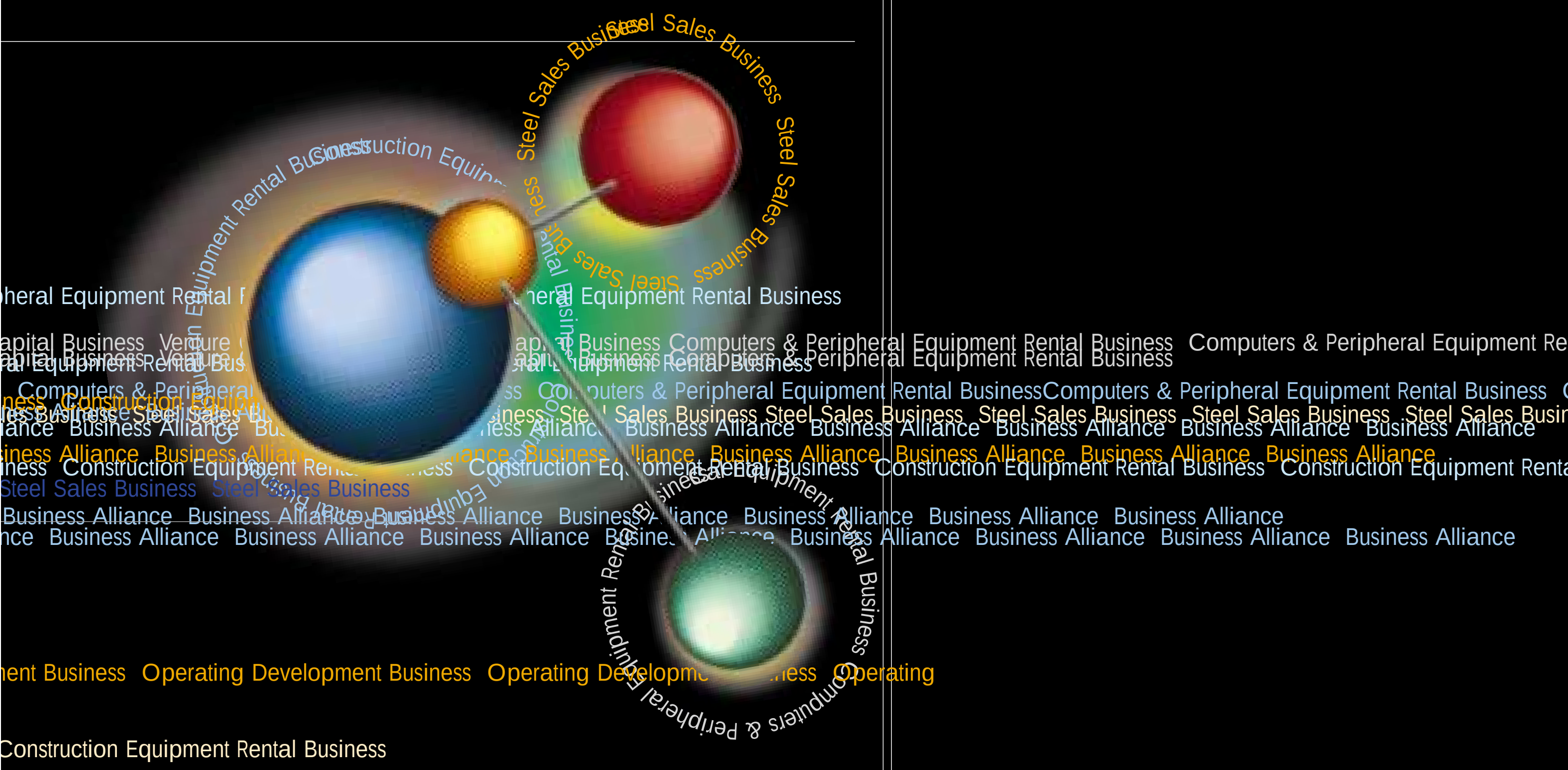
kanamoto



annual report 2001

[For the 12 manths ended Octber 31,2001]

Non-Consolidated Financial Highlights

	Millions of yen		Percent change	Thousands of U.S. dollars
	2000	2001	(2000/2001)	2001
Rental revenues and sales of goods	¥ 61,030	¥ 64,295	+5.4	**$ 526,580**
Operating income	3,105	2,771	-10.7	**22,697**
Net income	1,455	518	-64.4	**4,247**
Total shareholders' equity	30,926	31,034	+0.3	**254,172**
Total assets	102,921	105,423	+2.4	**863,418**
	yen		Percent change	Thousands of U.S. dollars
Per share of common stock				
Net income	48.66	17.14	-64.8	**$ 0.14**
Cash dividends	18.00	18.00	00.0	**0.15**

Note: U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥ 122=US $1, the approximate exchange rate on October 31, 2001.

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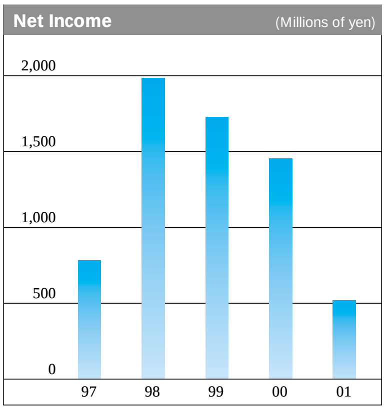
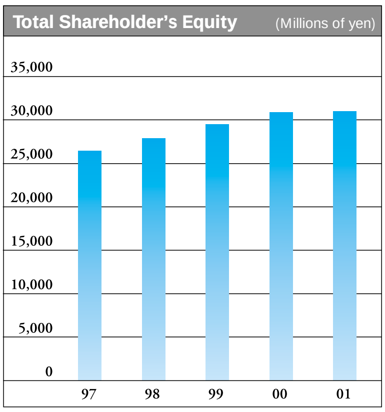
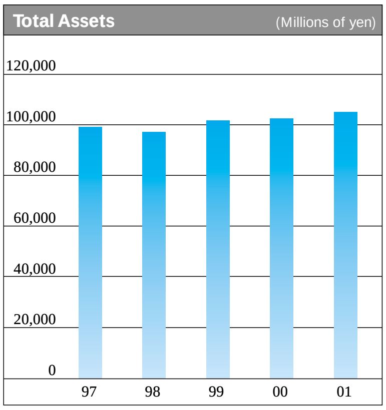
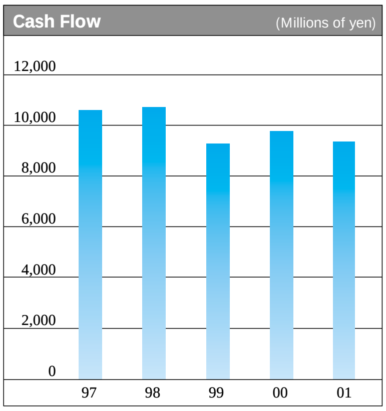








Kanchu Kanamoto
President

K. Kanamoto

Kanamoto Continues to Evolve Amidst of a Severe Competitive Environment.

Once again I would like to express my appreciation for your exceptional support of Kanamoto Company, Ltd.
2001 was the start of the 21st century and a year that bade farewell to the mechanisms and frameworks that comprised the once familiar state of affairs. In an economic environment where companies are unable to peer very far into the future, Kanamoto successfully achieved growth in both revenue and ordinary income in its main business of construction equipment rentals for the 37th Business Period that ended in October 2001 on both a consolidated and unconsolidated basis.
This was the result of the continuing and unwavering support of all of our stakeholders, for which we are immensely grateful.

Recalling and looking back over the recent business environment brings to mind a certain expression, "fueki ryuko sono moto itsu nari (immutability and trends spring from the same root)." This is a haiku principle of the poet Basho. "Immutability" refers to an unchanging law or truth that transcends an era, while "trends" are externals that vary with the age and the environment.
Although these are conflicting concepts, taken together they make the point that the tendency to seek what is fresh and to change is in fact an unvarying and essential quality, and that immutability and trends have a single origin. We may interpret this to mean that immutability is not eternal but is something that may reflect certain aspects of an age and change in appearance according to the trends. I sense that the immutability and trends argument of this Edo period principle has an uncanny resonance with the circumstances surrounding today's businesses. Standards and arrangements that were thought to be permanently unchangeable may be altered overnight, a fact that corresponds precisely to a change in quality of immutability because of recent trends.
The source of profitability in the construction equipment rental business is the ability to minutely analyze the market, build an optimal portfolio of rental assets and execute in the shortest amount of time that enables a firm to recover its invested capital. This is the ability, so to speak, to position "invested capital recovery skills" as the immutable factor. There is no lack of choices for trends, on the other hand, including reduction in the public works that formed a pillar of the construction market, structural reforms in the construction industry that uses rented construction equipment, and market entry by newcomers related to equipment manufacturers. Naturally Kanamoto Company will respond accordingly and achieve positive results. For in the midst of these trends, it seems firms must ascertain carefully whether their ability to change the immutable is really only lying dormant and waiting to be used.

For Kanamoto Company, a pioneer in the construction equipment rental industry and a company that is rated the industry leader in both name and fact, I am convinced that expanding the shape of our own business can make a significant contribution to the revival of Japan's construction industry.
For our 38th Business Period (fiscal year ending October 2002), we are not being fruitlessly buffeted between hopes and fears by macro trends, but aggressively working to strengthen our management capabilities as our top priority.
At the same time, we will establish low-cost operating techniques throughout the entire company and equip Kanamoto Company with the competitive ability to be a winner in today's tough competitive environment.

We will continue to concentrate on the venture business support activities that we have been conducting in order to discover leading future businesses. Among the investments that Kanamoto has made to-date, a number of promising investments including microturbine electrical generators and VoIP (Internet telephone) technology have begun to produce positive results.
We look forward to receiving your future redoubled support and good wishes.

The Key to Business is Rationalization and Integrated Capabilities. Reliable Solutions Leading to a New Era

Kanamoto has always sought innovation and change. We view never-ending challenges, including the expansion of our main business and the development of new markets, the development of strategically located branches and adjustment of the construction industry's posture of reliance on public works investment, as our primary obligation for increasing customer satisfaction. In a tough new era, the solution demanded the most by today's business environment is "rationalization" that can deliver multifaceted services, beginning with construction equipment rentals. To respond to these expectations, Kanamoto will boldly and steadily continue to evolve in the future, working with all of our stakeholders to lead the way to the next generation.

Mission of a Leading Company

Kanamoto was a pioneer in the construction equipment rental business. We remain the leading company in the industry as we continually achieve the industry's top performance. Our organization is second to none in terms of a full line-up of top-quality rental assets, total asset management utilizing the most advanced on-line computer network and a complete maintenance system. During 2001 as well, Kanamoto firmly maintained the growth in operating results achieved in prior years and was successful in attaining the top market share. This performance was entirely due to the unwavering support Kanamoto received from firms in the construction industry.

As our most important management issues for the future, Kanamoto will move forward by zealously focusing on providing its services to more customers and contributing to the revitalization of the construction industry.

Formation of a "Kanamoto Alliance and Associates" Company Group

In order to provide a higher dimension of customer satisfaction and efficiently utilize Kanamoto's rental assets, Kanamoto has entered into alliances with other leading companies in the industry, centering on the western area of Japan. In addition to our alliance with Komatsu Group, the alliance group is comprised of firms in Kyushu, Okinawa and Shikoku. This alliance group has further strengthened the foundations of Kanamoto's business operations.

In its venture support activities as well, Kanamoto has diversified its investment targets into sectors that show promise for the future including energy and IT. These firms are counted among the hottest new stocks and are generating attention-grabbing performance.

Kanamoto is firm in its conviction that the Kanamoto alliance and associates group will enable Kanamoto to create new solutions to offer to its customers.

Management in an Era of Global Standards

From the standpoint of providing the advantages of business rationalization to our customers, at Kanamoto we are aggressively promoting internal management efficiency improvements.

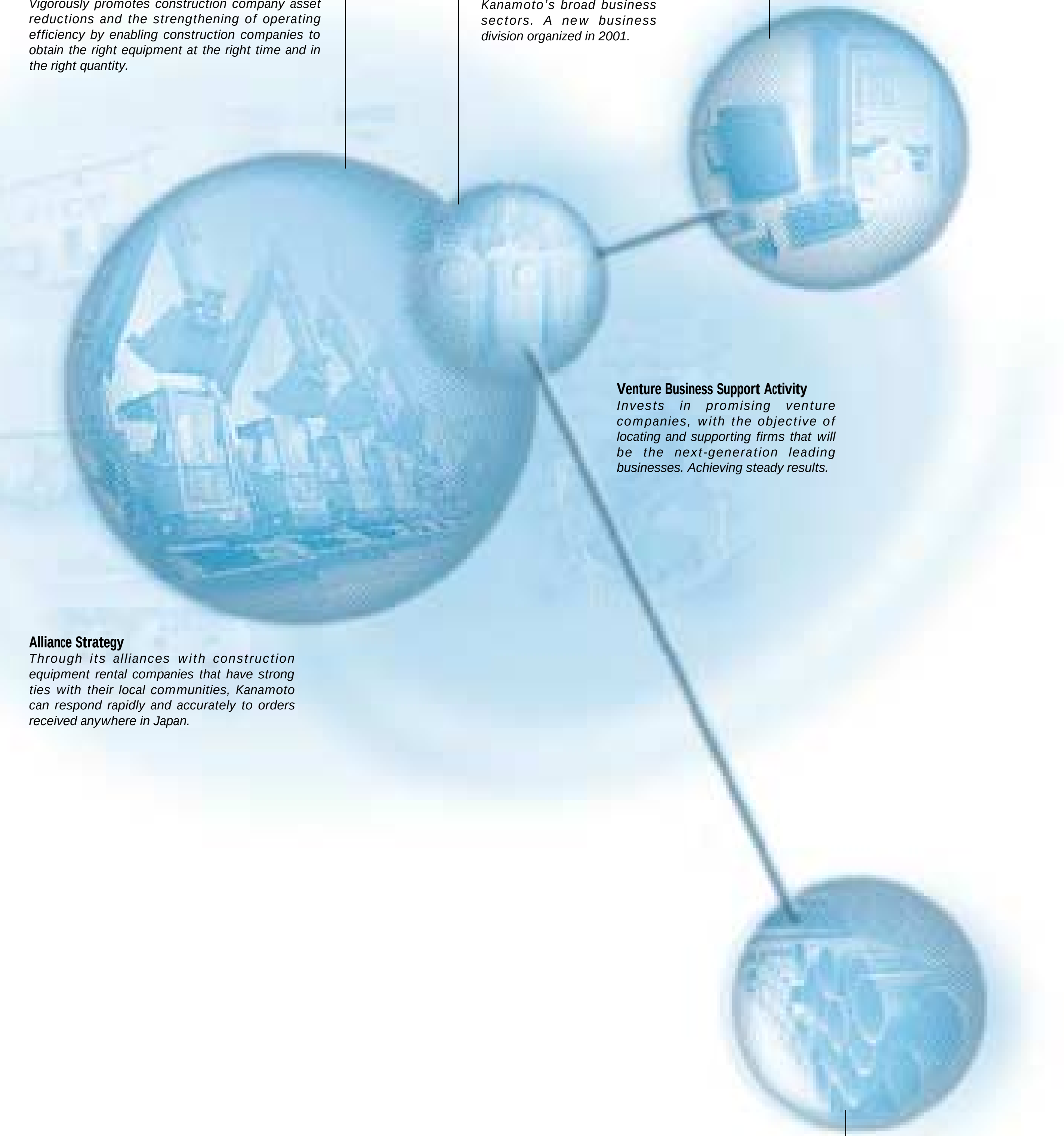
Kanamoto first listed it stock on the Sapporo Stock Exchange in 1991. We followed this by listing our shares on the Second Section of the Tokyo Stock Exchange in 1996, and in 1998 saw our shares elevated to the First Section of the Tokyo Stock Exchange, the most rapid such listing in the history of the Exchange. This record is the result of Kanamoto's incessant efforts to increase management efficiency improvement and optimize its business investment.

While Kanamoto was among the first companies in Japan to adopt management evaluations such as ROE (return on equity) as financial indicators that conform to global standards, we are also striving to achieve growth in EBITDA (earnings before interest, taxes, depreciation and amortization) as the most important indicator for the equipment rental business, which is a "stock" business.

Information Products Division
Meets users' needs by proposing and supplying the most up-to-date models of various computers and related peripheral equipment.

Market Development Division
Proposes integrated solutions to Kanamoto's customers, by centralizing the know-how of Kanamoto's broad business sectors. A new business division organized in 2001.

Construction Equipment Rental Division
Vigorously promotes construction company asset reductions and the strengthening of operating efficiency by enabling construction companies to obtain the right equipment at the right time and in the right quantity.



Venture Business Support Activity
Invests in promising venture companies, with the objective of locating and supporting firms that will be the next-generation leading businesses. Achieving steady results.

Alliance Strategy
Through its alliances with construction equipment rental companies that have strong ties with their local communities, Kanamoto can respond rapidly and accurately to orders received anywhere in Japan.

Steel Sales Division
Develops its business as a distributor centered on Hokkaido, handling a variety of steel materials and general steel products.

Kanamoto Shikoku Co., Ltd.

Kanamoto Shikoku Co., Ltd. began operations in June 2001 in the city of Takamatsu, Kagawa Prefecture. Kanamoto established this new company through collaborative financing with Tadano, Ltd., Japan's largest manufacturer of construction cranes. The company's objectives are to have five or six branches in 10 years, a 20% share of the market for construction equipment rental in Shikoku.

Kanchu Kanamoto (left), President of Kanamoto and Kanamoto Shikoku Co., Ltd., and Sakae Tadano (right), President of Tadano, Ltd. (right)

Opening of Kanamoto's Hassamu Megastation

Kanamoto group consolidated its main businesses in one location when it opened Kanamoto Hassamu Megastation, a large-scale multi-use marketing branch in the Hassamu area of Sapporo, Hokkaido in November 2001. Occupying an extensive site covering 32,456m^2, Hassamu Megastation is the new home of the Sapporo office of Kanamoto's Steel Sales Division and the Sapporo sales office of Assist Co., Ltd. The new Sapporo Equipment Center for the Construction Equipment Rental Division and the SRG Kanamoto Co., Ltd. Sapporo sales office were also newly constructed at the site. By centralizing four business divisions that operated independently in the past, Kanamoto will be able to provide services that ensure greater customer satisfaction.

Microturbine electrical generator exhibited at Japan Expo in Fukushima 2001 (center)

Kanamoto exhibits a methane gas-powered MTG electrical generation system at Japan Expo in Fukushima 2001

The exposition Japan Expo in Fukushima 2001 was held from July 7 to September 30, 2001 in Sukagawa, Fukushima Prefecture with a theme of environmental preservation. For its pavilion at the fair, Kajima Corporation adopted a power generating facility based on a high-temperature methane gas fermentation processing system. The system utilized a microturbine electrical generator from U.S. manufacturer Capstone Corporation, for which Kanamoto is the rental and sales representative in Japan. The generator supplied part of the illumination for the pavilion by generating electricity using a microturbine generator fueled by methane gas produced from biodegradable garbage collected on the exhibition grounds.

AssetLine's website. About 10,000 companies from around the world are registered as buyers and sellers and are able to confirm photographs and detailed data on approximately 30 separate products

Kanamoto participating in AssetLine, the world's biggest auction site for used construction equipment

AssetLine Holdings Ltd., which has developed the world's biggest Internet-based auction business for used construction equipment, began Japanese operations after establishing AssetLine Corporation in June 2001. Kanamoto Company and Nichimen Corporation, the general trading company, are investors in AssetLine Corporation, which is responsible for the group's headquarters functions, and are also participating in Asset Corporation's business as strategic business partners.

During 2001 Kanamoto offered a variety of products for auctions held in March, June, and September and successfully concluded 99 sales. In addition to cooperating with AssetLine Corporation to establish the inspection categories for auction products, 15 maintenance staff from Kanamoto who hold special class construction equipment maintenance technician qualifications, the most advanced maintenance engineer qualification, have been formally certified as AssetLine inspectors and provide product inspections upon request from AssetLine Corporation.

Branch Network

Our Growing Branch Network

Number of Branches	Hokkaido As of October 31, 2001	Honshu As of October 31, 2001	**Total** As of October 31, 2001
Construction Equipment Rental Operations	54	72	126
Steel Sales	3	0	3
Computer and Peripheral Equipment Rental Operations	0	1	1
Total	57	73	130

Construction Equipment Rental Division ■

Steel Sales Division ●

Computer and Peripheral Equipment Rental Division ▲

Market Development Division ◆

Kanamoto Alliance Group Firms *(8 companies)* □

Assist Co., Ltd. *(9 offices)*
Engaged in the rental of safety products such as signals or signs for the construction industry.

SRG Kanamoto Co., Ltd. *(2 branches)*
A joint venture between Kanamoto and SRG Takamiya Co., Ltd. that provides rentals of temporary scaffolding.

Kanatech Co., Ltd. *(13 branches)*
Designs, manufactures and sells modular housing units for construction use.

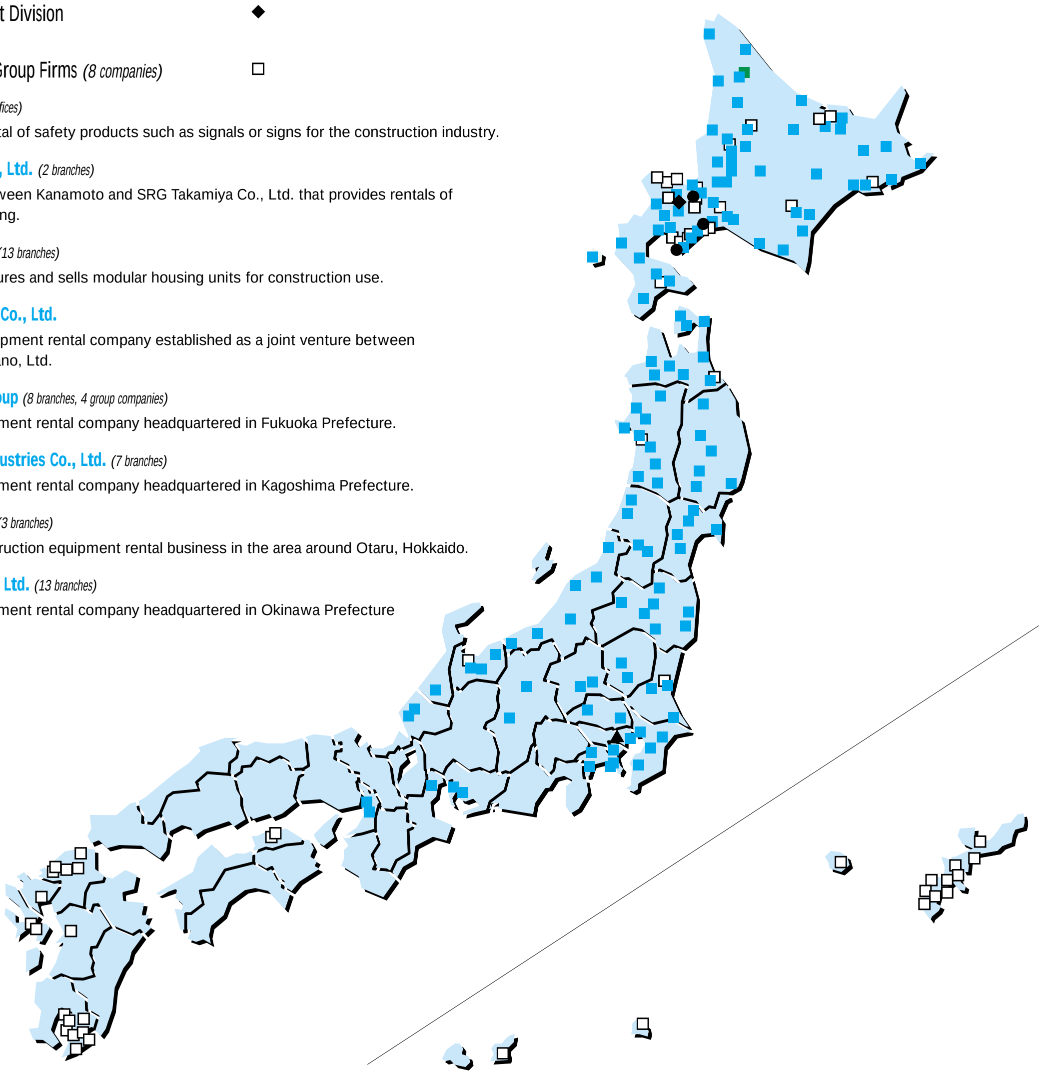
Kanamoto Shikoku Co., Ltd.
A construction equipment rental company established as a joint venture between Kanamoto and Tadano, Ltd.

Kyushu Kensan Group *(8 branches, 4 group companies)*
Construction equipment rental company headquartered in Fukuoka Prefecture.

Daiichi Machine Industries Co., Ltd. *(7 branches)*
Construction equipment rental company headquartered in Kagoshima Prefecture.

Taniguchi Co., Ltd. *(3 branches)*
Developing a construction equipment rental business in the area around Otaru, Hokkaido.

Machida Kikou Co., Ltd. *(13 branches)*
Construction equipment rental company headquartered in Okinawa Prefecture



1. Summary of Fiscal Year Operating Results (Fiscal year ended October 2001)

External Environment

The condition of Japan's economy grew more serious throughout the business period, as shown by the negative outlook at all firms in the Bank of Japan's Diffusion Index (DI). The business sentiment of firms continued to deteriorate, as demonstrated particularly by the most recent business outlook survey, which showed the worst business conditions outlook since the survey was begun.

In the construction industry, the principal customer for Kanamoto's construction equipment rental business, public spending in the central government's initial FY2001 budget was maintained at ¥7.25 trillion. Nevertheless, as a result of fears that a public spending increase could not be expected in the second supplementary budget because of financial reform measures announced by Prime Minister Koizumi's administration and a tight lid on local government spending budgets, the number of orders nationwide for public construction fell after May. Added to the rapid slowdown in private capital investment throughout Japan, with the exception of the Tokyo metropolitan area, Japan's business environment was exceedingly severe.

Company Operating Results (Unconsolidated)

Kanamoto Company's total revenues for the fiscal year were ¥64,295 million (an increase of 5.4% compared to the prior fiscal year), and ordinary income was ¥3,294 million (up 23.5%). Revenues for each operating division are discussed below.

Construction Equipment Rental Division

Although excess competition intensified among companies in the construction equipment rental industry as public spending slowed, demand for construction equipment rentals remained strong as construction companies sought to control capital spending. At Kanamoto, total rental revenues for the Construction Equipment Rental Division rose 3.8% compared to the prior fiscal year as the result of a reorganization of the sales team to cover regional markets, establishment of small local offices to provide close customer contact and efforts to expand the Company's marketing area. Sales of construction equipment increased 9.6% over the prior year, as a result of a transition to low-exhaust emissions equipment owned by the Company (rental assets) and aggressive sales of used equipment. Both activities were part of as an Ecology-oriented Project at the new Used Products Sales Division, which Kanamoto Company established during the fiscal year. Revenue for the division as a whole was up 5.2%. By region, rental revenue rose 4.0% in Hokkaido as a result of increasing the number of small-scale branches, while sales were flat in the Tohoku Region as a cycle of public spending ended. Sales increased 7.3% in the Kanto & Shinetsu Region as both public spending and private demand were strong. In the Kinki & Chubu Region, sales grew by 10.7% as the Company's alliance strategy in western Japan proved successful. During the fiscal year the Company established nine new branches, including four new branches in Hokkaido Region, one branch in the Tohoku Region, two branches in the Kanto & Shinetsu Region and two branches in the Kinki & Chubu Region.

Steel Sales Division

Sales were up 5.4% compared to the prior year as the result of greater emphasis on sales in the Sapporo metropolitan area, which accounts for a large portion of sales in the Hokkaido region.

Information Products Division

The Information Products Division achieved an 11.0% increase in rental revenues as the result of steady orders for investment in new model workstations, which rose 14.2%, and an 8.7% increase in sales revenue from higher demand for wireless LAN equipment.

Business Conditions at Consolidated Subsidiaries

Taniguchi Co., Ltd. is building a solid market share in the Shiribeshi region of Hokkaido. The company increased both revenue and profits during the business period and continued to achieve steady growth.

Assist Co., Ltd. (Hokkaido) increased the number of its branches from four to nine in order to expand its sales area to all of Hokkaido. As a result, the company had higher sales but lower profits because of a larger burden for capital equipment.

SRG Kanamoto Co., Ltd., which closed its books on its second fiscal year since being established, was within the range of revenue and earnings projected in its initial business plan. The firm was able to steadily improve its operating results despite competition from other companies in the same business.

Although this was the first fiscal year for external sales by Kanatech Co., Ltd., the company posted good operating results that exceeded the objectives set in its initial business plan.

Providence Brewery Co., Ltd. moved to reform its profit structure through actions such as consigning management of its restaurant business to an outside firm. Revenue and profit declined, however, because of a brief shutdown for remodeling and the effect of cool summer weather on sales.(See Table 1)

Consolidated Operating Results for the Fiscal Year Ended October 2001

During the current accounting period, the Company charged to income an extraordinary loss for the full amount of ¥1,982 million for a one-time valuation difference for a change in accounting standards based on the introduction of accounting for post-employment benefits.

As a result of the above activities, the Company had total revenues of ¥67,346 million, an increase of 8.6% over the prior fiscal year. Ordinary income was ¥3,257 million (up 27.8%) and net income for the period was ¥472 million (down 65.3%).

Other Business Operating Results

The effect of Japan's economic recession has reduced the number of promising investment targets for the Company's venture business support activities. Support such as new capital investment provided by the Company declined as a result, totaling ¥35 million for the fiscal year.

The number of inquiries for rentals and purchases of the Capstone micro-turbine electrical generators increased as the result of offering Active Power Corp.'s specifications and cogeneration systems, and the start of unit deliveries. The delivery of units to the Shin Akabira Mine owned by Sumitomo Coal Mining Co., Ltd. in particular, which is the first "multi-pack" micro-turbine system to be installed in Japan, is expected to produce more business in the future.

2. Outlook for the Next Fiscal Year (Business Period Ending October 2002)

Business Environment

The details of the Koizumi administration's reform concepts, which were announced in the phrase "structural reform with no sanctuaries," are gradually becoming clearer. Sectors being emphasized are IT, urban renewal, the environment, the aging of Japan's population and shrinking youth population, education, science and technology and regional revitalization. The strength of various forces arrayed against reforms is also strong, however, and it is impossible to predict how public sentiment will change when the pain accompanying the progress of the reforms becomes evident. It will be difficult to avoid reductions in public spending, however, and the construction industry and related industries are projected to be greatly effected. The Koizumi administration has also made a public promise to quickly dispose of the non-performing loan problems at Japan's financial institutions, a large proportion of which are loans to general construction companies and real estate-related businesses. This means detailed attention to credit management will be vitally important, because the clean-up of loans to firms that cannot reduce their liabilities through rationalization of operations can be expected to proceed quickly.

In order to reduce their assets and maintain earnings, construction firms facing this type of situation will undoubtedly utilize construction equipment rentals even more than they have in the past. This means the rental industry still has substantial room for growth. Nevertheless, the severity of the competition to determine the survivors in the construction equipment rental industry is growing more intense. Maintaining future growth will require appropriate management efforts and solid financial strength.

Although public spending will be curtailed, urban renewal has been cited by the Koizumi administration as one sector for emphasis. For Kanamoto Company this means that growth in the Tokyo metropolitan area will be a critically important future issue.

Company Response (Including Consolidated Subsidiaries)

Kanamoto will focus on maintaining the profitability of its construction equipment rental business, which is the Company's primary business, and will seek to strengthen the division's marketing. The Company will simultaneously proceed to rationalize its operations and equipment in order to enhance its low-cost operations. Priority for opening new branch offices will be placed on the Tokyo metropolitan area.

On November 1, 2001, Kanamoto opened its Hassamu Megastation, a large (total area 32,456m^2) multi-use facility located in Sapporo, Hokkaido. In addition to housing the Sapporo sales office of the Company's Steel Sales Division and the Sapporo Equipment Center for the Construction Equipment Rental Division, the Sapporo sales offices of Assist Co., Ltd and SRG Kanamoto and the Company's parts center are also located at the facility. Kanamoto plans to use the facility to conduct sales operation for the group as a whole. For the Steel Sales Division in particular, the facility consolidates and centralizes the three sales offices for Sapporo, Muroran and Tomakomai in Sapporo, where the metropolitan and surrounding areas account for the bulk of demand for steel in Hokkaido. The Company intends to use the facility to engage in strong sales linked with construction equipment rentals.

With regard to the Company's consolidated subsidiaries as well, there are many alliance partners for the company's main operations in the construction equipment rental business. Kanamoto plans to further create alliances and unify operations, in order to improve operating efficiency.

In addition to the products it already handles, the Company's Information Products Division will newly commercialize and market KISARA, the VoIP Internet telephone product developed by Soft Front Inc., a company with strong ties to Kanamoto through the Company's venture business support activities. In other areas, Kanamoto will continue its efforts to expand sales of Capstone Corporation's micro-turbine electrical generators.

Projected Consolidated Operating Results for the Fiscal Year Ending October 2002

During the current business period the Company nearly completed its shift to low-gas emissions equipment. As a result, the Company anticipates that revenues will decline because this will sharply reduce sales of used equipment. Total revenues for the next fiscal year are projected to be ¥65,500 million, 2.7% lower than in the fiscal year ended on October 31, 2001.

Furthermore, from a long-term perspective the Company projects a higher level of depreciation expense as a result of its aggressive introduction of rental assets, and forecasts ordinary income will be ¥1,530 million (53.0% lower than in the prior fiscal year).

Because it will not incur the extraordinary loss that accompanied the change to accounting for post-employment benefits, however, the Company projects net income for the coming fiscal year will be ¥700 million, 48.3% higher than in the fiscal year just ended.

Table 1: Consolidated Companies

	President	Head office location	Business	Equity capital	Percent of capital funded by Kanamoto
SRG Kanamoto Co., Ltd.	Kanchu Kanamoto	Sapporo, Hokkaido	Rental of temporary construction materials	¥30.0 million	**60.0%**
Taniguchi Co., Ltd.	Nobuaki Taniguchi	Otaru, Hokkaido	Rental of machines for construction use	¥50.0 million	**50.0%**
Assist Co., Ltd.	Nobuaki Taniguchi	Otaru, Hokkaido	Rental of safety products for construction use	¥36.0 million	**50.0%**
Providence Brewery Co., Ltd.	Kanchu Kanamoto	Muroran, Hokkaido	Production and sale of regional beers	¥153.5 million	**48.8%**
Kanatech Co., Ltd.	Kanchu Kanamoto	Sapporo, Hokkaido	Manufacture and sale of modular housing units for temporary use	¥20.0 million	**100.0%**

Consolidated Balance Sheet

ASSETS

As of October 31, 2000 and 2001	Millions of yen 2000	Millions of yen 2001	Thousands of U.S. dollars *(Note 1)* 2001
Current assets :			
Cash and cash equivalents	¥ 16,422	**¥ 15,991**	**$ 130,969**
Short-term investments *(Note 3)*	757	**120**	**981**
Notes and accounts receivable, trade	23,332	**25,808**	**211,366**
Inventories	826	**1,118**	**9,151**
Deferred income taxes *(Note 8)*	103	**230**	**1,885**
Other current assets	4,127	**3,283**	**26,891**
Less : Allowance for doubtful accounts	(174)	**(325)**	**(2,661)**
Total current assets	45,393	**46,225**	**378,582**
Property and equipment :			
Rental equipment	58,856	**56,322**	**461,275**
Building and structures	14,337	**14,883**	**121,889**
Machinery and equipment	4,936	**4,949**	**40,536**
Less : Accumulated depreciation	(49,289)	**(46,639)**	**(381,972)**
	28,840	**29,515**	**241,728**
Land	24,182	**24,397**	**199,810**
Construction in progress	339	**59**	**483**
Total property and equipment	53,361	**53,971**	**442,021**
Investments and other assets :			
Investments in affiliates *(Note 3)*	86	**204**	**1,671**
Investments in securities *(Note 3)*	2,874	**3,585**	**29,365**
Deferred income taxes *(Note 8)*	485	**1,567**	**12,834**
Other assets	1,443	**1,534**	**12,562**
Less : Allowance for doubtful accounts	(230)	**(447)**	**(3,660)**
Total investments and other assets	4,658	**6,443**	**52,772**
	¥ 103,412	**¥ 106,639**	**$ 873,375**

LIABILITIES AND SHAREHOLDERS' EQUITY

As of October 31, 2000 and 2001 (Unaudited)	Millions of yen 2000	Millions of yen 2001	Thousands of U.S. dollars *(Note 1)* 2001
Current liabilities :			
Short-term bank loans *(Note 4)*	¥ 4,727	**¥ 510**	**$ 4,177**
Current portion of long-term debt *(Note 4)*	14,477	**15,240**	**124,813**
Notes and accounts payable, trade	11,696	**12,620**	**103,363**
Accrued income taxes	204	**1,319**	**10,806**
Accrued bonuses for employees	503	**595**	**4,871**
Other current liabilities	1,341	**1,643**	**13,455**
Total current liabilities	32,948	**31,927**	**261,485**
Non-current liabilities :			
Long-term debt *(Note 4)*	38,368	**40,043**	**327,950**
Accrued pension and severance costs *(Note 5)*	–	**2,009**	**16,452**
Other liabilities	1,247	**1,750**	**14,338**
Total non-current liabilities	39,615	**43,802**	**358,740**
Minority interests	68	**67**	**545**
Contingent liabilities *(Note 6)*			
Shareholders' equity :			
Common stock :			
Authorized–66,000,000 shares			
Issued:2001–30,253,241shares	–	**8,597**	**70,407**
2000–30,229,241shares	8,591	–	–
Additional paid-in capital	9,715	**9,720**	**79,610**
Retained earnings	12,484	**12,396**	**101,523**
Net unrealized gain on other securities,net of taxes*(Note 3)*	–	**141**	**1,151**
Treasury stock	(9)	**(11)**	**(86)**
Total shareholders' equity	30,781	**30,843**	**252,605**
	¥ 103,412	**¥ 106,639**	**$ 873,375**

Consolidated Statement of Income

Year Ended October 31, 2000 and 2001	Millions of yen 2000	Millions of yen 2001	Thousands of U.S. dollars *(Note 1)* 2001
Rental revenues	¥ 40,377	**¥ 41,839**	**$ 342,667**
Cost of rentals	29,408	**31,190**	**255,445**
Sales of goods	21,620	**25,507**	**208,901**
Cost of sales	17,427	**19,986**	**163,687**
Gross profit	15,162	**16,170**	**132,436**
Selling, general and administrative expenses	12,119	**13,298**	**108,911**
Operating income	3,043	**2,872**	**23,525**
Other income *(expenses)* **:**			
Interest and dividend income	87	**40**	**323**
Interest expenses	(627)	**(544)**	**(4,456)**
Others, net	6	**(1,343)**	**(11,000)**
Income before income taxes	2,509	**1,025**	**8,392**
Income taxes *(Note 8)*			
Current	1,243	**1,883**	**15,426**
Deferred	(52)	**(1,308)**	**(10,716)**
	1,191	**575**	**4,710**
Income before minority interests	1,318	**450**	**3,682**
Minority interests in subsidiaries	(42)	**(23)**	**(189)**
Net income	¥ 1,360	**¥ 473**	**$ 3,871**

	Millions of yen 2000	Millions of yen 2001	U.S. dollars *(Note 1)* 2001
Per share of common stock :			
Net income			
Basic	¥ 45.51	**¥ 15.64**	**$ 0.13**
Diluted	36.35	**13.89**	**0.11**
Cash dividends applicable to the year	18.00	**18.00**	**0.15**

Year Ended October 31, 2000 and 2001	Millions of yen 2000	Millions of yen 2001	Thousands of U.S. dollars *(Note 1)* 2001
Cash flows from operating activities :			
Net income before income taxes and minority interests	¥ 2,509	**¥ 1,025**	**$ 8,392**
Adjustments for :			
Depreciation expenses	8,926	**9,486**	**77,693**
Loss on disposal or sales of property and equipment	200	**102**	**834**
Write-down of marketable and investments in securities	213	**126**	**1,036**
Profit on sales of marketable and investments in securities	(130)	**(376)**	**(3,082)**
Bond issuance costs	147	**—**	**—**
Provision for allowance for doubtful accounts	78	**368**	**3,012**
Provision for accrued pension and severance costs	—	**2,009**	**16,452**
Interest and dividend income	(87)	**(40)**	**(323)**
Interest expenses	915	**844**	**6,912**
Other adjustments	399	**1,401**	**11,472**
Change in assets and liabilities			
Decrease (increase) in trade receivables	2,119	**(2,476)**	**(20,281)**
Decrease (increase) in inventories	97	**(291)**	**(2,385)**
Increase (decrease) in trade payable	(641)	**901**	**7,380**
Others, net	(714)	**964**	**7,898**
Subtotal	14,031	**14,043**	**115,010**
Interest and dividend income received	87	**40**	**323**
Interest expenses paid	(905)	**(845)**	**(6,917)**
Income taxes paid	(2,597)	**(768)**	**(6,289)**
Cash flows from operating activities	10,616	**12,470**	**102,127**
Cash flows from investing activities :			
Payments for purchase of marketable and investments in securities	(3,850)	**(2,772)**	**(22,704)**
Proceeds from sales of marketable and investments in securities	3,389	**3,066**	**25,113**
Payments for purchase of property and equipment	(1,446)	**(1,073)**	**(8,788)**
Others, net	81	**16**	**131**
Cash flows from investing activities	(1,826)	**(763)**	**(6,248)**
Cash flows from financing activities :			
Decrease in short-term bank loans, net	(3,976)	**(4,217)**	**(34,534)**
Proceeds from long-term debt	12,615	**10,136**	**83,018**
Repayments of long-term debt	(16,662)	**(17,542)**	**(143,673)**
Cash dividends paid	(567)	**(544)**	**(4,458)**
Others	45	**29**	**238**
Cash flows from financing activities	(8,545)	**(12,138)**	**(99,409)**
Net increase (decrease) in cash and cash equivalents	245	**(431)**	**(3,530)**
Cash and cash equivalents at beginning of year	16,177	**16,422**	**134,499**
Cash and cash equivalents at end of year	¥ 16,422	**¥ 15,991**	**$ 130,969**

Consolidated Statement of Shareholders' Equity

Years Ended October 31, 2000 and 2001	Thousands of shares of common stock	Millions of yen: Common stock	Additional paid-in capital	Retained earnings	Net unrealized gain on other securities, net of taxes
Balance at October 31, 1999	29,477	¥ 8,316	¥ 9,440	¥ 11,705	¥ —
Net income				Common	
Cash dividends				(566)	
Bonuses to directors and auditors				(15)	
Conversion of convertible bonds	651	253	253		
Issuance of common stock	101	22	22		
Balance at October 31, 2000	30,229	8,591	9,715	11,124	—
Net income				0	
Cash dividends				(544)	
Bonuses to directors and auditors				(17)	
Issuance of common stock	24	6	5		
Other					141
Balance at October 31, 2001	30,253	¥ 8,597	¥ 9,720	¥ 10,563	¥ 141

	Thousands of U.S. dollars (Note 1): Common stock	Additional paid-in capital	Retained earnings	Net unrealized gain on other securities, net of taxes
Balance at October 31, 2000	$ 70,364	$ 79,567	$ 102,245	$ —
Net income			paid-in	
Cash dividends			(4,458)	
Bonuses to directors and auditors			(135)	
Issuance of common stock	43	43		
Other				1,151
Balance at October 31, 2001	$ 70,407	$ 79,610	$ 97,652	$ 1,151

1. Basis of presenting of consolidated financial statements

The consolidated financial statements have been prepared from the accounts maintained by Kanamoto Co., Ltd. (the "Company") and its consolidated subsidiaries in accordance with the provisions set forth in the Commercial Code of Japan and the Securities and Exchange Law of Japan and in conformity with accounting principles and practices generally accepted in Japan, which may differ in some material respects from accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

The notes to the consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

In order to facilitate the understanding of readers outside Japan, certain reclassifications are given to the consolidated financial statements prepared for domestic purposes.

Translations of Japanese yen amounts into U.S. dollars are included solely for the convenience of the reader, using the approximate exchange rate on October 31, 2001, which was ¥122.10 to US$1.00. These translations should not be construed as representations that the Japanese yen amounts have been, or could have been, or could in the future be converted into U.S. dollars at this or any other rate of exchange.

2. Summary of significant accounting policies

(a) Consolidation principles

The consolidated financial statements include the accounts of the Company and significant companies which the Company controls through majority voting right or existence of certain conditions. All significant inter-company transactions and accounts are eliminated.

Investments in unconsolidated subsidiaries and affiliates of which the Company has the ability to excise significant influence over operating and financial policies are stated at cost and equity method accounting is not applied for the valuation of such investments since they are considered immaterial in the aggregate.

(b) Cash and cash equivalents

For the purpose of statements of cash flows, cash and cash equivalents are comprised of cash in hand, deposits held at call with banks and all highly liquid investments with maturities of three months or less.

(c) Securities

Securities except for investments in unconsolidated subsidiaries and affiliates are classified as trading securities, held-to-maturity securities or other securities. Trading securities are carried at fair value. Held-to-maturity securities are carried at amortized cost. Marketable securities classified as other securities are carried at fair value with unrealized gains and losses reported in a separate component of shareholders' equity, net of taxes. Non-marketable securities classified as other securities are carried at cost. Cost of securities sold is determined by the moving average method.

(d) Inventories

Inventories are mainly valued on the basis of lower of cost or market, using the last-in, first-out method.

(e) Property and equipment

Property and equipment are stated at cost. Depreciation is mainly computed at rates based on the estimated useful lives of assets on the declining-balance method.

The principal estimated useful lives range from 5 to 10 years for rental equipment and from 10 to 34 years for building and structures.

(f) Accrued pension and severance costs

To provide for employees` severance indemnities and pension payments, net periodic pension and severance costs are computed based on the projected benefit obligation and the pension plan assets.

The actuarial assumption adjustment is to be amortized by the straight-line method beginning the following fiscal year over a period of 10 years, which is less than the average remaining years of service of the active participations in the plans.

The unrecognized benefit obligation at transition is being amortized for the year ended October 31, 2001.

(g) Leases

All leases are accounted for as operating leases. Under Japanese accounting standards for leases, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, while other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the notes to the lessee's financial statements.

(h) Earnings per share

Basic Earnings per Share ("EPS") is computed based on the average number of shares of common stock outstanding for the period. Diluted EPS assumes that outstanding convertible bonds were converted into common stock at the beginning of the period at the current conversion price.

(i) Appropriation of retained earnings

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

(j) New accounting standards

Accounting for financial instruments effective the year ended October 31, 2001

Effective November 1, 2000, the Company and its consolidated subsidiaries adopted a new accounting standard for financial instruments. Under this standard, securities except for investments in unconsolidated subsidiaries and affiliates are classified as trading securities, held-to-maturity securities or other securities and stated based on these three categories.

At October 31, 2001, the Company and its consolidated subsidiaries did not possess any securities classified as trading securities or held-to-maturity securities under this standard.

The effect of the adoption of this standard was to increase income before income taxes and minority interests by ¥14 million ($116 thousand) for the year ended October 31, 2001.

Accounting for pension and severance costs effective the year ended October 31, 2001

Effective November 1, 2000, the Company and its consolidated subsidiaries adopted a new accounting standard for pension and severance costs under which net periodic pension and severance costs are computed, in principle, based on the projected benefit obligation and the pension plan assets.

The effect of the adoption of this standard was to decrease operating income by ¥27 million ($219 thousand) and income before income taxes and minority interests by ¥2,009 million ($16,452 thousand) for the year ended October 31, 2001.

3. Short-term investments, investments in securities

As described in Note 2-(j), effective November 1, 2000, the Company and its consolidated subsidiaries adopted a new accounting standard for financial instruments. Under this standard, securities except for investments in unconsolidated subsidiaries and affiliates are classified as trading securities, held-to-maturity securities or other securities. Trading securities are carried at fair value. Held-to-maturity securities are carried at amortized cost. Marketable securities classified as other securities are carried at fair value with unrealized gains and losses reported in a separate component of shareholders' equity, net of taxes. Non-marketable securities classified as other securities are carried at cost.

At October 31, 2001, the Company and its consolidated subsidiaries did not possess any securities classified as trading securities or held-to-maturity securities. Securities classified as other securities are included in "short-term investments" and "investments in securities" in the consolidated balance sheets.

The components of unrealized gain or loss on marketable securities classified as other securities at October 31, 2001 were as follows:

	Millions of yen		
October 31, 2001	Acquisition costs	Carrying value	Unrealized gain (loss)
Unrealized gain:			
Stocks	¥ 839	¥ 1,521	¥ 682
	839	1,521	682
Unrealized loss:			
Stocks	839	636	(203)
Corporate bonds	231	228	(3)
Other	1,033	798	(235)
	2,103	1,662	(441)
Total	¥ 2,942	¥ 3,183	¥ 241

	Thousands of U.S. dollars		
October 31, 2001	Acquisition costs	Carrying value	Unrealized gain (loss)
Unrealized gain:			
Stocks	$ 6,868	$ 12,452	$ 5,584
	6,868	12,452	5,584
Unrealized loss:			
Stocks	6,875	5,215	(1,660)
Corporate bonds	1,894	1,866	(28)
Other	8,456	6,534	(1,922)
	17,225	13,615	(3,610)
Total	$ 24,093	$ 26,067	$ 1,974

Non-marketable securities classified as other securities at October 31, 2001 amounted to ¥517 million ($4,235 thousand).

Proceeds from sales of securities classified as other securities amounted to ¥1,806 million ($14,795 thousand) with an aggregate gain on sales of ¥377 million ($3,089 thousand) for the year ended October 31, 2001.

The redemption schedule for bonds with maturity dates at October 31, 2001 was summarized as follows:

	Millions of yen		
October 31, 2001	Due in one year or less	Due after one year through five year	Due after five years through ten years
Corporate bonds	¥ 114	¥ 113	¥ —
Other	—	15	764
Total	¥ 114	¥ 128	¥ 764

	Thousands of U.S. dollars		
	Due in one year or less	Due after one year through five year	Due after five years through ten years
Corporate bonds	$ 937	$ 929	$ —
Other	—	122	6,255
Total	$ 937	$ 1,051	$ 6,255

Until the year ended October 31, 2000, marketable securities were stated at cost. Net unrealized gain or loss on marketable securities at October 31, 2000 was summarized as follows:

October 31, 2001	Millions of yen Carrying amounts	Market value	Unrealized gain (loss)
Short-term investments:			
Market value available:			
Stocks	¥ 479	¥ 478	¥ (1)
Bonds	228	228	0
Other	40	39	(1)
	¥ 747	¥ 745	¥ (2)
Market value not available	10		
Total	¥ 757		
Investments in securities and associates:			
Market value available:			
Stocks	¥ 1,041	¥ 1,929	¥ 888
Bonds	38	38	0
Other	1,001	771	(230)
	¥ 2,080	¥ 2,738	¥ 658
Market value not available	880		
Total	¥ 2,960		

4. Short-term bank loans and long-term debt

The annual average interest rates applicable to short-term bank loans outstanding at October 31, 2001 and 2000 were 1.66% and 0.75%, respectively.

Long-term debt at October 31, 2001 and 2000 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2000	2001	2001
Loans from banks and insurance companies, maturing through 2009 :			
Secured	¥ 245	¥ —	$ —
Unsecured	20,778	**22,367**	**183,182**
0.55% unsecured convertible bonds due 2003, convertible currently at ¥1,508.7 ($12.36) for one share	5,302	**4,787**	**39,206**
Zero coupon unsecured convertible bonds due 2003, convertible currently at ¥622 ($5.09) for one share	4,494	**4,494**	**36,806**
Floating rate U.S. dollar bonds due 2002	5,278	**5,278**	**43,224**
Obligations under installment purchases, maturing through 2005	16,748	**18,357**	**150,345**
	52,845	**55,283**	**452,763**
Less current portion	14,477	**15,240**	**124,813**
	¥ 38,368	¥ **40,043**	$ **327,950**

Aggregate annual maturities of long-term debt subsequent to October 31, 2001 are as follows:

Year Ending October 31	Millions of yen	Thousands of U.S. dollars
2002	¥ 15,240	$ **124,813**
2003	26,718	**218,820**
2004	7,881	**64,544**
2005	4,198	**34,382**
2006 and thereafter	1,246	**10,204**
	¥ 55,283	$ **452,763**

5. Accrued pension and severance costs

An employee whose employment is terminated is entitled, in most cases, to pension payments or lump-sum severance indemnities, the amounts of which are determined by reference to the basic rate of pay, length of service and the conditions under which the termination occurs.

The Company has established contributory defined benefit pension plans pursuant to the Welfare Pension Insurance Law of Japan, which cover a portion of the governmental welfare pension program, under which the contributions are made jointly by the Company and its employees, and which include an additional portion representing the substituted non-contributory pension plans. In addition, certain subsidiaries have maintained lump-sum severance indemnity plans.

As described in Note 2-(j), effective November 1, 2000, the Company and its consolidated subsidiaries adopted a new accounting standard for pension and severance costs. Under this standard, to provide for employees' severance indemnities and pension payments, net periodic pension and severance costs are computed based on the projected benefit obligation and the pension plan assets.

The projected benefit obligation and funded status including a portion of the governmental welfare program were as follows:

October 31,2001	Millions of yen	Thousands of U.S. dollars
Projected benefit obligation	¥ **(5,270)**	$ **(43,161)**
Plan assets	**2,782**	**22,785**
Unrecognized actuarial assumption adjustment	**479**	**3,924**
Accrued pension and severance costs	¥ **(2,009)**	$ **(16,452)**

In computing projected benefit obligation, several simplified methods are permitted to small companies, and certain subsidiaries have adopted such methods.

The components of net periodic pension and severance costs were as follows:

For the year ended October 31, 2001	Millions of yen	Thousands of U.S. dollars
Service cost	¥ **407**	$ **3,335**
Interest cost on projected benefit obligation	**138**	**1,133**
Expected return on plan assets	**(105)**	**(864)**
Amortization of unrecognized benefit obligation at transition	**1,982**	**16,233**
Net periodic pension and severance costs	¥ **2,422**	$ **19,837**

The assumptions used were as follows:

Discount rate	3.0 %
Expected rate of return on plan assets	4.0 %
Method of attributing benefit to periods of service	Straight-line basis
Amortization period for actuarial assumption adjustment	10 years
Amortization period for unrecognized benefit obligation at transiton	1 year

6. Contingent liabilities

At October 31, 2001 and 2000, the Company and its consolidated subsidiaries were contingently liable as follows:

	Millions of yen		Thousands of U.S. dollars
	2000	2001	2001
Guarantees of loans	¥ 305	¥ **377**	$ **3,086**
Trade notes discounted	126	**67**	**550**
Trade notes endorsed	142	**167**	**1,369**
	¥ 573	¥ **611**	$ **5,005**

7. Leases

Lease payments under finance leases for the years ended October 31, 2001 and 2000 were ¥3,115 million ($25,516 thousand) and ¥3,096 million, respectively.

Pro forma information on leased property such as acquisition costs, accumulated depreciation, obligations under finance leases, depreciation expenses, and interest expenses on finance leases that do not transfer ownership of the leased property to the lessee on an “as if capitalized” basis for the years ended October 31, 2001 and 2000, was as follows:

	Millions of yen			Thousands of U.S. dollars		
For the year ended October 31, 2001	Rental equipment	Machinery and equipment	**Total**	Rental equipment	Machinery and equipment	**Total**
Acquisition costs	¥ 14,914	¥ 1,220	¥ **16,134**	$ 122,142	$ 9,992	$ **132,134**
Accumulated depreciation	7,163	563	**7,726**	58,663	4,615	**63,278**
Net leased property	¥ 7,751	¥ 657	¥ **8,408**	$ 63,479	$ 5,377	$ **68,856**

	Millions of yen	Thousands of U.S. dollars
Obligations under finance leases:		
Due within one year	¥ **3,264**	$ **26,733**
Due after one year	**5,323**	**43,599**
Total	¥ **8,587**	$ **70,332**

For the year ended October 31, 2000	Millions of yen		
	Rental equipment	Machinery and equipment	Total
Acquisition costs	¥ 16,688	¥ 776	¥ 17,464
Accumulated depreciation	8,789	367	9,156
Net leased property	¥ 7,899	¥ 409	¥ 8,308

	Millions of yen
Obligations under finance leases:	
Due within one year	¥ 2,654
Due after one year	5,491
Total	¥ 8,145

Depreciation expenses and interest expenses, which are not reflected in the consolidated statements of income, computed by the straight-line method and the interest method were ¥2,837 million ($23,239 thousand) and ¥291 million ($2,385 thousand), respectively, for the year ended October 31, 2001.
Depreciation expenses and interest expenses, which are not reflected in the consolidated statements of income, computed by the straight-line method and the interest method were ¥2,834 million and ¥293 million, respectively, for the year ended October 31, 2000.
The minimum rental commitments under non-cancellable operating leases for the years ended October 31, 2001 and 2000 were as follows:

For the Year Endied October 31,2001	Millions of yen	Thousands of U.S. dollars
Due within one year	¥ **1,681**	$ **13,765**
Due after one year	**2,837**	**23,240**
Total	¥ **4,518**	$ **37,005**

For the Year Endied October 31,2000	Millions of yen
Due within one year	¥ **1,423**
Due after one year	**2,704**
Total	¥ **4,127**

8. Income taxes

The difference between the statutory tax rate and the effective tax rate for the years ended October 31, 2001 and 2000 was as follows:

	2000	2001
Statutory tax rate	41.7 %	**41.7** %
Operating losses of subsidiaries	2.0	**4.4**
Expenses not deductible for tax purposes	1.1	**2.6**
Residents' per capita taxes	2.9	**7.8**
Other	(0.2)	**(0.4)**
Effective tax rate	47.5 %	**56.1** %

The significant components of deferred tax assets and liabilities at October 31, 2001 and 2000 were as follows:

October 31	Millions of yen		Thousands of U.S. dollars
	2000	2001	2001
Deferred tax assets:			
Depreciation expenses	¥ 316	¥ **477**	$ **3,903**
Directors' retirement benefits	120	**118**	**965**
Accrued bonuses for employees	68	**123**	**1,007**
Provisions for doubtful accounts	—	**139**	**1,139**
Accrued enterprise tax	12	**105**	**862**
Accrued pension and severance costs	—	**836**	**6,851**
Operating loss carryforwards	—	**139**	**1,143**
Others	72	**100**	**816**
Sub total	588	**2,037**	**16,686**
Less valuation allowance	—	**(139)**	**(1,143)**
Total deferred tax assets	588	**1,898**	**15,543**
Deferred tax liabilities:			
Net unrealized gain on securities	—	**(101)**	**(823)**
Total deferred tax assets	¥ 588	¥ **1,797**	$ **14,720**

9. Supplemental cash flow information

Non-cash investing and financing activities for the years ended October 31, 2001 and 2000 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2000	2001	2001
Non-cash investing and financing activities:			
Conversion of convertible bonds to common stock and additional paid-in capital	¥ 506	¥ —	$ —
Additions to obligations under installment purchases	¥ 10,128	¥ **9,701**	$ **79,451**

10. Segment information

Business segment information for the years ended October 31, 2001 and 2000 was as follows:

For the year ended October 31, 2000	Millions of yen					
	Construction related business	Steel related business	Information and communication related and other business	Total	Eliminations and corporate items	Consolidated
Sales						
Outside customers	¥ 52,751	¥ 7,914	¥ 1,332	¥ 61,997	¥ —	¥ 61,997
Intersegment	—	—	—	—	—	—
Total	52,751	7,914	1,332	61,997	—	61,997
Operating expenses	49,824	7,786	1,393	59,003	(49)	58,954
Operating profit (loss)	¥ 2,927	¥ 128	¥ (61)	¥ 2,994	¥ 49	¥ 3,043
Identifiable assets	¥ 74,087	¥ 3,958	¥1,798	¥ 79,843	¥ 23,569	¥ 103,412
Depreciation	8,750	140	36	8,926	—	8,926
Capital expenditures	10,311	2	3	10,316	310	10,626

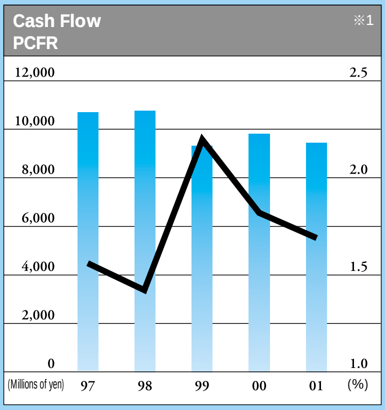
For the year ended October 31, 2001	Millions of yen					
	Construction related business	Steel related business	Information and communication related and other business	**Total**	Eliminations and corporate items	Consolidated
Sales						
Outside customers	¥ 57,613	¥ 8,342	¥ 1,391	¥ **67,346**	¥ —	¥ 67,346
Intersegment	—	—	—	—	—	—
Total	52,614	8,342	1,391	**67,346**	—	67,346
Operating expenses	55,055	8,194	1,364	**64,613**	(139)	64,474
Operating profit (loss)	¥ 2,558	¥ 148	¥ 27	¥ **2,733**	¥ 139	¥ 2,872
Identifiable assets	¥ 76,592	¥ 3,970	¥ 1,439	¥ **82,001**	¥ 24,638	¥ 106,639
Depreciation	9,455	13	18	**9,486**	—	9,486
Capital expenditures	10,045	1	0	**10,046**	458	10,504

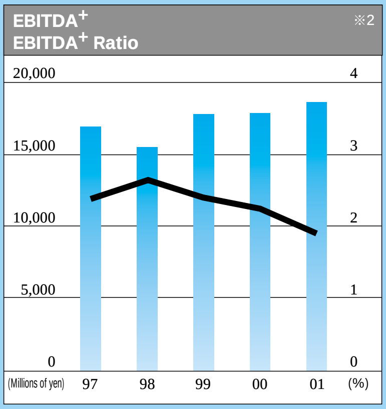
For the year ended October 31, 2001	Thousands of U.S. dollars					
	Construction related business	Steel related business	Information and communication related and other business	**Total**	Eliminations and corporate items	Consolidated
Sales						
Outside customers	$ 471,855	$ 68,319	$ 11,393	$ **551,567**	$ —	$ 551,567
Intersegment	—	—	—	—	—	—
Total	471,855	68,319	11,393	**551,567**	—	551,567
Operating expenses	450,899	67,110	11,174	**529,183**	(1,141)	528,042
Operating profit (loss)	$ 20,956	$ 1,209	$ 219	$ **22,384**	$ 1,141	$ 23,525
Identifiable assets	$ 627,290	$ 32,512	$11,785	$ **671,587**	$ 201,788	$ 873,375
Depreciation	77,439	103	151	**77,693**	—	77,693
Capital expenditures	82,265	7	5	**82,227**	3,753	86,030

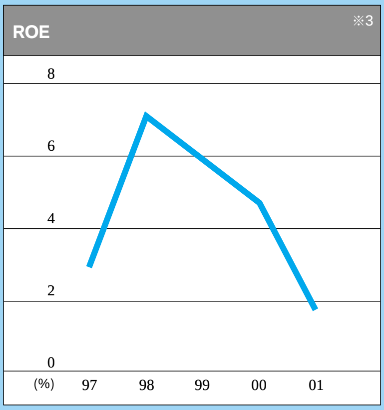
11. Subsequent events

On January 29, 2002, the Company's shareholders approved the payment of a cash dividend of ¥9.00 ($0.07) per one share to shareholders of record at October 31, 2001, or a total payment of ¥272 million ($2,230 thousand).

Non-consolidated Financial Position Cover

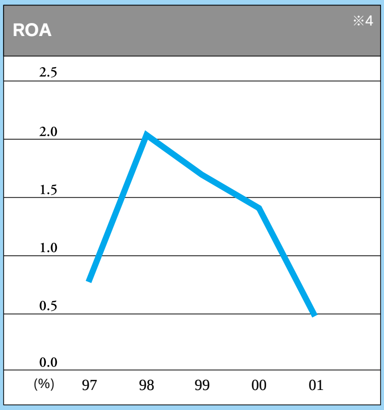






EBITDA+ =Operating income + depreciation expense + other depreciation and amortization expense+ low-price rental assets, and others

EBITDA+ is an indicator used only for the construction equipment rental business and excludes steel products and computers and peripheral equipment.



ASSETS

As of October 31, 2000 and 2001	Millions of yen 2000	Millions of yen 2001	Thousands of U.S. dollars *(Note 1)* 2001
Current assets :			
Cash	¥ 10,197	¥ **8,282**	$ **67,826**
Time deposits	6,100	**7,410**	**60,688**
Maketable securities	746	**114**	**937**
Notes receivable, trade	11,859	**12,520**	**102,537**
Accounts receivable, trade	11,487	**12,587**	**103,087**
Inventories	817	**806**	**6,602**
Deferred income taxes *(Note 5)*	105	**226**	**1,854**
Other current assets	4,116	**3,258**	**26,682**
Less : Allowance for doubtful accounts	(173)	**(318)**	**(2,607)**
Total current assets	45,254	**44,885**	**367,606**
Property and equipment :			
Rental equipment	58,856	**56,321**	**461,273**
Buildings	10,172	**10,766**	**88,177**
Structures	3,686	**3,857**	**31,585**
Machinery and equipment	4,846	**4,923**	**40,321**
Less : Accumulated depreciation	(49,118)	**(46,491)**	**(380,765)**
	28,442	**29,376**	**240,591**
Land	24,043	**24,258**	**198,675**
Construction in progress	339	**59**	**482**
Total property and equipment	52,824	**53,693**	**439,748**
Investments and other assets :			
Investments in securities	2,861	**3,581**	**29,332**
Investments in and advances to associates	334	**662**	**5,419**
Deferred income taxes *(Note 5)*	485	**1,563**	**12,805**
Other assets	1,393	**1,486**	**12,168**
Less : Allowance for doubtful accounts	(230)	**(447)**	**(3,660)**
Total investments and other assets	4,843	**6,845**	**56,064**
	¥ 102,921	¥ **105,423**	$ **863,418**

LIABILITIES AND SHAREHOLDERS' EQUITY

As of October 31, 2000 and 2001	Millions of yen		Thousands of U.S. dollars *(Note 1)*
	2000	2001	2001
Current liabilities :			
Short-term bank loans	¥ 4,400	¥ –	$ –
Current portion of long-term bank loans	7,735	**7,755**	**63,514**
Notes payable, trade	8,367	**9,151**	**74,948**
Accounts payable, trade	2,785	**2,647**	**21,674**
Notes payable, other	792	**422**	**3,453**
Accounts payable, other	7,583	**8,284**	**67,848**
Accrued income taxes	203	**1,290**	**10,567**
Accrued bonuses for employees	492	**575**	**4,712**
Other current liabilities	403	**722**	**5,910**
Total current liabilities	32,760	**30,846**	**252,626**
Non-current liabilities :			
Straight bonds	5,278	**5,278**	**43,224**
Convertible bonds	9,796	**9,281**	**76,012**
Long-term bank loans	12,865	**14,305**	**117,158**
Long-term accounts payable, other	11,008	**12,399**	**101,551**
Accrued pension and severance costs	–	**1,998**	**16,362**
Other liabilities	288	**282**	**2,313**
Total non-current liabilities	39,235	**43,543**	**356,620**
Contingent liabilities *(Note 3)*			
Shareholders' equity :			
Common stock :			
Authorized – 66,000,000 shares			
Issued			
2001 – 30,253,241 shares	–	**8,597**	**70,407**
2000 – 30,229,241 shares	8,591	–	–
Additional paid-in capital	9,715	**9,720**	**79,610**
Legal reserve	1,245	**1,372**	**11,241**
Retained earnings	11,375	**11,205**	**91,767**
Net unrealized gain on other securities, net of taxes	–	**141**	**1,151**
Treasury stock	–	**(1)**	**(4)**
Total shareholders' equity	30,926	**31,034**	**254,172**
	¥ 102,921	¥ **105,423**	$ **863,418**

Non-consolidated Statement of Income

Year Ended October 31, 2000 and 2001	Millions of yen 2000	Millions of yen 2001	Thousands of U.S. dollars *(Note 1)* 2001
Rental revenues	¥ 39,883	**¥ 41,456**	**$ 339,521**
Cost of rentals	29,314	**31,303**	**256,370**
Sales of goods	21,147	**22,840**	**187,059**
Cost of sales	17,142	**17,570**	**143,895**
Gross profit	14,574	**15,423**	**126,315**
Selling, general and administrative expenses	11,469	**12,652**	**103,618**
Operating income	3,105	**2,771**	**22,697**
Other income *(expenses)* **:**			
Interest and dividend income	91	**40**	**332**
Interest expenses	(612)	**(524)**	**(4,295)**
Others, net	44	**(1,215)**	**(9,950)**
Income before income taxes	2,628	**1,072**	**8,784**
Income taxes *(Note 5)*			
Current	1,227	**1,854**	**15,184**
Deferred	(54)	**(1,300)**	**(10,647)**
	1,173	**554**	**4,537**
Net income	¥ 1,455	**¥ 518**	**$ 4,247**

	Yen 2000	Yen 2001	U.S. dollars *(Note 1)* 2001
Per share of common stock :			
Net income			
Basic	¥ 48.66	**¥ 17.14**	**$ 0.14**
Diluted	38.73	**15.04**	**0.12**
Cash dividends applicable to the year *(Note 6)*	18.00	**18.00**	**0.15**

Year Ended October 31, 2000 and 2001	Thousands of shares of common stock	Millions of yen Common stock	Additional paid-in capital	Legal reserve	Retained earnings	Net unrealized gain on other securities, net of taxes
Balance at October 31, 1999	29,477	¥ 8,316	¥ 9,440	¥ 1,118	¥ 10,628	¥ –
Net income					1,455	
Cash dividends					(566)	
Bonuses to directors and auditors					(15)	
Transfer to legal reserve				127	(127)	
Conversion of convertible bonds	651	253	253			
Issuance of common stock	101	22	22			
Balance at October 31, 2000	30,229	8,591	9,715	1,245	11,375	–
Net income					518	
Cash dividends					(544)	
Bonuses to directors and auditors					(17)	
Transfer to legal reserve				127	(127)	
Issuance of common stock	24	6	5			
Other						141
Balance at October 31, 2001	30,253	¥ 8,597	¥ 9,720	¥ 1,372	¥ 11,205	¥ 141

Year Ended October 31, 2001 (Unaudited)	Thousands of U.S. dollars (Note 1) Common stock	Additional paid-in capital	Legal reserve	Retained earnings	Net unrealized gain on other securities, net of taxes
Balance at October 31, 2000	$ 70,364	$ 79,567	$ 10,199	$ 93,156	$ –
Net income				0	
Cash dividends				(4,458)	
Bonuses to directors and auditors				(136)	
Transfer to legal reserve			1,042	(1,042)	
Issuance of common stock	43	43			
Other					1,151
Balance at October 31, 2001	$ 70,407	$ 79,610	$ 11,241	$ 87,520	$ 1,151

1. Basis of presenting of non-consolidated financial statements

The non-consolidated financial statements have been prepared from the accounts maintained by Kanamoto Co., Ltd. (the "Company") in accordance with the provisions set forth in the Commercial Code of Japan and the Securities and Exchange Law of Japan and in conformity with accounting principles and practices generally accepted in Japan, which may differ in some material respects from accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

The notes to the non-consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

In order to facilitate the understanding of readers outside Japan, certain reclassifications are given to the non-consolidated financial statements prepared for domestic purposes.

Translations of Japanese yen amounts into U.S. dollars are included solely for the convenience of the reader, using the approximate exchange rate on October 31, 2001, which was ¥122.10 to US$1.00. These translations should not be construed as representations that the Japanese yen amounts have been, or could have been, or could in the future be converted into U.S. dollars at this or any other rate of exchange.

2. Summary of significant accounting policies

(a) Basis of presentation

The non-consolidated financial statements are prepared on the basis of the same accounting policies as those discussed in Note 2 to the consolidated financial statements except that investments in subsidiaries and affiliates are stated at cost.

(b) New accounting standards

- *Accounting for financial instruments effective the year ended October 31, 2001*

Effective November 1, 2000, the Company adopted a new accounting standard for financial instruments. Under this standard, securities except for investments in subsidiaries and affiliates are classified as trading securities, held-to-maturity securities or other securities and stated based on these three categories.

At October 31, 2001, the Company did not possess any securities classified as trading securities or held-to-maturity securities under this standard.

The effect of the adoption of this standard was to increase income before income taxes by ¥14 million ($116 thousand) for the year ended October 31, 2001.

- *Accounting for pension and severance costs effective the year ended October 31, 2001*

Effective November 1, 2000, the Company adopted a new accounting standard for pension and severance costs under which net periodic pension and severance costs are computed, in principle, based on the projected benefit obligation and the pension plan assets.

The effect of the adoption of this standard was to decrease operating income by ¥25 million ($202 thousand) and income before income taxes by ¥1,998 million ($16,362 thousand) for the year ended October 31, 2001.

3. Contingent liabilities

At October 31, 2001 and 2000, the Company was contingently liable as follows:

	Millions of yen		Thousands of U.S. dollars
	2000	2001	2001
Guarantees of loans	¥ 305	¥ **337**	$ **3,086**

4. Leases

Lease payments under finance leases for the years ended October 31, 2001 and 2000 were ¥2,717 million ($22,255 thousand) and ¥3,080 million, respectively.

Pro forma information on leased property such as acquisition costs, accumulated depreciation, obligations under finance leases, depreciation expenses, and interest expenses on finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended October 31, 2001 and 2000, was as follows:

	Millions of yen			Thousands of U.S. dollars		
For the year ended October 31, 2001	Rental equipment	Machinery and equipment	**Total**	Rental equipment	Machinery and equipment	**Total**
Acquisition costs	¥ 14,031	¥ 623	¥ **14,654**	$ 114,913	$ 5,103	$ **120,016**
Accumulated depreciation	6,821	306	**7,127**	55,863	2,510	**58,373**
Net leased property	¥ 7,210	¥ 317	¥ **7,527**	$ 59,050	$ 2,593	$ **61,643**

	Millions of yen	Thousands of U.S. dollars
Obligations under finance leases:		
Due within one year	¥ **2,893**	$ **23,699**
Due after one year	**4,788**	**39,210**
Total	¥ **7,681**	$ **62,909**

	Millions of yen		
For the year ended October 31, 2000	Rental equipment	Machinery and equipment	Total
Acquisition costs	¥ 16,688	¥ 654	¥ 17,342
Accumulated depreciation	8,789	309	9,098
Net leased property	¥ 7,899	¥ 345	¥ 8,244

	Millions of yen
Obligations under finance leases:	
Due within one year	¥ **2,639**
Due after one year	**5,403**
Total	¥ **8,042**

Depreciation expenses and interest expenses, which are not reflected in the non-consolidated statements of income, computed by the straight-line method and the interest method were ¥2,472 million ($20,244 thousand) and ¥252 million ($2,065 thousand), respectively, for the year ended October 31, 2001.

Depreciation expenses and interest expenses, which are not reflected in the non-consolidated statements of income, computed by the straight-line method and the interest method were ¥2,820 million and ¥291 million, respectively, for the year ended October 31, 2000.

The minimum rental commitments under non-cancellable operating leases for the years ended October 31, 2001 and 2000 were as follows:

For the year ended October 31, 2001	Millions of yen	Thousands of U.S. dollars
Due within one year	¥ 1,681	$ **13,764**
Due after one year	2,837	**23,240**
Total	¥ 4,518	$ **37,004**

For the year ended October 31, 2000	Millions of yen
Due within one year	¥ 1,423
Due after one year	2,704
Total	¥ 4,127

5. Income taxes

The difference between the statutory tax rate and the effective tax rate for the years ended October 31, 2001 and 2000 was as follows:

Year ended October 31, 2001 and 2000	2000	2001
Statutory tax rate	41.7 %	**41.7** %
Residents' per capita taxes	2.7	**7.2**
Expenses not deductible for tax purposes	1.0	**2.4**
Other	0.8	**(0.4)**
Effective tax rate	44.6 %	**51.7** %

The significant components of deferred income tax assets at October 31, 2001 and 2000 were as follows:

	Millions of yen		Thousands of U.S. dollars
Year ended October 31, 2000 and 2001	2000	2001	2001
Deferred tax assets:			
Depreciation expenses	¥ 316	¥ **477**	$ **3,903**
Directors' retirement benefits	120	**118**	**965**
Accrued bonuses for employees	68	**120**	**982**
Provisions for doubtful accounts	–	**139**	**1,139**
Accrued enterprise tax	–	**105**	**862**
Accrued pension and severance costs	–	**833**	**6,823**
Others	86	**98**	**808**
Total deferred tax assets	590	**1,890**	**15,482**
Deferred tax liabilities:			
Net unrealized gain on securities	–	**(101)**	**(823)**
Net deferred tax assets	¥ 590	¥ **1,789**	$ **14,659**

6. Subsequent events

On January 29, 2002, the company's shareholders approved the payment of a cash dividend of ¥9.00 ($0.07) per one share to shareholders of record at October 31, 2001, or a total payment of ¥272 million ($2,230 thousand).

To the Board of Directors of Kanamoto Co., Ltd.

We have audited the accompanying consolidated balance sheet of Kanamoto Co., Ltd. and its consolidated subsidiaries as of October 31, 2001 and the related consolidated statement of income, shareholders' equity and cash flows for the year then ended.

Our audits were made in accordance with generally accepted auditing standards, procedures and practices in Japan and all relevant auditing procedures as are normally required were carried out.

Based on our audit, we express the opinion that the above-mentioned consolidated financial statements present fairly the consolidated financial position of Kanamoto Co., Ltd. and its consolidated subsidiaries as of October 31, 2001 and the consolidated results of their operations and their cash flows for the year then ended in conformity with generally accepted accounting principles in Japan applied on a consistent basis.

Sapporo, Japan
January 30, 2002

Century Ota Showa & Co.
CENTURY OTA SHOWA & Co.

See Note 1 to the consolidated financial statements which explains the basis of preparing the consolidated financial statements of Kanamoto Co., Ltd. and its consolidated subsidiaries under Japanese accounting principles and practices.

We have audited the accompanying non-consolidated balance sheets of Kanamoto Co., Ltd. as of October 31, 2001 and 2000, and the related non-consolidated statements of income and shareholders' equity for the years then ended.

Our audits were made in accordance with generally accepted auditing standards, procedures and practices in Japan and all relevant auditing procedures as are normally required were carried out.

Based on our audit, we express the opinion that the above-mentioned non-consolidated financial statements present fairly the financial position of Kanamoto Co., Ltd. as of October 31, 2001 and 2000 and the results of its operations for the years then ended in conformity with generally accepted accounting principles in Japan applied on a consistent basis.

Sapporo, Japan
January 30, 2002

Century Ota Showa & Co.
CENTURY OTA SHOWA & Co.

See Note 1 to the non-consolidated financial statements which explains the basis of preparing the non-consolidated financial statements of Kanamoto Co., Ltd. under Japanese accounting principles and practices.

Corporate Data (As of March 1, 2002)

Shareholders’ Information

Company Name
Kanamoto Company, Ltd.

Head Office
1-19, Odori Higashi 3-chome Chuo-ku, Sapporo, Hokkaido 060-0041 Japan

Established
October 28, 1964

Capitalization
¥ 8.6 billion (Paid-in capital)

Listing Exchanges
Tokyo Stock Exchange, First Section

Sapporo Stock Exchange

Stock Code
9678

Common Shares Issued and Outstanding
30,253,000

Fiscal Year-end
October 31

Revenues
¥64,295 million

(Fiscal year ended October 2001)

Number of Employees
1,124 (874 male, 250 female)

(Excluding directors and temporary or part-time workers)

Principal Businesses
Rental of construction equipments, sale of steel products and steel scrap

Rental of engineering workstations and computer peripherals

Primary Lenders
The Bank of Tokyo-Mitsubishi

The Mitsubishi Trust and Banking Corporation

SUMITOMO MITSUI Banking Corporation

North Pacific Bank

The Industrial Bank of Japan

The Norinchukin Bank

The Fuji Bank (Mizuho Corporate Bank, Limited as of April 1, 2002)

Hokkaido Shinren

The Hokkaido Bank

UFJ Bank Limited

Principal Shareholders
ORIX Corporation

Taichu Kanamoto

Saburo Kanamoto

The Mitsubishi Trust and Banking Corporation

Komatsu

Kanamoto Capital Company

The Hokkaido Bank

The Tokio Marine & Fire Insurance Company

North Pacific Bank

DENYO Company

Board of Directors

Directors

Chairman
Taichu Kanamoto

President
Kanchu Kanamoto

Executive Vice President
Hidemitsu Washida

Senior Corporate Officer
Shinroku Sawada
Yukio Sato

Director
Masahiro Matono
Kojiro Satsuma

Auditors

Standing Corporate Auditor
Toshizo Okumura
Norizumi Tsuda

Outside Corporate Auditor
Kiyoshi Onishi

Corporate Officers

(Shown with the division that is representative of their work as an Executive Director)

Division Manager, Credit Management Division
Eichu Kanamoto

Division Manager, Administration Division
Kimio Tsujioka

Affiliated Enterprises Division
Seconded to SRG Kanamoto Co., Ltd.
Kenichi Katayama

Construction Equipment Rental Division
Kazuaki Tanaka

Steel Sales Division
Yoshikatsu Kon

Division Manager, Accounting Division
Nobuhito Utatsu

General Manager, Market Development Division
Manager, New Products Department
Hideki Nomiya

Deputy Division Manager, Construction Equipment Rental Division
General Manager, Used Products Sales Division
Manager, Quality Assurance Department
Masakazu Hirata

Division Manager, Business Planning Division
Hitoshi Narita

General Manager, Construction Equipment Rental Division, Tohoku Region
Saburo Kudo

General Manager, Construction Equipment Rental Division Kanto & Shinetsu Region
General Manager, Information Products Division
Tetsuo Kanamoto

General Manager, Research & Investment Division
Keiichi Kitakata

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Computers & Peripheral Equipment Rental Business

Venture Capital Business

Construction Equipment Rental Business

Steel Sales Business

Business Alliance

Operating Development Business

Printed on recycled paper
Printed in Japan