ISEKI

ANNUAL REPORT 2003

ISEKI & CO., LTD.

PROFILE

ISEKI & Co., Ltd. is one of Japan's leading manufacturers of agricultural machinery. Since its foundation in 1926, the Company has been contributing to the modernization of agriculture as a full-line manufacturer specialized for agricultural machinery.

The Company manufactures most of its products at four plants in Japan and engages service and sales in the domestic market mainly through twenty-one sales companies and overseas through distributors in various countries.

The ISEKI Group's principal business is the development, manufacturing and sales of agricultural machinery (cultivating and mowing machinery, transplanting machinery, harvesting and processing machinery, farm implements and spare parts). In addition, the Company markets, installs and services agricultural plant systems and is also involved in a variety of agriculture-related business activities.

CONSOLIDATED FINANCIAL HIGHLIGHTS

Years ended March 31, 2003, 2002 and 2001

	Millions of yen			Thousands of U.S. dollars
	2003	2002	2001	**2003**
For the year				
Net sales	**¥156,381**	¥162,360	¥162,236	**$1,301,007**
Net income (loss)	**1,009**	1,749	(8,018)	**8,394**
At year-end				
Total assets	**215,163**	231,440	244,464	**1,790,041**
Total shareholders' equity	**46,483**	45,197	43,203	**386,714**
	Yen			U.S. dollars
Per share data				
Net income (loss)	**¥ 4.56**	¥ 7.79	¥ (35.66)	**$ 0.04**
Shareholders' equity	**210.44**	201.12	192.24	**1.75**
Other data				
Number of shares outstanding (thousands)	**225,054**	225,054	225,054	

Note: U.S. dollar amounts are translated from Japanese yen, for convenience only, at the rate of ¥120.20=U.S.$1.

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MESSAGE FROM THE PRESIDENT

Hiroyuki Nakano, President

Agriculture is a vital industry to support human life. Since the dawn of time, the human beings have lived, depending on nature. Our ancestors sowed seeds, cultivated the soil, reaped harvests, enduring capricious conditions of environment as we are doing today.

Agriculture is a two-way activity. We strive to put nature under control, but nature resists our efforts until both reach a compromise. A starting point of agriculture is that we harmonize with the Mother Nature, which results in the enhancement of agricultural productivity.

Since its foundation in 1926, Iseki & Co., Ltd. has pioneered the development of numerous types of agricultural machinery and contributed to the modernization of agriculture. When we consider the current issues which we are facing in agriculture and food supply, we believe that Iseki Group play very important role to solve them. We commit ourselves to continue our contribution to further development of agriculture with our motto “To supply the products satisfying the customers’ demand”.

During this period, Japanese economy has continued to be stagnant from the previous period.

Under the continued stagnation of general economy, the farmers' economy has also been in severe condition and consequently the demand for agricultural machinery has been sluggish continuously. It is considered that the situation surrounding agriculture accelerates changes in the market by structural problems, such as reduction in the number of farmers and polarization of farm size, and, in addition, announcement of the general principles of rice policy by government and negotiation for agricultural products at WTO.

Against such depressed situation, Iseki Group (Iseki & Co., Ltd. and its affiliates) have made utmost endeavors to promote the sales by developing and supplying the products to meet farmers' various needs not only for domestic market but also for overseas market, such as North America and Europe.

As a result, net sales for this period were ¥156.3 billion (3.7% decrease compared to the previous year).

Due to successful effect by restructuring program like cost down and cut down of expenses, operating income amounted to ¥6.2 billion (44.7% increase compared to the previous year). And net income amounted to ¥1.0 billion mainly due to devaluation of investment securities.

Breakdown of Sales

Net sales of Group's agricultural machinery business were ¥144.1 billion (3.2% decrease compared to previous year) and sales of other business (precision machinery, construction machinery and service businesses) were ¥12.2 billion (9.4% decrease). A breakdown of net sales of agricultural machinery business was as follows.

- Cultivating and Mowing Machinery (Tractors, Cultivators and Lawn Mowers)

  Sales of cultivating and mowing machinery were ¥39.2 billion (0.8% increase).
- Transplanting Machinery (Rice-Transplanters and Vegetable-Transplanters)

  Sales of transplanters were ¥12.3billion (7.9% decrease).
- Harvesting and Processing Machinery (Combine Harvesters, Harvesters, Dryers and Rice Graders)

  Sales of harvesting and processing machinery were 32.3 billion (4.9% decrease).
- Farm Implements and Spare Parts

  Sales of farm implements and spare parts were ¥30.8 billion (3.3% decrease).
- Agricultural Plant Systems and Others

  Sales of agricultural plant systems and other products and services were ¥29.2 billion (4.1% decrease).

Domestic sales out of net sales were ¥144.2 billion (5.0% decrease) and overseas sales were ¥12.1 billion (15.3% increase).

Cash Flows

Cash and cash equivalents at the year-end decreased by ¥2.0 billion compared to previous year-end to ¥19.6 billion.

Cash flows from operating activities:

Cash provided by operating activities decreased by ¥1.8 billion to ¥12.5 billion.

Cash flows from investing activities:

Cash used in investing activities decreased by ¥1.3 billion to ¥1.9 billion.

Cash flows from financing activities:

Cash used in financing activities increased by ¥1.2 billion to ¥12.7 billion.

Capital Expenditures

The Company's capital expenditures during this term, including the development of new product , renewal of production equipment and establishment and refurbishment of sales outlets amounted to ¥4.8 billion (tangible fixed assets received basis).

Issues Confronting the Company

With the understanding of severe economic circumstances to continue for the time being, we are speeding restructuring program to achieve profitable structure in every aspect over our group and business. We will build up low cost structure and strengthen financial constitution on consolidated base. We will maintain and expand the sales by raising customer satisfaction through the supply of higher quality products and services at reasonable price. We will make utmost endeavors to strengthen company's basis to secure stable profit.

Specific issues to confront us are mentioned hereunder.

1) We will try to meet various customers' needs and increase our market share by supplying competitive products with drastic cost down.

2) We will increase export by continuous launch of new models mainly to North America and Europe, and by reinforcing sales network as well as development of new market such as South-East Asia.

3) We will strive for efficient funds management throughout the Group, progress further reduction of stocks in the distribution channel, make efforts to reduce interest-bearing liabilities and improve the profitability by thorough cut down of fixed costs.

The environmental preservation is one of the important issues for our management. We will strengthen our activities for preserving the nature, namely, resource saving, energy saving, recycle of materials, purification of exhaust and noise reduction.

CONSOLIDATED BALANCE SHEETS

Iseki & Co., Ltd. and Consolidated Subsidiaries
As of March 31, 2003 and 2002

	Millions of yen		Thousands of U.S. dollars
ASSETS	**2003**	2002	**2003**
Current assets:			
Cash and bank deposits (Notes 3 and 6)	**¥ 30,990**	¥ 32,923	**$ 257,820**
Short-term securities (Notes 4 and 6)	**282**	79	**2,346**
Notes and accounts receivable, trade	**47,991**	54,567	**399,260**
Allowance for doubtful accounts	**(728)**	(813)	**(6,057)**
Inventories (Note 5)	**39,348**	43,288	**327,354**
Deferred tax assets (Note 8)	**375**	267	**3,120**
Prepaid expenses and other current assets	**4,310**	4,762	**35,857**
Total current assets	**122,568**	135,073	**1,019,700**
Property, plant and equipment, net (Note 6)**:**			
Land	**50,235**	50,762	**417,929**
Buildings and structures	**16,064**	16,377	**133,644**
Machinery and equipment	**10,345**	11,439	**86,065**
Tools and furniture	**4,116**	4,646	**34,243**
Construction in progress	**480**	1,220	**3,993**
Others	**151**	196	**1,256**
Net property, plant and equipment	**81,391**	84,640	**677,130**
Investments and other assets:			
Intangible assets	**1,130**	755	**9,401**
Investment securities (Notes 4 and 6):			
Unconsolidated subsidiaries	**75**	75	**624**
Other	**5,996**	6,079	**49,883**
Long-term loans	**356**	435	**2,962**
Allowance for doubtful accounts	**(243)**	(177)	**(2,022)**
Deferred tax assets (Note 8)	**535**	454	**4,451**
Other investments	**3,355**	4,106	**27,912**
Total investments and other assets	**11,204**	11,727	**93,211**
Total assets	**¥215,163**	¥231,440	**$1,790,041**

The accompanying notes are an integral part of these statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen 2003	Millions of yen 2002	Thousands of U.S. dollars 2003
Current liabilities:			
Short-term borrowings (Note 6)	**¥ 72,516**	¥ 78,237	**$ 603,294**
Current portion of long-term debt (Note 6)	**17,337**	11,012	**144,235**
Notes and accounts payable:			
Trade	**37,421**	41,302	**311,323**
Construction	**249**	641	**2,072**
Accrued expenses	**3,234**	3,288	**26,905**
Allowance for bonuses	**593**	628	**4,933**
Accrued income taxes	**543**	812	**4,517**
Deferred revenue on installment sales	**1,082**	1,260	**9,002**
Other current liabilities	**5,491**	5,822	**45,682**
Total current liabilities	**138,466**	143,002	**1,151,963**
Long-term liabilities:			
Long-term debt (Note 6)	**13,710**	26,428	**114,060**
Reserve for employees' retirement benefits (Note 7)	**4,511**	4,069	**37,529**
Reserve for directors' retirement benefits	**257**	139	**2,138**
Deferred tax liabilities (Note 8)	**7,673**	8,107	**63,835**
Consolidation adjustment account	**856**	183	**7,122**
Others	**1,418**	1,570	**11,797**
Total long-term liabilities	**28,425**	40,496	**236,481**
Minority interests in consolidated subsidiaries	**1,789**	2,745	**14,883**
Contingent liabilities (Note 11)			
Shareholders' equity:			
Common stock	**22,534**	22,534	**187,471**
Authorized - 696,037,000 shares			
Issued - 225,054,088 shares at March 31, 2003			
- 225,054,088 shares at March 31, 2002			
Capital surplus	**11,599**	11,599	**96,498**
Earned surplus	**1,442**	101	**11,997**
Revaluation reserve on land for business use	**10,697**	10,664	**88,993**
Net unrealized holding gain on securities, net of taxes (Note 4)	**514**	332	**4,276**
Treasury stock, at cost	**(303)**	(33)	**(2,521)**
Total shareholders' equity	**46,483**	45,197	**386,714**
Total liabilities and shareholders' equity	**¥215,163**	¥231,440	**$1,790,041**

CONSOLIDATED STATEMENTS OF INCOME

Iseki & Co., Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2003 and 2002

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Net sales	**¥156,381**	¥162,360	**$1,301,007**
Cost of sales	**105,374**	111,418	**876,656**
Gross profit	**51,007**	50,942	**424,351**
Selling, general and administrative expenses	**44,814**	46,664	**372,829**
Operating income	**6,193**	4,278	**51,522**
Other income (expenses):			
Interest and dividend income	**256**	227	**2,130**
Interest expenses	**(2,214)**	(2,430)	**(18,419)**
Loss on sale and disposal of property, plant and equipment	**(243)**	(131)	**(2,022)**
Gain (loss) on sale of investment securities (Note 4)	**268**	(70)	**2,230**
Loss on disposal of inventories	**(434)**	(220)	**(3,611)**
Provision for doubtful accounts	**(1,159)**	—	**(9,642)**
Special retirement payments (Note 7)	**(319)**	—	**(2,654)**
Loss on devaluation of investment securities	**(853)**	(1,451)	**(7,097)**
Gain from dissolution of the Welfare Pension Fund (Note 7)	—	2,220	—
Others, net	**249**	619	**2,072**
	(4,449)	(1,236)	**(37,013)**
Income before income taxes and minority interests	**1,744**	3,042	**14,509**
Income taxes:			
Current	**1,015**	1,121	**8,444**
Deferred (Note 8)	**(370)**	84	**(3,078)**
	645	1,205	**5,366**
Income before minority interests	**1,099**	1,837	**9,143**
Minority interests in income of consolidated subsidiaries	**90**	88	**749**
Net income	**¥ 1,009**	¥ 1,749	**$ 8,394**
	Yen		U.S. dollars
Per share:			
Net income	**¥ 4.56**	¥ 7.79	**$ 0.04**
Cash dividends	—	—	—

The accompanying notes are an integral part of these statements.

Iseki & Co., Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2003 and 2002

	Millions of yen		Thousands of U.S. dollars
	2003	2002	**2003**
Common stock:			
Balance at beginning of the year	**¥22,534**	¥22,534	**$187,471**
Balance at end of the year	**22,534**	22,534	**187,471**
Capital surplus:			
Balance at beginning of the year	**11,599**	17,895	**96,498**
Transfer to earned surplus	**—**	(6,296)	**—**
Balance at end of the year	**11,599**	11,599	**96,498**
Earned surplus:			
Balance at beginning of the year	**101**	(7,944)	**840**
Transfer from capital surplus	**—**	6,296	**—**
Reversal of revaluation reserve on land for business use	**324**	—	**2,696**
Effect of changes in scope of consolidation	**8**	—	**67**
Net income	**1,009**	1,749	**8,394**
Balance at end of the year	**1,442**	101	**11,997**
Revaluation reserve on land for business use:			
Balance at beginning of the year	**10,664**	10,664	**88,719**
Gain on land revaluation resulting from effect of change in statutory tax rate	**357**	—	**2,970**
Reversal of revaluation reserve on land for business use	**(324)**	—	**(2,696)**
Balance at end of the year	**10,697**	10,664	**88,993**
Net unrealized holding gain on securities (Note 4):			
Balance at beginning of the year	**332**	86	**2,762**
Change in net unrealized gain	**182**	246	**1,514**
Balance at end of the year	**514**	332	**4,276**
Treasury stock, at cost:			
Balance at beginning of the year	**(33)**	(32)	**(275)**
Net (increase) decrease in treasury stock	**(270)**	(1)	**(2,246)**
Balance at end of the year	**¥ (303)**	¥ (33)	**$ (2,521)**

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Iseki & Co., Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2003 and 2002

	Millions of yen		Thousands of U.S. dollars
	2003	2002	**2003**
Cash flows from operating activities:			
Income before income taxes and minority interests	**¥ 1,744**	¥ 3,042	**$ 14,509**
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	**4,898**	5,002	**40,749**
Amortization of consolidation adjustment account	**30**	60	**250**
Increase (decrease) in reserve for retirement benefits	**442**	(749)	**3,677**
Loss on devaluation of investment securities	**853**	1,451	**7,097**
Loss (gain) on sale of investment securities, net	**(268)**	70	**(2,230)**
Interest and dividend income	**(256)**	(227)	**(2,130)**
Interest expenses	**2,214**	2,430	**18,419**
Loss on sales and disposal of property, plant and equipment, net	**243**	131	**2,022**
Decrease in notes and accounts receivable, trade	**6,576**	5,187	**54,709**
Decrease in inventories	**4,541**	3,719	**37,779**
Decrease in notes and accounts payable, trade	**(3,881)**	(1,363)	**(32,288)**
Others	**(1,357)**	(1,418)	**(11,290)**
Sub-total	**15,779**	17,335	**131,273**
Interest and dividends received	**258**	231	**2,146**
Interest paid	**(2,259)**	(2,425)	**(18,794)**
Income taxes paid	**(1,284)**	(819)	**(10,682)**
Net cash provided by operating activities	**12,494**	14,322	**103,943**
Cash flows from investing activities:			
Payments for purchase of securities	**(208)**	(20)	**(1,730)**
Proceeds from sale of securities	**35**	122	**291**
Payments for purchase of tangible and intangible fixed assets	**(4,919)**	(6,145)	**(40,924)**
Proceeds from sale of tangible and intangible fixed assets	**1,668**	1,817	**13,877**
Payments for purchase of investment securities	**(534)**	(722)	**(4,443)**
Proceeds from sale of investment securities	**287**	1,230	**2,388**
Net decrease in long-term loans	**1,290**	118	**10,732**
Net (increase) decrease in time deposits	**(88)**	377	(732)
Others	**564**	9	**4,692**
Net cash used in investing activities	**(1,905)**	(3,214)	**(15,849)**
Cash flows from financing activities:			
Net decrease in short-term borrowings	**(5,721)**	(4,115)	**(47,596)**
Proceeds from long-term debt	**5,511**	8,124	**45,849**
Repayments of long-term debt	**(9,004)**	(15,451)	**(74,909)**
Proceeds from bonds issued	**100**	—	**832**
Redemption of bonds	**(3,000)**	—	**(24,958)**
Payments for purchase of treasury stock	**(555)**	(1)	**(4,617)**
Others	**(6)**	(11)	**(50)**
Net cash used in financing activities	**(12,675)**	(11,454)	**(105,449)**
Effect of exchange rate change on cash and cash equivalents	77	108	641
Net decrease in cash and cash equivalents	**(2,009)**	(238)	(16,714)
Cash and cash equivalents at beginning of the year	**21,587**	21,825	**179,592**
Decrease in cash and cash equivalents due to decrease in consolidated company	**(13)**	—	**(108)**
Cash and cash equivalents at end of the year	**¥19,565**	¥21,587	**$162,770**

The accompanying notes are an integral part of these statements.

1. Basis of presenting consolidated financial statements

ISEKI & Co., Ltd. (the "Company") and its consolidated subsidiaries maintain their official accounting records in Japanese yen and in accordance with the provisions set forth in the Japanese Commercial Code (the "Code") and the Securities and Exchange Law and in conformity with accounting principles and practices generally accepted in Japan ("Japanese GAAP"). Certain accounting principles and practices generally accepted in Japan are different from International Accounting Standards and accounting standards in other countries in certain respects as to application and disclosure requirements.

The accompanying consolidated financial statements are a translation of the audited consolidated financial statements of the Company which were prepared in accordance with Japanese GAAP and were filed with the appropriate Local Finance Bureau of Ministry of Finance as required by the Securities and Exchange Law.

In preparing the accompanying consolidated financial statements, certain reclassifications and rearrangements have been made in the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. The consolidated statements of shareholder's equity for 2003 and 2002 have been prepared for the purpose of inclusion in the consolidated financial statements, although such statements were not required to be filed with regulatory authorities.

The translation of the Japanese yen amounts into U.S. dollars is included solely for the convenience of readers, using the prevailing exchange rate at March 31, 2003, which was ¥120.20 to U.S. $1.00. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

2. Summary of significant accounting policies

Consolidation

The consolidated financial statements include the accounts of the Company and its 35 significant subsidiaries in 2003 and 40 significant subsidiaries in 2002. All significant intercompany transactions and accounts are eliminated in consolidation.

In the elimination of investments in subsidiaries, the assets and liabilities of subsidiaries, including the portion attributable to minority shareholders, are evaluated using the fair value at the time the Company acquired control of the respective subsidiaries.
Consolidation adjustment account is amortized on the straight-line basis within twenty years.

Cash and cash equivalents

In preparing the consolidated statements of cash flows, cash on hand, readily available deposits and short-term highly liquid investments with maturities of not exceeding three months at the time of purchase are considered to be cash and cash equivalents.

Inventories

Inventories are stated at the lower of cost or market. Cost is principally determined by the gross average method.

Securities

Securities are classified and accounted for, depending on the management's intent, as follows:

i) held-to-maturity debt securities, which are intended to be held to maturity are reported at amortized cost and

ii) available-for-sale securities, which are not classified as the aforementioned securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of shareholders' equity.

Non-marketable available-for-sale securities are stated at cost determined by the moving-average method. If the fair value of investment securities declines significantly , unless temporarily, investment securities are reduced to net realizable value by a charge to income.

Property, plant and equipment

Property, plant and equipment are carried at cost and depreciated principally by the declining-balance method, except that the buildings (excluding buildings attachments) acquired on or after April 1, 1998 and tools are depreciated by the straight-line method. The range of useful lives is summarized as follows:

Buildings and structures	3 to 50 years
Machinery and equipment	2 to 17 years
Tools and furniture	2 to 20 years

Accumulated depreciation amounting to ¥85,603 million ($712,171 thousand) and ¥83,940 million is deducted from the original cost in the accompanying consolidated balance sheets as of March 31,2003 and 2002,respectively.

For the year ended March 31, 2001, the Company revalued land for business use pursuant to the Land Revaluation Law in Japan. As a result, the carrying value of the applicable land was increased from ¥7,665 million to ¥25,493 million and the resulting revaluation gain amounting to ¥10,697 million, net of income taxes, is directly recorded under the shareholders' equity.

Software costs

The Company and its consolidated subsidiaries include software for internal use in intangible assets and depreciate it on the straight-line method over an estimated useful life of five years.

Allowance for doubtful accounts

An allowance for doubtful accounts is provided based on credit loss history and an evaluation of any specific doubtful accounts.

Reserve for employees' retirement benefits

The Company and its consolidated subsidiaries record reserve for employees' retirement benefits as of the fiscal year-end based on estimated amounts of projected benefit obligation and the fair value of the plan assets at that date to provide for the future payment of employees' retirement benefits.

The net transition obligation incurred upon the change in the accounting standard is amortized over 15 years. Past service liabilities are amortized using the straight-line method over the average of the estimated remaining service years. Actuarial gain and loss are recognized in expenses using the straight-line method over the average of the estimated remaining service years commencing with the following consolidation fiscal period.

(Additional information)

The Welfare Pension Fund of Iseki whose parent body is the Company was dissolved under the approval on its dissolution by the Minister of Welfare and Labor dated March 25,2002. Consequently upon the dissolution, the Company and its consolidated subsidiaries have applied "Accounting Treatment on the Transition between Retirement Benefits Plans"(Financial Accounting Standard Application Guideline No.1). The impacts from the dissolution are presented in the note concerning employees' retirement benefits.

Reserve for directors' retirement benefits

The allowances for directors' retirement benefits is provided on the basis of the Company's and certain subsidiaries' internal regulations for directors' and statutory auditors' retirement benefits at the amount which would be required to be paid if all directors and statutory auditors retired at the balance sheet date.

Finance leases

Finance leases which do not transfer the ownership of the leased assets to the lessee (and do not have bargain purchase provisions) are accounted for in the same manner as operating leases.

Income taxes

The provision for income taxes is computed based on the pretax income or loss included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the financial reporting and the tax basis of assets and liabilities. Deferred taxes are measured by applying currently enacted rates to the temporary differences.

Appropriations of earned surplus

Appropriations of earned surplus are reflected in the consolidated financial statements for the following year upon shareholders' approval.

Hedging activities

The Company and certain subsidiaries enter into forward exchange contracts to hedge foreign exchange rate risk associated with the receivables and payables denominated in foreign currencies and interest rate swap agreements to hedge the interest rate fluctuation risk related to debts. The treasury function monitors the effectiveness of hedging activities by comparing the movement of aggregate cash flows for hedged items and hedging instruments on a regular basis.

Under the accounting standard for financial instruments, recognition of gains or losses resulting from changes in fair value of derivative financial instruments can be deferred until the related losses or gains on the hedged items are recognized, if derivative instruments are used as hedges and meet certain hedging criteria. However, in cases, where forward foreign exchange contracts are used as hedges and meet certain hedging criteria, hedged foreign currency denominated receivables and payables may be recorded by the related forward contract rate as an alternative method. The Company and certain subsidiaries record foreign currency denominated receivables and payables using the forward exchange contract rates in the accompanying consolidated financial statements.

Translation of foreign currencies

All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statements of income.

Per share information

The computation of net income per share is based on the weighted average number of shares of common stock outstanding during each year, exclusive of treasury shares. The average number of common shares used in the computation was 221,719,717 shares and 224,728,851 shares in 2003 and 2002, respectively.

3. Cash and cash equivalents

Reconciliation of cash and bank deposits shown in the consolidated balance sheets and cash and cash equivalents shown in consolidated statements of cash flows as of March 31, 2003 and 2002 were as follows :

	Millions of yen		Thousands of U.S.dollars
At March 31	**2003**	2002	**2003**
Cash and bank deposits	**¥30,990**	¥32,923	**$257,820**
Less: Time deposits with maturities exceeding three months	**(11,425)**	(11,336)	**(95,050)**
Cash and cash equivalents	**¥19,565**	¥21,587	**$162,770**

4. Short-term securities and investment securities

Information regarding each category of the securities classified as available-for-sale and held-to-maturity as of March 31, 2003 and 2002 were as follows:

	Millions of yen			
	2003			
At March 31, 2003	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Available-for-sale with available fair market values:				
Equity securities	**¥3,215**	**¥925**	**¥71**	**¥4,069**
Debt securities	**—**	**—**	**—**	**—**
Other securities	**1**	**0**	**—**	**1**
Held-to-maturity	**801**	**7**	**0**	**808**

	Millions of yen			
	2002			
At March 31, 2002	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Available-for-sale with available fair market values:				
Equity securities	¥4,086	¥875	¥304	¥4,657
Debt securities	—	—	—	—
Other securities	24	0	2	22
Held-to-maturity	606	3	3	606

	Thousands of U.S. dollars			
	2003			
At March 31, 2003	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Available-for-sale with available fair market values:				
Equity securities	**$26,747**	**$7,696**	**$591**	**$33,852**
Debt securities	**—**	**—**	**—**	**—**
Other securities	**8**	**0**	**—**	**8**
Held-to-maturity	**6,664**	**58**	**0**	**6,722**

Total sales of available-for-sale securities sold in the years ended March 31, 2003 and 2002, respectively, amounted to ¥284 million ($2,363 thousand) and ¥1,032 million, and the related gains amounted to ¥268 million ($2,230 thousand) and ¥410 million. The related losses amounted to ¥480 million in 2002.

Maturities for available-for-sale securities with maturities and held-to-maturity debt securities at March 31, 2003 were as follows:

At March 31, 2003	Millions of yen	Thousands of U.S. dollars
Within one year	**¥287**	**$2,388**
Over one year but within five years	**576**	**4,792**
Total	**¥863**	**$7,180**

5. Inventories

Inventories at March 31,2003 and 2002 consisted of the following:

At March 31	Millions of yen 2003	Millions of yen 2002	Thousands of U.S. dollars 2003
Finished products and merchandise	**¥34,160**	¥38,622	**$284,193**
Semi-finished products	**65**	70	**541**
Work in process	**3,908**	3,305	**32,512**
Raw materials and supplies	**1,215**	1,291	**10,108**
Total	**¥39,348**	¥43,288	**$327,354**

6. Short-term borrowings and long-term debt

Short-term borrowings are principally represented by short-term bank borrowings, bearing interest at average rates of 1.70% and 1.65% at March 31,2003 and 2002, respectively.

Long-term debt at March 31, 2003 and 2002 consisted of the following:

At March 31	Millions of yen 2003	Millions of yen 2002	Thousands of U.S. dollars 2003
3.60% debenture bonds due August 2003	**¥ 4,000**	¥ 4,000	**$ 33,278**
3.45% debenture bonds due September 2003	**4,000**	4,000	**33,278**
2.50% Euro-yen debenture bonds due July 2002	**—**	3,000	**—**
0.87% debenture bonds due May 2007	**100**	—	**832**
Loans principally from banks and insurance companies with due serially to 2023 with average interest rate of 1.96%	**22,947**	26,440	**190,907**
Total	**31,047**	37,440	**258,295**
Less: current portion	**(17,337)**	(11,012)	**(144,235)**
Long-term debt, less current portion	**¥13,710**	¥26,428	**$114,060**

Assets, at book value, pledged as collateral for short-term borrowings and long-term debt totaling ¥40,952 million ($340,699 thousand) and ¥41,612 million at March 31, 2003 and 2002, respectively, were as follows:

At March 31	Millions of yen 2003	Millions of yen 2002	Thousands of U.S.dollars 2003
Bank deposits	**¥ 1,986**	¥ 1,581	**$ 16,522**
Short-term securities	**20**	—	**166**
Property, plant and equipment	**43,278**	44,850	**360,050**
Investment securities	**3,019**	3,648	**25,117**
Total	**¥48,303**	¥50,079	**$401,855**

The aggregate annual maturities of long-term debt at March 31, 2003 were as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2004	**¥17,337**	**$144,235**
2005	**9,106**	**75,757**
2006	**2,903**	**24,152**
2007	**624**	**5,191**
2008	**417**	**3,469**
2009 and thereafter	**660**	**5,491**
Total	**¥31,047**	**$258,295**

7. Employees' retirement benefits

The Company and its consolidated subsidiaries hold Tax Qualified Retirement Pension Plan and lump -sum retirement benefit plan as defined benefit plans. In addition, additional severance benefits may be paid at the time of severance of certain employees.

The liability for employees' retirement benefits at March 31, 2003 and 2002 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
At March 31	**2003**	2002	**2003**
Projected benefit obligation	**¥30,443**	¥31,269	**$253,269**
Fair value of pension assets	**(6,281)**	(7,507)	**(52,254)**
Unfunded retirement benefit obligation	**24,162**	23,762	**201,015**
Unrecognized net transition obligation	**(17,547)**	(19,038)	**(145,982)**
Unrecognized actuarial differences	**(3,054)**	(1,694)	**(25,408)**
Unrecognized past service liabilities	**823**	908	**6,847**
Net amount recorded on balance assets	**4,384**	3,938	**36,472**
Prepaid pension expenses	**127**	131	**1,057**
Reserve for employees' retirement benefits	**¥ 4,511**	¥ 4,069	**$ 37,529**

Notes: The Welfare Pension Fund of Iseki whose parent body was the Company was dissolved under the approval on its dissolution by the Minister of Welfare and Labor dated March 25,2002. The impacts from dissolution of the Welfare Pension Fund as of March 31,2002 were as follows:

At March 31,2002	Millions of yen
Decrease in projected benefit obligation	¥(13,685)
Unrecognized net transition obligation	7,053
Unrecognized actuarial differences	4,412
Decrease in reserve for employees' retirement benefits	¥ (2,220)

Retirement benefit expenses included in the consolidated statements of income for the years ended March 31, 2003 and 2002 were comprised of the following:

	Millions of yen		Thousands of U.S. dollars
Years ended March 31	**2003**	2002	**2003**
Service costs	**¥1,701**	¥2,595	**$14,151**
Interest cost on projected benefit obligation	**761**	1,818	**6,331**
Expected return on pension assets	**(142)**	(758)	**(1,181)**
Amortization of net transition obligation	**1,490**	2,007	**12,396**
Amortization of actuarial differences	**146**	123	**1,214**
Amortization of past service liabilities	**(98)**	(84)	**(815)**
Others	**68**	134	**566**
Retirement benefit expenses	**3,926**	5,835	**32,662**
Gain from dissolution of the Welfare Pension Fund	**—**	(2,220)	**—**
Special retirement payments	**319**	—	**2,654**
Total	**¥4,245**	¥3,615	**$35,316**

Assumptions used in the calculation of the above information as of March 31, 2003 and 2002 were as follows:

	2003	2002
Discount rate	**2.5%**	3.0%
Expected rate of return on pension assets	**3.0%**	3.5%
Amortization of past service liabilities	**10-13 years**	10-13 years
Amortization of actuarial differences	**10-13 years**	10-14 years
Amortization of the net transition obligation	**15 years**	15 years

8. Deferred income taxes

The Company and its subsidiaries are subject to a number of different income taxes. The statutory tax rates in Japan for the years ended March 31,2003 and 2002 were approximately 42% in the aggregate. Due to a recent revision to the Local Tax Law in Japan ,the statutory tax rate will be reduced to approximately 40% effective the year ending March 31,2005 or after. The revised tax rate was applied to the non-current portion of deferred tax assets and liabilities as of March 31,2003.

The significant components of deferred tax assets and liabilities at March 31, 2003 and 2002 were as follows:

	Millions of yen		Thousands of U.S. dollars
At March 31	**2003**	2002	**2003**
Deferred tax assets:			
Net operating loss carryforwards	**¥ 218**	¥ 68	**$ 1,814**
Reserve for employees' retirement benefits	**474**	390	**3,943**
Allowance for bonuses	**220**	206	**1,830**
Others	**105**	132	**874**
Offset to deferred tax liabilities	**(107)**	(75)	**(890)**
Net deferred tax assets	**¥ 910**	¥ 721	**$ 7,571**
Deferred tax liabilities:			
Deferred gain on sale of properties	**¥ 209**	¥ 221	**$ 1,738**
Unrealized gain on available-for-sale securities	**341**	239	**2,837**
Revaluation gain on land for business use	**7,131**	7,722	**59,326**
Others	**99**	—	**824**
Offset to deferred tax assets	**(107)**	(75)	**(890)**
Net deferred tax liabilities	**¥7,673**	¥8,107	**$63,835**

The following table summarizes the significant differences between the statutory tax rate and the Company's effective tax rate for financial statement purposes for the years ended March 31,2003 and 2002:

	2003	2002
Statutory tax rate	**42.0%**	42.0%
Non-deductible expenses	**6.1**	3.5
Non-taxable dividend income	**(10.7)**	(0.3)
Per capita inhabitant tax	**8.0**	4.5
Valuation allowance for deferred tax assets	**(10.3)**	(10.9)
Others	**1.9**	0.8
Effective tax rate	**37.0%**	39.6%

9. Leases

The Company and subsidiaries' pro forma information of leased property such as acquisition cost, accumulated depreciation, obligations under finance leases and depreciation expense for finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended March 31, 2003 and 2002 was as follows:

	Millions of yen			
	2003			
	Buildings	Machinery and equipment	Tools and furniture	Total
Acquisition cost	**¥30**	**¥1,281**	**¥3,421**	**¥4,732**
Accumulated depreciation	**8**	**594**	**1,290**	**1,892**
Net leased property	**¥22**	**¥ 687**	**¥2,131**	**¥2,840**

	Millions of yen			
	2002			
	Buildings	Machinery and equipment	Tools and furniture	Total
Acquisition cost	¥21	¥1,448	¥2,781	¥4,250
Accumulated depreciation	4	793	1,264	2,061
Net leased property	¥17	¥ 655	¥1,517	¥2,189

	Thousands of U.S.dollars			
	2003			
	Buildings	Machinery and equipment	Tools and furniture	Total
Acquisition cost	**$250**	**$10,657**	**$28,461**	**$39,368**
Accumulated depreciation	**67**	**4,942**	**10,732**	**15,741**
Net leased property	**$183**	**$ 5,715**	**$17,729**	**$23,627**

The above "as if capitalized" depreciation is calculated on the straight-line method over lease terms. If the above leases were capitalized, interest of ¥99 million ($824 thousand) and ¥81 million and depreciation of ¥911 million ($7,579 thousand) and ¥970 million would have been recorded for the years ended March 31, 2003 and 2002, respectively.

Total lease payments under finance leases were ¥1,003 million ($8,344 thousand) and ¥1,081 million for the years ended March 31, 2003 and 2002, respectively.

Obligations under finance leases at March 31, 2003 and 2002 were as follows:

	Millions of yen		Thousands of U.S. dollars
At March 31	**2003**	2002	**2003**
Due within one year	**¥ 962**	¥ 768	**$ 8,003**
Due after one year	**1,946**	1,507	**16,190**
Total	**¥2,908**	¥2,275	**$24,193**

Obligations under operating leases at March 31, 2003 and 2002 were as follows:

	Millions of yen		Thousands of U.S. dollars
At March 31	**2003**	2002	**2003**
Due within one year	**¥ 194**	¥ 165	**$1,614**
Due after one year	**128**	121	**1,065**
Total	**¥ 322**	¥ 286	**$2,679**

10. Derivatives

The Company and certain subsidiaries enter into forward exchange contracts to hedge foreign exchange rate risk associated with the receivables and payables denominated in foreign currencies and interest rate swap agreement to hedge the interest rate fluctuation risk related to debts. The Company and its subsidiaries have never made speculative transactions aiming at short-term trading gains as a management policy.

The accounting standard for financial instruments requires companies to state derivative financial instruments at fair value and to recognize changes in the fair value as gain or losses unless derivative financial instruments are used for hedging purposes.

The Company and certain consolidated subsidiaries have internal policies and rulings to manage both market and credit risk, including using financial institutions as counterparties with high credit ratings.

11. Contingent liabilities

Contingent liabilities with respect to trade notes discounted and endorsed, and loans guaranteed amounted to ¥11,866 million ($98,719 thousand) and ¥12,451 million for the years ended March 31, 2003 and 2002 ,respectively.

12. Subsequent events

There are no significant subsequent events to be disclosed as of June 30, 2003, when the original securities report was filed with the regulatory authorities.

BOARD OF DIRECTORS & AUDITORS

President
Hiroyuki Nakano

Senior Managing Directors
Kenji Minami
Tatsuichi Yamamoto

Managing Directors
Akira Mikita
Katsumi Imanishi

Directors
Seiichiro Gamo
Keiichi Takeshita
Kazuyoshi Sonoda
Yasuo Seike
Ryoichi Murakami

Statutory Auditors
Toshio Aono
Eisaku Tokuda
Hiroshi Ueno
Hiroyoshi Enokida

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(As of March 31, 2003)

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Premises
Branches: Hokkaido Branch, Tohoku Branch, Kanto Branch, Kansai Branch, Chugoku Branch, Shikoku Branch, Kyushu Branch
Training Center

Major subsidiaries
Iseki-Matsuyama Mfg. Co., Ltd., Iseki-Kumamoto Mfg. Co., Ltd.
Iseki-Hokkaido Co., Ltd., Iseki-Tohoku Co., Ltd.

Establishment
April 1936

Paid-in Capital
22,534 million yen

Number of Employees
732

Securities Traded on
First Section of Tokyo Stock Exchange
First Section of Osaka Securities Exchange

Transfer Agent and Registrar
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Auditors
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ISEKI

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