricultural machinery includes parts)

- In contrast, overseas sales tend to concentrate in the fourth quarter in expectation for the lawn-mowing season.
- Consolidated sales for FY 2002

(Units: millions of yen)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Domestic	¥29,700	¥39,700	¥38,800	¥36,100	¥144,300
Overseas	2,200	2,700	2,000	5,200	12,100
Total	31,900	42,400	40,800	41,300	156,400
(%)	20	27	26	27	100

### 2. Performance Outlook for March 31, 2004

- Performance forecasts for the interim and full year have not changed since the announcement of the financial results on May 23, 2003.
- Performance forecasts for the interim and full year are as follows:

(Units: millions of yen)

(Interim)	March 31, 2004 (projected)	March 31, 2003 (actual)
Sales	¥74,000	¥74,300
Operating income	2,500	2,200
Ordinary profit	2,000	1,300
Net income	1,000	1,000

  

(Full year)	March 31, 2004 (projected)	March 31, 2003 (actual)
Sales	¥158,000	¥156,400
Operating income	7,000	6,200
Ordinary profit	5,000	4,100
Net income	2,000	1,000