ISEKI

Annual Report 2005

Year ended March 31, 2005

A Pioneer in Agricultural Machinery

ISEKI & CO., LTD.

Real and Steady Progress

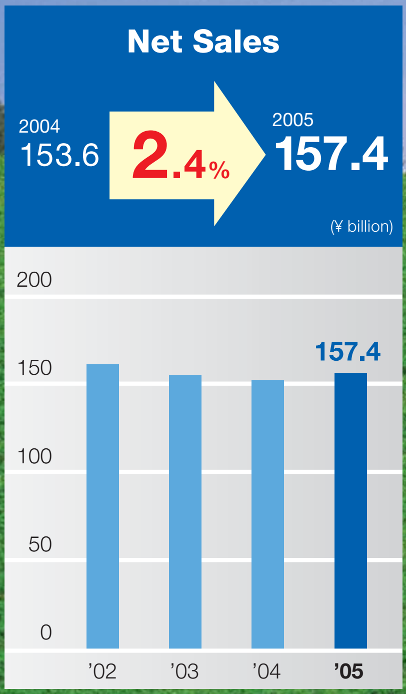
Our Basic Principles under Our Three-Year Business Plan

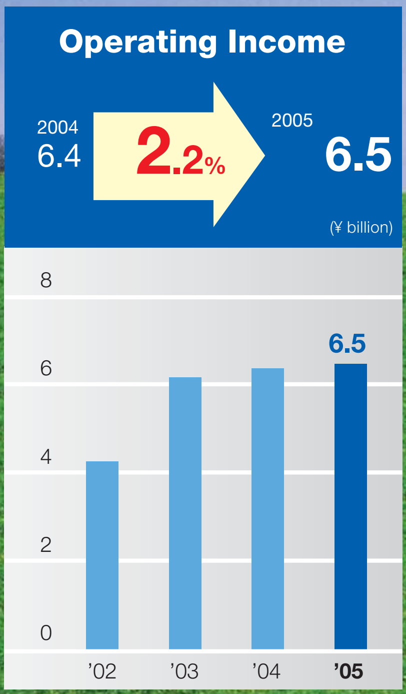
- Focusing on Profitability and Cash Flow
- Mobilizing the Full Capabilities of the Iseki Group

Our Core Competencies >>>

- Nationwide Marketing Network in Japan Centered on Consolidated Subsidiaries
- Overseas Brand Power and Collaboration with Overseas Partners
- Development of Non-Machinery Core Businesses
- Product Development Strengths Stemming from Capabilities for Manufacturing a Broad Range of Agricultural Equipment

Fiscal 2005 Highlights



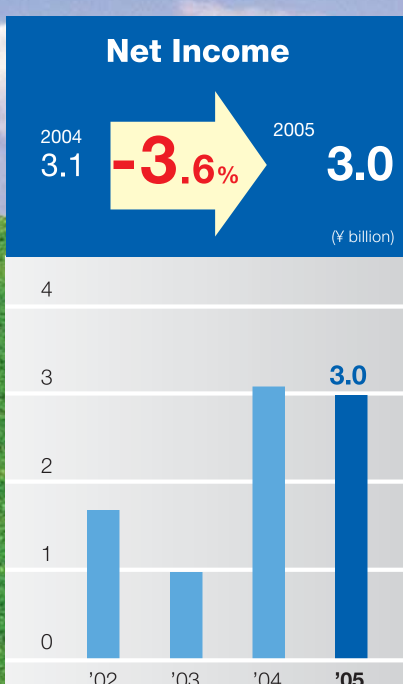


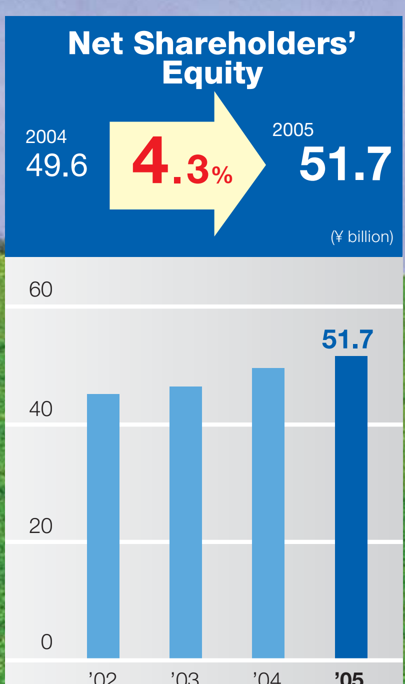
Contents

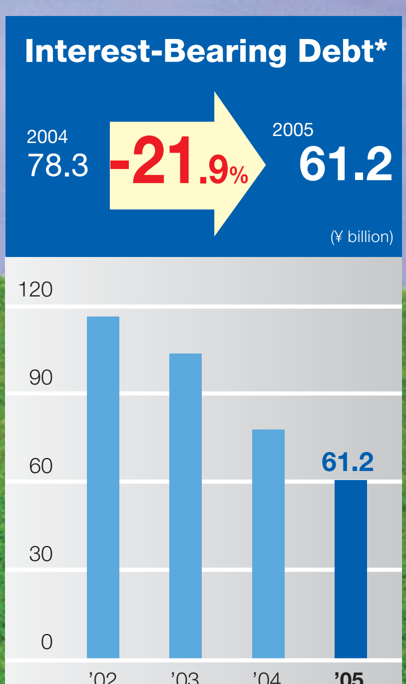
“Contributing to human society through agriculture and agricultural machinery” is ISEKI & CO., LTD.’s true desire. We have been promoting the mechanization of agriculture for 80 years and have successfully introduced farming innovations through the development of a wide range of agricultural machinery, such as tractors, combine harvesters, and rice transplanters. Today, increasing food production and preserving the natural environment are pressing issues worldwide. We at Iseki remain committed to meeting new challenges and creating new ways of farming.

Our Strategic Initiatives >>>

- **Capturing a 20% Market Share in Japan**
- **Strengthening and Expanding Overseas Businesses**
- **Expanding Non-Machinery Businesses**
- **Further Upgrading Product Development Systems and Steadily Reducing Costs**







* Including notes receivable discounted with banks

Positioned for Further Growth

Hiroyuki Nakano, President

Basic Management Principles

With a history stretching back almost 80 years, Iseki & Co., Ltd., has contributed to the modernization of agriculture in Japan as a comprehensive specialist in the area of agricultural machinery. During this period, we have developed and supplied distinctive agricultural equipment in the continual pursuit of making farming less labor intensive and more efficient.

Today, the agricultural industry is facing significant challenges along with an increase in food-related problems associated with global population growth. Against this backdrop, the social mission of agricultural equipment makers is becoming increasingly important. As such, Iseki remains steadfastly committed to its basic management principle of "contributing to human society through agricultural machinery" both domestically and globally.

In line with this principle, Iseki is reforming its management structure to establish a corporate framework that will ensure stable business performance underpinned by policies aimed at bolstering product marketability, improving quality, reducing costs, and strengthening marketing and servicing capabilities.

Overview of Fiscal 2005

Iseki posted higher sales both in Japan and overseas in fiscal 2005, ended March 31, 2005.

In Japan, sales growth was propelled mainly by the ***GEAS-AT*** tractor series, while overseas sales were aided by strong demand in all regions, including North America, Europe, Asia, and Oceania. Sales in the North American market were particularly strong, reflecting growth in excess of the market average for new models of tractors and subcompact tractors. In Europe, contributions came mainly from new tractor models launched in the previous year. Asian sales were propelled higher by increased demand for large combine harvesters and rice transplanters from South Korea.

Despite achieving cost reductions that exceeded planned cuts and healthy profits generated by higher sales, temporary factors held earnings at approximately the same level as in the previous fiscal year.

With regard to financial position, we continued to make progress in streamlining the balance sheet and reduced interest-bearing debt at the end of the fiscal year to roughly ¥60 billion, achieving our target one year ahead of schedule. Moreover, efforts to strengthen financial stability have led to a steady improvement in the debt-to-equity ratio as well as the shareholders' equity ratio.

All the members of the Iseki Group are committed to utilizing their collective capabilities of the Group as a whole to further strengthen the consolidated balance sheet and enhance the Group's earnings power.

Initiatives for Capturing a 20% Market Share in Japan

Overview of Domestic Agricultural Machinery Market

Annual demand for agricultural machinery in Japan has amounted to an average ¥400 billion in recent years, but the market is projected to contract over the medium-to-long term. At present, the market is dominated by Iseki and three other comprehensive agricultural machinery makers, and very little change has been seen in the market shares each holds. Consequently, all four leading companies seek to accelerate overseas business growth.

The overall number of farmers in Japan is declining, the average age of farmers is rising, and the profile of the farmers remaining is becoming increasingly polarized. The number of traditional small-scale Japanese farmers is gradually decreasing, while the number of large-scale farmers with over five hectares of land under cultivation continues to grow each year. These trends are expected to persist for the foreseeable future.

Amid these circumstances, needs for agricultural machinery are also becoming increasingly polarized, with large-scale farmers seeking out products with comprehensive ranges of function and small-scale farmers focusing on reasonably priced, easy-to-operate products.

Bolstering Our Tractor Lineup

Taking the initiative ahead of its competitors, Iseki has developed a wide range of combine harvesters and rice transplanters for integrated rice cultivation. In June 2004, the Company introduced the completely revamped ***GEAS-AT*** tractor series, which leverages the Company's accumulated technological and product development capabilities. Not only do the new tractors offer greater maneuvering precision, they provide superior operation and enhanced safety that is underpinned by upgraded automatic features. Winning high marks from users since their introduction, these new tractors have helped boost the Company's sales and market share in the domestic tractor market.

Iseki continues to work steadily toward its goal of capturing a 20% share of the Japanese agricultural machinery market through the timely introduction of combine harvesters, rice transplanters, and other new products that address increasingly diverse market needs.

Strengthening and Expanding Overseas Operations

Iseki products are used in various fields, including agriculture, lawn maintenance, and light civil engineering, in more than 100 countries, where the Company has earned a solid reputation for delivering superior quality and product performance as well as excellent related services.

We expect our export ratio will rise along with growth in overseas sales, especially in North America and Europe, and we anticipate this to be complemented by steady sales growth in Asian countries over the medium-to-long term. At the same time, we are working to further expand overseas earnings by developing products tailored to the needs of local users.

Tractor

Rice Transplanter

Combine Harvester

Rice Cultivation Machinery
Iseki's innovative agricultural machinery enjoys a high reputation among farmers.

North America

Demand for compact tractors continued to expand in the North American market in the first half of fiscal 2005, supported by brisk housing starts and a strong economy. Iseki supplies compact tractors on an OEM basis to AGCO Corporation, which is the world's third largest agricultural machinery manufacturer. Since July 2004, we have been supplying a variety of new compact tractors developed for the North American market. The strong performance of these new products enabled us to achieve sales growth considerably in excess of the market average. In the fiscal year ending March 31, 2006, we aim to secure an even greater share of the market through higher sales of new tractors and the launch of a new zero-turn radius riding mower.

Europe

In Europe, the Company has successfully marketed many kinds of compact tractors and gardening products under the Iseki brand for more than 30 years. Sales of recently launched premium lawn mowers, high-performance tractors, and other new products have been strong, and the Company intends to boost sales by further enhancing its product lineup in the current fiscal year.

China

In China, the ongoing migration of the population from rural areas to cities and implementation of government polices aimed at modernizing farming are expected to accelerate growth in the local agricultural equipment market. In light of this situation, Iseki initiated full-scale sales of combine harvesters in China in the current fiscal year. Local manufacturing is handled by subsidiary ISEKI CHANGZHOU MFG. CO., LTD., with products marketed through local sales agents. Iseki aims to expand its agriculture-related businesses in China by upgrading its sales and service network and expanding its sales area.

Other Asian Markets

In other Asian markets, Iseki saw increased exports of rice transplanters and combine harvesters to South Korea in fiscal 2005. South Korea is making progress in contracts for farm

Zero-turn mower for the European market

Compact tractor for the North American market operation, and this is fueling growth in demand for large-scale agricultural equipment that offers both high performance and superior durability, which is our forte.

In Southeast Asia, agriculture is expected to become more mechanized—especially with regard to the cultivation of rice, the staple crop—in conjunction with the region's growth in population and economic power. Southeast Asia is therefore expected to eventually become one of the world's largest markets for agricultural products, second only to China.

In fiscal 2004, Iseki started exporting tractors to Thailand and followed up this move with the establishment of a local representative office in May 2005. The Company aims to contribute to the modernization of Southeast Asia's agricultural industry by accurately assessing market trends and using this information to supply products that address local needs.

Corporate Governance

Iseki's management system is designed to quickly and accurately respond to changes in the business environment while ensuring compliance with all relevant rules and regulations. In addition, the Company has positioned stable growth in shareholder value as a top management priority. To realize this philosophy, the Company works to construct solid relationships with all its stakeholders, beginning with shareholders and customers and including business partners, local communities, and employees. In conjunction, the Company continually works to enhance corporate governance and disclosure through the implementation of various measures and methodologies.

In March 2005, Iseki established a Business Oversight Committee to further improve compliance and to ensure that the Group's business transactions are appropriately conducted and its accounting procedures properly followed. Chaired by the president and including five directors and one outside member (a CPA), the Business Oversight Committee deliberates and decides on matters related to operational auditing and compliance, with decisions reported to the Board of Directors.

Drying and Storage Facility

Aiming for Further Growth

Since its establishment nearly 80 years ago in 1926, Iseki has contributed to the modernization and mechanization of agriculture, progressing in step with farmers as a comprehensive specialist in the area of agricultural machinery. During this time, Iseki has accumulated considerable assets in the form of unbroken traditions of strong technical capabilities coupled with a determination to challenge new boundaries. The Company uses its technical capabilities to develop products that change people's lives not only in Japan but in every region of the world. In this capacity, Iseki continually works to expand its business globally and increase corporate value.

Looking ahead, the structure of Japan's agriculture industry will continue to change, while the varied agricultural sectors and markets for agricultural equipment around the world will evolve along with local national and economic trends.

To address the wide-ranging needs thus created, we are committed to further tapping into the Iseki Group's collective strength, which is centered on its technical expertise and product development capabilities, to supply superior-quality products and services.

We will also work to create new farming paradigms and facilitate reductions in agriculture production costs while supporting growth in the agricultural industry both in Japan and abroad.

July 2005

Hiroyuki Nakano
President

SPECIAL FEATURE 1

Contributing to Human Society around the World

Highlights of Iseki's first 80 years

1966

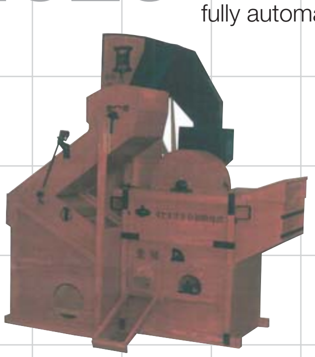
Iseki launches the ***HD50,*** the world's first head-feeding combine harvester equipped with an automatic thresher

1978

Sales begin for the ***PL620/680*** series, which become the basic models for riding-type rice transplanters in Japan

1926

Founded as Iseki Nougu Shokai, the Company markets its first product, a fully automatic rice huller



Fully automatic rice huller

1971

The hit product ***P20 Sanae*** is launched, its name becoming synonymous with the term rice transplanter

1983

Always the industry leader, Iseki develops coin-operated, 24-hour, self-service rice polishing machines. To date, we have installed about 8,000 units.

During the nearly 80 years since its founding, Iseki has worked as a pioneer in its field to promote the mechanization of agriculture. It was the first to introduce seamless rice crop machinery systems in Japan and since then has always been a step ahead as it supplies Iseki technology to the world.

In light of the medium-to-long term outlook for the domestic agricultural industry, Iseki is emphasizing greater efficiency and energy conservation for its mainstay rice cultivation machinery; promoting the mechanization of farm and vegetable growing operations, which often have high energy-conservation needs; and focusing R&D on agricultural machinery-related products. Furthermore, with regard to exports, ongoing expansion is expected in the North American and European gardening-related markets, and we will continue to focus on R&D on products for new markets, such as tractors for Southeast Asia and combine harvesters for China.

Iseki's R&D System

Although Iseki prefers to pursue independent R&D, in areas where it is advantageous we are moving forward with joint development with universities and research institutes.

In all our technical endeavors, we abide by four keywords: satisfaction, safety, reliability, and the environment. We continually pursue R&D that is superior in terms of product development capability, quality, and cost-competitiveness.

Iseki's R&D system comprises the head office and divisions in affiliated companies directly involved in engine, agricultural and food processing machinery, and precision machinery product development. With a view to accelerating technical development, we have also built a linked development information network that includes such overseas bases as N.V. ISEKI EUROPE S.A., our Representative Office in the United States, and ISEKI CHANGZHOU MFG. CO., LTD., in China.

through Agriculture and Agricultural Machinery

1986

The ***PA500,*** a riding-type rice transplanter equipped with the industry's first rotary-type transplanting device is commercialized

1987

Iseki delivers Japan's first rock wool cultivation system and many hydroponic cultivation systems go into operation nationwide

1988

Having mechanized rice farming and created a seamless rice crop machinery system, Iseki applies those technological capabilities to commercialize the ***Naueru,*** the first vegetable transplanting machine

1998

Iseki commercializes the combine zooming auger with a "double spiral" auger and an arm that extends and contracts, an industry first

2004

The ***GEAS-AT*** undergoes its first full model change in 10 years and the newest models earn high praise for their axle transmissions, memory speed variability, and automatic 4WD functions

Intellectual Property

The Company's emphasis on technology and the development of its R&D capabilities have brought results. Not only the development divisions but also the Company as a whole promotes invention proposal activity, and the number of invention proposals increases every year. As a result, Iseki's domestic patent registration rate ranks among the top every year, according to the Patent Agency's annual report for fiscal 2004. In fiscal 2003, the Company ranked No. 8 among the overall top 30 in terms of number of published patents and in fiscal 2002 was No. 1 in the agriculture and fisheries sector. This indicates that the Iseki Group leads its peers in technical invention and patent applications.

Of these patent applications, about 40% of the patented technologies have already been used in products. The remaining 60% are related to promising technologies that could be used in future.

These Iseki-owned rights protect the capabilities and functions that are sales points for products already on sale, highlight new technology research directions when new products are developed, and otherwise contribute substantially to assuring the superiority of Iseki products.

Moreover, with regard to citations by the Invention Society, over the past 46 years, Iseki inventions have won awards on 18 of the 19 occasions that the agricultural machinery industry has been cited.

The importance that the Company attaches to technology has been a basic part of its corporate DNA from its founding right up to the present day. Going forward, we will seek to maximize our technological prowess and vigorously promote the development of products that boast high performance and durability, ease of use and reliability, and price-competitiveness.

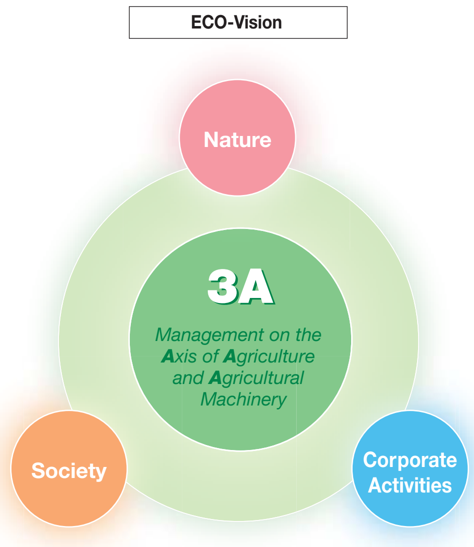
Achieving Harmony between Human Beings

During the 80 years since its founding, Iseki has through its operations been closely involved and thus sought harmony with the natural environment. The Earth is the source of bounty and joy for all people. One of our roles is serving as a bridge between our customers and the Earth, which provides them with their livelihood. From this concept, comes our motto "Harmonizing Human Beings and the Earth."

Guided by this motto, we recognize that it is possible to ensure that corporate activities harmonize environmental preservation and economic development by lightening the burden on the planet and by maintaining environment-friendly measures. We believe this is the social mission of Iseki, and that we should play a leading role in the formation of a society capable of sustainable development.

Eco-Vision

Based on our management concept of "Axis of Agriculture and Agricultural Machinery," or 3A, we promote environmental preservation activities that help ensure the harmony of nature and society.



Environmental concept

With agriculture and agricultural machinery forming the management axis, we contribute to formation of a sustainable society by seeking to harmonize nature, society, and corporate activities.

Basic environmental policy

1. Prepare and flexibly implement an environmental management system
2. Reduce the environmental impact of corporate activities and products
3. Observe environmental regulations
4. Promote environmental education and information disclosure

Environmental conduct guidelines

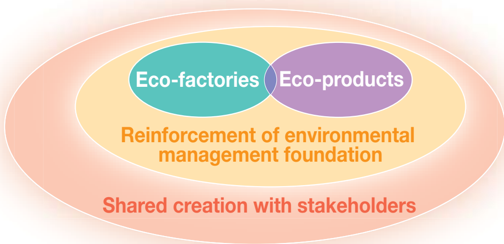
1. Environment-conscious R&D
   In manufacturing and product design, reduce noise, vibration, fuel costs, exhaust gases, and the use/production of environmentally harmful substances while promoting recycling
2. Environment-conscious production
   Pollution prevention (air, water, noise, vibration), energy conservation, resource conservation, "green" purchasing
3. Environment-conscious office procedures
   Energy conservation, resource conservation
4. Environment-conscious transportation
   Transportation improvement (eco-friendly packaging, efficient shipping), proper waste disposal
5. Environmental education, information disclosure
   Employee environmental education, participation in local activities, information disclosure

and the Earth

Medium-to-Long-Term Environmental Objectives

The Iseki Group has set clear objectives to be accomplished by 2010, and is implementing them.

Medium-to-Long-Term Objectives



To ensure the effectiveness of environmental preservation activities, we believe it is essential to reinforce our environmental management foundations and work with stakeholders to ensure eco-friendly factories and products. Based on this concept, we have formulated medium-to-long-term environmental objectives to be accomplished over the five years through 2010.

Since its flagship Matsuyama plant obtained ISO14001 certification in February 1999, the Iseki Group has been promoting environmental management activities in various locations, centering its efforts on R&D and manufacturing divisions. Our current medium-to-long-term environmental objectives are in line with the second environmental plan that got under way in fiscal 2004. In addition to specifying activities for each factory location, centering on the existing eco-factory network, we seek to contribute to the creation of a sustainable society through measures that include conducting LCAs (life cycle assessments), supporting nature-friendly agricultural practices, and ensuring the proactive disclosure of information as required by society.

In March 2005 the Company was the first in the agricultural machinery industry to be certified by the Japan Development Bank as an “environment-aware management promotion business” under the Bank’s financing system*. This allows Iseki to obtain loans at advantageous interest rates. We believe this represents a high rating of our environmental activity.

Going forward, “Harmonizing Human Beings and the Earth” will continue to be key to our corporate activities. While striving to be an environment-friendly technologically advanced company, we will develop superior agricultural machinery to meet the demands of our customers.

* Developed by the Japan Development Bank, the designation “Environment-aware management promotion business” indicates a company that has been rated to have superior environmental management. Companies are awarded points based on a screening (credit rating) system, and interest rates are set accordingly at one of three levels corresponding to the number of points awarded. This is the world’s first financing system to apply “environmental credit ratings.”

Topic		Objective
Eco-friendly factories	Global warming prevention	Reduction of CO_2 emissions from energy generation by more than 15% compared with FY1997 levels
	Water usage reduction	Reduction of water usage by more than 15% compared with FY1997 levels
	Waste material reduction	Reduction of final waste disposal volume by up to 30% compared with FY1997 levels
	Control of chemical substances	Reduction of controlled substance usage volume by more than 20% compared with FY2001 levels
Eco-friendly products	Conducting LCAs	Promotion and expansion of environment-friendly design
	Packaging-related environmental impact reduction	By FY2006 year-end eliminate wood packaging of principal products
	Promotion of “green” procurement	Promote “green” purchasing through partnerships with business partners
	Support of environment-friendly agriculture	Promote development of environment-friendly agricultural products
Reinforcement of environmental management foundation	Use of environmental management system	Continuously renew each business location’s ISO14001 certification, promote acquisition of EA21 certification
	Introduction of environmental accounting	Introduce and enhance environmental accounting
	Use of environmental risk management	Deepen legal compliance, anticipate risk, and strengthen and deepen control system for advance prevention
Interactive creation with stakeholders	Environmental education promotion	Cultivate employee environmental awareness, implement education to improve environmental technology
	Environment-related communication	Promote volunteer activities, expand community links

Consolidated Five-Year Financial Summary

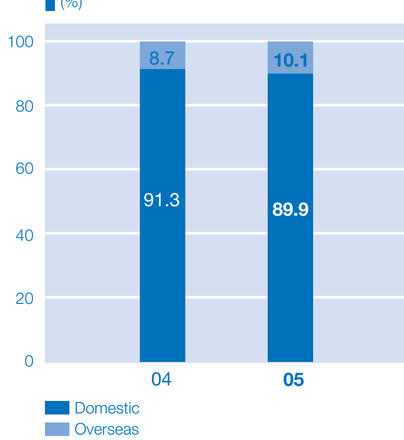
ISEKI & CO., LTD. and Consolidated Subsidiaries
Years ended March 31

	Millions of yen					Thousands of U.S. dollars (Note 1)
	2005	2004	2003	2002	2001	**2005**
For the year:						
Net sales	**¥157,462**	¥153,624	¥156,381	¥162,361	¥162,237	**$1,465,990**
Cost of sales	**105,128**	103,101	105,374	111,418	112,916	**978,754**
Selling, general and administrative expenses	**45,817**	44,149	44,814	46,662	47,493	**426,562**
Operating income	**6,517**	6,374	6,193	4,281	1,828	**60,674**
Net income (loss)	**2,965**	3,077	1,009	1,749	(8,018)	**27,605**
Capital expenditures	**5,411**	5,080	4,919	6,144	5,630	**50,377**
Depreciation and amortization	**4,167**	4,483	4,898	5,002	5,311	**38,795**
At year-end:						
Total assets	**184,477**	197,156	215,163	231,440	244,464	**1,717,503**
Net shareholders' equity	**51,726**	49,576	46,483	45,197	43,203	**481,575**
Number of employees	**6,665**	6,644	6,743	7,052	7,195	
Per share data:	Yen					U.S. dollars
Net income (loss)	**¥ 13.61**	¥ 13.90	¥ 4.56	¥ 7.79	¥ (35.66)	**$ 0.13**
Diluted net income	**12.74**	—	—	—	—	**0.12**
Shareholders' equity	**238.88**	226.85	210.44	201.12	192.24	**2.22**
Cash dividends	**3.00**	3.00	—	—	—	**0.03**
	(%)					
Ratios:						
Return on equity	**5.9%**	6.4%	2.2%	4.0%	(19.2)%	
Return on assets	**1.6**	1.5	0.5	0.7	(3.3)	
Shareholders' equity to total assets	**28.0**	25.1	21.6	19.5	17.7	

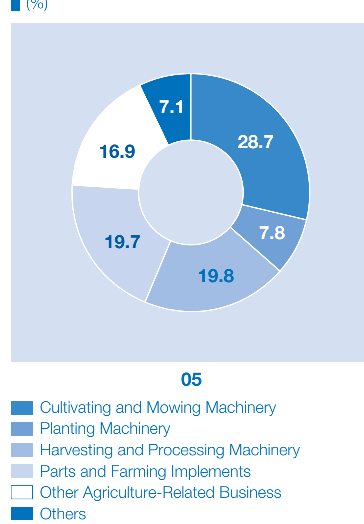
Note: U.S. dollar amounts have been translated from yen, for convenience only at the rate of ¥107.41 to US$1.00, the approximate rate of exchange at March 31, 2005.

Definitions: Return on equity = 100 × net income / average net shareholders' equity in the fiscal period
Return on assets = 100 × net income / average total assets in the fiscal period
Shareholders' equity to total assets = 100 × net shareholders' equity / total assets

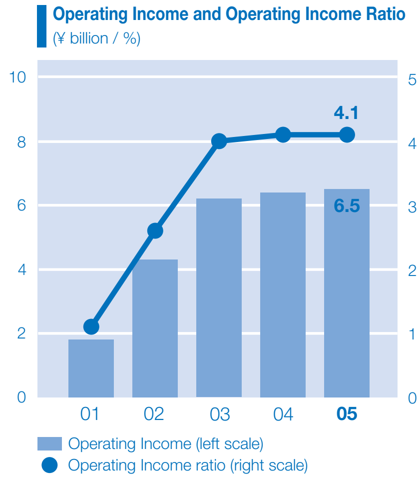
Sales Breakdown by Market
(%)

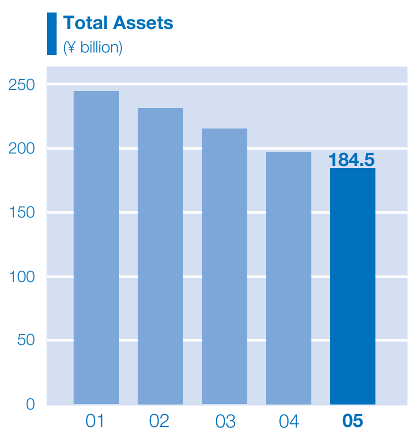


Sales Composition by Product Category
(%)



Management's Discussion and Analysis





Overview

Although Japan experienced a series of typhoons, other heavy rains, and earthquakes during fiscal 2005, ended March 31, 2005, leading to concerns regarding the level of shipments from the country's agricultural machinery industry, shipments were approximately the same as in the previous fiscal year. At the same time, exports of agricultural equipment continued to show favorable expansion, supported by consumption trends in North America.

Amid these circumstances, the Iseki Group expanded its lineup of new products in response to increasingly diverse customer needs and worked to expand sales not only in Japan but also in overseas markets.

As a consequence, consolidated net sales rose 2.5%, or ¥3.8 billion, to ¥157.4 billion, the Company's first year-on-year expansion in sales three years.

Overseas

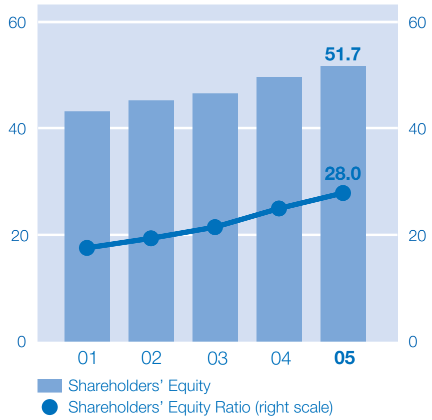
Overseas sales, primarily to North America, were robust and rose 19.2%, or ¥2.6 billion, to ¥15.9 billion. Of this total, finished products were up 27.0%, or ¥3.1 billion, to ¥14.6 billion, while sales of parts and other items declined 29.6%, or ¥0.5 billion, to ¥1.3 billion.

By region, all geographical segments reported increased sales. In the North American market, sales of newly introduced tractors and subcompact tractors expanded, and, in the European market, sales of new tractor models increased. In Asia, sales of rice transplanters and large-scale combine harvesters expanded in Korea, while in the Chinese market, we began sales of combine harvesters on a trial basis in May 2004 and are moving forward with initiatives to expand our marketing capabilities with an eye toward full-scale marketing in 2005.

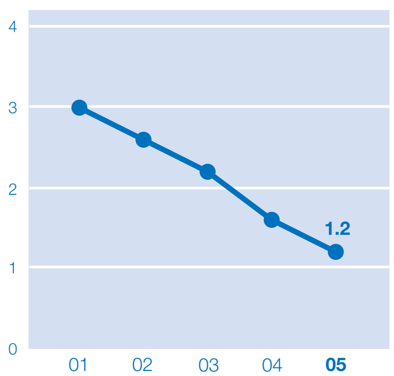
Domestic

Sales in the Japanese market were up 0.9%, or ¥1.2 billion, to ¥141.5 billion. Of this total, sales of mainstay agricultural machinery were up 0.9%, or ¥0.6 billion, to ¥74.1 billion. Among cultivating and mowing machinery (including tractors and cultivators), the ***GEAS-AT*** tractor, introduced in June 2004, turned in a strong performance, with sales rising 7.3%, or ¥2.2 billion, to ¥31.9 billion. On the other hand, planting machinery (including rice transplanters and vegetable transplanters) declined 4.3%, or ¥0.6 billion, to ¥11.5 billion. Harvesting and processing machinery (including combine harvesters and dryers) reported a decline of 3.1%, down ¥1.0 billion, to ¥30.7 billion.

Shareholders' Equity and Shareholders' Equity Ratio
(¥ billion / %)



Debt to Equity Ratio
(%)



In other business areas, outside the agricultural equipment field, parts for maintenance and farming implements rose 1.7%, to ¥30.1 billion, and agricultural facilities and other agricultural-related sales were up 1.3%, to ¥26.1 billion. Sales in other businesses posted a decline of 2.1%, to ¥11.2 billion.

Costs, Expenses, and Earnings

Operating income rose 2.2%, or ¥0.1 billion, to ¥6.5 billion. For the fiscal 2005, the profitability of the hydroponics equipment business showed a temporary deterioration of ¥0.9 billion because of higher operating expenses in connection with sharp increases in production. Among other factors affecting performance, the cost of sales rose ¥2.0 billion accompanying the rise in net sales; thus, the cost of sales ratio improved owing to reduced costs for new equipment types, which contributed ¥1.4 billion to operating income. However, selling, general and administrative (SG&A) expenses rose ¥1.7 billion, mainly due to higher operating expenses.

Income before income taxes and minority interests climbed 19.2%, or ¥0.8 billion from the previous fiscal year, to ¥5.1 billion. This increase was due to a combination of factors, including the ¥0.1 billion in operating income, the positive impact of a ¥0.1 billion reduction in interest expenses accompanying the reduction in interest-bearing debt, ¥0.5 billion from the sale of the Company's credit business operations, and other factors.

As a result, net income decreased 3.6%, or ¥0.1 billion, to ¥3.0 billion.

Financial Condition

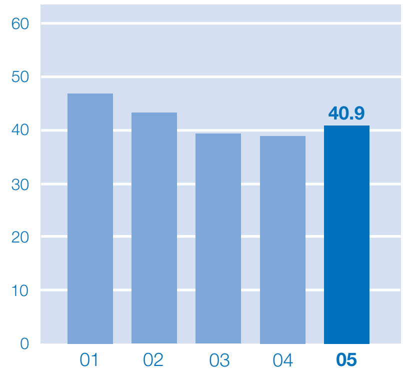
Total assets contracted ¥12.7 billion, to ¥184.5 billion. Principal contributing factors were a reduction in cash and time deposits of ¥5.3 billion and a drop in notes and accounts receivable in connection with the sale of the Company's credit business operations as well as other factors. Funds from these two sources were used to repay outstanding borrowings.

Net shareholders' equity rose ¥2.2 billion, to ¥51.7 billion, due primarily to the increase in retained earnings. Shareholders' equity continues to accumulate year by year, and the ratio of shareholders' equity to total assets stood at 28.0% at fiscal year-end, a major improvement from 17.7% at March 31, 2001. We are working toward a goal of 30% for this indicator by the end of March 2006 and are continuing our initiatives to strengthen our balance sheets.

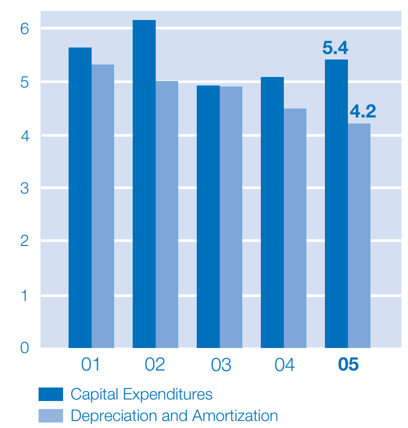
Cash Flows

Cash provided by operating activities during the fiscal year was ¥6.4 billion, representing a decline of ¥6.0 billion from the previous fiscal year. Principal factors influencing cash provided by operating activities were ¥5.1 billion in income before income taxes and minority interests;

Inventories
(¥ billion)



Capital Expenditures and Depreciation and Amortization
(¥ billion)



an increase of ¥4.6 billion in notes and accounts payable, trade; tax payments of ¥2.6 billion, and other factors.

Net cash provided by investing activities amounted to ¥8.8 billion, compared with an inflow of ¥5.6 billion for the previous fiscal year, owing to income from the sale of the credit business sector and miscellaneous factors.

Net cash used in financing activities was ¥18.4 billion, compared with net cash used of ¥26.6 billion in the previous fiscal year. Factors influencing financing cash flows were repayments of interest-bearing debt of ¥27.2 billion and a cash inflow of ¥10.0 billion from the issuance of bonds.

Progress under the Three-Year Business Plan

In line with our three-year business plan, which we initiated in fiscal 2004, we have formulated the following basic strategies. The Iseki Group is devoting its fullest efforts to achieving its goals under the plan and to “expand Iseki’s corporate value.”

• Basic Strategies and Policies

1. Enhance and expand sales overseas
2. Secure a 20% share of the domestic market for agricultural equipment by intensifying our commitment to sales and marketing
3. Further bolster our capability to develop new products that leverage our strength as a manufacturer specializing in agricultural equipment
4. Build a “low-cost structure” by reforming our consolidated revenue structure

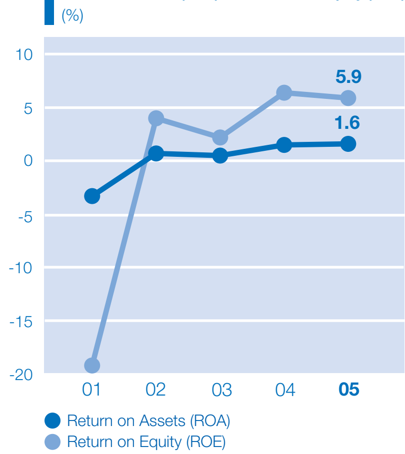
• Enhance and Expand Sales Overseas

Compared to our plans for raising product sales in overseas markets by 50% ((fiscal 2006 on fiscal 2005), overseas sales for fiscal 2005 had risen 45%. Strategies for increasing sales include introducing new model tractors and riding-type “zero turn” mowers in the North American market, expanding sales channels in Europe, and raising sales of tractors in the Southeast Asian markets as well as sales of combine harvesters in China.

• Secure Our Domestic Market Share

To attain our objective of capturing a 20% share of the domestic market for agricultural machinery, we are focusing on expanding our sales of large-scale agricultural equipment and machinery for vegetable cultivation by increasing our sales capabilities and strengthening our marketing to large-scale users.

Return on Assets (ROA) and Return on Equity (ROE)



• Further Bolster Product Development Capabilities

Initiatives in this area include improving our ability to respond to the detailed needs of our customers and taking steps to substantially lower costs. The ***GEAS-AT*** tractor, which we introduced in March 2005, allows the driver to change speed automatically using an accelerator pedal and is equipped with functions that make it possible to set the tractor to "remember" previous tasks and adapt automatically to prior operating conditions. These functions have been very well received by users. Policies for making substantial reductions in costs include lowering new-product manufacturing costs, expanding overseas procurement, reducing the number of different types of components, and shortening lead times. Also, ISEKI-CHANGZHOU MFG. CO., LTD., has gone into full operation and is beginning to supply parts to the Group's manufacturing centers.

• Make Progress toward Reforming Our Consolidated Revenue Structure

To substantially improve the Group's consolidated earnings structure, we are making steady progress toward reducing inventories, lowering interest-bearing debt, and improving sales efficiency.

Financial Strategy and Capital Policy

• Reducing Interest-Bearing Debt

We are working toward a goal of reducing interest-bearing debt to just above ¥60 billion by March 31, 2006, by reforming our earnings structure. We essentially reached this objective one year ahead of plan by lowering interest-bearing debt during the fiscal year under review ¥17.1 billion, to ¥61.2 billion, through measures to improve the efficiency of fund usage and the repayment of debt with funds obtained from the sale of our credit business operations.

• Buybacks of Company Shares

Our objective under our three-year business plan is to repurchase 20 million shares, valued at approximately ¥2.5 billion. During the fiscal year under review, we bought back 2.17 million shares, bringing the total of repurchases thus far to 8.51 million.

Dividends

The Company regards the payment of dividends to shareholders as one of its most important management priorities. In setting our dividends, we take into account not only consolidated performance but the comprehensive financial position of Group companies and their expected future development while maintaining a basic policy of sustaining stable dividends to shareholders.

Pursuant to this policy, Iseki decided to pay a year-end cash dividend of ¥3 per share for fiscal 2005.

Outlook

We anticipate that the operating environment will continue to be challenging and require close monitoring during the fiscal 2006, because of such factors as increases in raw material prices. Amid this operating environment, we are committed to further strengthening our corporate foundation by creating a more powerful and stable earnings structure.

During fiscal 2006, we are targeting net sales of ¥163.0 billion, ¥5.6 billion higher than during the fiscal year under review. Of this total, we are working to achieve an increase in domestic sales of ¥4.5 billion, to ¥146.0 billion, focusing particularly on raising tractor sales. Overseas, we are looking to boost sales ¥1.1 billion, to ¥17.0 billion.

Regarding operating income, we are forecasting that rising raw material prices will place additional pressures on profitability, but we believe the temporary factors leading to a decline in income that occurred in fiscal 2005 will not occur again this year. In addition, we are looking for some positive results from our cost-reducing efforts and activities to improve efficiency. Accordingly, we are forecasting an increase in operating income of ¥2.0 billion, to ¥8.5 billion. For net income, we are working toward a goal of ¥4.0 billion, which will represent an increase of ¥1.0 billion from that of fiscal 2005.

Under our policy of “sustaining stable cash dividends,” we are planning to set our year-end dividend to shareholders for fiscal 2006 at ¥3 per share, the same as in the fiscal year under review.

Consolidated Balance Sheets

ISEKI & CO., LTD. and Consolidated Subsidiaries
March 31, 2005, 2004 and 2003

	Millions of yen			Thousands of U.S. dollars (Note 1)
ASSETS	**2005**	2004	2003	**2005**
Current assets:				
Cash and time deposits (Note 3)	**¥ 8,202**	¥ 13,466	¥ 30,990	**$ 76,362**
Marketable securities (Notes 4 and 7)	**285**	277	282	**2,653**
Notes and accounts receivable	**37,015**	46,910	47,991	**344,614**
Allowance for doubtful accounts	**(671)**	(757)	(728)	**(6,247)**
Inventories (Note 5)	**40,852**	38,921	39,348	**380,337**
Deferred income taxes (Note 8)	**2,073**	1,604	375	**19,300**
Prepaid expenses and other current assets	**4,113**	3,819	4,310	**38,292**
Total current assets	**91,869**	104,240	122,568	**855,311**
Property, plant and equipment (Note 7):				
Land (Note 6)	**50,460**	50,400	50,235	**469,789**
Buildings and structures	**43,465**	42,986	42,753	**404,664**
Machinery, equipment and vehicles	**42,384**	43,416	45,918	**394,600**
Tools, furniture and fixtures	**25,067**	25,352	26,880	**233,377**
Others	**563**	930	728	**5,242**
Construction in progress	**1,813**	1,162	480	**16,879**
Less accumulated depreciation	**(84,334)**	(84,441)	(85,603)	**(785,160)**
Property, plant and equipment, net	**79,418**	79,805	81,391	**739,391**
Investments and other assets:				
Investment securities (Notes 4 and 7)	**7,967**	7,624	5,995	**74,174**
Investments in an unconsolidated subsidiary and affiliates	**437**	75	75	**4,069**
Intangible assets	**1,102**	1,059	1,130	**10,260**
Deferred income taxes (Note 8)	**530**	477	535	**4,934**
Other	**4,061**	4,654	3,712	**37,808**
Allowance for doubtful accounts	**(907)**	(778)	(243)	**(8,444)**
Total investments and other assets	**13,190**	13,111	11,204	**122,801**
Total assets	**¥184,477**	¥197,156	¥215,163	**$1,717,503**

See accompanying notes to consolidated financial statements.

LIABILITIES, MINORITY INTERESTS AND SHAREHOLDERS' EQUITY	Millions of yen 2005	2004	2003	Thousands of U.S. dollars (Note 1) 2005
Current liabilities:				
Short-term borrowings (Note 7)	**¥ 20,306**	¥ 39,337	¥ 72,516	**$ 189,051**
Current portion of long-term debt (Note 7)	**7,391**	10,539	17,337	**68,811**
Notes and accounts payable, trade	**44,493**	39,938	37,421	**414,235**
Notes and accounts payable, construction	**498**	506	249	**4,636**
Accrued expenses	**4,622**	4,064	3,828	**43,031**
Accrued income taxes (Note 8)	**1,718**	1,751	542	**15,995**
Other current liabilities	**3,575**	6,061	6,573	**33,285**
Total current liabilities	**82,603**	102,196	138,466	**769,044**
Long-term liabilities:				
Long-term debt (Note 7)	**33,180**	28,219	13,710	**308,910**
Accrued retirement benefits (Note 9)	**4,740**	5,049	4,768	**44,130**
Deferred income taxes (Note 8)	**8,691**	8,371	7,673	**80,914**
Other long-term liabilities	**2,035**	2,286	2,274	**18,946**
Total long-term liabilities	**48,646**	43,925	28,425	**452,900**
Total liabilities	**131,249**	146,121	166,891	**1,221,944**
Minority interests in consolidated subsidiaries	**1,502**	1,459	1,789	**13,984**
Contingent liabilities (Note 13)				
Shareholders' equity (Note 10):				
Common stock:				
Authorized—696,037,000 shares				
Issued—225,054,088 shares at March 31, 2005, 2004 and 2003	**22,534**	22,534	22,534	**209,794**
Capital surplus	**11,664**	11,645	11,599	**108,593**
Retained earnings (Note 17)	**6,830**	4,519	1,442	**63,588**
Land revaluation reserve (Note 6)	**10,697**	10,697	10,697	**99,590**
Net unrealized holding gain on securities (Note 4)	**1,956**	1,584	514	**18,211**
Foreign currency translation adjustments	**(14)**	(8)	—	**(130)**
	53,667	50,971	46,786	**499,646**
Treasury stock, at cost: 8,512,787 shares in 2005 6,507,892 shares in 2004 4,170,077 shares in 2003	**(1,941)**	(1,395)	(303)	**(18,071)**
Net shareholders' equity	**51,726**	49,576	46,483	**481,575**
Total liabilities, minority interests and shareholders' equity	**¥184,477**	¥197,156	¥215,163	**$1,717,503**

Consolidated Statements of Income

ISEKI & CO., LTD. and Consolidated Subsidiaries
Years ended March 31, 2005, 2004 and 2003

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2005	2004	2003	2005
Net sales	¥157,462	¥153,624	¥156,381	$1,465,990
Cost of sales (Note 11)	105,128	103,101	105,374	978,754
Gross profit	52,334	50,523	51,007	487,236
Selling, general and administrative expenses (Note 11)	45,817	44,149	44,814	426,562
Operating income	6,517	6,374	6,193	60,674
Other income (expenses):				
Interest and dividend income	332	254	256	3,091
Interest expense	(1,277)	(1,621)	(2,214)	(11,889)
Gain on sales of investment securities, net (Note 4)	311	63	268	2,895
Gain on sale of credit business	461	—	—	4,292
Loss on sales or disposal of property, plant and equipment, net	(277)	(405)	(242)	(2,579)
Other, net (Note 9)	(1,008)	(419)	(2,517)	(9,384)
Income before income taxes and minority interests	5,059	4,246	1,744	47,100
Income taxes (Note 8):				
Current	2,517	2,298	1,015	23,434
Deferred	(452)	(1,188)	(370)	(4,208)
	2,065	1,110	645	19,226
Income before minority interests	2,994	3,136	1,099	27,874
Minority interests in consolidated subsidiaries	29	59	90	269
Net income	¥ 2,965	¥ 3,077	¥ 1,009	$ 27,605

See accompanying notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

ISEKI & CO., LTD. and Consolidated Subsidiaries
Years ended March 31, 2005, 2004 and 2003

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2005	2004	2003	**2005**
Common stock:				
Balance at beginning and end of the year	**¥22,534**	¥22,534	¥22,534	**$209,794**
Capital surplus:				
Balance at beginning of the year	**¥11,645**	¥11,599	¥11,599	**$108,416**
Gain on disposition of treasury stock	**19**	46	—	**177**
Balance at end of the year	**¥11,664**	¥11,645	¥11,599	**$108,593**
Retained earnings:				
Balance at beginning of the year	**¥ 4,519**	¥ 1,442	¥ 101	**$ 42,072**
Net income	**2,965**	3,077	1,009	**27,605**
Transfer from land revaluation reserve	**—**	—	324	**—**
Dividends paid	**(654)**	—	—	**(6,089)**
Increase resulting from exclusion of certain subsidiaries from consolidation	**—**	—	8	**—**
Balance at end of the year	**¥ 6,830**	¥ 4,519	¥ 1,442	**$ 63,588**
Land revaluation reserve:				
Balance at beginning of the year	**¥10,697**	¥10,697	¥10,664	**$ 99,590**
Increase resulting from change in statutory tax rate	**—**	—	357	**—**
Transfer to retained earnings	**—**	—	(324)	**—**
Balance at the end of the year	**¥10,697**	¥10,697	¥10,697	**$ 99,590**
Net unrealized holding gain on securities:				
Balance at beginning of the year	**¥ 1,584**	¥ 514	¥ 332	**$ 14,747**
Net change	**372**	1,070	182	**3,464**
Balance at end of the year	**¥ 1,956**	¥ 1,584	¥ 514	**$ 18,211**
Foreign currency translation adjustments:				
Balance at beginning of the year	**¥ (8)**	¥ —	¥ —	**$ (74)**
Net change	**(6)**	(8)	—	**(56)**
Balance at end of the year	**¥ (14)**	¥ (8)	¥ —	**$ (130)**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

ISEKI & CO., LTD. and Consolidated Subsidiaries
Years ended March 31, 2005, 2004 and 2003

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2005	2004	2003	**2005**
Cash flows from operating activities:				
Income before income taxes and minority interests	**¥ 5,059**	¥ 4,246	¥ 1,744	**$ 47,100**
Adjustments for:				
Depreciation and amortization	**4,167**	4,483	4,898	**38,795**
Gain on sales of investment securities, net	**(311)**	(63)	(268)	**(2,895)**
Loss on devaluation of investment securities	**—**	—	853	**—**
Interest and dividend income	**(331)**	(254)	(256)	**(3,082)**
Interest expense	**1,277**	1,621	2,214	**11,889**
Loss on sales or disposal of property, plant and equipment, net	**277**	405	242	**2,579**
Gain on sale of credit business	**(461)**	—	—	**(4,292)**
Changes in operating assets and liabilities:				
(Increase) decrease in notes and accounts receivable	**(927)**	310	6,577	**(8,631)**
(Increase) decrease in inventories	**(1,930)**	896	4,541	**(17,969)**
Increase (decrease) in notes and accounts payable, trade	**4,555**	2,517	(3,881)	**42,408**
Other, net	**(1,477)**	663	(884)	**(13,751)**
Subtotal	**9,898**	14,824	15,780	**92,152**
Interest and dividends received	**333**	255	258	**3,100**
Interest paid	**(1,300)**	(1,772)	(2,259)	**(12,103)**
Proceeds from insurance claim	**—**	152	—	**—**
Income taxes paid	**(2,581)**	(1,090)	(1,285)	**(24,030)**
Net cash provided by operating activities	**6,350**	12,369	12,494	**59,119**
Cash flows from investing activities:				
Purchases of marketable securities	**(11)**	(35)	(208)	**(102)**
Proceeds from sales of marketable securities	**259**	261	35	**2,411**
Purchases of property, plant and equipment	**(5,095)**	(5,024)	(4,548)	**(47,435)**
Proceeds from sales of property, plant and equipment	**1,292**	895	1,668	**12,029**
Purchases of investment securities	**(589)**	(80)	(534)	**(5,484)**
Proceeds from sales of investment securities	**554**	106	286	**5,158**
Decrease in long-term loans receivable included in investments and other assets—other	**35**	66	1,290	**326**
Decrease (increase) in time deposits	**2,037**	8,989	(89)	**18,965**
Proceeds from sale of credit business	**10,410**	—	—	**96,918**
Other, net	**(134)**	456	195	**(1,248)**
Net cash provided by (used in) investing activities	**8,758**	5,634	(1,905)	**81,538**
Cash flows from financing activities:				
Decrease in short-term borrowings	**(18,971)**	(33,179)	(5,721)	**(176,622)**
Proceeds from long-term loans	**4,036**	26,690	5,511	**37,576**
Repayment of long-term loans	**(12,244)**	(11,399)	(9,003)	**(113,993)**
Proceeds from bonds issued	**10,000**	420	100	**93,101**
Redemption of bonds	**(40)**	(8,000)	(3,000)	**(372)**
Purchases of treasury stock	**(563)**	(1,235)	(556)	**(5,242)**
Proceeds from sales of treasury stock	**49**	66	—	**456**
Dividends paid	**(654)**	—	—	**(6,089)**
Other, net	**(4)**	(3)	(6)	**(37)**
Net cash used in financing activities	**(18,391)**	(26,640)	(12,675)	**(171,222)**
Effect of exchange rate changes on cash and cash equivalents	**56**	102	77	**521**
Net decrease in cash and cash equivalents	**(3,227)**	(8,535)	(2,009)	**(30,044)**
Cash and cash equivalents at beginning of year	**11,030**	19,565	21,587	**102,691**
Decrease in cash and cash equivalents resulting from exclusion of certain subsidiaries from consolidation	**—**	—	(13)	**—**
Cash and cash equivalents at end of year (Note 3)	**¥ 7,803**	¥11,030	¥19,565	**$ 72,647**

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

ISEKI & CO., LTD. and Consolidated Subsidiaries
March 31, 2005

1. Basis of Presentation

ISEKI & CO., LTD. (the "Company") and its domestic subsidiaries maintain their accounts and records in accordance with accounting principles generally accepted in Japan. The Company's overseas subsidiaries maintain their accounts and records in conformity with accounting principles generally accepted in their respective countries of domicile.

The accompanying consolidated financial statements of the Company and its consolidated subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Securities and Exchange Law of Japan.

The translation of yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made at ¥107.41=U.S.$1.00, the exchange rate prevailing on March 31, 2005. This translation should not be construed as a representation that yen have been, could have been, or could in the future be, converted into U.S. dollars at the above or any other rate.

2. Summary of Significant Accounting Policies

(a) Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Company and the significant companies which it controls directly or indirectly. The assets and liabilities of the initially consolidated subsidiaries are stated at fair value by the full value method as of their respective dates of acquisition of control.

The fiscal year-end of certain consolidated subsidiaries is December 31. If necessary, adjustments are made to reflect any significant differences in intercompany accounts and transactions arising from intervening intercompany transactions during the period from January 1 through March 31.

The differences between the cost and the underlying net equity in the net assets at the dates of acquisition of the consolidated subsidiaries are amortized by the straight-line method over a period of 20 years or less.

(b) Foreign currency translation

Foreign currency amounts are translated into yen at the rates of exchange in effect at the balance sheet date for monetary assets and liabilities, and at their historical rates for other assets and liabilities. All revenues and expenses associated with foreign currencies are translated at the rates of exchange prevailing when such transactions were made. Gain or loss resulting from the translation of foreign currency transactions is credited or charged to income as incurred.

Revenue and expense accounts of the overseas consolidated subsidiary and its balance sheet accounts (except for shareholders' equity) are translated into yen at the rates of exchange in effect at the balance sheet date. The components of shareholders' equity are translated at their respective historical exchange rates. The Company has presented foreign currency translation adjustments as a component of shareholders' equity and minority interests in consolidated subsidiaries in the accompanying consolidated financial statements.

(c) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, deposits with banks withdrawable on demand, and short-term investments which are readily convertible to cash subject to an insignificant risk of any change in their value and which were purchased with an original maturity of three months or less.

(d) Marketable securities and investment securities

Securities are classified into three categories: trading, held-to-maturity or other securities. Trading securities are carried at fair value and held-to-maturity debt securities are carried at amortized cost. Marketable securities classified as other securities are carried at fair value with any changes in unrealized holding gain or loss, net of the applicable income taxes, included directly in shareholders' equity. Cost of securities sold is determined principally by the moving average method. Non-marketable securities classified as other securities are carried at cost principally by the moving average method.

(e) Derivative financial instruments and hedging activities

Derivatives are stated at fair value with any changes in fair value charged or credited to income for the period in which they arise, except for derivatives which meet the criteria for deferral hedge accounting under which realized gain or loss is deferred as an asset or a liability. Receivables and payables hedged by forward foreign exchange contracts which meet certain conditions are translated at the corresponding foreign exchange contract rates.

(f) Allowance for doubtful accounts

The Company and its consolidated subsidiaries provide an allowance for doubtful accounts at the estimated aggregate amount of probable bad debts plus an amount calculated at a rate based on their historical experience.

(g) Inventories

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

(h) Property, plant and equipment

Property, plant and equipment are stated at cost. Depreciation is computed principally by the declining-balance method over the estimated useful lives of the respective assets, except for tools and buildings (other than attachments to the buildings) acquired on or after April 1, 1998 which are depreciated by the straight-line method over their respective useful lives.

The principal estimated useful lives are as follows:

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

Depreciation of minor tangible assets whose acquisition cost was ¥100 thousand or more, but less than ¥200 thousand are computed principally by the straight-line method over 3 years.

(i) Intangible assets

Intangible assets are stated at cost. Amortization is calculated by the straight-line method over the useful lives of the respective assets.

Costs incurred for computer software developed or obtained for internal use are capitalized and amortized on a straight-line basis over an estimated useful life of 5 years. Costs incurred for computer software for marketing are also capitalized and amortized on a straight-line basis over their estimated marketable period of 3 years.

(j) Bond issuance expenses
Bond issuance expenses are charged to income as incurred.

(k) Leases
Finance leases other than those which transfer the ownership of the leased property to the lessee are accounted for as operating leases.

(l) Income taxes
Deferred income taxes are recognized by the liability method. Under the liability method, deferred tax assets and liabilities are determined based on the differences between financial reporting and the tax bases of the assets and liabilities and are measured using the enacted tax rates and laws which will be in effect when the differences are expected to reverse.

(m) Accrued retirement benefits
Accrued retirement benefits for employees have been provided principally at an amount calculated based on the retirement benefit obligation and the fair value of the pension plan assets, as adjusted for net unrecognized actuarial gain or loss and unrecognized prior service cost. The retirement benefit obligation is attributed to each period by the straight-line method over the estimated years of service of the eligible employees.

The net retirement benefit obligation at transition is being amortized over a period of 15 years by the straight-line method. Prior service cost is amortized as incurred primarily by the straight-line method over 10 to 13 years, the estimated average remaining years of service of the eligible employees. Actuarial gain or loss is amortized commencing the year following the year in which the gain or loss is recognized primarily by the straight-line method over 10 to 13 years, the estimated average remaining years of service of the eligible employees.

Certain domestic consolidated subsidiaries, upon the enactment of the Defined Contribution Pension Plan Law, converted their tax-qualified pension plans and lump-sum payment plans to defined contribution plans effective April 2004, and adopted a new accounting standard governing the transition between the retirement benefit plans. The effect of this change was that a loss of ¥20 million ($186 thousand) was recorded and included in "Other income (expenses)—Other, net" in the consolidated statement of income for the year ended March 31, 2005.

Subject to approval at the shareholders' meeting, the directors and corporate auditors of the Company and certain domestic consolidated subsidiaries are entitled to lump-sum payments under unfunded retirement benefit plans. The provision for retirement benefits for directors and corporate auditors has been made at estimated amounts based on the Company's internal regulations.

(n) Revenue on installment sales
A domestic consolidated subsidiary handles the installment sales business. Unrealized profit on installment sales corresponding to the portion of installment receivables due in subsequent years is deferred and is recorded as a component of "Other current liabilities" in the accompanying consolidated balance sheets.

(o) Appropriation of retained earnings
Under the Commercial Code of Japan, the appropriation of retained earnings with respect to a given financial period is made by resolution of the shareholders at a general meeting held subsequent to the close of the financial period. The accounts for that period do not reflect such appropriations.

3. Cash and Cash Equivalents
A reconciliation of cash and time deposits in the consolidated balance sheets and cash and cash equivalents in the consolidated statements of cash flows at March 31, 2005, 2004 and 2003 is as follows:

	Millions of yen			Thousands of U.S. dollars
	2005	2004	2003	**2005**
Cash and time deposits	**¥8,202**	¥13,466	¥30,990	**$76,362**
Less: time deposits with original maturities exceeding three months	**399**	(2,436)	(11,425)	**3,715**
Cash and cash equivalents	**¥7,803**	¥11,030	¥19,565	**$72,647**

4. Securities
(a) Information regarding marketable securities classified as held-to-maturity debt securities at March 31, 2005, 2004 and 2003 is summarized as follows:

	Millions of yen			Thousands of U.S. dollars		
	2005			**2005**		
	Carrying value	Fair value	Unrealized gain (loss)	Carrying value	Fair value	Unrealized gain (loss)
Securities whose fair value exceeds their carrying value	**¥635**	**¥637**	**¥2**	**$5,912**	**$5,931**	**$19**
Securities whose fair value does not exceed their carrying value	**30**	**30**	**(0)**	**279**	**279**	**(0)**
Total	**¥665**	**¥667**	**¥2**	**$6,191**	**$6,210**	**$19**

	Millions of yen					
	2004			2003		
	Carrying value	Fair value	Unrealized gain (loss)	Carrying value	Fair value	Unrealized gain (loss)
Securities whose fair value exceeds their carrying value	¥455	¥458	¥3	¥682	¥689	¥7
Securities whose fair value does not exceed their carrying value	190	189	(1)	120	120	(0)
Total	¥645	¥647	¥2	¥802	¥809	¥7

(b) Information regarding marketable securities classified as other securities at March 31, 2005, 2004 and 2003 is summarized as follows:

	Millions of yen			Thousands of U.S. dollars		
	2005			2005		
	Acquisition costs	Carrying value	Unrealized gain (loss)	Acquisition costs	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition costs:						
Equity securities	**¥2,937**	**¥6,209**	**¥3,272**	**$27,344**	**$57,807**	**$30,463**
Others	**0**	**1**	**1**	**0**	**9**	**9**
Subtotal	**2,937**	**6,210**	**3,273**	**27,344**	**57,816**	**30,472**
Securities whose carrying value does not exceed their acquisition costs:						
Equity securities	**18**	**13**	**(5)**	**168**	**121**	**(47)**
Subtotal	**18**	**13**	**(5)**	**168**	**121**	**(47)**
Total	**¥2,955**	**¥6,223**	**¥3,268**	**$27,512**	**$57,937**	**$30,425**

	Millions of yen					
	2004			2003		
	Acquisition costs	Carrying value	Unrealized gain (loss)	Acquisition costs	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition costs:						
Equity securities	¥3,058	¥5,719	¥2,661	¥2,448	¥3,372	¥924
Others	2	2	0	1	1	0
Subtotal	3,060	5,721	2,661	2,449	3,373	924
Securities whose carrying value does not exceed their acquisition costs:						
Equity securities	118	101	(17)	768	697	(71)
Others	—	—	—	0	0	—
Subtotal	118	101	(17)	768	697	(71)
Total	¥3,178	¥5,822	¥2,644	¥3,217	¥4,070	¥853

(c) Sales of securities classified as other securities for the years ended March 31, 2005, 2004 and 2003 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2005	2004	2003	**2005**
Carrying value of other securities sold	**¥550**	¥104	¥284	**$5,121**
Gain on sales	**311**	63	268	**2,895**

(d) The carrying value of held-to-maturity debt securities and other securities with no determinable fair value at March 31, 2005, 2004 and 2003 is summarized as follows:

	Millions of yen			Thousands of U.S. dollars
	2005	2004	2003	**2005**
Held-to-maturity debt securities:				
Discounted financial bonds	**¥ 10**	¥ 56	¥ 56	**$ 93**
Other securities:				
Unlisted equity securities	**1,354**	1,378	1,350	**12,606**

(e) The redemption schedule for securities with maturity dates classified as other securities and held-to-maturity debt securities at March 31, 2005 is summarized as follows:

	Millions of yen		
	Due in one year or less	Due after one year through five years	Due after five years through ten years
Government bonds	¥ 40	¥ —	¥—
Other debt securities	245	390	—
Total	¥285	¥390	¥—

	Thousands of U.S. dollars		
	Due in one year or less	Due after one year through five years	Due after five years through ten years
Government bonds	$ 372	$ —	$—
Other debt securities	2,281	3,631	—
Total	$2,653	$3,631	$—

5. Inventories

Inventories at March 31, 2005, 2004 and 2003 consisted of the following:

	Millions of yen			Thousands of U.S. dollars
	2005	2004	2003	**2005**
Finished goods and merchandise	**¥34,140**	¥33,175	¥34,160	**$317,848**
Semifinished goods	**50**	52	65	**465**
Work in process	**5,659**	4,614	3,908	**52,686**
Raw materials and supplies	**1,003**	1,080	1,215	**9,338**
Total	**¥40,852**	¥38,921	¥39,348	**$380,337**

6. Land Revaluation

Effective March 31, 2001, the Company revalued its land held for business use in accordance with the "Law on Land Revaluation." Differences on land revaluation have been accounted for as "Land revaluation reserve" under shareholders' equity at the net amount of the relevant tax effect. The method followed for land revaluation was determined in accordance with the "Enforcement Act Concerning Land Revaluation." The carrying value of the land exceeded the corresponding fair value by ¥6,082 million ($56,624 thousand), ¥4,560 million and ¥3,350 million at March 31, 2005, 2004 and 2003, respectively.

7. Short-Term Borrowings and Long-Term Debt

Short-term borrowings principally represent short-term notes, short-term bank borrowings on deeds, and bank overdrafts at average interest rates of 1.45%, 1.54% and 1.70% at March 31, 2005, 2004 and 2003, respectively.

The Company has concluded line-of-credit agreements with certain banks to reduce its interest-bearing debt, to achieve efficient financing, and to improve its financial cash flows. The status of these lines of credit at March 31, 2005 was as follows:

	Millions of yen	Thousands of U.S. dollars
Lines of credit	¥25,000	$232,753
Short-term borrowings	2,000	18,620
Available credit	¥23,000	$214,133

Long-term debt at March 31, 2005, 2004 and 2003 consisted of the following:

	Millions of yen			Thousands of U.S. dollars
	2005	2004	2003	**2005**
3.60% unsecured bonds due 2003	**¥ —**	¥ —	¥ 4,000	**$ —**
3.45% unsecured bonds due 2003	**—**	—	4,000	**—**
0.87% unsecured bonds due 2007	**100**	100	100	**931**
0.45% unsecured bonds due 2006	**60**	60	—	**559**
0.57% unsecured bonds due 2008	**60**	60	—	**559**
0.67% unsecured bonds due 2010	**260**	300	—	**2,421**
Zero coupon yen convertible bonds	**10,000**	—	—	**93,101**
Loans principally from banks and insurance companies due through 2023 at an average interest rate of 1.57%	**30,091**	38,238	22,947	**280,150**
	40,571	38,758	31,047	**377,721**
Less: current portion	**(7,391)**	(10,539)	(17,337)	**(68,811)**
	¥33,180	¥28,219	¥13,710	**$308,910**

On October 5, 2004, the Company issued ¥10 billion of zero coupon yen convertible bonds with stock acquisition rights. An outline of these bonds is as follows:

Type of shares to which acquisition rights apply	Common stock of the Company
Issue price of stock acquisition rights	Nil
Exercise price of stock acquisition rights	¥338
Principal amount of bonds	¥10 billion
Payment to be made upon exercise of stock acquisition rights	100% of the amount paid for each bond
Exercise period	October 19, 2004 to September 21, 2009

Exercise of the stock acquisition rights shall be deemed as payment by the bondholder of the full amount required to be paid upon exercise of the stock acquisition rights, rather than as a redemption of the bond at its principal amount.

At March 31, 2005 assets pledged as collateral for short-term borrowings of ¥13,487 million ($125,566 thousand) and long-term debt of ¥5,305 million ($49,390 thousand), including the current portion of ¥2,791 million ($25,985 thousand), were as follows:

	Millions of yen	Thousands of U.S. dollars
Marketable securities	¥ 40	$ 372
Property, plant and equipment:		
Land	29,227	272,107
Buildings and structures	6,475	60,283
Machinery, equipment and vehicles	1,840	17,131
	37,542	349,521
Investment securities	2,359	21,963
	¥39,941	$371,856

Assets presented in the above table include the following assets under foundation mortgages at March 31, 2005:

	Millions of yen	Thousands of U.S. dollars
Property, plant and equipment:		
Land	¥16,299	$151,746
Buildings and structures	1,858	17,298
Machinery, equipment and vehicles	1,840	17,131
	¥19,997	$186,175

The aggregate annual maturities of long-term debt subsequent to March 31, 2005 are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2006	¥ 7,391	$ 68,811
2007	17,460	162,555
2008	2,654	24,709
2009	2,233	20,789
2010	10,499	97,747
2011 and thereafter	334	3,110
Total	¥40,571	$377,721

8. Income Taxes

Income taxes applicable to the Company and its domestic subsidiaries comprise corporate tax, inhabitants' taxes and enterprise tax which, in the aggregate, resulted in a statutory tax rate of 40.0% for the year ended March 31, 2005 and 42% for the years ended March 31, 2004 and 2003. Overseas subsidiaries are subject to the income taxes of the countries in which they operate.

The effective tax rates for the years ended March 31, 2004 and 2003 differ from the statutory tax rate for the following reasons:

	2004	2003
Statutory tax rates	42.0%	42.0%
Permanently non-deductible expenses	3.0	6.1
Per capita portion of inhabitants' taxes	3.2	8.0
Changes in valuation allowance for deferred tax assets	(23.1)	(20.7)
Other	1.0	1.6
Effective tax rates	26.1%	37.0%

A reconciliation of the statutory tax rate to the effective tax rate for the year ended March 31, 2005 is not presented, since the difference is less than five percent of the statutory tax rate.

The tax effects of temporary differences which gave rise to a significant portion of the deferred tax assets and liabilities at March 31, 2005, 2004 and 2003 are presented below:

	Millions of yen			Thousands of U.S. dollars
	2005	2004	2003	**2005**
Deferred tax assets:				
Tax loss carryforwards	**¥ —**	¥ —	¥ 218	**$ —**
Accrued retirement benefits	**697**	667	474	**6,489**
Accrued bonuses for employees	**507**	425	220	**4,720**
Unrealized gain on sales of inventories and property, plant and equipment	**1,196**	926	—	**11,135**
Other	**225**	168	105	**2,095**
Offset with deferred tax liabilities	**(22)**	(105)	(107)	**(205)**
Net deferred tax assets	**¥2,603**	¥2,081	¥ 910	**$24,234**
Deferred tax liabilities:				
Reserve for deferred taxation on compensation for expropriation or exchange of property	**¥ 176**	¥ 188	¥ 210	**$ 1,639**
Unrealized holding gain on securities	**1,307**	1,058	341	**12,168**
Land revaluation reserve	**7,131**	7,131	7,131	**66,390**
Other	**99**	99	98	**922**
Offset with deferred tax assets	**(22)**	(105)	(107)	**(205)**
Net deferred tax liabilities	**¥8,691**	¥8,371	¥7,673	**$80,914**

9. Accrued Retirement Benefits

The Company and certain domestic consolidated subsidiaries have defined benefit plans, i.e., tax-qualified pension plans and lump-sum payment plans, covering substantially all employees who are entitled to lump-sum or annuity payments, the amounts of which are determined by reference to their basic rates of pay, length of service, and the conditions under which termination occurs. In addition to the retirement benefit plans described above, the Company and certain domestic consolidated subsidiaries pay additional retirement benefits under certain conditions. During the year ended March 31, 2005, certain domestic consolidated subsidiaries converted their tax-qualified pension plans and lump-sum payment plans to defined contribution plans.

The following table sets forth the funded and accrued status of the plans, and the amounts recognized in the consolidated balance sheets at March 31, 2005, 2004 and 2003 for defined benefit plans of the Company and the consolidated subsidiaries:

	Millions of yen			Thousands of U.S. dollars
	2005	2004	2003	**2005**
Retirement benefit obligation	**¥(29,927)**	¥(30,446)	¥(30,443)	**$(278,624)**
Plan assets at fair value	**8,725**	7,112	6,281	**81,231**
Unfunded retirement benefit obligation	**(21,202)**	(23,334)	(24,162)	**(197,393)**
Unrecognized benefit obligation at transition	**14,604**	16,085	17,547	**135,965**
Unrecognized actuarial loss	**2,914**	3,306	3,054	**27,130**
Unrecognized prior service cost	**(627)**	(725)	(823)	**(5,838)**
Net retirement benefit obligation	**(4,311)**	(4,668)	(4,384)	**(40,136)**
Prepaid pension cost	**203**	154	127	**1,890**
Accrued retirement benefits	**¥ (4,514)**	¥ (4,822)	¥ (4,511)	**$ (42,026)**

The components of retirement benefit expenses for the years ended March 31, 2005, 2004 and 2003 are outlined as follows:

	Millions of yen			Thousands of U.S. dollars
	2005	2004	2003	**2005**
Service cost	**¥1,397**	¥1,403	¥1,701	**$13,006**
Interest cost	**507**	633	761	**4,720**
Expected return on plan assets	**(100)**	(105)	(142)	**(931)**
Amortization:				
Net retirement benefit obligation at transition	**1,461**	1,462	1,490	**13,602**
Actuarial loss	**331**	277	146	**3,082**
Prior service cost	**(98)**	(98)	(98)	**(912)**
Other	**45**	56	68	**419**
Retirement benefit expenses	**3,543**	3,628	3,926	**32,986**
Additional retirement benefits	**4**	12	319	**37**
Loss on conversion of pension plan	**20**	—	—	**186**
Total	**¥3,567**	¥3,640	¥4,245	**$33,209**

As permitted under the accounting standard for retirement benefits, certain domestic consolidated subsidiaries calculate accrued retirement benefits for their employees by simplified methods. The related retirement benefit expenses for such subsidiaries are included in service cost presented in the above table.

The effect of the conversion of the defined benefit plans to defined contribution plans is summarized as follows:

	Millions of yen	Thousands of U.S. dollars
Reduction of benefit obligation	¥142	$1,322
Reduction of pension plan assets	(94)	(875)
Net retirement benefit obligation at transition	(20)	(186)
Decrease in accrued retirement benefits	¥ 28	$ 261

The assumptions used in accounting for the defined benefit plans for the years ended March 31, 2005, 2004 and 2003 are summarized as follows:

	2005	2004	2003
Discount rates	**2.0%**	2.0%	2.5%
Expected rates of return on plan assets	**2.0%**	2.5%	3.0%

Accrued retirement benefits in the accompanying consolidated balance sheets include accrued retirement benefits for directors and statutory auditors of the Company and certain of the Company's domestic consolidated subsidiaries of ¥226 million ($2,104 thousand), ¥227 million and ¥257 million at March 31, 2005, 2004 and 2003, respectively.

10. Shareholders' Equity

The Commercial Code of Japan (the "Code") provides that an amount equivalent to at least 10% of cash dividends paid and bonuses to directors and corporate auditors, and exactly 10% of interim cash dividends paid be appropriated to the legal reserve until the sum of additional paid-in capital and the legal reserve equals 25% of stated capital. The Code also provides that additional paid-in capital and the legal reserve are not available for dividends, but may be used to reduce a capital deficit by resolution of the shareholders or may be capitalized by resolution of the Board of Directors. The Code also stipulates that, to the extent that the sum of the additional paid-in capital account and the legal reserve exceeds 25% of the common stock account, the amount of any such excess is available for appropriation by resolution of the shareholders. Additional paid-in capital and the legal reserve are included in capital surplus and retained earnings, respectively, in the accompanying consolidated balance sheets and statements of shareholders' equity. The legal reserve of the Company was nil at March 31, 2005, 2004 and 2003.

11. Research and Development Costs

Research and development costs included in selling, general and administrative expenses and manufacturing costs amounted to ¥3,939 million ($36,672 thousand), ¥3,822 million and ¥3,862 million for the years ended March 31, 2005, 2004 and 2003, respectively.

12. Leases

The following *pro forma* amounts represent the acquisition costs, accumulated depreciation and net book value of the leased assets at March 31, 2005, 2004 and 2003, which would have been reflected in the consolidated balance sheets if finance lease accounting had been applied to the finance leases currently accounted for as operating leases:

	Millions of yen			Thousands of U.S. dollars		
	2005			**2005**		
	Acquisition costs	Accumulated depreciation	Net book value	Acquisition costs	Accumulated depreciation	Net book value
Buildings and structures	**¥ 36**	**¥ 18**	**¥ 18**	**$ 335**	**$ 167**	**$ 168**
Machinery, equipment and vehicles	**2,565**	**1,084**	**1,481**	**23,880**	**10,092**	**13,788**
Tools, furniture and fixtures	**4,713**	**2,456**	**2,257**	**43,879**	**22,866**	**21,013**
	¥7,314	**¥3,558**	**¥3,756**	**$68,094**	**$33,125**	**$34,969**

	Millions of yen					
	2004			2003		
	Acquisition costs	Accumulated depreciation	Net book value	Acquisition costs	Accumulated depreciation	Net book value
Buildings and structures	¥ 36	¥ 13	¥ 23	¥ 30	¥ 8	¥ 22
Machinery, equipment and vehicles	2,185	1,078	1,107	1,281	594	687
Tools, furniture and fixtures	3,706	1,753	1,953	3,421	1,290	2,131
	¥5,927	¥2,844	¥3,083	¥4,732	¥1,892	¥2,840

Lease payments relating to finance leases accounted for as operating leases for the years ended March 31, 2005, 2004 and 2003 and corresponding depreciation and interest expenses computed by the straight-line method and the interest method, respectively, are summarized as follows:

	Millions of yen			Thousands of U.S. dollars
	2005	2004	2003	**2005**
Lease payments	**¥1,441**	¥1,275	¥1,003	**$13,416**
Depreciation	**1,324**	1,169	911	**12,327**
Interest expenses	**124**	113	99	**1,154**

Future minimum lease payments subsequent to March 31, 2005 for finance leases accounted for as operating leases are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2006	¥1,298	$12,084
2007 and thereafter	2,550	23,741
Total	¥3,848	$35,825

Future minimum lease payments subsequent to March 31, 2005 for non-cancelable operating leases were as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2006	¥197	$1,834
2007 and thereafter	391	3,640
Total	¥588	$5,474

13. Contingent Liabilities

The contingent liabilities of the Company and its consolidated subsidiaries as of March 31, 2005 were as follows:

	Millions of yen	Thousands of U.S. dollars
Guarantees of bank loans of others	¥10,264	$95,559
Notes receivable discounted with banks	282	2,625
Notes receivable endorsed	671	6,247

14. Derivatives

The Company and certain consolidated subsidiaries utilize derivative financial instruments to reduce foreign exchange rate and interest-rate risk and manage them efficiently. The Company and certain consolidated subsidiaries utilize forward foreign exchange contracts to hedge the risk of fluctuation of foreign currency assets and liabilities in the course of their import and export operations. In addition, the Company and certain consolidated subsidiaries utilize interest-rate swaps to hedge the risk of fluctuation of interest rates on their borrowings. The Company and certain consolidated subsidiaries do not enter into derivatives contracts for speculative or short-term trading purposes.

The Company and certain consolidated subsidiaries are exposed to certain market risk arising from their forward foreign exchange contracts and interest-rate swap agreements. They are also exposed to the risk of credit loss in the event of nonperformance by the counterparties with respect to forward foreign exchange contracts or interest-rate swap agreements; however, the Company and these subsidiaries do not anticipate nonperformance by any of the counterparties, all of whom are financial institutions with high credit ratings. In addition, the Company and these subsidiaries have established internal policies which include procedures and authorization processes governing derivatives and comply fully with these guidelines.

At March 31, 2003, the fair value of the open derivatives positions not accounted for by hedge accounting was as follows:

	Millions of yen			
	2003			
	Contract/ agreement value, total	Contract/ agreement value for more than one year	Fair value	Unrealized gain (loss)
Interest-rate swaps (fixed/paid—variable/received)	¥15,000	¥—	¥(187)	¥(187)

Disclosure of the corresponding information as of March 31, 2005 and 2004 has been omitted because all derivatives positions at these dates have been accounted for by hedge accounting.

15. Amounts Per Share

Amounts per share at March 31, 2005, 2004 and 2003 and for the years then ended were as follows:

	Yen			U.S. dollars
	2005	2004	2003	**2005**
Net income:				
Basic	**¥ 13.61**	¥ 13.90	¥ 4.56	**$0.13**
Diluted	**12.74**	—	—	**0.12**
Cash dividends applicable to the year	**3.00**	3.00	—	**0.03**
Net assets	**238.88**	226.85	210.44	**2.22**

Diluted net income per share for the years ended March 31, 2004, and 2003 has not been presented because there were no potentially dilutive shares at March 31, 2004 and 2003.

16. Segment Information

(1) Business segment information

As the ratio of manufacture and sales of agricultural machinery exceeded 90% of total assets, sales and operating profits at March 31, 2005, 2004 and 2003 and for the years then ended, the disclosure of business segment information has been omitted.

(2) Geographical segment information

As sales and assets of the Company and consolidated domestic subsidiaries exceeded 90% of consolidated total assets and sales at March 31, 2005, 2004 and 2003 for the years then ended, the disclosure of geographical segment information has been omitted.

(3) Overseas sales information

Overseas sales for the year ended March 31, 2005 were as follows:

	Millions of Yen				Thousands of U.S.dollars			
	United States	Europe	Other	Total	United States	Europe	Other	Total
Overseas sales	¥8,031	¥6,011	¥1,839	¥ 15,881	$74,770	$55,963	$17,121	$ 147,854
Consolidated sales	—	—	—	157,462	—	—	—	1,465,990
Percentage of overseas sales to consolidated net sales	5.1%	3.8%	1.2%	10.1%	—	—	—	—

(a) Principal countries and areas in each segment are as follows:
Europe: France, Germany, the United Kingdom, Belgium, Switzerland, the Netherlands, etc.
Others: South Korea, Taiwan, China, Thailand, Australia, New Zealand, etc.

(b) Overseas sales consisted of export sales of the Company, and sales of an overseas consolidated subsidiary.

(c) As the percentage of overseas sales for the years ended March 31, 2004 and 2003 was less than 10% of consolidated net sales, the disclosure of overseas sales has been omitted.

17. Subsequent Events

(1) Appropriation of retained earnings

The following appropriations of retained earnings of the Company, which have not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2005, were approved by the shareholders at a meeting held on June 29, 2005:

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends		
(¥3 = U.S.$0.03 per share)	¥650	$6,052

(2) Dissolution of a subsidiary

The Company resolved at its Board of Directors meeting held on May 20, 2005 to dissolve AIEFU & CO., LTD., one of its consolidated subsidiaries, as follows:

1. Reasons for Dissolution

AIEFU & CO., LTD. (“AIEFU”) has been engaged in the disposal of its real estate and collection of its outstanding receivables; however, due to the recent deterioration of its business environment, in particular, declining real estate prices, it was determined that there was no hope of a recovery of operating results and that AIEFU had no choice but to discontinue business. Accordingly, AIEFU decided to dissolve itself and to file for liquidation proceedings.

2. Profile of AIEFU & CO., LTD.

Address:	4818, Oaza-Ami, Ami-cho, Inashiki-gun, Ibaraki-ken, Japan
Representative:	Hideo Kadoiwa, Director and President
Common stock:	¥84 million
Ownership:	The Company owns 100% of AIEFU’s shares

3. Planned liquidation schedule

February 2006: Conclusion of liquidation

Report of Independent Auditors

The Board of Directors
ISEKI & CO., LTD.

We have audited the accompanying consolidated balance sheets of ISEKI & CO., LTD. and consolidated subsidiaries as of March 31, 2005, 2004 and 2003, and the related consolidated statements of income, shareholders' equity, and cash flows for the years then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of ISEKI & CO., LTD. and consolidated subsidiaries at March 31, 2005, 2004 and 2003, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2005 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1.

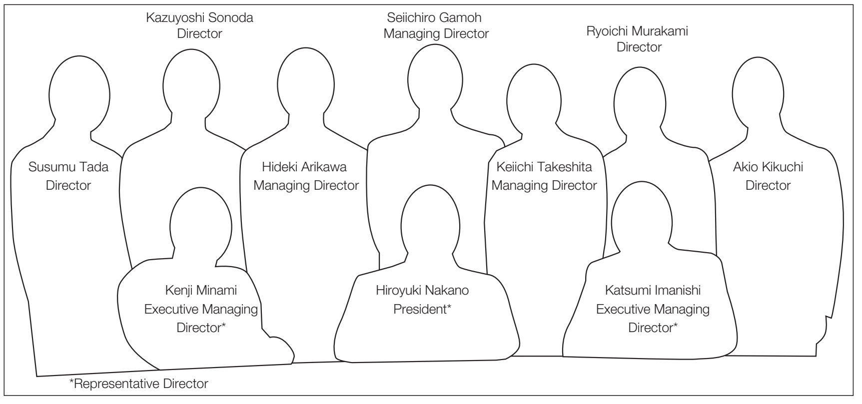
June 30, 2005

Ernst & Young Shin Nihon

Directors and Corporate Auditors

(As of June 29, 2005)

Board of Directors



Corporate Auditors

Standing, from left: Keiji Itoh, Hiroyoshi Enokida

Seated, from left: Hiroshi Ueno, Eisaku Tokuda

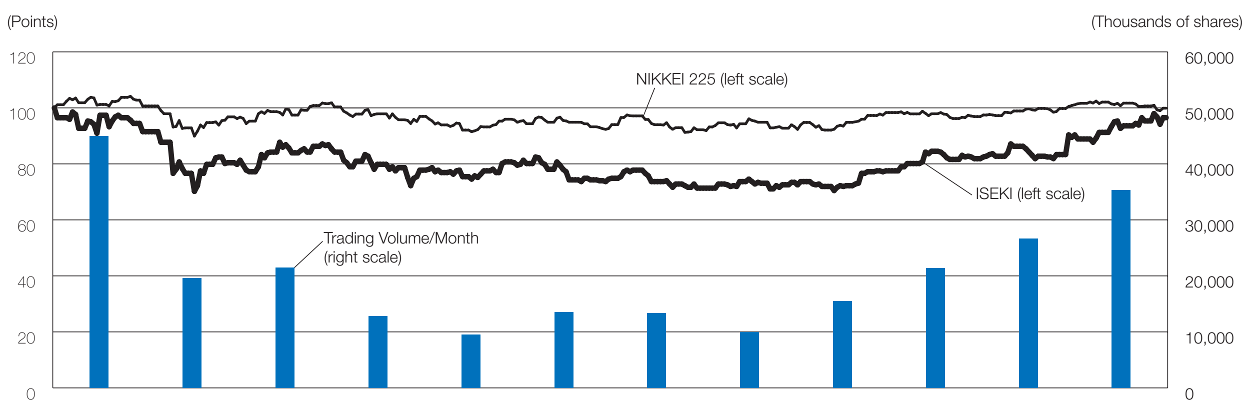
President	Hiroyuki Nakano*
Executive Managing Directors	Kenji Minami* Katsumi Imanishi*
Managing Directors	Seiichiro Gamoh Hideki Arikawa Keiichi Takeshita
Directors	Kazuyoshi Sonoda Ryoichi Murakami Susumu Tada Akio Kikuchi
Corporate Auditors	Eisaku Tokuda Hiroshi Ueno Hiroyoshi Enokida Keiji Itoh

*Representative Director

Corporate Data
(As of March 31, 2005)

Head Office	700 Umaki-cho, Matsuyama, Ehime 799-2692, Japan Tel: 81-89-979-6111 Fax: 81-89-978-6440
Tokyo Headquarters	3-14, Nishi-Nippori 5-chome, Arakawa-ku, Tokyo 116-8541, Japan Tel: 81-3-5604-7602 Fax: 81-3-5604-7701
Home Page	http://www.iseki.co.jp/
Founded	August 1926
Paid-in Capital	¥22,534 million
Number of Employees (Consolidated)	6,665
Securities Traded	Tokyo Stock Exchange (1st Section) Osaka Securities Exchange (1st Section)
Transfer Agent and Registrar	The Chuo Mitsui Trust and Banking Company, Limited 33-1, Shiba 3-chome, Minato-ku, Tokyo 105-0014, Japan
Shares Issued and Outstanding	225,054,088
Number of Shareholders	26,334
Independent Auditor	Ernst & Young ShinNihon

Stock Performance and Trading Volume Per Month



	'04/4	'04/5	'04/6	'04/7	'04/8	'04/9	'04/10	'04/11	'04/12	'05/1	'05/2	'05/3
Opening Price (¥)	319	313	273	296	271	274	254	242	250	266	282	313
High (¥)	345	314	301	297	278	282	271	258	270	295	319	336
Low (¥)	306	233	262	244	251	251	242	240	241	265	278	300
Closing Price (¥)	313	273	297	266	272	255	244	251	265	282	309	330
Trading Volume/Month (1,000 shares)	44,922	19,656	21,469	12,793	9,549	13,530	13,320	9,967	15,487	21,388	26,640	35,311

Share Price on April 1, 2004 (¥342) = 100

Forward-Looking Statements

This annual report contains statements regarding future plans and strategies of ISEKI & CO., LTD. (the Company), as well as the Company's future performance. These statements are not statements of past facts but are based on judgments made by the Company on the basis of information known at the time. Therefore, readers should refrain from drawing conclusions based only on these statements regarding the future performance of the Company. The actual future performance of the Company may be influenced by economic trends, competition in the industrial sectors where it conducts its operations, foreign currency exchange rates, and changes in taxation and other systems. For these reasons, these forward-looking statements are subject to latent risks and uncertainties.

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