UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-QSB

[X] Quarterly Report under Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended June 30, 2003

[ ] Transition Report under Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from _______ to ________

Commission file number: 1-12471

INTEGRATED SURGICAL SYSTEMS, INC.
(Exact name of small business issuer as specified in its charter)

Delaware	68-0232575
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

1850 Research Park Drive, Davis, California 95616-4884
(Address of principal executive offices)

(530) 792-2600
(Issuer's telephone number)

N/A
(Former name, former address and formal fiscal year, if changed since last report)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes [X] No [ ]

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: The number of shares of the issuer's common stock outstanding as of August 8, 2003 was 43,478,469.

Transitional Small Business Disclosure Format: Yes [ ] No [X]

Integrated Surgical Systems, Inc.
Form 10-QSB
For the quarter ended June 30, 2003
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Part I. Financial Information

Item 1. Financial Statements (unaudited)

Integrated Surgical Systems, Inc.
Consolidated Balance Sheet
June 30, 2003
(Unaudited)

Assets	
Current assets:	
Cash	$ 287,938
Accounts receivable, less allowance for doubtful accounts of $67,003	789,477
Inventories	1,356,157
Other current assets	263,682
Total current assets	2,697,254
Property and equipment, net	123,807
Leased equipment, net	141,440
Other assets	10,603
	$ 2,973,104
Liabilities and stockholders' deficit	
Current liabilities:	
Note payable	$ 112,517
Accounts payable	2,454,230
Accrued payroll and related expense	1,002,903
Accrued liabilities	316,956
Unearned income	2,078,704
Other current liabilities	429,950
Total current liabilities	6,395,260
Commitments and contingencies	
Convertible preferred stock, $0.01 par value, 1,000,000 shares authorized; 218 shares issued and outstanding ($218,496 aggregate liquidation value)	218,496
Stockholders' deficit:	
Common stock, $0.01 par value, 100,000,000 shares authorized; 43,478,469 shares issued and outstanding	434,785
Additional paid-in capital	61,866,581
Accumulated other comprehensive loss	(1,276,182)
Accumulated deficit	(64,665,836)
Total stockholders' deficit	(3,640,652)
	$ 2,973,104

See accompanying notes.

Integrated Surgical Systems, Inc.
Consolidated Statements of Operations
(Unaudited)

	Three months ended June 30, 2003	Three months ended June 30, 2002
Net revenue	$ 1,941,194	$ 791,824
Cost of revenue	1,469,206	337,235
	471,988	454,589
Operating expenses:		
Selling, general and administrative	592,420	829,732
Research and development	288,143	744,214
Amortization of intangibles	--	209,760
	880,563	1,783,706
Operating loss	(408,575)	(1,329,117)
Other income, net:	53,738	182,416
Net loss	$ (354,837)	$ (1,146,701)
Basic and diluted net loss per common share	$ (0.01)	$ (0.03)
Shares used in computing basic and diluted net loss per share	42,571,876	38,311,464

See accompanying notes.

Integrated Surgical Systems, Inc.
Consolidated Statements of Operations
(Unaudited)

	Six months ended June 30, 2003	Six months ended June 30, 2002
Net revenue	$ 4,961,796	$ 1,700,559
Cost of revenue	3,136,137	725,850
	1,825,659	974,709
Operating expenses:		
Selling, general and administrative	1,370,983	1,675,418
Research and development	736,412	1,450,019
Amortization of intangibles	--	419,520
	2,107,395	3,544,957
Operating loss	(281,736)	(2,570,248)
Other income, net:	96,890	159,575
Net loss	$ (184,846)	$ (2,410,673)
Basic and diluted net loss per common share	$ (0.00)	$ (0.06)
Shares used in computing basic and diluted net loss per share	42,276,812	38,310,594

See accompanying notes.

Integrated Surgical Systems, Inc.
Consolidated Statements Cash Flows (Unaudited)
Increase (Decrease) in Cash

	Six months ended June 30, 2003	Six months ended June 30, 2002
Cash flows from operating activities:		
Net loss	$ (184,846)	$(2,410,673)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation	147,244	299,591
Amortization of intangible assets	--	419,520
Stock compensation, non-employees	--	508
Changes in operating assets and liabilities:		
Accounts receivable	783,067	(839,219)
Inventory	425,907	(197,616)
Other current assets	36,035	(14,281)
Accounts payable	111,255	318,496
Accrued payroll and related expenses	285,819	81,907
Accrued liabilities	28,189	(66,730)
Unearned income	(1,548,762)	1,665,052
Other current liabilities	28,899	(79,960)
Net cash provided by (used in) operating activities	112,807	(823,405)
Cash flows from investing activities:		
Principal payments received on sales-type lease	--	44,295
Purchases of property and equipment	(17,708)	(19,992)
Net cash provided by (used in) investing activities	(17,708)	24,303
Cash flows from financing activities:		
Proceeds from officer advances and deferrals of salaries and unreimbursed travel expenses	339,847	283,683
Payments on officer advances, deferred salaries and unreimbursed travel expenses	(140,962)	(20,000)
Net cash provided by financing activities	198,885	263,683
Effect of exchange rate changes on cash	(88,115)	(118,452)
Net increase (decrease) in cash	205,869	(653,871)
Cash at beginning of period	82,069	800,374
Cash at end of period	$ 287,938	$ 146,503
Supplemental disclosure of non-cash investing activity:		
Transfer of inventory to leased equipment:	--	$ 76,700
Conversion of preferred stock:	$ 32,000	--

See accompanying notes.

Integrated Surgical Systems, Inc.
Notes to Consolidated Financial Statements (unaudited)
June 30, 2003

1. Basis of presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and the instructions to Form 10-QSB. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included.

The cash position of Integrated Surgical Systems, Inc. (the "Company") is inadequate and the Company has not yet identified sources of sufficient cash to assure continuing operations. At August 8, 2003, the Company was in violation of certain covenants contained in financing arrangements with vendors. The Company is working to address this shortfall by attempting to negotiate cash advances for undelivered systems, accelerate payment terms of other contracts, defer additional salary to employees and obtain new equity investment. However, the Company can offer no assurance that attempts to strengthen cash flows will be successful. Unless the Company can secure sufficient funds on a timely basis to satisfy short-term operating requirements, the Company may have to cease operations or seek bankruptcy protection.

The reports of the Company's independent auditors on the 2002 and 2001 consolidated financial statements included explanatory paragraphs stating that there is substantial doubt with respect to the Company's ability to continue operating as a going concern. The Company's plan to address this issue - increasing sales of products in existing markets, increasing sales of system upgrades, obtaining new equity investments and reducing operating expenses - can only be realized to the extent that the Company generates sufficient cashflow to meet obligations. In the event that the Company is unsuccessful, it is possible that the Company will cease operations or seek bankruptcy protection. The consolidated financial statements do not include any adjustments to reflect the uncertainties related to the recoverability and classification of assets or the amounts and classification of liabilities that may result from an inability on the Company's part to continue as a going concern.

Operating results for the six month period ending June 30, 2003 are not necessarily indicative of the results that may be expected for the year ending December 31, 2003. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-KSB for the year ending December 31, 2002.

2. Stock Based Compensation

The Company uses the intrinsic value method in accounting for its employee stock options because, as discussed below, the alternative fair value accounting requires the use of option valuation models that were not developed for use in valuing employee stock options. Under the intrinsic value method, when the exercise price of the Company's employee stock options equals or exceeds the market price of the underlying stock on the date of grant, no compensation expense is recognized.

Option valuation models were developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions, including the expected life of the option. Because the Company's employee stock options have characteristics significantly different from those of traded options and because changes in the subjective input assumptions can materially affect the fair value estimates, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options.

For the three and six months ending June 30, 2003 and 2002, respectively, the fair value of the Company's stock-based awards to employees was estimated using the following weighted-average assumptions: risk-free interest rates of 3.0% and 3.5%; dividend yield of 0%; volatility factors of the expected market price of the common stock of 0.950 and 0.955; and an expected life of the option of 4 years.

The following table sets forth the pro forma net loss of the Company after considering the effect to stock-based employee compensation:

	Three Months Ended June 30, 2003	Three Months Ended June 30, 2002	Six Months Ended June 30, 2003	Six Months Ended June 30, 2002
Net loss, as reported	$ (354,837)	$(1,146,701)	$ (184,846)	$(2,410,673)
Add: stock-based employee compensation included in reported net loss	--	--	--	--
Less: stock-based employee compensation expense, determined under fair value method for all awards	(35,376)	(9,432)	(61,507)	(44,081)
Pro forma net loss	$ (390,213)	$(1,156,133)	$ (246,353)	$(2,454,754)
Net loss per share:				
Basic and diluted net loss per share, as reported	$ (0.01)	$ (0.03)	$ (0.00)	$ (0.06)
Basic and diluted net loss per share, pro forma	$ (0.01)	$ (0.03)	$ (0.01)	$ (0.06)

3. Inventories

At June 30, 2003, the components of inventories were:

Raw materials	$ 449,899
Work-in-process	334,151
Finished goods	528,555
Deferred product development contract costs	43,552
	$1,356,157

4. Warranty and Service Contracts

The Company offers a one-year warranty for parts and labor on all ROBODOC and NeuroMate systems commencing upon the completion of training and installation, except when the sales contract requires formal customer acceptance. In most cases, the Company's customers purchase a service contract, which includes warranty coverage (parts and labor), unspecified product maintenance updates, customer support services and various consumables required during surgical procedures. Revenue from service contracts is initially deferred and then recognized ratably over the term of the agreements. Service contracts can be renewed at the customers' option, annually thereafter. Where the Company's products are not covered by separate service agreements, the Company provides for the estimated cost of product warranties at the time revenue is recognized, based on historical results. The warranty obligation is affected by product failure rates, material usage and service delivery costs incurred in correcting a product failure. Should actual product failure rates, material usage or service delivery costs differ from these estimates, revisions to the estimated warranty liability would be required. The Company periodically assesses the adequacy of its recorded warranty liabilities and adjusts the amounts as necessary. Changes in the Company's product liability for warranties included in accrued liabilities and deferred service revenue included in unearned income during the period are as follows:

December 31, 2002 balance	$ 666,000
Service contracts and warranties issued during the period	1,208,000
Settlements made during the period	(30,000)
Changes in liability for pre-existing service contracts and warranties during the period, including expirations	(915,000)
June 30, 2003 balance	$ 929,000

5. Stockholders' equity

During the three months ended June 30, 2003, 32 shares of convertible preferred stock were converted into 1,500,000 shares of common stock at an average conversion price of $0.021 per share. The issuance of these shares were exempt from the registration requirements of the Securities Act under Sections 3(a)(9) and 4 (2).

6. Net loss per share

Basic net loss per share is computed by dividing the net loss available to common stockholders for the period by the weighted average number of common shares outstanding during the period. Diluted net loss per share is computed by dividing the net loss for the period by the weighted average number of common and potential common shares outstanding during the period if their effect is dilutive. Potential common shares are comprised of outstanding employee stock options, outstanding warrants and outstanding preferred stock issuable upon the exercise of the stock option, warrant or preferred stock. The potential common shares issuable under stock options, warrants and preferred stock to purchase common shares have been excluded for the three and six month periods ending June 30, 2003 and 2002 from the diluted calculation because the effect of such shares would have been anti-dilutive.

At June 30, 2003, the Company had outstanding options to purchase 2,600,867 shares of common stock (with exercise prices ranging from $0.025 to $8.50 per share), 7,441,979 outstanding warrants to purchase 7,977,170 shares of common stock (with exercise prices from $0.01 to $8.34 per share), and 7,187,368 shares of common stock issuable upon conversion of Series G convertible preferred stock. The exercise price and the ultimate number of shares of common stock issuable upon conversion of the warrants are subject to adjustments based upon the occurrence of certain future events.

7. Accumulated other comprehensive loss

	Three months ended June 30,		Six months ended June 30,	
	2003	2002	2003	2002
Net Loss	$ (354,837)	$(1,146,701)	$ (184,846)	$(2,410,673)
Other comprehensive loss:				
Foreign currency translation	(36,559)	(37,481)	(58,275)	120,646
Comprehensive loss	$ (391,396)	$(1,184,182)	$ (243,121)	$(2,290,027)

8. Income Taxes

The Company recorded no income tax expense during the six month periods ending June 30, 2003 and June 30, 2002. The Company had, at December 31, 2002, a net operating loss carry-forward of approximately $40,544,000 for federal income tax purposes which expires between 2005 and 2022, a net operating loss carryforward of approximately $8,150,000 for state income tax purposes which expires between 2004 and 2012, and a net operating loss carryforward of approximately $1,541,000, for foreign income tax purposes of which approximately $347,000 expires between 2003 and 2007. The Company had, at December 31, 2002, research and development credit carry-forwards of approximately $1,256,000 and $1,017,000 for federal and state income tax purposes, respectively.

Under certian provisions of the Internal Revenue Code of 1986, as amended, a portion of the federal net operating loss carryforward may be subject to an annual utilization limitation as a result of change in ownership of the Company.

9. Recent accounting pronouncements

In June 2001, FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations," which addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and associated asset retirement costs. The new rules apply to legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction, development and (or) normal operation of a long-lived asset. The Company adopted SFAS No. 143 on January 1, 2003, and the adoption did not have an impact on the consolidated financial position, cash flows or results of operations.

In December 2002, FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure" ("SFAS 148"). SFAS 148 amends SFAS No. 123, "Accounting for Stock-Based Compensation," and provides alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. SFAS 148 also amends the disclosure requirements of SFAS 123 to require more prominent and frequent disclosure requirements in financial statements about the effects of stock-based compensation. The transition guidance and annual disclosure provisions of SFAS 148 are effective for financial statements issued for fiscal years ending after December 15, 2002. The interim disclosure provisions are effective for financial reports containing financial statements for interim periods beginning after December 15, 2002. The adoption of SFAS 148 did not have a material impact on the Company's consolidated financial position, cash flows or results of operations.

In May 2003, the FASB issued Statement of Financial Accounting Standards No. (SFAS 150), "Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity." SFAS 150 requires certain financial instruments that embody obligations of the issuer and have characteristics of both liabilities and equity to be classified as liabilities. Many of these instruments previously were classified as equity or temporary equity and as such, SFAS 150 represents a significant change in practice in the accounting for a number of mandatorily redeemable equity instruments and certain equity derivatives that frequently are used in connection with share repurchase programs. SFAS 150 is effective for all financial instruments created or modified after May 31, 2003, and to other instruments at the beginning of the first interim period beginning June 15, 2003. The Company is currently assessing the impacts of this statement.

In November 2002, FASB issued Interpretation Number 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" ("FIN 45"). This interpretation elaborates on the disclosures to be made by a guarantor in its interim and annual financial statements about its obligations under certain guarantees that it has issued. It also clarifies that a guarantor is required to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. The disclosure requirements of FIN 45 are effective for interim and annual periods ending after December 15, 2002 and the Company has adopted those requirements for the financial statements included in this Form 10-QSB. The initial recognition and initial measurement requirements of FIN 45 are effective prospectively for guarantees issued or modified after December 31, 2002. The adoption of FIN 45 did not have a material impact on the consolidated financial position, cash flows or results of operations.

In January 2003, FASB issued Interpretation Number 46, "Consolidation of Variable Interest Entities" ("FIN 46"). This interpretation clarifies the application of Accounting Research Bulletin No. 51, "Consolidated Financial Statements," to certain entities in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. FIN 46 applies immediately to variable interest entities created after January 31, 2003, and to variable interest entities in which an enterprise obtains an interest after that date. It applies to the first fiscal year or interim period beginning after June 15, 2003, to variable interest entities in which an enterprise holds a variable interest that it acquired before February 1, 2003. The Company does not believe the adoption of FIN 46 will have a material impact on the consolidated financial position, cash flows or results of operations.

In November 2002, the EITF reached a consensus on Issue 00-21, "Multiple-Deliverable Revenue Arrangements" ("EITF 00-21"). EITF 00-21 addresses how to account for arrangements that may involve the delivery or performance of multiple products, services, and/or rights to use assets. The consensus mandates how to identify whether goods or services or both that are to be delivered separately in a bundled sales arrangement should be accounted for separately because they are "separate units of accounting." The guidance can affect the timing of revenue recognition for such arrangements, even though it does not change rules governing the timing or pattern of revenue recognition of individual items accounted for separately. The final consensus will be applicable to agreements entered into in fiscal years beginning after June 15, 2003, with early adoption permitted. Additionally, companies will be permitted to apply the consensus guidance to all existing arrangements as the cumulative effect of a change in accounting principle in accordance with APB Opinion No. 20, "Accounting Changes." The Company is assessing whether the adoption of EITF 00-21 will have a material impact on the Company's consolidated financial position, cash flows or results of operations, but at this time does not believe such adoption will have a material impact.

Item 2. Management's Discussion and Analysis

Overview

The following discussion and analysis relates to the consolidated operations of the Company and should be read in conjunction with the unaudited consolidated financial statements of the Company, including the notes thereto, appearing elsewhere in this report.

The Company designs, manufactures, sells and services image-directed, computer-controlled robotic software and hardware products for use in orthopaedic and neurosurgical procedures.

The Company's revenue consists of product revenue, specialized product development revenue and parts and service revenue.

Product revenue consists of revenues generated from sales of the Company's principal orthopaedic product, the ROBODOC(R) Surgical Assistant System ("ROBODOC"), which integrates the ORTHODOC(R) Presurgical Planner ("ORTHODOC") with a computer-controlled robot for use in joint replacement surgeries. Also included in product revenue is revenues generated from sales of the NeuroMate(TM) System ("NeuroMate"), which consists of a computer-controlled robotic arm, head stabilizer, presurgical planning workstation and proprietary software used to position and precisely hold critical tools during stereotactic brain surgery.

The Company develops specialized operating software for several implant manufacturing companies. These implant manufacturers contract with the Company for the development of particular lines of new prosthesis software to be used with the ROBODOC system.

The Company's customers purchase warranty coverage (parts and labor) as well as surgical disposables through annual service and maintenance agreements. The Company's technical staff trains medical professionals in the use of the products and provides field service.

Results of Operations

For the three months ending June 30, 2003, revenue increased and operating expenses were reduced when compared to the three months ending June 30, 2002, with an operating loss of approximately $409,000 and net loss of $355,000 as compared to an operating loss of $1,329,000 and net loss of $1,147,000, respectively. In the six months ending June 30, 2003, revenue increased and operating expenses were reduced when compared to the six months ending June 30, 2002, with an operating loss of $282,000 and net loss of $185,000 as compared to an operating loss of $2,570,000 and net loss of $2,411,000, respectively.

Revenue of $1,941,000 for the three months ending June 30, 2003, increased approximately 145% or $1,149,000 when compared to $792,000 for the three months ending June 30, 2002. Revenue of $4,962,000 for the six months ending June 30, 2003, increased 192% or $3,261,000 when compared to $1,701,000 for the six months ending June 30, 2002. There can be no assurance that the Company will be able to maintain such revenue levels in future periods.

The majority of the increase in revenue for the three month period ending June 30, 2003 was a result of the Company recognizing revenue of approximately $1,030,000 from previous unearned income generated by sales for one ROBODOC system (in Japan) and two NeuroMate systems (in Italy) as well as a product development project completed in the period as compared to no revenue recognized on systems or projects for the three month period ending June 30, 2002. Revenue for the six month period ending June 30, 2003 includes four ROBODOC systems, three NeuroMate systems and one product development project recognized as compared to one NeuroMate system recognized for the six month period ending June 30, 2002. As of June 30, 2003, the Company's unearned income is comprised of product development projects and ongoing installed base service contracts.

Gross margin decreased from approximately 57% for the three months ending June 30, 2002 to 24% for the three months ending June 30, 2003 and decreased from 57% for the six months ending June 30, 2002 to 37% for the six months ending June 30, 2003 due to the change in product mix favoring the stronger margins of system parts and service revenue for the three and six month periods ending June 30, 2002 over the lower margins realized in system sales for the three and six month periods ending June 30, 2003.

Total operating expenses have continued to decline as a result of the Company's cost reduction program. Selling and general administrative expenses are comprised of salaries, commissions, travel expenses and costs associated with trade shows as well as the finance, legal and human resources departments and professional support fees for these functions. Selling and general administrative expenses for the three month period ending June 30, 2003 decreased approximately 29% to $592,000 from $830,000 for the three month period ending June 30, 2002. Selling and general administrative expenses for the six month period ending June 30, 2003 decreased 18% to $1,371,000 from $1,675,000 for the six month period ending June 30, 2002. The decrease in selling and general administrative expenses was primarily due to decreased staffing and staffing related expenses.

Research and development expenses are comprised of the engineering and related costs associated with the development of innovative image-directed computer-controlled robotic products for surgical applications, along with specialized operating software and hardware systems to support these products, quality assurance and testing. Research and development expenses decreased approximately 61% to $288,000 during the three month period ending June 30, 2003 as compared to $744,000 for the three month period ending June 30, 2002. Research and development expenses decreased 49% to $736,000 during the six month period ending June 30, 2003 as compared to $1,450,000 for the six month period ending June 30, 2002. The decrease in the three and six month periods ending June 30, 2003 is due to decreased staffing and staffing related expenses and approximately $125,000 final grant payment received in the three month period ending June 30, 2003 from the National Institute for Standards and Technology of the United States Department of Commerce ("NIST"). Under the terms of the NIST grant, the Company was entitled to reimbursement for certain of the expenses incurred in connection with the development of its revision hip surgery product. As of June 30, 2003, the Company had received a cumulative total of approximately $1,221,000 in funding from NIST beginning in 1995. All expenses related to the grant have been submitted and paid, thereby closing the grant.

Other income, net of approximately $54,000 when compared to other income, net of approximately $182,000 for the three month periods ending June 30, 2003 and 2002, respectively, changed due to a favorable currency exchange rate of the Euro in the three months ending June 2003 compared to a slightly more favorable exchange rate of the Euro and sublease rent income for the three months ending June 2002. Other income, net of approximately $97,000 when compared to other income, net of approximately $160,000 for the six months ending June 30, 2003 and 2002, respectively, changed due to a favorable currency exchange rate of the Euro related to the Company's business in Europe and one month of sublease rent income in 2003 compared to a slightly more favorable rate and sublease rent income in 2002.

Critical Accounting Policies and Estimates

The Company's discussion and analysis of the financial condition and results of operations are based upon the Company's consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these consolidated financial statements requires the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, the Company evaluates estimates, including those related to bad debts, inventories, warranties, contingencies and litigation. Estimates are based on historical experience and on other assumptions that the Company believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

The Company believes the following critical accounting policies affect the more significant judgments and estimates used in the preparation of consolidated financial statements:

The Company recognizes revenue from sales of systems upon the completion of equipment installation and training at the end-user's site, except when the sales contract requires formal customer acceptance. Equipment sales with contractual customer acceptance provisions are recognized as revenue upon written notification of customer acceptance, which generally occurs after the completion of installation and training. Furthermore, due to business customs in Japan and the Company's interpretation of Japanese law, all equipment sales to Japan are recognized after customer acceptance, which generally occurs after the completion of installation and training.

The Company maintains allowances for doubtful accounts for estimated losses resulting from the inability of customers to make required payments. If the financial condition of customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

The Company offers a one-year warranty for parts and labor on all ROBODOC and NeuroMate systems commencing upon the completion of training and installation, except when the sales contract requires formal customer acceptance. In most cases, the Company's customers purchase a service contract, which includes warranty coverage (parts and labor), unspecified product maintenance updates, customer support services and various consumables required during surgical procedures. Revenue from service contracts is initially deferred and then recognized ratably over the term of the agreements. Service contracts can be renewed at the customers' option, annually thereafter. Where the Company's products are not covered by separate service agreements, the Company provides for the estimated cost of product warranties at the time revenue is recognized, based on historical results. The warranty obligation is affected by product failure rates, material usage and service delivery costs incurred in correcting a product failure. Should actual product failure rates, material usage or service delivery costs differ from these estimates, revisions to the estimated warranty liability would be required. The Company periodically assesses the adequacy of its recorded warranty liabilities and adjusts the amounts as necessary.

It is Company policy to write down inventory for estimated obsolescence or unmarketable inventory equal to the difference between the cost of inventory and the estimated market value based upon assumptions about future demand and market conditions. If actual market conditions are less favorable than those projected, additional inventory write-downs may be required.

Property, plant and equipment and intangible assets are amortized over their useful lives. Useful lives are based on estimates of the period that the assets will generate revenue. Property and equipment and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Liquidity and Capital Resources

The cash position of Integrated Surgical Systems, Inc. (the "Company") is inadequate and the Company has not yet identified sources of sufficient cash to assure continuing operations. At June 30, 2003, the Company had a working capital deficit of $3,698,006. At August 8, 2003, the Company was in violation of certain covenants contained in financing arrangements with vendors.

The Company is working to address this shortfall by attempting to negotiate cash advances for undelivered systems, accelerate payment terms of other contracts, defer additional salary from employees and obtain new equity investment. However, the Company can offer no assurance that attempts to strengthen cash flows will be successful. Unless the Company can secure sufficient funds on a timely basis to satisfy short-term operating requirements, the Company may have to cease operations or seek bankruptcy protection.

The reports of our independent auditors on the Company's 2002 and 2001 consolidated financial statements included explanatory paragraphs stating that there is substantial doubt with respect to the Company's ability to continue operating as a going concern. The Company's plan to address this issue - increasing sales of the Company's products in existing markets, increasing sales of system upgrades and reducing operating expenses - can only be realized to the extent that the Company can generate sufficient cash to meet obligations. In the event that the Company is unsuccessful, it is possible that the Company will cease operations or seek bankruptcy protection. The consolidated financial statements do not include any adjustments to reflect the uncertainties related to the recoverability and classification of assets or the amounts and classification of liabilities that may result from an inability on the Company's part to continue as a going concern.

At June 30, 2003 the Company's "quick ratio" (cash and accounts receivable divided by current liabilities), a conservative liquidity measure designed to predict the Company's ability to pay bills, was only .17. It has been difficult for the Company to meet obligations, including payroll, as they come due, and the Company expects this situation to continue through 2003.

Net cash provided by operating activities was approximately $113,000 for the six months ended June 30, 2003. This primarily resulted from a decrease in accounts receivable of $783,000, a decrease in inventory of $426,000 an increase of $397,000 in accounts payable and accrued payroll and related expenses offset primarily by the net loss for this period and a decrease in unearned income of $1,549,000. The increase in accounts payable and accrued payroll is directly related to delayed vendor payments and deferred payments to employees. The Company expects to derive most of the cash required to support operations through continued production and sales of the ROBODOC and NeuroMate Systems. Continued conversion of the inventory balance into cash, as well as collection of the account receivables, is critical to the Company's survival in 2003.

At June 30, 2003, the Company had amounts due to the executive officers of the Company of approximately $582,000, in the aggregate, in the form of an interest bearing advance, deferred salaries and unreimbursed travel expenses. Of such amounts, $170,000, $259,000 and $54,000 are included in accrued payroll and related expense, accounts payable and accrued liabilities, respectively, due to Ramesh C. Trivedi, president and chief executive officer of the Company; $39,000 and $17,000 are included in accrued payroll and related expense and accounts payable, respectively, due to Leland Witherspoon, vice president of engineering of the Company; $25,000, $3,000 and $15,000 are included in accrued payroll and related expense, accounts payable and accrued liabilities, respectively, due to Charles J. Novak, chief financial officer of the Company.

As of June 30, 2003, the financial statements of our wholly-owned French subsidiary, ISS, S.A., reflects that it's net assets are less than 50% of its stated capitalization. The Company has been advised that this equity deficit is considered to be an indication of insolvency under French law and that, unless this situation is remedied, a third party or the French courts could petition for the dissolution of the subsidiary. In previous years, the Company has issued a statement to the subsidiary's French auditors stating that the Company is fully informed of the financial condition of the subsidiary and that the Company was willing to provide the financial resources necessary to enable the subsidiary to continue operations during the ensuing year. In June 2003, the Company did not issue such a statement due to the financial instability of the Company. Although the consequences are unknown at this time, if a liquidation of the subsidiary is required, it could have a material adverse impact on the Company's financial position, results of operations, or cash flows.

On August 8, 2003 there were 43.5 million shares of common stock outstanding, trading in the over-the-counter market at $0.038 per share, giving the Company a market capitalization of $1.7 million. It is not likely, therefore, that the Company will be able to raise significant funds in the equity markets.

The Company has the following contractual obligations and commercial commitments at June 30, 2003:

	Total	< 1 year	1-3 years
Facility operating leases	$ 880,000	$509,000	$371,000
Equipment operating leases	$ 23,000	$ 23,000	$ -
Research grant	$ 113,000	$113,000	$ -

The Company has an interest free loan from a grant organization for the development of a new neurological system with an outstanding balance of $113,000 at June 30, 2003. The Company is currently in the process of working with the grant organization in determining whether the grant balance will be forgiven or due to the organization in full.

For further information, readers are referred to the Management's Discussion and Analysis section included in the Company's Annual Report on Form 10-KSB for the year ending December 31, 2002.

Item 3. Controls and Procedures

Within the 90 days prior to the filing of this report, the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design of the Company's disclosure controls and procedures, as defined in Rules 13a-14(c) and 15d-14(c) under the Securities Exchange Act of 1934. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective, in all material respects, to ensure that the information required to be disclosed in the reports the Company files and submits under the Exchange Act is recorded, processed, summarized and reported as and when required.

There have been no significant changes (including corrective actions with regards to significant deficiencies and material weaknesses) in the Company's internal controls or in other factors subsequent to the date the Company carried out its evaluation that could significantly affect these controls.

Part II. Other Information

Item 2. Changes in Securities

During the second quarter of 2003, the Company issued a total of 1,500,000 shares of common stock to an accredited investor upon conversion of preferred stock. The issuance and sale of these shares were exempt from the registration requirements of the Securities Act under Sections 3(a)(9) and 4 (2).

Item 6. Exhibits and Reports on Form 8-K

(a)Exhibits

31.1	Certification of Ramesh C. Trivedi, pursuant to Rule 13(a)-14(a).
31.2	Certification of Charles J. Novak, pursuant to Rule 13(a)-14(a).
32.1	Certification of Ramesh C. Trivedi, pursuant to Rule 13(a)-14(b).
32.2	Certification of Charles J. Novak, pursuant to Rule 13(a)-14(b).

(b)Reports on Form 8-K.

None.

SIGNATURE

In accordance with Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

INTEGRATED SURGICAL SYSTEMS, INC.

By: /s/ CHARLES J. NOVAK

Charles J. Novak
(Principal Financial and Accounting Officer)
(Duly Authorized Officer)

Dated: August 8, 2003

I, Ramesh C. Trivedi, certify that:

1. I have reviewed this Quarterly Report on Form 10-QSB of Integrated Surgical Systems, Inc. for the quarter ended June 30, 2003;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The small business issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the small business issuer and have:

(a) Designed such disclosure controls and procedures or caused such disclosure controls and procedures to be designed under our supervision; to ensure that material information relating to the small business issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the small business issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the small business issuer's internal control over financial reporting that occurred during the small business issuer's most recent fiscal quarter (the small business issuer's fourth quarter in the case of the annual report) that has materially affected, or is reasonably likely to materially affect, the small business issuer's internal control over financial reporting; and

5. The small business issuer's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the small business issuer's auditors and the audit committee of small business issuer's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the small business issuer's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the small business issuer's internal control over financial reporting.

Date: August 8, 2003

RAMESH C. TRIVEDI

Ramesh C. Trivedi
Principal Executive Officer

EXHIBIT 31.2

I, Charles J. Novak, certify that:

1. I have reviewed this Quarterly Report on Form 10-QSB of Integrated Surgical Systems, Inc. for the quarter ended June 30, 2003;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The small business issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the small business issuer and have:

(a) Designed such disclosure controls and procedures or caused such disclosure controls and procedures to be designed under our supervision; to ensure that material information relating to the small business issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the small business issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the small business issuer's internal control over financial reporting that occurred during the small business issuer's most recent fiscal quarter (the small business issuer's fourth quarter in the case of the annual report) that has materially affected, or is reasonably likely to materially affect, the small business issuer's internal control over financial reporting; and

5. The small business issuer's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the small business issuer's auditors and the audit committee of small business issuer's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the small business issuer's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the small business issuer's internal control over financial reporting.

Date: August 8, 2003

CHARLES J. NOVAK

Charles J. Novak
Principal Financial and Accounting Officer

EXHIBIT 32.1

STATEMENT PURSUANT TO 18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Ramesh C. Trivedi, Chief Executive Officer and President of Integrated Surgical Systems, Inc. (the "Company"), certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Company's Quarterly Report on Form 10-QSB for the quarterly period ended June 30, 2003 (the "Report"), which this statement accompanies, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 8, 2003

/s/ Ramesh C. Trivedi

Ramesh C. Trivedi
Chief Executive Officer and President

EXHIBIT 32.2

STATEMENT PURSUANT TO 18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Charles J. Novak, Chief Financial Officer of Integrated Surgical Systems, Inc. (the "Company"), certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Company's Quarterly Report on Form 10-QSB for the quarterly period ended June 30, 2003 (the "Report"), which this statement accompanies, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 8, 2003

/s/ Charles J. Novak

Charles J. Novak
Chief Financial Officer