

**Summary report of Third Quarter Consolidated Financial Results  
for the nine months ending December 31, 2003**

February 10, 2004

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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 Third Quarter (April 1, 2003 – December 31, 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)
9 months ended December 31, 2003	110,875	3,564	2,752
(Ref.) 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)
9 months ended December 31, 2003	1,951	8.80	–
(Ref.) Year ending March 31, 2003	1,009	4.56	–

(Note: Disclosure of quarterly financial results commenced from the first quarter of FY 2003. Similar third quarter financial results for previous year are, therefore, not shown.)

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

Sales for the Iseki Group to the third quarter reached ¥110.8 billion, consisting of ¥103.6 billion domestic sales and ¥7.2 billion overseas. Domestically during this autumn demand period, sales of harvesting and processing machinery has been sluggish on expectations. Exports have firmed, chiefly in the North American and European markets. Improvements to profits through cost cutting and reductions of fixed costs are progressing to plan. Financial results for this third quarter are generally progressing as was expected when the mid-year financial results were announced.

## (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)
December 31, 2003	211,910	49,274	23.2	221.18
(Ref.) March 31, 2003	215,163	46,483	21.6	210.44

(Note: Disclosure of quarterly financial results commenced from the first quarter this fiscal year. Similar third-quarter financial results for the previous year are, therefore, not shown.)

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

Total assets at December 31, 2003 reached ¥211.9 billion, down ¥3.2 billion on the end of the last period. The main drivers were decreases in cash equivalents (¥11.2 billion), increases in accounts receivable (¥6.0 billion), increases in inventories (¥1.0 billion) and decreases in bonds and debentures (¥7.5 billion). The increases in accounts receivable and inventories are due to seasonal sales of agricultural machinery and the recovery of debt.

Interest-bearing liabilities fell ¥3.0 billion compared to the end of the previous fiscal year, and compared to the same period last year, were down ¥21.9 billion. The balance of interest-bearing liabilities at March 31, 2004, is now expected to fall to about ¥80 billion, versus a planned ¥90 billion.

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

The full-year outlook on financial results has not changed since November 20, 2003, when the mid-year financial statements were released.

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

(Reference) The expected net income per share for the year ending March 31, 2004 : ¥11.22.

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.

**Third Quarterly Consolidated Financial Statements**  
**Consolidated Balance Sheets**

(Millions of yen)

Account	FY 2003 Third Quarter (as at December 31, 2003)		FY 2002 Consolidated (as at March 31, 2003)	
	Amount	Ratio	Amount	Ratio
<b>(Assets)</b>		%		%
<b>I. Current assets</b>	<b>119,223</b>	<b>56.3</b>	<b>122,568</b>	<b>57.0</b>
Cash and bank deposits	19,775		30,989	
Notes and accounts receivable, trade	40,613		31,984	
Installment accounts receivable, trade	13,443		16,005	
Inventories	40,370		39,348	
Others	5,738		4,967	
Allowance for doubtful accounts	△718		△728	
<b>II. Non-current assets</b>	<b>92,687</b>	<b>43.7</b>	<b>92,595</b>	<b>43.0</b>
<b>1 Tangible non-current assets</b>	<b>79,989</b>	<b>37.7</b>	<b>81,390</b>	<b>37.8</b>
Buildings and structures	15,637		16,064	
Machinery and equipment and vehicle	9,442		10,345	
Land	50,391		50,234	
Others	4,518		4,747	
<b>2 Intangible non-current assets</b>	<b>1,076</b>	<b>0.5</b>	<b>1,129</b>	<b>0.5</b>
<b>3 Investments and other assets</b>	<b>11,620</b>	<b>5.5</b>	<b>10,074</b>	<b>4.7</b>
Investment securities	6,944		6,070	
Others	5,154		4,247	
Allowance for doubtful accounts	△478		△242	
<b>Total assets</b>	<b>211,910</b>	<b>100</b>	<b>215,163</b>	<b>100</b>

**Third Quarterly Consolidated Financial Statements**  
**Consolidated Balance Sheets**

(Millions of yen)

Account	FY 2003 Third Quarter (as at December 31, 2003)		FY 2002 Consolidated (as at March 31, 2003)	
	Amount	Ratio	Amount	Ratio
<b>(Liabilities)</b>		%		%
<b>I. Current liabilities</b>	<b>115,396</b>	<b>54.5</b>	<b>138,466</b>	<b>64.4</b>
Notes and accounts payable, trade	36,548		37,421	
Short-term borrowings	60,467		72,516	
Bonds (due within one year)	40		8,000	
Long-term debt (due within one year)	9,870		9,337	
Others	8,470		11,191	
<b>II. Non-current liabilities</b>	<b>45,779</b>	<b>21.6</b>	<b>28,424</b>	<b>13.2</b>
Bonds	480		100	
Long-term debt	29,874		13,610	
Deferred tax liability from revaluation gain	7,131		7,131	
Reserve for employees' retirement benefits	4,733		4,510	
Others	3,560		3,072	
<b>Total liabilities</b>	<b>161,176</b>	<b>76.1</b>	<b>166,891</b>	<b>77.6</b>
<b>(Minority interests in consolidated subsidiaries)</b>				
Minority interests in consolidated subsidiaries	<b>1,460</b>	<b>0.7</b>	<b>1,789</b>	<b>0.8</b>
<b>(Shareholders' equity)</b>				
I. Common stock	22,534	10.6	22,534	10.5
II. Capital surplus	11,645	5.5	11,599	5.4
III. Earned surplus	3,393	1.6	1,442	0.7
IV. Revaluation surplus on land	10,696	5.0	10,696	5.0
V. Net unrealized holding gain on securities	1,175	0.6	514	0.2
VI. Treasury stock	△170	△0.1	△303	△0.2
<b>Total assets</b>	<b>49,274</b>	<b>23.2</b>	<b>46,483</b>	<b>21.6</b>
<b>Total assets, liabilities and minority interests in consolidated subsidiaries</b>	<b>211,910</b>	<b>100</b>	<b>215,163</b>	<b>100</b>

**Third Quarterly Consolidated Financial Statements**  
**Consolidated Statement of Income**

(Millions of yen)

Account	FY 2003 Third Quarter (April 1, 2003 – December 31, 2003)		FY 2002 Consolidated (April 1, 2002 - March 31, 2003)	
	Amount	Ratio	Amount	Ratio
		%		%
I. Net Sales	110,875	100	156,381	100
II. Cost of sales	75,203	67.8	105,374	67.4
<b>Gross profit</b>	<b>35,671</b>	<b>32.2</b>	<b>51,007</b>	<b>32.6</b>
III. Selling and general administrative expenses	32,107	29.0	44,814	28.6
<b>Operating income</b>	<b>3,564</b>	<b>3.2</b>	<b>6,192</b>	<b>4.0</b>
IV. Non-operating income	800	0.7	1,140	0.7
Interest and dividend income	143		256	
Others	656		884	
V. Non-operating expenses	1,611	1.4	3,209	2.1
Interest expenses	1,373		2,345	
Others	238		863	
<b>Ordinary Income</b>	<b>2,752</b>	<b>2.5</b>	<b>4,124</b>	<b>2.6</b>
VI. Extraordinary gains	541	0.5	710	0.5
Gain on sale and disposal of property plant and equipment, net	42		393	
Gain on sale of investment securities	62		268	
Gain from recovery of doubtful accounts	-		48	
Gain on sale of leasing business	341		-	
Gain on insurance claim	94		-	
VII. Extraordinary losses	458	0.4	3,089	2.0
Loss on sale and disposal of non-current assets	174		636	
Transfer for bad debts provisions	236		-	
Loss on sale of investment securities	-		852	
Bad debts loss	-		1,158	
Others	47		441	
<b>Net income before income taxes and minority interests for the period (third-quarter)</b>	<b>2,835</b>	<b>2.6</b>	<b>1,744</b>	<b>1.1</b>
Income taxes	821	0.7	645	0.4
Minority interests in income of consolidated subsidiaries (subtracted)	62	0.1	89	0.1
<b>Net income for the period (third quarter)</b>	<b>1,951</b>	<b>1.8</b>	<b>1,009</b>	<b>0.6</b>

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

## Notes pertaining to the Quarterly 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 applicable to 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 third-quarter balance sheet date of September 30. 14 companies (including Iseki-Matsuyama Mfg. Co., Ltd.) use a third-quarter balance sheet date of December 31. With regard to the preparation of the third-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 third-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 third-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 third 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 deferral 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.

February 10, 2004

**Supplementary Information**  
to the Third-Quarter Financial Results

**1. Movements in Quarterly Financial Results**

(units: millions of yen)

	First Quarter June 2003	Mid-Year September 2003	Third Quarter December 2003
Sales	¥33,800	¥74,400	¥110,900
Operating income	0	2,600	3,600
Ordinary profit	△300	1,900	2,800
Net income	△300	1,600	1,900

**2. Reduction in Interest-Bearing Liabilities**

- Interest-bearing liabilities have fallen ¥21.9 billion year-on-year. The balance of interest-bearing liabilities at the end of this fiscal year (March 31, 2004), is expected to be approximately ¥80.0 billion (down ¥24.1 billion year-on-year).

(units: millions of yen)

	December 2002	March 2003	December 2003	March 2004	
				original forecast	current projection
Balance of interest-bearing liabilities	¥123,000	104,100	101,100	90,000	80,000

↑  
¥ Δ21.9 billion

**3. Performance Outlook for March 31, 2004**

- Performance forecasts for the full year have not changed since the announcement of the performance outlook on October 30, 2003.

	Consolidated (Millions of yen)		Non-consolidated (Millions of yen)	
	March 2003 (actual)	March 2004 (projected)	March 2003 (actual)	March 2004 (projected)
Sales	¥156,400	¥158,000	¥94,500	92,000
Operating income	6,200	7,000	3,300	3,200
Ordinary profit	4,100	5,000	2,800	2,800
Net income	1,000	2,500	1,500	1,400

February 10, 2004

**Supplementary Explanation**  
**to the Third Quarter Financial Results**

**1. Seasonality of the Consolidated Financial Results**

- Consolidated financial results for the third quarter are a consolidation of the sales subsidiaries from January to September and of Iseki (non-consolidated) and other affiliates and collaborate companies from April to December.
- Domestic sales of agricultural machinery, which account for 70% of the Groups' sales, are particularly low from January to March (first quarter).
- In contrast, overseas sales tend to concentrate in the fourth quarter in expectation for the lawn-mowing season.

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

(Domestic agricultural machinery includes parts)

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
<b>Total</b>	<b>31,900</b>	<b>42,400</b>	<b>40,800</b>	<b>41,300</b>	<b>156,400</b>
(%)	20	27	26	27	100

**2. Details of the Third Quarter Financial Results**

(1) Domestic and overseas sales per quarter

		First Quarter	Second Quarter	Third Quarter	Total
FY 2003	Domestic	¥31,200	¥37,800	¥34,700	¥103,700
	Overseas	2,600	2,800	1,800	7,200
	<b>Total</b>	<b>33,800</b>	<b>40,600</b>	<b>36,500</b>	<b>110,900</b>
FY 2002	Domestic	29,700	39,700	38,800	108,200
	Overseas	2,200	2,700	2,000	6,900
	<b>Total</b>	<b>31,900</b>	<b>42,400</b>	<b>40,800</b>	<b>115,100</b>
Variance	Domestic	1,500	Δ1,900	Δ4,100	Δ4,500
	Overseas	400	100	Δ200	300
	<b>Total</b>	<b>1,900</b>	<b>Δ1,800</b>	<b>Δ4,300</b>	<b>Δ4,200</b>

## (2) Domestic Sales

- Domestic sales reached ¥103.7 billion for the year, ¥4.5 billion down for the same period last year.
- Of these sales, agricultural machinery (which accounted for ¥55.0 billion) and parts and farming implements (which accounted for ¥22.9 billion) were both relatively steady on the same period last year. The overall fall was due to the sale of other products.
  - (a) On the back of the FY 2002 sale of a large-scale drying facility in Hokkaido for ¥3.6 billion, sales of facilities this period fell by ¥3.4 billion.
  - (b) As a result of rationalizing unprofitable activities that had been implemented last fiscal year, construction activities and the flower business were down ¥900 million.
- A breakdown of sales by product showed that sales of machinery for soil preparation (including tractors) and cultivating machinery (such as rice-transplanters) had both risen, but sales of harvesting and processing machinery (mostly combine harvesters) were down.

### Domestic Sales per Product

(Units: millions of yen)

	FY 2002	FY 2003	Variance
Machinery for soil preparation	¥23,300	¥23,500	¥200
Cultivating machinery	8,700	9,600	900
Harvesting and processing machinery	23,000	21,900	Δ1,100
Agricultural machinery	55,000	55,000	0
(incl. machinery for vegetable-growing)	Δ1,200	Δ1,400	200
Parts and farming implements	22,900	22,900	0
Other products	30,300	25,800	Δ4,500
Total	108,200	103,700	Δ4,500

## (3) Overseas Sales

- Overseas sales rose ¥300 million, mostly in North America.

(Units: millions of yen)

	FY 2002	FY 2003	Variance
North America	¥2,600	¥2,900	¥300
Europe	2,300	2,300	0
Asia	400	300	Δ100
Oceania and other areas	100	200	100
Total sales of manufactured goods	5,400	5,700	300
Other products	1,500	1,500	0
Total	6,900	7,200	300

## 3. Performance Outlook for March 31, 2004

Adjustments to the full-year financial results forecasts have not been made due to such uncertainties as foreign exchange in the fourth-quarter. However, the following supplementary forecasts have been made, based on the information at present.

- 1 It is projected that sales will not meet the budgeted amount by approximately ¥4.0 billion, in part because of the reduction in facilities projects.  
Domestic sales of manufactured goods are expected to be steady on the previous period, and overseas sales are forecast to exceed budget.
- 2 Operating income is still expected to be up on last year as a result of lower costs, but will probably fall just short of the budgeted ¥7.0 billion because of reduced sales.
- 3 A reform of Iseki's financial structure has effected an improvement in non-sales balance of payments (¥400 million up on budget). This is expected to result in the ordinary profit reaching its budgeted ¥5.0 billion.
- 4 Net income for the period is expected to soundly exceed the budgeted amount of ¥2.5 billion.