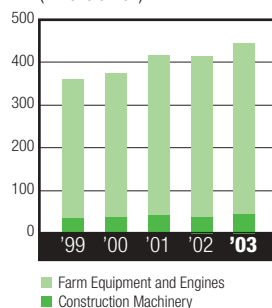


Review of Operations

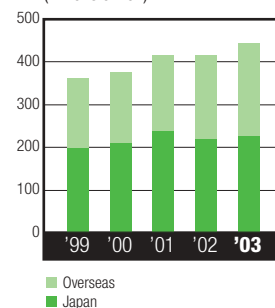
Internal Combustion Engine and Machinery

(Note) In order to clarify the relationship between management structure and industry segments, the Company increased the industry segments from three to five. The five new industry segments are as follows: "Internal Combustion Engine and Machinery," "Pipes, Valves, and Industrial Castings," "Environmental Engineering," "Building Materials and Housing," and "Other."

Sales by Sector
(Billions of Yen)



Sales by Geographic Segment
(Billions of Yen)



		Billions of Yen				
		1999	2000	2001	2002	2003
Net Sales		¥966.1	¥974.6	¥984.8	¥965.8	¥926.1
Internal Combustion Engine and Machinery		361.7	375.5	416.4	415.1	444.2
Sales by Sector	Farm Equipment and Engines	326.6	338.6	375.0	377.0	399.4
	Construction Machinery	35.1	36.9	41.4	38.1	44.8
Sales in Japan and Overseas	Japan	199.0	208.6	238.4	218.2	225.5
	Overseas	162.7	166.9	178.0	196.9	218.7

Sales in Internal Combustion Engine and Machinery were ¥444.2 billion, an increase of 7.0% from the prior year, comprising 48.0% of consolidated net sales. Domestic sales increased 3.4%, to ¥225.5 billion. Overseas sales rose 11.0%, to ¥218.7 billion. This segment consists of "farm equipment and engines" and "construction machinery."

Sales of farm equipment and engines increased 5.9%, to ¥399.4 billion, from the prior year. Domestic sales were ¥204.2 billion, 3.1% higher than the prior year, and overseas sales were ¥195.2 billion, 9.1% higher than the prior year. In domestic markets, as demand for farm equipment was lackluster, reflecting unfavorable crop prices and reduction of rice acreage, the Company aggressively conducted a sales promotion campaign together with the introduction of new models of farm equipment with improved performance and price competitiveness. In overseas markets, sales of tractors in North America significantly increased, owing to an

aggressive marketing campaign and the introduction of new models. The Company has made an investment in its Georgia facilities for the expansion of assembly lines and warehouses, and also established the Turf-Care Technology & Marketing Center. Sales of engines increased, owing principally to increasing sales to original equipment manufacturers both in the EU and U.S. markets.

Sales of construction machinery were ¥44.8 billion, an increase of 17.5% from the prior year. Domestic sales were ¥21.3 billion, an increase of 6.2%. Total sales of construction machinery in the Japanese market decreased, despite the Company expanding its market share. Overseas sales were ¥23.5 billion, an increase of 30.1%. While demand in EU markets was weak, the increase in market share allowed the Company to achieve increased sales. In North America, the introduction of new models was very successful, thus dramatically increasing sales.



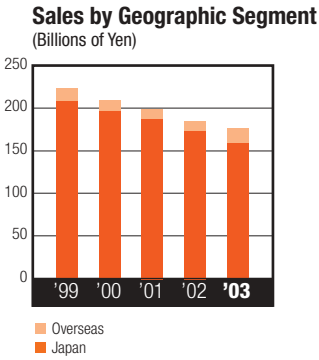
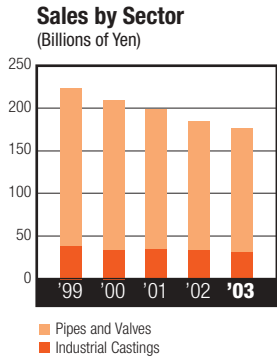
Mini-excavator:
KX101-3



Zero-turn mower: ZD-PR021

Compact tractor: B7800H5D

Pipes, Valves, and Industrial Castings



		Billions of Yen				
		1999	2000	2001	2002	2003
Net Sales		¥966.1	¥974.6	¥984.8	¥965.8	¥926.1
Pipes, Valves, and Industrial Castings		223.5	209.1	199.0	184.5	177.2
Sales by Sector	Pipes and Valves	184.8	174.8	164.3	151.3	145.6
	Industrial Castings	38.7	34.3	34.7	33.2	31.6
Sales in Japan and Overseas	Japan	208.0	196.7	187.6	173.4	159.0
	Overseas	15.5	12.4	11.4	11.1	18.2

Sales in Pipes, Valves, and Industrial Castings were ¥177.2 billion, 4.0% lower than the prior year, comprising 19.1% of consolidated net sales. Domestic sales decreased 8.3%, to ¥159.0 billion. Overseas sales increased 63.8%, to ¥18.2 billion. This segment consists of “pipes and valves” and “industrial castings.”

Sales in pipes and valves declined 3.8% from the prior year, to ¥145.6 billion. Domestic sales were down 8.2%, to ¥135.5 billion. Overseas sales increased 161.9%, to ¥10.1 billion. Domestic sales of ductile iron pipes, which are the mainstay products in this sub-segment, were negatively affected by the reduction in public works spending and financial difficulties in local governments. Sales of spiral-welded steel pipes remained flat but sales of PVC pipes declined due to sluggish demand from both public and private sectors. Overseas sales surged, owing mainly to the brisk export of ductile iron pipes and valves to Middle Eastern countries.

Sales of industrial castings decreased 4.6%, to ¥31.6 billion. Domestic sales were down 9.2%, to ¥23.5 billion. Overseas sales were up 11.8%, to ¥8.1 billion. Domestic sales declined due to decreased capital expenditure and weak demand from the construction industry. Overseas sales grew due to the growing export of cargo oil pipes for oil tankers and the introduction of new reformer tubes by a subsidiary in Canada.



DRC segments



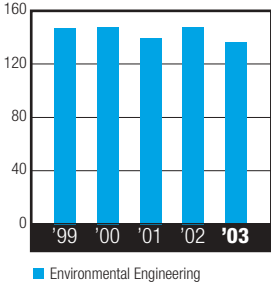
Ductile iron pipes



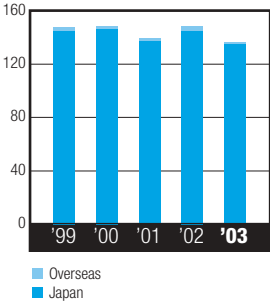
Ductile iron pipes

Environmental Engineering

Sales by Sector
(Billions of Yen)



Sales by Geographic Segment
(Billions of Yen)



		Billions of Yen				
		1999	2000	2001	2002	2003
Net Sales		¥966.1	¥974.6	¥984.8	¥965.8	¥926.1
Environmental Engineering		147.3	148.1	139.5	148.0	136.4
Sales by Sector	Environmental Engineering	147.3	148.1	139.5	148.0	136.4
Sales in Japan and Overseas	Japan	144.8	146.4	137.2	144.9	134.5
	Overseas	2.5	1.7	2.3	3.1	1.9

Sales in Environmental Engineering were ¥136.4 billion, 7.8% lower than the prior year, accounting for 14.7% of consolidated net sales. Domestic sales decreased 7.2%, to ¥134.5 billion. Overseas sales decreased 39.0%, to ¥1.9 billion. This segment consists of environmental control plants and pumps.

Sales in the Water & Sewage Engineering division decreased, due to fewer orders received in the prior year and financial difficulties in local governments. Sales in the Water Environment Engineering division grew, due to increased sales of sewage treatment plants and expanding sales of new business fields. After a boom in demand for the rebuilding of incinerators to prevent dioxin emissions in the previous year, sales in the Solid Waste Engineering

division fell. As for pumps, our domestic sales increased through expansion of domestic market share despite the decrease in public works. However, due to lower sales in overseas markets, total sales fell.



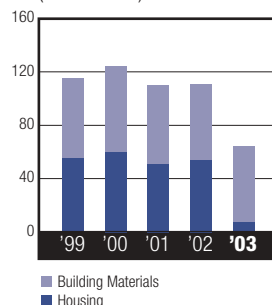
Floating charcoal purifier



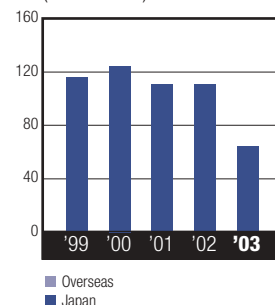
Industrial waste processing facility

Building Materials and Housing

Sales by Sector
(Billions of Yen)



Sales by Geographic Segment
(Billions of Yen)



		Billions of Yen				
		1999	2000	2001	2002	2003
Net Sales		¥966.1	¥974.6	¥984.8	¥965.8	¥926.1
Building Materials and Housing		115.8	124.5	110.3	110.9	64.3
Sales by Sector	Building Materials	60.5	64.3	59.1	56.7	57.3
	Housing	55.3	60.2	51.2	54.2	7.0
Sales in Japan and Overseas	Japan	115.8	124.5	110.3	110.9	64.3
	Overseas	0.0	0.0	0.0	0.0	0.0

Sales in Building Materials and Housing were ¥64.3 billion, 42.0% lower than the prior year, accounting for 7.0% of consolidated net sales. This segment consists mainly of building materials (roofing materials, siding materials, and septic tanks) and sales of condominiums.

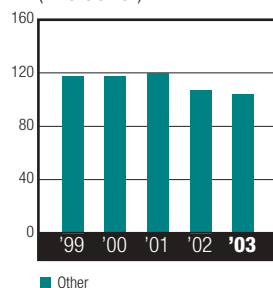
Sales of building materials increased 1.2%, to ¥57.3 billion. Although the Company promoted new models and attempted to expand its market share, sales of roofing materials declined due to increased competition for western-type roofing materials during a slowdown in new housing starts. Sales of siding materials remained at the same level as the prior year, owing to the promotion of new models and the strengthening of our product lineup. Sales of septic

tanks increased compared with the prior year, owing to the reinforcement by the Company of marketing channels in regional markets and the expansion of its market share by introducing new models despite the reduction in demand.

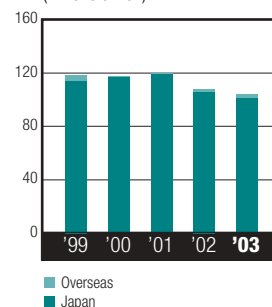
Sales of condominiums fell 87.1%, to ¥7.0 billion. The Company withdrew from the prefabricated housing business, which had been a mainstay of this subsegment. Consequently, sales of this subsegment declined significantly. The Company received more contracts for sales of condominiums than the prior year despite the actual number of condominium sales decreasing.

Other

Sales by Sector
(Billions of Yen)



Sales by Geographic Segment
(Billions of Yen)



		Billions of Yen				
		1999	2000	2001	2002	2003
Net Sales		¥966.1	¥974.6	¥984.8	¥965.8	¥926.1
Other		117.8	117.4	119.6	107.3	104.0
Sales by Sector	Other	117.8	117.4	119.6	107.3	104.0
Sales in Japan and Overseas	Japan	114.0	116.6	119.0	105.8	100.9
	Overseas	3.8	0.8	0.6	1.5	3.1

Sales in Other were ¥104.0 billion, 3.0% lower than the prior year, accounting for 11.2% of consolidated net sales. Domestic sales declined 4.6%, to ¥100.9 billion. Overseas sales climbed 107.8%, to ¥3.1 billion. This segment consists primarily of vending machinery, electronic-equipped machinery, air-conditioning equipment, and construction.

Despite the reduction in public works spending, domestic sales remained at the same level as the prior year. Sales of vending machinery and electronic-equipped machinery fell, owing to reduced capital expenditure in the private sector. Construction projects in Southeast Asian countries led to the increase in overseas sales.