

**Summary report of First Quarter Consolidated Financial Results  
for the three months ending June 30, 2004**

August 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) A simplified method for accounting procedures has been employed.  
 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 not been any changes made to accounting procedures since the most recent consolidated accounting year.
- (3) There have been no shifts in the scope of consolidation or equity methods

**2. Summary report of Financial Results for FY 2004 First Quarter (April 1, 2004 – June 30, 2004)**

**(1) Consolidated results of operations**

(Rounded down to millions of yen)

	Sales		Operating Income		Ordinary Profit	
	(millions of yen)	%	(millions of yen)	%	(millions of yen)	%
3 months ended June 30, 2004	34,863	3.2	106	368.0	Δ80	–
3 months ended June 30, 2003	33,791	–	22	–	Δ298	–
Year ending March 31, 2004	153,624		6,373		5,092	

	Net Income for the period (quarter)		Net Income per share for the period (yen)	Net Income per share for the period, adjusted for residual shares (yen)
	(millions of yen)	%		
3 months ended June 30, 2004	326	–	1.49	–
3 months ended June 30, 2003	Δ326	–	Δ1.48	–
Year ending March 31, 2004	3,077		13.90	–

(Note: The percentage figures listed in Sales, Operating Income, etc, indicate variances compared to the same quarter in the previous year.)

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

In the financial results, sales for the first quarter reached ¥34.9 billion, up ¥1.1 billion (3.2%) on the same period last year. An increase in sales of agricultural machinery and parts, as well as farming implements, drove domestic sales up by ¥500 million (1.7%) to ¥31.7 billion. Overseas sales, with a focus on North America, rose ¥600 million (21.2%) to ¥3.2 billion.

Operating income reached ¥106 million, up ¥83 million on the same period last year. Due to a decrease in interest payments, etc, ordinary profit rose ¥217 million on the same period last year to reach negative ¥80 million.

Net income for the quarter rose ¥653 million, pushed along by proceeds from the sale of the credit business, to reach ¥326 million.

## (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, 2004	195,714	49,483	25.3	226.36
June 30, 2003	224,898	46,359	20.6	209.96
March 31, 2004	197,156	49,576	25.1	226.85

## (3) Consolidated Cash Flow

	Cash Flow from			Cash/cash equivalents at end of period (millions of yen)
	Operating Activities (millions of yen)	Investing Activities (millions of yen)	Financing Activities (millions of yen)	
June 30, 2004	Δ9,919	11,926	2,001	15,053
June 30, 2003	Δ7,242	42	11,108	23,487
March 31, 2004	12,368	5,633	Δ26,639	11,029

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

At the end of the first quarter, total assets had contracted to ¥195.7 billion, down ¥29.2 billion on the same period from the previous year. The main drivers were a ¥17.8 billion reduction in cash equivalents, a ¥14.3 billion reduction in installment accounts receivable due to the sale of the credit business, and a ¥3.5 billion contraction in inventories. Interest-bearing liabilities were down ¥34.2 billion on the same period last year, at ¥80.9 billion. As always, accounts receivable and inventories in the first quarter tended to increase, compared to the result at end of the previous fiscal period, due to the seasonal sales of agricultural machinery by Iseki's sales subsidiaries and the recovery of debt.

## 3. Outlook for the FY 2004 Financial Results (April 1, 2004 – March 31, 2005)

	Sales (millions of yen)	Operating Income (millions of yen)	Ordinary Profit (millions of yen)	Net Income for the period (millions of yen)
Mid-year	75,500	2,600	2,000	1,600
Full-year	160,000	7,800	6,500	3,500

For reference, the expected net income per share for the year ending March 31, 2005 is ¥16.01.

### [Qualitative Information regarding Performance Outlook]

In light of the first-quarter sales results, forecasts for half-year sales have been revised up ¥500 million to ¥75.5 billion, and for the full year by ¥1.0 billion to ¥160.0 billion. No revisions have been made to Operating Income, Ordinary Profit or Net Income.

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.

## 1. Quarterly Consolidated Balance Sheets (Summary)

(Millions of yen, %)

Account	Current Quarter (as at end of first quarter, FY 2004)	Same Quarter of Previous Year (as at end of first quarter, FY 2003)	Variance		Year ending March 31, 2004 (reference)
	Amount	Amount	Amount	Variance Rate	Amount
<b>(Assets)</b>					
<b>I. Current assets</b>	<b>103,117</b>	<b>132,426</b>	<b>Δ29,308</b>	<b>Δ22.1</b>	<b>104,239</b>
Cash and bank deposits	16,207	33,977	Δ17,770	Δ52.3	13,465
Notes and accounts receivable, trade	40,326	35,031	5,294	15.1	33,818
Installment accounts receivable, trade	1,892	16,180	Δ14,288	Δ88.3	13,091
Inventories	40,454	43,909	Δ3,454	Δ7.9	38,921
Others	4,921	4,069	852	20.9	5,699
Allowance for doubtful accounts property, plant and equipment	Δ684	Δ742	58	-	Δ757
<b>II. Fixed assets</b>	<b>92,597</b>	<b>92,472</b>	<b>124</b>	<b>0.1</b>	<b>92,916</b>
<b>1. Tangible fixed assets</b>	<b>79,185</b>	<b>80,917</b>	<b>Δ1,731</b>	<b>Δ2.1</b>	<b>79,805</b>
Buildings and structures	15,292	15,909	Δ616	Δ3.9	15,516
Machinery and equipment and vehicles	8,483	10,020	Δ1,537	Δ15.3	9,335
Land	50,319	50,273	46	0.1	50,399
Others	5,090	4,714	375	8.0	4,552
<b>2. Intangible fixed assets</b>	<b>1,083</b>	<b>1,166</b>	<b>Δ82</b>	<b>Δ7.1</b>	<b>1,058</b>
<b>3. Investments and other assets</b>	<b>12,327</b>	<b>10,388</b>	<b>1,939</b>	<b>18.7</b>	<b>12,052</b>
Investment securities	7,983	6,395	1,587	24.8	7,699
Others	4,760	4,208	552	13.1	5,130
Allowance for doubtful accounts	Δ415	Δ216	Δ199	-	Δ777
<b>Total assets</b>	<b>195,714</b>	<b>224,898</b>	<b>Δ29,183</b>	<b>Δ13.0</b>	<b>197,156</b>

## 1. Quarterly Consolidated Balance Sheets (Summary)

(Millions of yen, %)

Account	Current Quarter (as at end of first quarter, FY 2004)	Same Quarter of Previous Year (as at end of first quarter, FY 2003)	Variance		Year ending March 31, 2004 (reference)
	Amount	Ratio	Amount	Variance Rate	Ratio
<b>(Liabilities)</b>					
<b>I. Current liabilities</b>	<b>102,726</b>	<b>149,925</b>	<b>Δ47,199</b>	<b>Δ31.5</b>	<b>102,196</b>
Notes and accounts payable, trade	39,787	39,386	400	1.0	39,937
Short-term borrowings	46,154	86,657	Δ40,502	Δ46.7	39,337
Bonds (due within one year)	40	8,000	Δ7,960	Δ99.5	40
Long-term debt (due within one year)	8,109	7,917	192	2.4	10,499
Others	8,634	7,964	669	8.4	12,382
<b>II. Long-term liabilities</b>	<b>42,030</b>	<b>26,811</b>	<b>15,218</b>	<b>56.8</b>	<b>43,924</b>
Bonds	460	220	240	109.1	480
Long-term debt	25,976	11,889	14,087	118.5	27,739
Deferred tax liability from revaluation gain	7,131	7,131	-	-	7,131
Reserve for employees' retirement benefits	4,638	4,465	173	3.9	4,821
Others	3,823	3,105	718	23.1	3,752
<b>Total liabilities</b>	<b>144,756</b>	<b>176,737</b>	<b>Δ31,980</b>	<b>Δ18.1</b>	<b>146,121</b>
<b>(Minority interests in consolidated subsidiaries)</b>					
Minority interests in consolidated subsidiaries	<b>1,474</b>	<b>1,801</b>	<b>Δ326</b>	<b>Δ18.1</b>	<b>1,458</b>
<b>(Shareholders' equity)</b>					
I. Common stock	22,534	22,534	-	-	22,534
II. Capital surplus	11,650	11,599	51	0.4	11,645
III. Earned surplus	4,190	1,115	3,075	275.7	4,519
IV. Revaluation surplus on land	10,696	10,696	-	-	10,696
V. Net unrealized holding gain on securities	1,812	724	1,087	150.1	1,584
VI. Foreign currency translation adjustments	Δ11	-	Δ11	-	Δ7
VII. Treasury stock	Δ1,390	Δ311	Δ1,079	-	Δ1,395
<b>Total shareholder's equity</b>	<b>49,483</b>	<b>46,359</b>	<b>3,124</b>	<b>6.7</b>	<b>49,576</b>
<b>Total liabilities &amp; shareholder's equity</b>	<b>195,714</b>	<b>224,898</b>	<b>Δ29,183</b>	<b>Δ13.0</b>	<b>197,156</b>

## 2. Quarterly Consolidated Statement of Income (Summary)

(Millions of yen, %)

Account	Current Quarter (as at end of first quarter, FY 2004)	Same Quarter of Previous Year (as at end of first quarter, FY 2003)	Variance		Year ending March 31, 2004 (reference)
	Amount	Ratio	Amount	Variance Rate	Ratio
I. Net Sales	34,863	33,791	1,071	3.2	153,624
II. Cost of sales	24,609	23,757	851	3.6	103,100
<b>Gross profit</b>	<b>10,254</b>	<b>10,034</b>	<b>219</b>	<b>2.2</b>	<b>50,523</b>
III. Selling, general and administrative expenses	10,147	10,011	136	1.4	44,149
<b>Operating income</b>	<b>106</b>	<b>22</b>	<b>83</b>	<b>368.0</b>	<b>6,373</b>
IV. Non-operating income	292	232	60	25.8	1,177
Interest and dividend income	78	57	20	36.1	253
Others	214	175	39	22.4	924
V. Non-operating expenses	479	553	Δ74	Δ13.4	2,459
Interest expenses	390	510	Δ119	Δ23.4	1,749
Others	89	43	45	103.9	709
<b>Ordinary Income</b>	<b>Δ80</b>	<b>Δ298</b>	<b>217</b>	<b>-</b>	<b>5,092</b>
VI. Extraordinary gains	734	51	682	1,324.3	553
Gain on sale and disposal of property, plant and equipment, net	8	27	Δ18	Δ68.0	54
Gain on sale of leasing securities	113	24	89	366.0	62
Gain on sale of credit business	612	-	612	-	-
Gain on sale of leasing business	-	-	-	-	341
Gain on insurance claims	-	-	-	-	94
VII. Extraordinary losses	87	38	48	126.1	1,400
Loss on sale and disposal of property, plant and equipment, net	51	31	19	62.9	473
Loss on sale of investment securities	-	-	-	-	566
Write-down of bad debts	-	-	-	-	44
Write-down of property for sale	-	-	-	-	245
Others	36	7	29	396.9	69
<b>Income before income taxes and minority interests (first quarter)</b>	<b>566</b>	<b>Δ285</b>	<b>852</b>	<b>-</b>	<b>4,245</b>
Income taxes	228	26	201	766.8	1,109
Minority interests	11	15	Δ3	Δ21.6	58
<b>Net income</b>	<b>326</b>	<b>Δ326</b>	<b>653</b>	<b>-</b>	<b>3,077</b>

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

## Consolidated Statement of Cash Flows

(Millions of yen)

Account	Current Quarter (as at end of first quarter, FY 2004)	Same Quarter of Previous Year (as at end of first quarter, FY 2003)	Year ending March 31, 2004 (reference)
	Amount	Amount	Amount
<b>I. Cash flows from operating activities</b>			
Income before income taxes and minority interests	566	△285	4,245
Depreciation and amortization	984	1,114	4,483
Interest and dividend income	△78	△57	△253
Interest expenses	363	481	1,620
Gain on sale of credit business	△612	-	-
Gain on sale of leasing business	-	-	△341
Decrease in notes and accounts receivable	△6,129	△3,221	309
Decrease on inventories	△1,533	△4,357	1,141
Increase (decrease) in notes and accounts payable	△150	1,965	2,516
Others	△1,328	△1,978	1,102
<b>Sub-total</b>	<b>△7,917</b>	<b>△6,340</b>	<b>14,824</b>
Interest and dividends received	76	54	254
Reception of insurance claim	-	-	152
Interest paid	△397	△415	△1,771
Income taxes paid	△1,680	△541	△1,090
<b>Net cash provided by operating activities</b>	<b>△9,919</b>	<b>△7,242</b>	<b>12,368</b>
<b>II. Cash flows from investing activities</b>			
Balance from acquisition/sale of securities	192	△0	226
Balance from acquisition/sale of fixed assets	△139	△918	△4,185
Proceeds from sale of credit business	10,560	-	-
Proceeds from sale of leasing business	-	-	767
Net decrease (increase) in time deposits	1,281	934	8,988
Others	31	26	△163
<b>Net cash used in investing activities</b>	<b>11,926</b>	<b>42</b>	<b>5,633</b>
<b>III. Cash flows from financing activities</b>			
Net shift in short-term borrowings	2,665	11,000	△17,887
Payments for issuance/redemption of bonds	△20	120	△7,580
Payments for acquisition/sale of treasury stock	14	△8	△1,168
Payment of dividends	△655	-	-
Others	△3	△3	△3
<b>Net cash used in financing activities</b>	<b>2,001</b>	<b>11,108</b>	<b>△26,639</b>
IV. Effect of exchange rate changes on cash and cash equivalents	15	12	101
V. Net decrease in cash and cash equivalents	4,023	3,921	△8,535
VI. Cash and cash equivalents at beginning of year	11,029	19,565	19,565
VII. Cash and cash equivalents at end of quarter	15,053	23,487	11,029

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

### 1. Notes concerning the 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. 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, 20 companies (including Iseki-Hokkaido Co., Ltd.) as well as Iseki-Changzhou Mfg. Co., Ltd. use a first-quarter balance sheet date of March 31. Fifteen 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 closing 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 10, 2004

## Supplementary Information to the First-Quarter Financial Results

### 1. Seasonality of the Consolidated Financial Results

- Our consolidated financial results comprise the results of our sales subsidiaries which have a different accounting period (January to December).
- The first-quarter consolidated financial results consolidate the results for the sales subsidiaries and Iseki-Changzhou Mfg. Co., Ltd. from January through to March, and for Iseki unconsolidated and other related companies from April through to June.
- Domestic sales of agricultural machinery, which account for almost 70% of consolidated sales, are particularly down in the January-March period (first quarter).
- In contrast, overseas sales tend to concentrate in the fourth quarter in expectation for the upcoming lawn-mowing season.

(FY 2003 Consolidated Sales Performance)

(Units: billions of yen)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Domestic	31.2	37.8	34.6	36.7	140.3
Overseas	2.6	2.8	1.8	6.1	13.3
Total	33.8	40.6	36.4	42.8	153.6
(%)	22	26	24	28	100

### 2. Details of the First-Quarter Financial Results

#### (1) Domestic Sales

- Domestic sales reached ¥31.7 billion, up ¥0.5 billion on the same period last year.
- Of these, agricultural machinery rose marginally on the same period last year to ¥17.3 billion, and sales of parts and farming implements rose ¥0.6 billion on the same period last year to reach ¥6.3 billion.

(The relative increase in sales of parts and farming implements was because of reduced sales in the previous period due to a reduction in trading inventory, and a subsequent recovery to regular levels this period.)

(Units: billions of yen)

	June 2003	June 2004	Variance
Machinery for soil preparation	8.3	8.6	0.3
Cultivating machinery	3.3	3.1	Δ0.2
Harvesting and processing machinery	5.6	5.6	-
Agricultural machinery Total	17.2	17.3	0.1
Parts and farming implements	5.7	6.3	0.6
Other products	8.3	8.1	Δ0.2
Total	31.2	31.7	0.5

(2) Overseas Sales

- Overseas sales rose ¥0.6 billion, mostly in sales of tractors in North America.

(Units: billions of yen)

	June 2003	June 2004	Variance
Tractors	1.6	2.1	0.5
Lawn mowers	0.5	0.6	0.1
Combine harvesters	0.1	0.2	0.1
Agricultural machinery	2.2	2.9	0.7
Other products	0.4	0.3	△0.1
Total	2.6	3.2	0.6

**3. Performance Outlook for the Whole Period**

- In light of the first-quarter sales results, forecasts for half-year sales have been revised up ¥0.5 billion to ¥75.5 billion, and for the full year by ¥1.0 billion to ¥160.0 billion.

(Units: billions of yen)

(Full year)	Forecast at May 24	Current forecast	Result for period ending March 31 2004
Sales	159	160	153.6
Operating Income	7.8	7.8	6.4
Ordinary Profit	6.5	6.5	5.1
Net Income	3.5	3.5	3.1

(Units: billions of yen)

(Half Year)	Forecast at May 24	Current forecast	Result for period ending March 31 2004
Sales	75	75.5	74.4
Operating Income	2.6	2.6	2.6
Ordinary Profit	2.0	2.0	1.9
Net Income	1.6	1.6	1.6