Brief Announcement of Consolidated Financial Statements for the year ending March 31, 2004

May 24 2004

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Date of meeting of Board of Directors to approve financial resul May 24 2004
Adoption of U.S. GAAP: No

1. Consolidated Financial Results for the year ending March 31, 2004 (April 1, 2003 - March 31, 2004)

(1) Consolidated results of operations (Rounded down to millions of yen)

Year ending	Sales		Operating Income		Ordinary Profit	
	millions of yen	%	millions of yen	%	millions of yen	%
March 31, 2004	153,624	△1.8	6,373	2.9	5,092	23.5
March 31, 2003	156,381	△3.7	6,192	44.7	4,124	66.3

	Net Income for the period		Net Income per share for the period	Net Income per share for the period, adjusted for residual shares	Return on Equity	Ratio of Ordinary Profit to Total Capital	Ratio of Ordinary Profit to Sales
	millions of yen	%	yen	yen	%	%	%
March 31, 2004	3,077	204.7	13.9	—	6.4	2.5	3.3
March 31, 2003	1,009	△42.3	4. 56	—	2.2	1.8	2.6

Note: ① Investment loss by equity method: FY 2003 — million yen FY 2002 — million yen
② Average number of shares outstanding (consolidated): FY 2003: 221,423,508 shares, FY 2002: 221,719,717 shares
③ Change in accounting policies: No
④ Changes (%) in sales, operating income, ordinary profit and net income for the period represent the increase or decrease relative to the same period of the previous year.

(2) Consolidated Financial Position

Year ending	Total Assets	Total Shareholders' Equity	Equity to Assets Ratio	Shareholders' Equity per share
	millions of yen	millions of yen	%	yen
March 31, 2004	197,156	49,576	25.1	226.85
March 31, 2003	215,163	46,483	21.6	210.44

Note: (1) Number of shares outstanding March 31, 2004: 218,546,196 shares, March 31, 2003: 220,884,011 shares

(3) Consolidated Cash Flow

Year ending	Cash Flow from Operating Activities	Cash Flow from Investing Activities	Cash Flow from Financing Activities	Cash/cash equivalents at end of period
	millions of yen	millions of yen	millions of yen	millions of yen
March 31, 2004	12,368	5,633	△26,639	11,029
March 31, 2003	12,494	△1,905	△12,675	19,565

(4) Note concerning the scope of consolidation and application of the equity method
Number of consolidated subsidiaries: 36
Number of non-consolidated subsidiaries accounted for by the equity method: -
Number of affiliates and collaborate companies accounted for by the equity method: -

(5) Changes in scope of consolidation and application of the equity method
Number of consolidated subsidiaries added: 1, removed: -
Number of companies commenced using equity method: -, ceased: -

2. Outlook for the FY 2004 Operating Results (April 1, 2004 – March 31, 2005)

	Sales	Operating Income	Ordinary Profit	Net Income for the period
	millions of yen	millions of yen	millions of yen	millions of yen
Half-year	75,000	2,600	2,000	1,600
Full-year	159,000	7,800	6,500	3,500

For reference, the expected net income per share for the year is \16.01.

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

The Iseki Group

The main business of the Iseki Group is the development, manufacture and sale of agricultural machinery for rice and vegetable farming. We also manufacture testing equipment and are currently developing our sales and service as well as other business activities. Below is a diagrammatic representation of the Iseki Group.

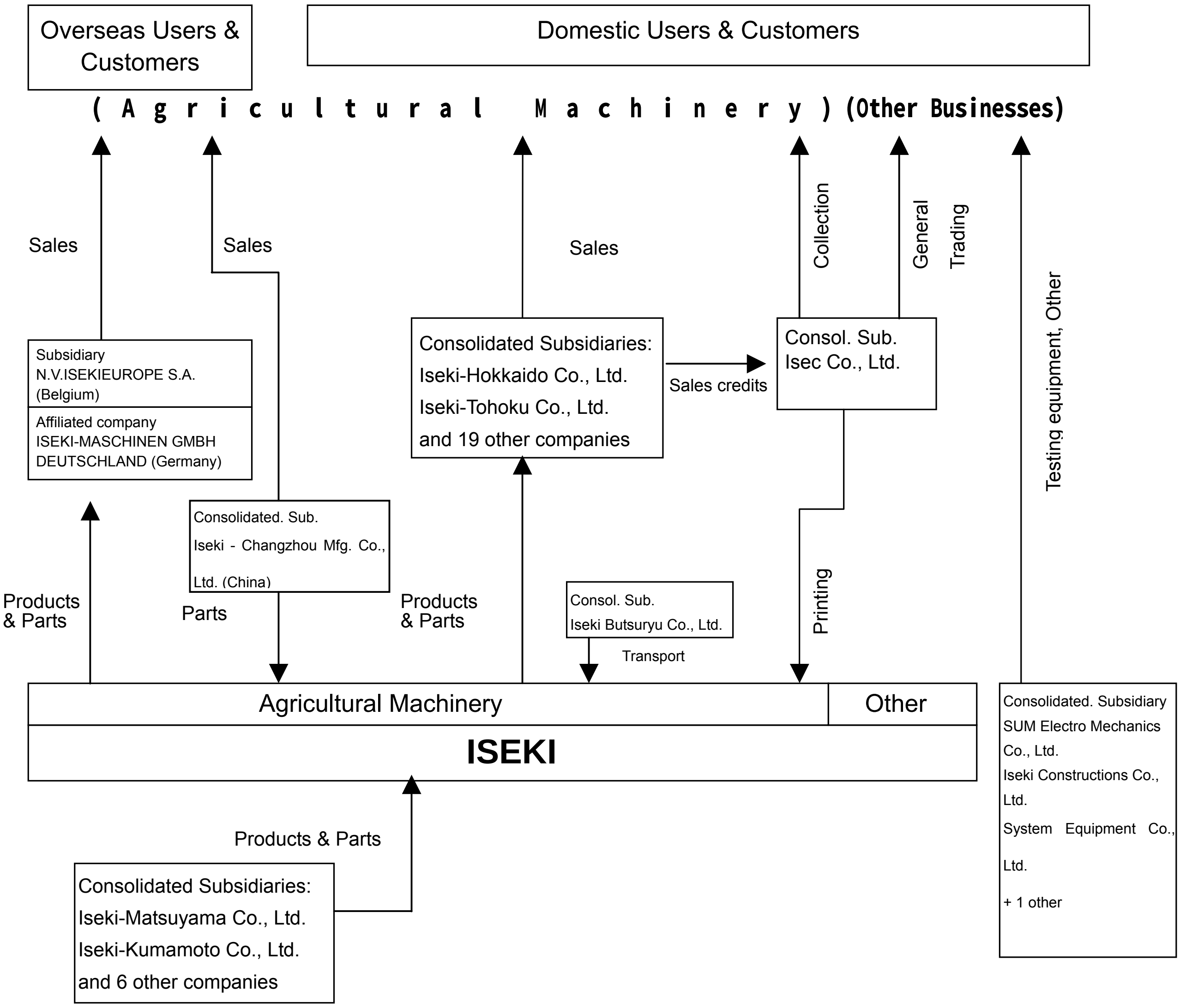
(Agricultural Machinery)

Six companies, including Iseki-Matsuyama Mfg. Co., Ltd. and Iseki-Kumamoto Mfg. Co., Ltd. conduct our manufacturing activities, and 21 domestic sales companies market and sell the machinery across the country. Isec Co., Ltd. purchases sales credits from the sales companies and also prints the product catalogs. As of this fiscal year, the wholly owned subsidiary, Iseki - Changzhou Mfg. Co., Ltd. forms part of the consolidated statements.

(Other businesses)

SUM Electro Mechanics Co., Ltd. is responsible for the manufacture and sale of testing equipment, and System Equipment Co., Ltd. for information processing services.

Following is a schematic diagram of the Iseki Group.



Iseki's Management Policies

1. Iseki's Basic Management Principles

Since its foundation 80 years ago, ISEKI has contributed to the modernization of Japan's agricultural industry as a full-line manufacturer specializing in farming machinery. During this time, we have consistently pursued efficient and laborsaving advances in agriculture, and have served the market by pioneering the development of a great deal of agricultural machinery.

When we consider the problems of an increasing world population and food supply, and then our own nation's food self-supply and land preservation, our role to serve the farming sector becomes important and our duty to society as a manufacturer of agricultural machinery becomes even more significant.

ISEKI will continue to operate under our basic business philosophy to deliver products that satisfy consumer demand so that we can contribute to agriculture, both in Japan and throughout the world.

To reach this goal, our highest priority objectives are "to promote our brand name products, to improve quality, to accelerate cost-cutting measures and to strengthen our service". We are aiming for a corporate culture that can maintain a stable operating performance and will continue our efforts to reform our profit structure.

2. Our Policy on Profit Distribution

At Iseki, we recognize that the determination of dividends to shareholders is one of the most important policies to be made. Our basic policy is to take into consideration, not just consolidated financial results, but also our Group's financial position and future business movements, before settling on a sustainable and steady dividend distribution.

3. 3-Year Plan Management Strategies & Issues to be Addressed

(1) 3-Year Plan Management Strategies

Iseki has drawn up a Three-year Business Plan to start in FY 2003. The management targets for FY 2007 and the basic strategies to achieve these targets are set out below. The strategies for the Group are currently being implemented.

1) Strategic Targets (FY 2005)

(i) Operating income of ¥10.0 billion

(ii) Reduce interest-bearing liabilities to a balance in the ¥60-billion bracket

2) Basic Strategy

By focusing on the following four strategies and achieving the 3-year Business Plan we aim to "expand business worth".

(i) Enhance and expand sales overseas

(ii) Secure a 20% share of the domestic market for agricultural equipment by intensifying our commitment to sales and marketing

(iii) Further bolster our capability to develop new products which capitalize on our strength as a manufacturer specializing in agricultural equipment

(iv) Build a "low cost structure" by reforming our consolidated revenue structure

3) Strategies and policies for each market

(i) Overseas markets

Iseki is progressing well with its plan to open up overseas markets, and is aiming to increase product sales by 50% (by FY 2005 achieve sales of ¥15.5 billion, an increase of 50% on FY 2002). To reach this target we are proceeding with the strategies of: increasing price competitiveness of tractors aimed at the North American market;

expanding sales in the European market; commencing tractor sales in the Southeast Asian markets (FY 2003); and entering the Chinese market (commence trial marketing in FY 2002).

(ii) Domestic market

With a focus on expanding our sales of heavy agricultural machinery and machinery that assists in the cultivation of vegetables, we are aiming to secure a 20% share in the domestic market by stepping up direct sales and bolstering efforts aimed at large-scale farming.

We are also aiming to expand sales of non-machinery businesses and equipment (hydroponics facilities, coin-operated rice-polisher operations, servicing and repairs, and agricultural materials).

(iii) Increase capability to develop new products

We are continuing to develop products that accurately meet our clients' needs, and are planning for sweeping cost reductions. As a strategy for this, we are proceeding to: reduce the costs of new products; increase overseas procurement; and build on manufacturing operations in our Chinese manufacturing site.

(iv) We are aiming to reform the consolidated revenue structure, bolster the financial position of the group, and we are building a corporate culture that has a low cost structure. To achieve our target of reducing total costs by 30%, we are proceeding with our strategies of: reducing stock inventories; reducing the balance of interest-bearing liabilities; reforming the revenue structure of our sales subsidiaries; reducing the number of models and lead times.

In September 2003, Iseki devolved its vehicle-leasing operations, and in December 2003, we implemented a syndicate loan. As a result, the balance of interest-bearing liabilities as at March 31, 2004, was ¥78.3 billion – well below the planned balance, and ¥25.8 billion down on the balance at the end of the previous reporting period.

(2) Issues to be addressed

It is recognized that these harsh economic times will continue for some time, and it is because of this climate that Iseki is striving to accelerate the profit structure reforms across the whole Iseki Group and across all business operations. We are developing a low cost structure and aiming to strengthen our consolidated financial position. We are committed to improving customer satisfaction and are undertaking to expand and maintain sales by offering products that are inexpensive and of high quality. We are working to secure stable profits, and we are devoting our full efforts to strengthening our business platform.

Following are the major issues we need to address.

(i) We are striving to meet our customers' diverse needs. Iseki is aiming to drastically cut costs, strengthen our price competitiveness and increase our market share.

(ii) On the export front, we will continue to launch new products mainly in the North American and European markets in order to bolster our sales platform, and in regions such as China and Southeast Asia, we will work to open up new markets and expand our sales.

(iii) We plan to manage the Group's capital and assets more effectively. We aim to improve earnings by cutting our trading stock further, cutting the balance of our interest-bearing liabilities, and radically cutting our fixed costs.

One of the important issues that management needs to work to resolve is in the area of the environment. We will increase our efforts in tackling the issues of resource saving, energy saving, recycling, gas emissions and noise.

In May 2003, the Committee on Environment was established with the President serving as Chairman, and in May 2004, the Committee issued its “Environment Report”.

4. Our Basic Philosophy on Corporate Governance and Measures Implemented

Iseki is responding quickly and accurately to the changes in the business environment. We operate under a management system whose primary purpose is the maintenance of a fair and equitable management. We believe that a critical issue for management is the improvement of a stable shareholder value. To achieve this, we will both build good relationships with our stakeholders, including our shareholders, private customers, trading customers, the local community and our employees; and we will take various measures to enrich our corporate governance.

1) Executive Management System

The Board of Directors, consisting of ten directors and four permanent Auditors (including three external auditors), reviews Iseki’s operations. The Management Committee is made up of the ten directors as well as specially appointed executive officers. This Committee meets to make decisions concerning the business and affairs of the Group, and to make decisions on the various policies relating to business development. Decisions are reported to the Board of Directors.

The six executive officers are placed in charge of operations at each of the places of business, and administer operations with swift and appropriate decisions.

2) Audit System

The corporate auditors, who act as our financial auditors, have no invested interest in Iseki. Iseki and the corporate auditors enter into an audit contract for audits according to the Commercial Code and the Securities Exchange Law, and compensation is paid to the auditors based on this contract. The corporate auditors and our internal Auditors hold regular meetings and exchange information.

3) Compliance

An Ethics Committee consisting of all Directors and all Auditors will be established and compliance-related activities will be carried out, based on the Ethics Code. These orders will be made known to all by the distribution of a booklet entitled “The Iseki Group Code of Conduct”.

The Auditors carry out audits on each program and on each business group. Based on the various ordinances, regulations and rules, the Auditors shall confirm that business operations are performing normally, and issue instructions where necessary. An Audit Office has been set up for internal auditing. Based on the “Internal Audit Regulations”, the Audit Office will audit the accuracy of daily business operations, and the reasonableness and effectiveness of the management of affiliated companies as well as the internal business groups.

4) Information Disclosure

To ensure the transparency of management, the IR Office was newly established this period, and it has been working for the proactive disclosure of information. As a matter of course, we are striving for the responsible disclosure of corporate information, such as management strategies and business activities, but also the timely disclosure for our shareholders and investors. During this fiscal period, we commenced the reporting of quarterly financial results. From the next period, we will stretch our Investor Relations activities one more notch and raise the level of information disclosure one step further.

Management Performance & Financial Position

1. Management Performance

(1) The Year in Review

The Japanese economy this fiscal period has at last shown signs of recovery, lead by business activity taking an upward turn, which was supported by corporate profit improvements due to structural reforms and exports. However, consumer spending remains sluggish and amid the fears of the effect of a rising yen on exports, economists are not yet optimistic.

Under the long-standing stagnation of the economy at large, the farming sector too has suffered harsh conditions, and consequently the demand for agricultural machinery remains depressed. The climate that grips agriculture is thought to be shifting exponentially, affected by both structural problems, such as dwindling numbers of farm houses and the polarization of farm sizes, as well as by the overhaul of the “Food, Agriculture and Farming Village Plan” which is directed toward a market-oriented agricultural economy, the government announcements of “Overarching Policy Reforms on Rice” and the WTO and FTA talks on agriculture.

Against such a gloomy backdrop, the Iseki Group has broadened its line of new products that meet the diverse needs of the customers, and has strived to expand sales both domestically and overseas. As a result, overseas sales reached ¥13.3 billion (up 9.7% on the previous period), due to an upsurge in tractor sales to North America; and domestic sales fell to ¥140.3 billion (down 2.7%) partly due to a decrease in revenue from sales of agricultural facilities (down ¥3.2 billion). Overall, total sales were down ¥2.8 billion on last year at ¥153.6 billion (down 1.8%).

Operating income reached ¥6.373 billion, an increase of ¥180 million (2.9%) on the previous period, due to both an improvement in cost prices owing to cut costs and to a reduction in fixed expenses. Ordinary profit shot to ¥5.092 billion, up ¥967 million (23.5%) on last year, driven by a ¥500 million decrease in interest expenses, which was the result of a decrease in interest-bearing liabilities. Net income rocketed to ¥3.077 billion, up ¥2.067 billion (204.7%) due to a ¥300 million gain on sale of the vehicle leasing operations, an adjustment to income taxes and a decrease in extraordinary losses.

(2) Sales by Product

1) Domestic

Sales of machinery for soil preparation (tractors, cultivators, etc) was at ¥29.7 billion (down 0.8% on the previous year), with an increase in large-scale tractors being offset by the sluggish growth in smaller tractors. Sales of cultivating machinery (rice transplanters, vegetable transplanters, etc) rose slightly to ¥12.1 billion (up 1.3%), driven by an increase in rice transplanters and vegetable transplanters (up 18.4%). Sales of harvesting and processing machinery (combine harvesters, driers, etc) fell to ¥31.7 billion (down 1.5%). In the flagship combine harvesters, an increase in the heavy machinery aimed at the large-scale agriculturalists was weakened by sluggish sales of the small 2-walker combine, and resulted in an overall fall of 1.1% on the previous period. Sales of spare parts and farming implements grew slightly to ¥29.6 billion (up 0.9%). Other sales accounted for ¥37.2 billion (down 8.8%). The bulk of this fall was due to sales of agricultural facilities falling ¥3.2 billion (31.3%) to ¥6.9 billion, which in turn was triggered by a drop in sales of large-scale drying facilities and a delay in the completion of some hydroponics facilities.

2) Overseas

Sales of machinery for soil preparation was ¥10.7 billion (up 14.1% on last year). Both the GC Series tractors and the SXG Series ride-on lawnmowers noticeably extended their sales in the North American and European markets respectively. Sales of cultivating machinery rose ¥600 million (up 36.4%) due to an increase of rice transplanters sold in South Korea.

(3) Progress of the 3-year Business Plan

1) Strengthening and Expanding Sales Overseas

Product sales overseas was ¥500 million above target at ¥11.5 billion (¥1.4 billion up on the previous period).

Sales to North America were supported by favorable demand, and the marketing expansion of a wide range of products helped Iseki fetch ¥5.7 billion from this market (up ¥900 million). In Europe, the fine form of the new SXG Series ride-on lawnmowers assisted sales in this region rising ¥400 million above the target, to reach ¥4.6 billion (up ¥400 million from the previous period). In the Southeast Asian market, sales of tractors targeted at Thailand and Malaysia commenced. And in the Chinese market, preparations proceeded for the trial marketing of combine harvesters from March 2005.

2) Domestic Market

Overall sales of agricultural machinery was ¥2.5 billion down on target, at ¥73.5 billion (down ¥600 million on the previous period). Sales of small machinery were slow, but the sales of heavy agricultural machinery and vegetable-growing machinery – two of the key products identified in the 3-year Business Plan – were virtually right on track.

In the expansion of sales of non- machinery businesses (hydroponics facilities, coin-operated rice-polisher operations, servicing and repairs, and agricultural materials), a delay in the completion of some hydroponics facilities worth ¥1.2 billion, caused the overall sales to be ¥1.3 billion down on target, although they were up ¥600 million on the previous period at ¥12.6 billion.

3) Strengthening Our Capability to Develop Products

The reduction in costs to develop new products is more or less proceeding as planned. Operations at the Chinese manufacturing site (Changzhou Mfg.) commenced as planned in January 2004.

4) Progress of the Reforms to Consolidated Revenue Structure

(i) Shakedown of the Production Framework

During this period, we relocated the Hoei manufacturing plant adjacent to the Matsuyama plant (July 2003), integrated tractor production into the Matsuyama manufacturing plant (June 2003) and implemented the transfer of FS Kumamoto into the Kumamoto manufacturing plant (scheduled for completion in May 2004). By implementing the above measures, Iseki has been able to cut expenses by approximately ¥200 million through inter-departmental efficiencies and transportation efficiencies.

(ii) Reduction in Model Numbers and Lead Times

Iseki has been able to cut the number of models from last year by 10%, compared to the planned reduction of 14%. As far as reducing lead times to the target of 15 days, we have presently reached 91%, and expect to reach 100% in FY 2004.

(4) Notes Pertaining to the Distribution of Profits for the Period

As announced on April 28, 2004, the Meeting of the Board of Directors, which was held on the same date, resolved to restore the issuance of dividends (¥3 per share) from March 31, 2004, and this will be put forward at the Ordinary General Meeting of Shareholders scheduled for June 29, 2004.

(5) Outlook for the Next Period

Despite the apparent signs of an economic recovery, the harsh economic climate is expected to continue amid fears of an appreciation in the price of materials. Against this economic backdrop, Iseki will strive to secure a stable profit and to strengthen its business base.

Sales for the period are expected to rise ¥5.4 billion to ¥159.0 billion. The main drivers of the rise are overseas product sales rising ¥1.5 billion, domestic sales of machinery for soil preparation rising ¥2.0 billion, and a gain on sale of hydroponics facilities of ¥2.0 billion.

Operating income is forecast to rise ¥1.4 billion on this current period, to ¥7.8 billion due to a growth in revenue from increased sales and further reduction of costs. Ordinary profit is expected to rise to ¥6.5 billion and net income to ¥3.5 billion, up ¥1.4 billion and ¥400 million on this year respectively.

(6) Outlook Relating to Distribution of Next Period's Profits

In line with the basic policy of "sustaining a stable dividend", it is expected that the end-of-period dividend payment per share for next fiscal period will be ¥3, the same as this period.

2. Financial Position

(1) Year in Review

Cash flows provided from operating activities were ¥12.4 billion (a revenue decrease of ¥100 million on the previous reporting period). The majority of it comes from an increase in income before income taxes.

Cash flow from investing activities resulted in a net revenue of ¥5.6 billion (a ¥7.5 billion increase in revenue from the previous period). This includes extraordinary revenue of ¥9.8 billion: a combination of ¥9.0 billion from a syndicate loan implemented as part of financial structure reforms and the cancellation of fixed-term deposits, and an ¥800 million gain on the sale of leasing operations.

The cash flow from financing activities resulted in a net expenditure of ¥26.6 billion (an increase in expenditure from the previous year of ¥13.9 billion).

Carrying on from the last fiscal period, the majority of the cash flow from operating and investing activities was appropriated to repaying ¥25.5 billion worth of interest-bearing liabilities. ¥1.2 billion was also provided for share buybacks.

The trend of cash flow indicators is as follows.

Indicator		Mar 31, 2001	Mar 31, 2002	Mar 31, 2003	Mar 31, 2004
Equity ratio	(%)	17.7	19.5	21.6	25.1
Market-based equity ratio	(%)	7.2	6.2	9.5	34.3
Years until debt redeemed	(years)	15.1	8.1	8.3	6.3
Interest coverage ratio		3.4	5.9	5.5	7.0

・Equity ratio: Shareholders' equity / Total assets

・Market-based equity ratio: Total market price of shares / Total assets

・Years until debt recovered: Interest-bearing liabilities / Operating cash flow

・Interest coverage ratio: Cash flow from operating activities / Interest payments

Note: 1. All figures have been calculated using consolidated-based financial figures.

2. The Total market price of shares is the product of the closing share price at the end of the reporting period and the total number of shares outstanding (less treasury stocks) at the end of the reporting period.

3. The Operating cash flow uses the cash flows from operating activities as per the Consolidated Statement of Cash Flows. Interest-bearing liabilities use all the borrowings and debt as recorded in the Consolidated Balance Sheets. The Interest payments use the interest paid as recorded in the Consolidated Statement of Cash Flows.

(2) Outlook for the Next Period

The cash flow from operating activities in the next period is expected to reach approximately ¥20.0 billion, with an additional revenue of approximately ¥13.0 billion from the devolution of the credit services business scheduled for June 2004. Cash flows from investing activities are expected to go toward funding capital expenditure for new products and funding upgrades of manufacturing plant and equipment. The cash flow from financing activities is expected to go toward the ongoing repayment of interest-bearing debt, resulting in a net cash expenditure of ¥18.0 billion.

Consolidated Financial Statements

Consolidated Balance Sheets

(millions of yen)

Account	Current Period (as at March 31, 2004)		Previous Period (as at March 31, 2003)		Change from previous period
	Amount	Ratio	Amount	Ratio	Amount
(Assets)		%		%	
I Current Assets	104,239	52.9	122,568	57.0	△ 18,328
Cash and bank deposits	13,465		30,989		△ 17,524
Notes and accounts receivable, trade	33,818		31,984		1,834
Installment accounts receivable, trade	13,091		16,005		△ 2,914
Short-term securities	276		282		△ 5
Inventories	38,921		39,348		△ 426
Deferred tax assets	1,603		375		1,228
Others	3,819		4,310		△ 490
Allowance for doubtful accounts	△ 757		△ 728		△ 29
II Property, plant and equipment	92,916	47.1	92,595	43.0	321
1. Tangible fixed assets	79,805	40.5	81,390	37.8	△ 1,585
Buildings and structures	15,516		16,064		△ 547
Machinery and equipment and vehicles	9,335		10,345		△ 1,009
Land	50,399		50,234		165
Construction in progress	1,161		479		681
Others	3,390		4,267		△ 876
2. Intangible fixed assets	1,058	0.5	1,129	0.5	△ 70
3. Investment and other assets	12,052	6.1	10,074	4.7	1,977
Investment securities	7,699		6,070		1,628
Long-term loans	300		356		△ 55
Deferred tax assets	477		535		△ 58
Others	4,352		3,355		997
Allowance for doubtful accounts	△ 777		△ 242		△ 534
Total Assets	197,156	100	215,163	100	△ 18,007

Consolidated Balance Sheets

(millions of yen)

Account	Current Period (as at March 31, 2003)		Previous Period (as at March 31, 2002)		Change from previous period
	Amount	Ratio	Amount	Ratio	Amount
(Liabilities)		%		%	
Ⅰ Current liabilities	102,196	51.8	138,466	64.4	△ 36,269
Notes and accounts payable, trade	39,937		37,421		2,516
Short-term borrowings	39,337		72,516		△ 33,178
Bonds (due within one year)	40		8,000		△ 7,960
Long-term debt (due within one year)	10,499		9,337		1,162
Accrued income taxes	1,750		542		1,207
Others	10,631		10,649		△ 17
Ⅱ Non-current liabilities	43,924	22.3	28,424	13.2	15,499
Bonds	480		100		380
Long-term debt	27,739		13,610		14,129
Deferred tax liabilities	1,239		541		697
Deferred tax liability from revaluation gain	7,131		7,131		—
Reserve for employees' retirement benefits	4,821		4,510		310
Reserve for directors' retirement benefits	226		257		△ 30
Others	2,286		2,273		12
Total Liabilities	146,121	74.1	166,891	77.6	△ 20,770
(Minority interests in consolidated subsidiaries)					
Minority interests in consolidated subsidiaries	1,458	0.8	1,789	0.8	△ 330
(Shareholders' Equity)					
Ⅰ Common stock	22,534	11.4	22,534	10.5	—
Ⅱ Capital surplus	11,645	5.9	11,599	5.4	45
Ⅲ Earned surplus	4,519	2.3	1,442	0.7	3,077
Ⅳ Revaluation surplus on land	10,696	5.4	10,696	5.0	—
Ⅴ Net unrealized holding gain on securities	1,584	0.8	514	0.2	1,069
Ⅵ Foreign currency translation adjustments	△ 7	△ 0.0	—	—	△ 7
Ⅶ Treasury stock	△ 1,395	△ 0.7	△ 303	△ 0.2	△ 1,091
Total Shareholders' Equity	49,576	25.1	46,483	21.6	3,092
Total Liabilities & Shareholders' Equity	197,156	100	215,163	100	△ 18,007

Consolidated Statement of Income

(millions of yen)

Account	Current Period April 1, 2003 - March 31, 2004		Previous Period April 1, 2002 - March 31, 2003		Change from previous period
	Amount	Ratio	Amount	Ratio	Amount
		%		%	
Ⅰ Net sales	153,624	100	156,381	100	△ 2,756
Ⅱ Cost of sales	103,100	67.1	105,374	67.4	△ 2,273
Gross Profit	50,523	32.9	51,007	32.6	△ 483
Ⅲ Selling, general and administrative expenses	44,149	28.8	44,814	28.6	△ 664
Operating Income	6,373	4.1	6,192	4.0	180
Ⅳ Non-operating income	1,177	0.8	1,140	0.7	37
Interest and dividend income	253		256		△ 2
Others	924		884		40
Ⅴ Non-operating expenses	2,459	1.6	3,209	2.1	△ 749
Interest expenses	1,749		2,345		△ 595
Others	709		863		△ 154
Ordinary Income	5,092	3.3	4,124	2.6	967
Ⅵ Extraordinary gains	553	0.4	710	0.5	△ 156
Gain on sale and disposal of property, plant and equipment, net	54		393		△ 338
Gain on sale of investment securities	62		268		△ 205
Gain on sale of leasing business	341		—		341
Gain on insurance claim	94		—		94
Reversal of allowance for doubtful accounts	—		48		△ 48
Ⅶ Extraordinary losses	1,400	0.9	3,089	2.0	△ 1,689
Loss on sale and disposal of property, plant and equipment, net	473		636		△ 162
Transfer to allowance for doubtful accounts	566				566
Write-down of bad debts	44		1,158		△ 1,114
Write-down of property for sale	245		—		245
Loss on devaluation of investment securities	—		852		△ 852
Others	69		441		△ 372
Income before income taxes and minority interests	4,245	2.8	1,744	1.1	2,500
Income taxes	2,298	1.5	1,015	0.6	1,282
Income tax deferred	△ 1,188	△ 0.8	△ 370	△ 0.2	△ 818
Minority interests	58	0.1	89	0.1	△ 30
Net Income	3,077	2.0	1,009	0.6	2,067

Consolidated Statement of Income and Retained Earnings

(millions of yen)

Account	Current Period April 1, 2003 - March 31, 2004	Previous Period April 1, 2002 - March 31, 2003	Change from previous period
(Capital Surplus)			
Ⅰ Balance of capital surplus at beginning of year	11,599	11,599	－
Ⅱ Increase in capital surplus	45	－	45
1 Gain on disposal of treasury stock	45	－	45
Ⅲ Balance of capital surplus at end of year	11,645	11,599	45
(Earned Surplus)			
Ⅰ Balance of earned surplus at beginning of year	1,442	101	1,340
Ⅱ Changes to earned surplus	3,077	1,340	1,736
1 Net income	3,077	1,009	2,067
2 Reversal of revaluation reserve on land for business use	－	323	△ 323
4 Effect of changes in scope of consolidation	－	7	△ 7
Ⅲ Balance of earned surplus at end of year	4,519	1,442	3,077

Consolidated Statement of Cash Flows

(millions of yen)

Account	Current Period April 1, 2003 - March 31, 2004	Previous Period April 1, 2002 - March 31, 2003	Change from previous period
Ⅰ Cash flows from operating activities			
Income before income taxes and minority interests	4,245	1,744	2,500
Depreciation and amortization	4,483	4,897	△ 414
Amortization of consolidated adjustment account	△ 193	30	△ 223
Increase in reserve for retirement benefits	310	441	△ 131
Loss (gain) on sales of investment securities	△ 62	△ 268	205
Loss on devaluation of investment securities	—	852	△ 852
Interest and dividend income	△ 253	△ 256	2
Gain on insurance claim	△ 94	—	△ 94
Interest expenses	1,620	2,214	△ 593
Effect of exchange rate changes	△ 109	△ 76	△ 33
Loss on sales of tangible and intangible fixed assets	419	242	176
Gain on sale of leasing business	△ 341	—	△ 341
Decrease in notes and accounts receivable	309	6,576	△ 6,267
Decrease in inventories	1,141	4,541	△ 3,400
Increase (decrease) in notes and accounts payable	2,516	△ 3,880	6,397
Others	832	△ 1,280	2,113
Sub-total	14,824	15,779	△ 955
Interest and dividends received	254	258	△ 3
Reception of insurance claim	152	—	152
Interest paid	△ 1,771	△ 2,258	487
Income taxes paid	△ 1,090	△ 1,284	194
Net cash provided by operating activities	**12,368**	**12,494**	**△ 125**
Ⅱ Cash flows from investing activities			
Payments for purchases of short-term securities	△ 34	△ 207	172
Proceeds from sale of short-term securities	260	35	225
Payments for purchases of tangible and intangible fixed assets	△ 5,080	△ 4,918	△ 161
Proceeds from sale of tangible and intangible fixed assets	894	1,668	△ 773
Proceeds from sale of leasing business	767	—	767
Payments for purchase of investment securities	△ 79	△ 534	454
Proceeds from sale of investment securities	106	286	△ 179
Net decrease in long-term loans	71	1,290	△ 1,218
Net decrease (increase) in time deposits	8,988	△ 88	9,077
Others	△ 262	564	△ 826
Net cash used in investing activities	**5,633**	**△ 1,905**	**7,538**
Ⅲ Cash flows from financing activities			
Net decrease in short-term borrowings	△ 33,178	△ 5,720	△ 27,458
Proceeds from long-term debt	26,690	5,511	21,178
Repayments of long-term debt	△ 11,398	△ 9,003	△ 2,395
Proceeds from bonds issued	420	100	320
Redemption of bonds	△ 8,000	△ 3,000	△ 5,000
Payments for purchases of treasury stock	△ 1,235	△ 555	△ 679
Proceeds from sale of treasury stock	66	—	66
Others	△ 3	△ 6	2
Net cash used in financing activities	**△ 26,639**	**△ 12,675**	**△ 13,964**
Ⅳ Effect of exchange rate changes on cash and cash equivalents	**101**	**76**	**25**
Ⅴ Net decrease in cash and cash equivalents	**△ 8,535**	**△ 2,008**	**△ 6,526**
Ⅵ Cash and cash equivalents at beginning of year	**19,565**	**21,587**	**△ 2,021**
Ⅶ Decrease in cash and cash equivalents due to decreases in consolidated subsidiaries	**—**	**△ 12**	**12**
Ⅷ Cash and cash equivalents at end of year	**11,029**	**19,565**	**△ 8,535**

Notes Pertaining to the Preparation of the Consolidated Financial Statements

1. Notes concerning the scope of consolidation

Number of consolidated subsidiaries . 36 companies
(including Iseki-Matsuyama Mfg. Co., Ltd., Iseki-Kumamoto Mfg. Co., Ltd., Iseki-Hokkaido Co., Ltd. and Iseki-Tohoku Co., Ltd.)

- Additions............................... 1 company (Iseki-Changzhou Mfg. Co., Ltd.)

2. Notes concerning the application of the Equity Method

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

3. Notes concerning the consolidated subsidiaries' end-of-period balance sheet date

Of the consolidated subsidiaries, 19 companies (including Iseki-Hokkaido Co., Ltd. and Iseki-Changzhou Mfg. Co., Ltd.) use an end-of-period balance sheet date of December 31. Fourteen companies (including Iseki-Matsuyama Mfg. Co., Ltd.) use a balance sheet date of March 31.
With regard to the preparation of the consolidated financial statements, the same current date is employed in the financial statements, and necessary adjustments at consolidation are made for any significant transactions that occur between the balance date and this date.

4. Notes concerning accounting policies

(1) Valuation standards and valuation methods of material assets

(a) Securities

Held-to-maturity debt securities .... recorded at amortized cost

Other securities

Securities at fair market value .... recorded at market value, based on the fair market price at the closing date of the consolidated reporting period
(Any estimate variance is credited or debited to Shareholders' Equity)

Securities not at fair market value .... recorded at cost, based on the moving-average method

(b) Inventories.. recorded at the lower of cost or market value using the gross average method

(c) Derivatives .... recorded using the market value method

(2) Depreciation methods of material depreciable assets

Tangible non-current assets

In general, the straight-line method is used to depreciate tangible non-current assets. In other cases, the declining-balance method is used. However, for new buildings (not including building fixtures and furnishings) acquired on or after April 1, 1998, the straight-line method is used.

Intangible non-current assets

Straight-line method (However, in-house software is depreciated using the straight-line method over an expected useful life of five years.)

(3) Accounting standards for material allowances and reserves

(a) Allowance for doubtful debts

A likely unrecoverable amount is calculated by applying the bad debts ratio to common receivables, and to specific receivables, such as doubtful debt receivables, individually evaluating the likelihood of them being collected.

(b) Reserve for employees' retirement benefits

The reserve for employees' retirement benefits is recorded, based on the amounts for the obligation for employees' retirement benefits and pension plan assets projected to the end of the current consolidated fiscal period. Disparities arising out of changes to accounting standards are expensed pro rata over 15 years. Past service liabilities are amortized using the straight-line method over the average of the estimated remaining years of service. Actuarial gains and losses are amortized using the straight-line method over the average of the estimated remaining years of service, with the first expense being recognized in the following consolidated fiscal period.

(c) Reserve for directors' retirement benefits

The company submitting consolidated financial statements and some of the consolidated subsidiaries record the reserve for directors' retirement benefits at the amount necessary at the end of the accounting period to provide for that expenditure on directors' retirement benefits and the amount is based on internal regulations.

(4) Accounting treatment of leases

Finance leases, other than those leases which transfer the ownership of the assets to the lessee, are accounted for based on the regular treatment of operating leases.

(5) Accounting treatment of material hedging activities

(a) Accounting treatment of hedging activities

Recorded in accordance with deferred hedge accounting. Such receivables and payables, which are denominated in foreign currencies and for which forward exchange contracts have been entered, are recorded using the forward exchange rates.

(b) Hedging methods and hedged transactions

(i) Hedging methods

Forward exchange contracts and interest rate swap agreements

(ii) Hedged transactions

Foreign currency denominated receivables and payables; and borrowings

(c) Principle of hedging

Forward exchange contracts and interest rate swap agreements are entered into, in order to hedge the risks associated with fluctuations in foreign currency exchange rates and interest rates.

(6) Other notes pertaining to the preparation of the Financial Statements

(a) Accounting treatment of consumption tax

Consumption tax and local consumption taxes are accounted for using a tax-exclusive method.

5. Items concerning the evaluation of consolidated subsidiaries' assets and liabilities

The market value method is used to value the consolidated subsidiaries' assets and liabilities.

6. Items concerning the amortization of the consolidation adjustment account

The consolidation adjustment account is amortized uniformly over a period of no longer than 20 years.

7. Items concerning the treatment of the appropriated earnings account

The statements are prepared based on the appropriation of earnings being defined within the consolidated accounting period.

8. The scope of funds in the Consolidated Cash Flow Statement

Consists of cash on hand; money at call; and short-term investments that are liquid and readily convertible (having a maturity date of within three months) and have little risk of shifting in value.

Explanatory Notes

(Consolidated Balance Sheet Items)

		Current Period	Previous Period	Variance
1.	Accumulated depreciation of tangible non-current assets	84,440 million yen	85,603 million yen	△1,162 million yen
2.	Guaranteed liabilities	10,152 million yen	10,555 million yen	△402 million yen
3.	Notes receivable less discount	191 million yen	537 million yen	△345 million yen
4.	Endorsed notes receivable	710 million yen	774 million yen	△64 million yen
5.	Treasury stocks	6,507,892 shares	4,170,077 shares	2,337,815 shares

6. Revaluation of business property
Iseki has revalued its business property pursuant to the law (Law No. 19, announced on March 31, 2001) which revises parts of the law relating to the revaluation of land. The equivalent tax related to the change in the said revaluation has been recorded in the liabilities (non-current liability) as a "Deferred tax liability from revaluation gain" and the deducted amount has been recorded in the assets as a "Difference of land revaluation".

・Revaluation method	The revaluation of land has been determined using a reasonable adjustment to the assessed value of the fixed assets as stipulated in Paragraph 3, Article 2 of the enforcement order (Government ordinance number 119, announced on March 31, 1998).
・Revaluation date	March 31, 2001
・Variance between the market value of the revalued land at the end of the period and the post-revaluation book value	・・・・ △ 4,559million yen

(Consolidated Income Statement Items)

	Current Period	Previous Period	Variance
Research and development expenses	3,822 million yen	3,862 million yen	△40 million yen

(Consolidated Cash Flow Statement Items)

Relationship between the end of period balance of cash and cash equivalents and the amount reported in the Consolidated Balance Sheet.

	Current Period	Previous Period	Variance
Cash and deposit accounts	13,465 million yen	30,989 million yen	△17,524 million yen
Fixed-term deposits with terms of 3 months or greater	△2,435 million yen	△11,424 million yen	8,988 million yen
Cash and cash equivalents	11,029 million yen	19,565 million yen	△8,535 million yen

Segment Information

1. Segment information per business type

   For this period (April 1, 2003 – March 31, 2004) and the previous period (April 1, 2002 – March 31, 2003), the total sales, operating income and total assets of the “Agricultural machinery related operations” segment accounted for more than 90% of all segments. Accordingly, the description of segment information per business type has been abbreviated.

2. Segment information per region

   For this period (April 1, 2003 – March 31, 2004) the total sales and total assets of Japanese segment accounted for more than 90% of all segments. Accordingly, the description of segment information per region has been abbreviated.

   For the previous period (April 1, 2002 – March 31, 2003), there are no foreign-based consolidated subsidiaries or overseas offices. Accordingly, there are no corresponding entries.

3. Overseas sales

   For this period (April 1, 2003 – March 31, 2004) and the previous period (April 1, 2002 – March 31, 2003), overseas sales accounted for less than 10% of consolidated sales. Accordingly, there are no corresponding entries.

Tax Effect Accounting

1. Itemized basis of deferred tax assets and deferred tax liabilities

	Current Period	Previous Period
(Deferred tax assets)		
Reserve for employees' retirement benefits	667 million yen	474 million yen
Allowance for bonuses	424	220
Unrealized gross profit	925	7
Net operating loss brought forward	-	218
Other	167	97
Offset to deferred tax liabilities	△ 104	△ 107
Net deferred tax assets	2,080 million yen	910 million yen

	Current Period	Previous Period
(Deferred tax liabilities)		
Deferred gain on sale of properties	187 million yen	209 million yen
Net unrealized holding gain on securities	1,057	341
Other	98	98
Offset to deferred tax assets	△ 104	△ 107
Net deferred tax assets	1,239 million yen	541 million yen

Securities

1. Held-to-maturity securities at fair market value (millions of yen)

Category	Current Period (year ending March 31, 2004)			Previous Period (year ending March 31, 2003)		
	Consolidated Balance Sheet	Fair Market Value	Variance	Consolidated Balance Sheet	Fair Market Value	Variance
Securities whose market value exceeds the value recorded in the Consolidated Balance Sheet	455	457	2	681	689	7
Securities whose market value is less than the value recorded in the Consolidated Balance Sheet	190	189	△ 1	120	119	△0
Total	645	646	1	801	808	7

2. Other securities at fair market value (millions of yen)

Category		Current Period (year ending March 31, 2004)			Previous Period (year ending March 31, 2003)		
		Purchase cost	Consolidated Balance Sheet	Variance	Purchase cost	Consolidated Balance Sheet	Variance
Securities whose market value exceeds the value recorded in the Consolidated Balance Sheet	Shares	3,058	5,718	2,660	2,447	3,372	924
	Bonds						
	Others	1	1	0	1	1	0
	Others	0	0	0	–	–	–
Subtotal		3,059	5,720	2,660	2,448	3,373	924
Securities whose market value is less than the value recorded in the Consolidated Balance Sheet	Shares	118	101	△ 16	767	696	△ 71
	Others	–	–	–	0	0	–
Subtotal		118	101	△ 16	768	696	△ 71
Total		3,177	5,821	2,644	3,216	4,070	853

3. Major securities not valued at fair market value (millions of yen)

Category	Current Period (year ending March 31, 2004)	Previous Period (year ending March 31, 2003)
	as recorded on Consolidated Balance Sheet	as recorded on Consolidated Balance Sheet
(1) Held-to-maturity securities		
Discounted bank debenture	56	56
(2) Other securities		
Non-listed shares (excluding over-the-counter shares)	1,378	1349

Employees' Retirement Benefits

1. Overview of Employees' Retirement Benefit Plans

Iseki and its consolidated subsidiaries maintain both an approved pension plan and a lump-sum benefit retirement plan as defined benefit plans. Also, premium severance benefits are paid when certain employees retire.

2. Items concerning employees' retirement benefits liabilities

		Current Period (millions of yen)	Previous Period (millions of yen)
①	Retirement benefit obligation	△ 30,445	△ 30,443
②	Pension plan assets	7,112	6,281
③	Unfunded retirement benefit obligation (①+②)	△ 23,333	△ 24,162
④	Unrecognized net transition obligation	16,085	17,547
⑤	Unrecognized actuarial differences	3,305	3,054
⑥	Unrecognized past service liabilities	△ 725	△ 823
⑦	Net amount recorded on Consolidated Balance Sheet (③+④+⑤+⑥)	△ 4,667	△ 4,383
⑧	Prepaid pension plan expenses	154	127
⑨	Reserve for employees' retirement benefits (⑦-⑧)	△ 4,821	△ 4,510

Note: Some consolidated subsidiaries employ a simple method to estimate the benefits obligation.

3. Items concerning employees' retirement benefits expenses

		Current Period (millions of yen)	Previous Period (millions of yen)
①	Service costs	1,402	1,700
②	Interest expenses	633	761
③	Expected return on pension assets	△ 105	△ 142
④	Amortized net transition obligations	1,462	1,490
⑤	Amortized actuarial differences	277	146
⑥	Amortized past service liabilities	△ 98	△ 98
⑦	Other expenses	56	68
⑧	Retirement benefit expenses (①+②+③+④+⑤+⑥+⑦)	3,628	3,926
⑨	Special retirement payment	11	319
	Total (⑧+⑨)	3,640	4,245

Note: The "Special retirement payment" is a premium severance pay for an early retiree and is recorded as an extraordinary loss.

4. Items concerning the assumptions in calculating the retirement benefit obligation

		Current Period	Previous Period
①	Method used to apportion the expected retirement benefits	Straight-line over the period	Straight-line over the period
②	Discount rate	2.0%	2.5%

③	Expected rate of return on pension assets	2.5%	3.0%
④	Amortization of past service liabilities	10-13 years	10-13 years
		(to be amortized using the straight-line method over the average of the estimated remaining years of service.)	
⑤	Amortization of actuarial differences	10-13 years	10-13 years
		(to be amortized using the straight-line method over the average of the estimated remaining years of service, with the first expense being recognized in the following fiscal period.)	
⑥	Amortization of net transition obligation	15 years	15 years

Production, Orders & Sales

1. Production results per product-type

(millions of yen)

Product-type	Current Period (Apr 1 2003 - Mar 31 2004)	Previous Period (Apr 1 2002 - Mar 31 2003)	Change from previous period
Machinery for soil preparation	39,019	33,828	5,191
Cultivating machinery	15,640	15,405	234
Harvesting and processing machinery	30,606	32,353	△ 1,747
Parts and farming implements	2,093	2,126	△ 33
Agricultural machinery related	8,646	12,236	△ 3,590
Others	2,177	1,784	392
Total	98,182	97,735	447

Note: Figures are shown in terms of sales values.

2. Orders

We operate a system whereby production is based mostly on projected demand. We hardly ever produce on order.

3. Sales results per product-type

(1) Total (millions of yen)

Product-type	Current Period (Apr 1 2003 - Mar 31 2004)		Previous Period (Apr 1 2002 - Mar 31 2003)		Change from previous period	
	amount	ratio	amount	ratio	amount	ratio
		%		%		%
Machinery for soil preparation	40,351	26.3	39,285	25.1	1,066	2.7
Cultivating machinery	12,724	8.3	12,392	7.9	332	2.7
Harvesting and processing machinery	31,876	20.7	32,329	20.7	△ 453	△ 1.4
Parts and farming implements	30,399	19.8	30,176	19.3	222	0.7
Agricultural machinery related	26,870	17.5	29,922	19.1	△ 3,052	△ 10.2
Others	11,402	7.4	12,274	7.9	△ 871	△ 7.1
Total	153,624	100	156,381	100	△ 2,756	△ 1.8

(2) Domestic (millions of yen)

Product-type	Current Period (Apr 1 2003 - Mar 31 2004)		Previous Period (Apr 1 2002 - Mar 31 2003)		Change from previous period	
	amount	ratio	amount	ratio	amount	ratio
		%		%		%
Machinery for soil preparation	29,683	21.2	29,938	20.7	△ 254	△ 0.8
Cultivating machinery	12,077	8.6	11,918	8.3	159	1.3
Harvesting and processing machinery	31,710	22.6	32,207	22.3	△ 497	△ 1.5
Parts and farming implements	29,648	21.1	29,386	20.4	262	0.9
Agricultural machinery related	25,778	18.4	28,515	19.8	△ 2,737	△ 9.6
Others	11,402	8.1	12,274	8.5	△ 871	△ 7.1
Total	140,301	100	144,240	100	△ 3,939	△ 2.7

(3) Overseas (millions of yen)

Product-type	Current Period (Apr 1 2003 - Mar 31 2004)		Previous Period (Apr 1 2002 - Mar 31 2003)		Change from previous period	
	amount	ratio	amount	ratio	amount	ratio
		%		%		%
Machinery for soil preparation	10,667	80.1	9,346	77.0	1,320	14.1
Cultivating machinery	646	4.9	474	3.9	172	36.4
Harvesting and processing machinery	165	1.2	121	1.0	44	36.1
Parts and farming implements	750	5.6	790	6.5	△ 39	△ 5.0
Agricultural machinery related	1,092	8.2	1,407	11.6	△ 315	△ 22.4
Others	-	-	-	-	-	-
Total	13,323	100	12,140	100	1,182	9.7