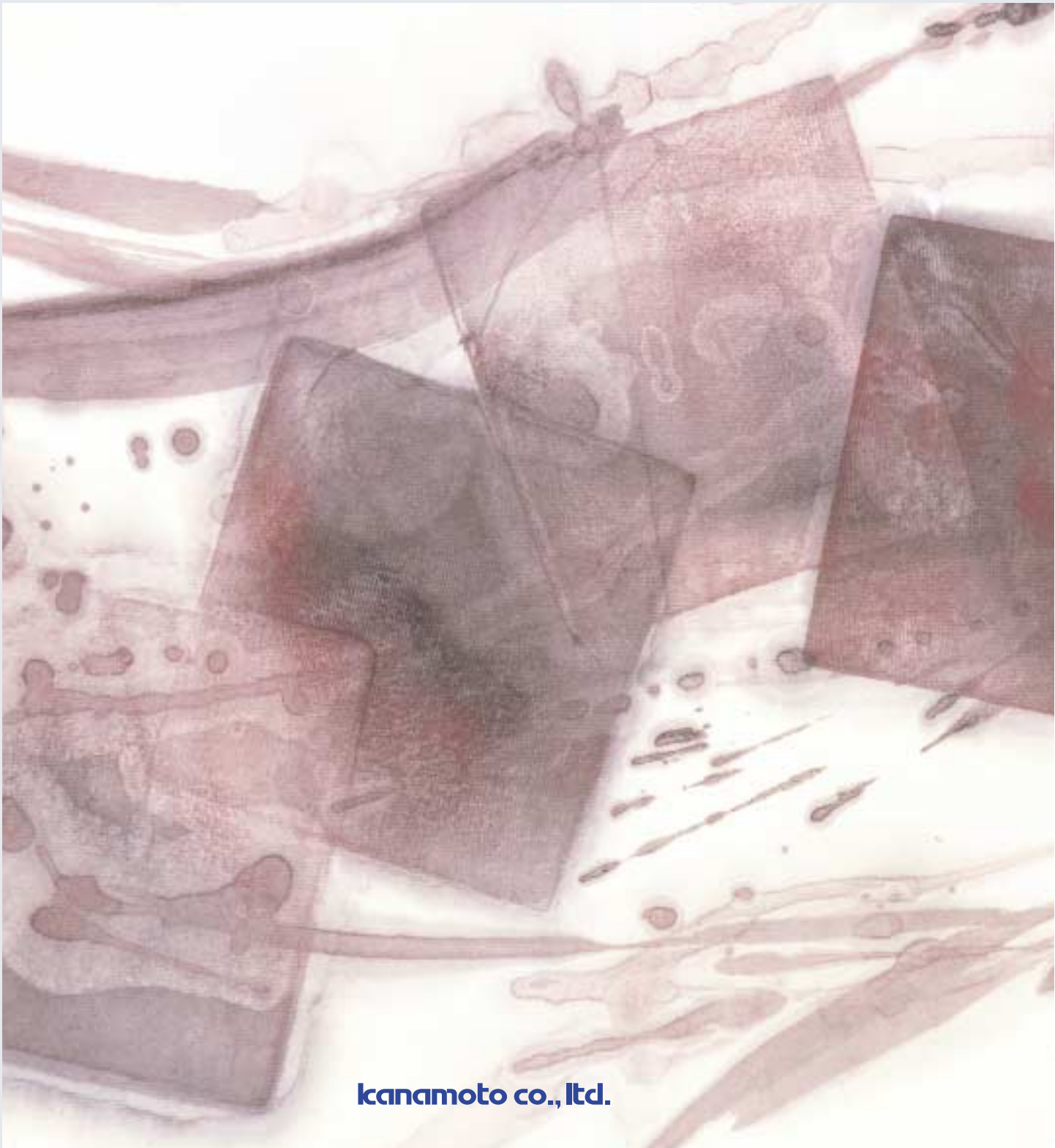


2001 Semiannual Report
For the six months ended April 30, 2001



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Basic policies concerning business management and distribution of earnings

At the Kanamoto Company group we've made commitment to change – embodied in the philosophy “never be satisfied with present conditions and constantly move ahead, regardless of the environment” – the fundamental management outlook for developing our businesses. Our basic policy is to achieve a successful performance that produces maximum satisfaction for all stakeholders of the company, including customers and shareholders.

The Kanamoto group will further strengthen consolidated group management and continue to take actions adapted to the current environment by seeking new customer needs and establishing new information and services focused around the construction equipment rental business, the mainstay of the Company's principal business activity.

In order to ensure the long-term, integrated expansion of shareholders' profits, Kanamoto Company continues to focus comprehensively on both capital investments based on its medium-term profit plan and on profitability, dividend trend and a sound financial position. The Company also remains committed to its policy of stable dividend growth.

To accomplish these goals Kanamoto Company focuses on the importance of cash flow and places particular importance on the growth of EBITDA (earnings before interest, taxes and depreciation and amortization).

Medium to long-term corporate management strategy

The market for construction equipment rentals is influenced greatly by the trend in construction spending. On this point, a revision of government public works spending will be inevitable because of policy measures to restore Japan's fiscal health and will become a negative factor in the future.

Nevertheless, the construction industry is engaged in an all-out effort to rationalize management in response to this outlook. As part of this response, reducing liabilities and paring assets have become particularly important objectives for construction firms. Against this backdrop we are now witnessing a sharp rise in the degree to which companies rely on equipment rentals, as the construction industry utilizes outsourcing to reduce capital spending and lighten its balance sheet. According to research by the Japan Civil Engineering Association, construction companies used equipment rentals for 54.3% of all their equipment needs in fiscal 2000. This was a slight decline of 0.9 percentage points from the prior year. Nevertheless, the use of rental equipment increased in 42 of the 61 equipment categories covered by the association's survey, and despite some weakening of demand the basic trend towards greater use of equipment rentals continues to rise.

For Kanamoto Company, this means we will take advantage of this “wind at our backs” and pursue the following dual strategy in each of our operating areas

[Regional dominance]

In areas that we already cover as sales territories we will pursue further dominance. Our aim is to establish small branches with a minimum expense and staff that have a close relationship with the local area and create a synergistic effect with existing branches. Using this approach we opened 15 branches in Hokkaido and the Tohoku region last year as well, which are providing excellent results.

[Alliances]

In the Chugoku region and the islands of Shikoku and Kyushu where Kanamoto does not have branches, we are pursuing alliances with strong local equipment rental companies.

We have already concluded business alliances with leading regional companies in Okinawa and Kyushu, to which we are supplying equipment (Machida Kikou Co., Ltd., Daiichi Machine Industries Co., Ltd. and Kyushu Kensan Group). In Shikoku, we formed a joint venture with Tadano, Ltd., a manufacturer of cranes, to jointly establish and finance Kanamoto Shikoku Co., Ltd., a construction equipment rental firm that began operating in June 2001. In addition we are moving forward gradually with our alliance with Komatsu Group as well. Finally, we also plan to make Daiichi Machine Industries Co., Ltd. a subsidiary of Kanamoto later this year.

At the same time, Kanamoto Company is continuing its venture business support activities, in order to nurture new businesses that will follow the growth path of the construction equipment rental business. The principal objective of these efforts is to develop new businesses for the company. To recovery these investments Kanamoto follows a model in which it receives dividends plus a margin earned by participating in the distribution of the target companies' products, rather than focus exclusively on capital gains. Kanamoto's investments include microturbine electrical generators, VoIP technology and other products that show promise.



Kancho Kanamoto President June 2001

K. Kanamoto

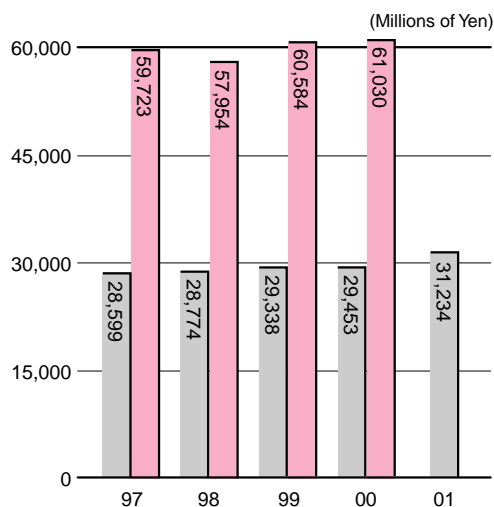
Non-Consolidated Financial Position

kanamoto co., ltd.

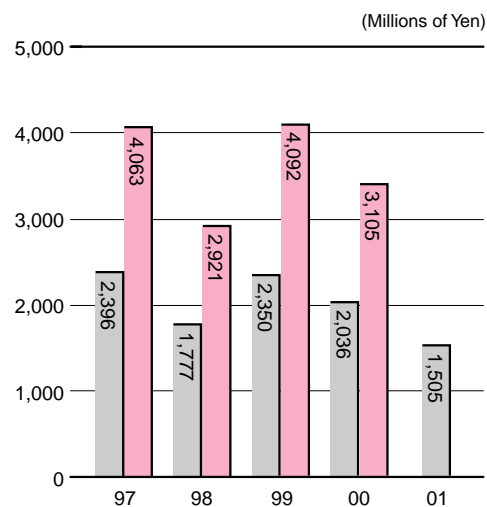
	Millions of yen			Thousands of U.S. dollars
	April 30, 2000	October 31, 2000	April 30, 2001 (Unaudited)	April 30, 2001 (Unaudited)
Rental revenues and sales of goods	¥ 29,453	¥ 61,030	¥ 31,234	\$ 252,812
Operating income	2,036	3,105	1,505	12,184
Net income	994	1,455	509	4,123
Total shareholders' equity	30,722	30,926	31,883	258,062
Total assets	102,157	102,921	104,562	846,311
				U.S. dollars
Per share of common stock:				
Net income	¥ 33.56	¥ 48.66	¥ 16.84	\$ 0.14
Cash dividends	9.00	18.00	9.00	0.07

Note : U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥ 123.55=US\$1, the approximate exchange rate on April 30, 2001.

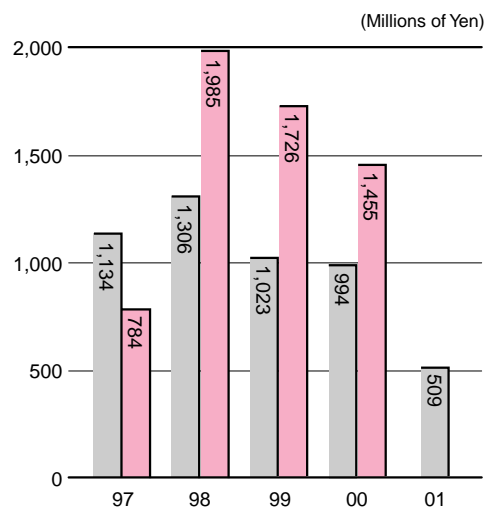
Rental Revenues and Sales of Goods



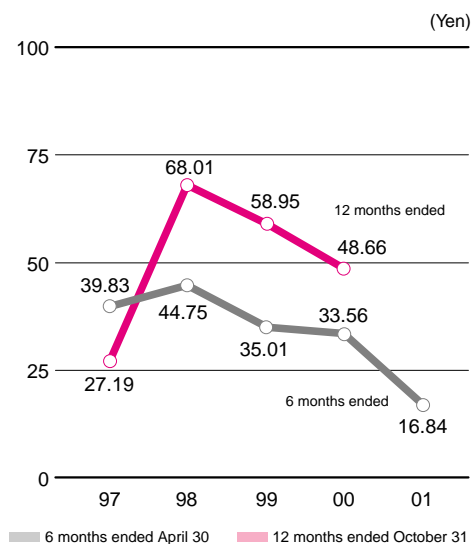
Operating Income



Net Income



Net Income per Share





Colloquy

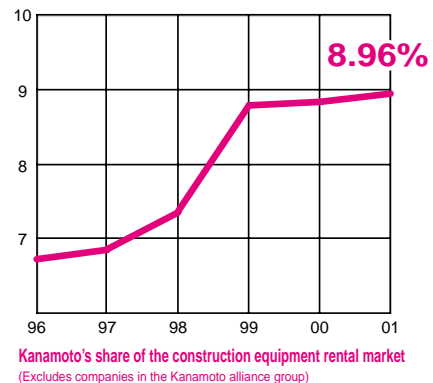
Strategies for the 21st Century as a Leading Company

Toshihiko Fujie
Professor, Shukutoku University

Vs.

Kanchu Kanamoto
President, Kanamoto Co., Ltd.

In the 35 years since it was established, Kanamoto has grown to be recognized as the leading company in the construction equipment rental industry. The company isn't about to rest on its laurels, however. From the beginning Kanamoto Company has aimed at aggressive business development, through efforts such as entry into new sectors that will ensure this influential company continues to grow. We invited Professor Toshihiko Fujie, an expert in marketing, public relations and investor relations, to speak in a formal interview with President Kanchu Kanamoto about Kanamoto Company's strategies for the 21st century.



Part 1 Construction Equipment Rental Industry Focus and Vision

Strategically built top share

Fujie: Let me begin by asking how Kanamoto Company developed its business up to this point. Kanamoto undoubtedly enjoyed favorable conditions during the so-called "construction boom" that began from 1965. Did your forward-looking management strategy also have a large influence on your ability to achieve the Number One position in today's market?

Kanamoto: That is probably the case. Although our construction equipment rental business arose spontaneously, in undertaking this business we noted the economic rationality in the business conditions themselves. We had the conviction that the business would certainly expand, so from the very outset we worked to build the know-how that would most efficiently provide customer satisfaction at all levels, including aspects such as merchandising, equipment inventory procedures and

maintenance programs. It wasn't a case of transferring the U.S. business model to Japan "as is."

For example, in the rental business the time period from capital investment until the investment can be recovered is seven to eight years on average, and it was roughly ten years when we were first starting out. This means we cannot turn over the invested capital during this long period. So it's important that we adopt a precise strategy for asset management, beginning with the equipment portfolio. That is why at Kanamoto we quickly introduced the use of computers and built our management systems to ensure we understand the operating status of each individual piece of rental operating equipment. That was in 1985. I believe that we were probably the first company in this business in Japan to adopt such an approach.

Addressing two major themes: Rationalization and IT

Fujie: One aspect of the construction equipment rental business is that a large quantity of equipment inventory is a strong point. On the other hand, businesses with as little physical stock as possible are attracting attention as one trend for the 21st century. Even if Kanamoto Company doesn't hold equipment stock itself, you can maintain a rational level of product supply by using IT to create a network connecting your branches with equipment users. What are your thoughts about this type of business approach?



Kanamoto: We want to move our business in this direction as well. As a first step we are participating in Construction EC.com, a network that the largest general contractors started around December 2000. We are building this as one opportunity. Although four major construction equipment rental companies including Kanamoto are participating in the network, at this point only Kanamoto has the system capabilities to conform to the invitation.

Fujie: Will it also be possible to utilize IT to develop alliances with overseas companies? For example, an alliance in which Kanamoto would receive an order for an overseas construction site and a local alliance partner would supply the equipment.

Kanamoto: Certainly we want to seek out such possibilities. Kanamoto Company is very aggressive about pursuing business linkages, which I think can be understood by observing our domestic alliance strategy. The area where IT is being utilized the most right now is used equipment auctions. In the future the Internet will probably provide the best means not only for efficiently selling used construction equipment, but also for selling it

on a worldwide basis. In that case, the careful management of the historical data concerning the equipment's use will be critically important. In this respect Kanamoto Company is overwhelmingly in the lead over other companies.

In fact, we've already exhibited 60 or 70 pieces of used equipment on a trial basis through AssetLine.com, the world's largest company for Internet sales of used construction equipment. We achieved a sales agreement rate of 60% when we did so, which is an extremely satisfying result. Moreover we were able to sell the equipment at prices higher than we predicted. I think this was also the result of the industry's very positive evaluation of Kanamoto's equipment management system

AssetLine.com

<http://jp.assetline.com/>

The world's largest used construction equipment auction site. Approximately 4,200 companies representing both buyers and sellers in various countries are registered.

Part 2 Kanamoto's business style for the new era is seen in its venture business support activities

Aiming to enter promising business sectors of the future

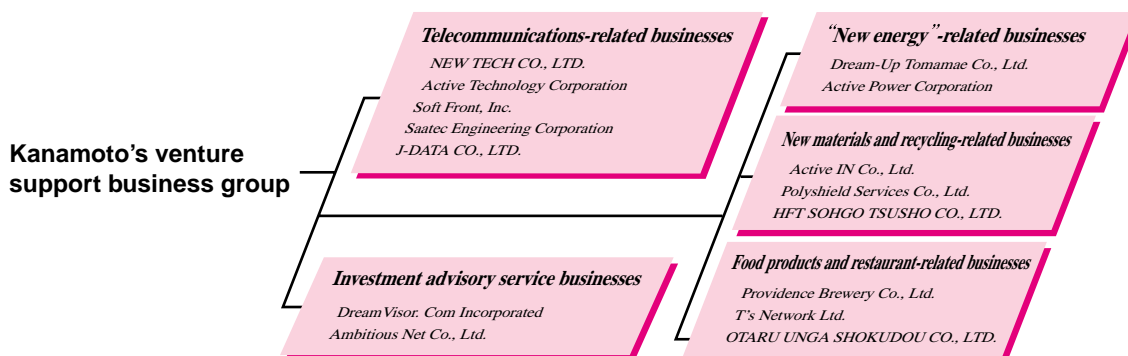
Fujie: Kanamoto is aggressively investing in venture firms. What is your strategic basis for such activity?

Kanamoto: Simply put it's a question of diversification of management risk. Despite the fact that we've already established construction equipment rentals as our principal business, it will be risky in the future if the entire company is too heavily dependent upon only one profit-making activity. In order to secure other stable sources of earnings we have to develop new businesses. It will be difficult, however, for us to participate in other sectors on our own in

the future and take a leading position. So we started our activities to support venture businesses as the most efficient means to succeed. Of course our investments are accompanied by risk, but we believe we'll be successful if we achieve a .200 or .300 batting average.

That does not mean, however, that Kanamoto is investing its money as venture capital. Our principal focus is not to shoot for capital gains. Rather we want to expand our business sectors by participating in promising venture businesses. We make sure we never lose sight of this point.

Fujie: Currently the micro power business is attracting a lot of attention. To me Kanamoto's microturbine generator (MTG) business looks promising.



Firms to which equity accounting does not apply Non-consolidated companies Consolidated companies

Professor at Shukutoku University, Faculty of International Communications. Professor Fujie is a member of many organizations including the Japan OR Academy, The Academy of Japanese Advertisers, The Foreign Correspondents' Club of Japan and the Public Relations Society of Japan. He is the author of numerous books and articles and is best known for his work *Gendai No Kouhou: Senryaku to Jissai (Advertising for Today: Strategies and Reality)*, among others.



Kanamoto:Our company originally owned a large number of stand alone-type generators as construction rental equipment. So even though it's a new business, in a sense it is not completely incompatible because it represents an extension of our construction equipment rental business. While the principle behind a MTG is really quite simple, it's actually a business that becomes more interesting the longer we're involved because we're dealing with a high-tech system in which various know-how is concentrated.

Fujie:Your sales objective is 5,000 to 10,000 MTG units, correct?

Kanamoto:We believe we can reach those numbers in about five years. I say that because various uses for MTG have emerged. We introduced the first demonstration unit in Kanamoto's Hamamatsu-cho K Building in Tokyo, and we've had absolutely no trouble with the unit at all. Presently we're using a 30-kilowatt system just for the building's lighting. If we installed one of the new 60-kilowatt systems that will be released shortly, we would be able to cover the entire building's energy needs.

Fujie:The energy-related business looks very important even from today's viewpoint.

Kanamoto:Just as "ecology" is a critically important key word. Both users and customers are taking a hard look at the ecological impact of firms. It even has an influence on a company's debt rating. Given that ecological awareness is so significant, we hope that Kanamoto will be favorably evaluated for its involvement with MTG and wind power generation and our decision to switch to hybrid cars for all of our company sales vehicles, 300 of which we've already put into service.

Contributing to local areas through promotion of venture firms

Fujie:To my way of thinking Kanamoto's venture business support is the right answer. What about the long-term care and welfare sector, which you have also investigated. When one sees how hard the firms that jumped into this sector are battling it out, I can appreciate the certainty provided by Kanamoto's approach.

Kanamoto:The long-term care and welfare sector would in fact be easy for us to handle, with the rental of beds and what not. We've reviewed a number of proposals, but we turned all of them down because there are some many areas of the business where the future direction is impossible to discern.

Our company is based in Hokkaido and our goal is local revitalization, so we are investing in promising local firms

without sticking to any one business sector.

One of the firms we are supporting in the restaurant industry is named T's Network Ltd. The president of that company is also serving as the president of the recently opened OTARU UNGA SHOKUDOU CO., LTD. Of course our company also participated in the investment in the restaurant.

One of the firms in which we've made a straight investment as the sole investor is Soft Front, Inc. Soft Front is developing Internet telephony software called Voice IP. It's an extremely interesting company that can be called one of the rising stars of "Sapporo Valley", our local community of start-up firms.

The origin of the company was a firm that had designed an ISDN terminal adapter, which it supplied to NTT, and succeeded by building a business model by which it was able to increase earnings even though it received only a licensing fee. Soft Front is one of the new companies begun by a founder of that firm. Soft Front's main product, an Internet telephony system, is viewed as a new business model that can, for example, charge a caller when the individual makes a call over the Internet.

Fujie:I think the expression "21st century-type business" means a business that does not generate value from a material thing itself but rather establishes sales through software and know-how. The key to success depends on whether a company can convert this concept into reality.

Kanamoto:Originally that was true of the construction equipment rental business as well. The renter took all of the risk from ownership of the materials, or in other words created value from the fact that users could simply address their risk management needs.

Because Kanamoto Company has this kind of style as a business background, I think we can probably adapt ourselves smoothly to new business models.

Consolidated Balance Sheets

[As of April 30, 2001 and October 31, 2000]

ASSETS

kanamoto co., ltd.

	Millions of yen		Thousands of U.S. dollars
	October 31, 2000	April 30, 2001 (Unaudited)	April 30, 2001 (Unaudited)
Current assets :			
Cash and cash equivalents	¥ 16,422	¥ 15,780	\$ 127,722
Short-term investments	757	278	2,247
Notes and accounts receivable, trade	23,332	24,048	194,638
Inventories	826	1,368	11,076
Deferred income taxes	103	222	1,798
Other current assets	4,127	4,148	33,574
Less : Allowance for doubtful accounts	(174)	(200)	(1,622)
Total current assets	45,393	45,644	369,433
Property and equipment :			
Rental equipment	58,856	59,473	481,373
Building and structures	14,337	14,503	117,385
Machinery and equipment	4,936	4,859	39,330
Less : Accumulated depreciation	(49,289)	(48,748)	(394,562)
	28,840	30,087	243,526
Land	24,182	24,182	195,723
Construction in progress	339	110	891
Total property and equipment	53,361	54,379	440,140
Investments and other assets :			
Investments in securities	2,960	4,561	36,916
Deferred income taxes	485	609	4,930
Other assets	1,443	1,567	12,689
Less : Allowance for doubtful accounts	(230)	(579)	(4,688)
Total investments and other assets	4,658	6,158	49,847
	¥ 103,412	¥ 106,181	\$ 859,420

Note : U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥ 123.55=US\$1, the approximate exchange rate on April 30, 2001.

LIABILITIES AND SHAREHOLDERS' EQUITY
kanamoto co., ltd.

	Millions of yen		Thousands of U.S. dollars
	October 31, 2000	April 30, 2001 (Unaudited)	April 30, 2001 (Unaudited)
Current liabilities :			
Short-term bank loans	¥ 4,727	¥ 517	\$ 4,181
Current portion of long-term debt	14,477	14,715	119,106
Notes and accounts payable, trade	11,696	13,324	107,846
Accrued income taxes	204	1,263	10,226
Accrued bonuses for employees	503	539	4,361
Other current liabilities	1,341	2,104	17,026
Total current liabilities	32,948	32,462	262,746
Non-current liabilities :			
Long-term debt	38,368	38,233	309,453
Accrued pension and severance costs	–	1,019	8,248
Other liabilities	1,247	2,608	21,106
Total non-current liabilities	39,615	41,860	338,807
Minority interests	68	108	874
Shareholders' equity :			
Common stock, par value ¥ 50 per share :			
Authorized – 66,000,000 shares			
Issued			
2001 – 30,250,241 shares	–	8,596	69,576
2000 – 30,229,241 shares	8,591	–	–
Additional paid-in capital	9,715	9,720	78,670
Retained earnings	12,484	12,718	102,941
Net unrealized gains on securities	–	727	5,887
	30,790	31,761	257,074
Less, treasury stock, at cost :			
15,190 shares in 2001	–	(10)	(81)
13,377 shares in 2000	(9)	–	–
Total shareholders' equity	30,781	31,751	256,993
	¥ 103,412	¥ 106,181	\$ 859,420

Consolidated Statements of Cash Flows

[For the six months ended April 30, 2001 and the 12 months ended October 31, 2000]

kanamoto co., ltd.

	Millions of yen		Thousands of U.S. dollars
	October 31, 2000	April 30, 2001 (Unaudited)	April 30, 2001 (Unaudited)
Cash flows from operating activities	¥ 10,616	¥ 7,870	\$ 63,696
Cash flows from investing activities	(1,826)	(269)	(2,175)
Cash flows from financing activities	(8,545)	(8,243)	(66,720)
Net increase (decrease) in cash and cash equivalents	245	(642)	(5,199)
Cash and cash equivalents at beginning of period	16,177	16,422	132,921
Cash and cash equivalents at end of period	16,422	15,780	127,722

Segment Information

[For the six months ended April 30, 2001 (Unaudited)]

kanamoto co., ltd.

	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	¥ 28,048	¥ 3,912	¥ 680	¥ 32,640	¥ -	¥ 32,640
Intersegment	0	-	-	0	(0)	-
Total	28,048	3,912	680	32,640	(0)	32,640
Operating expenses	26,464	3,873	678	31,015	(13)	31,002
Operating profit	¥ 1,584	¥ 39	¥ 2	¥ 1,625	¥ 13	¥ 1,638

	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	\$ 227,020	\$ 31,664	\$ 5,503	\$ 264,187	\$ -	\$ 264,187
Intersegment	1	-	-	1	(1)	-
Total	227,021	31,664	5,503	264,188	(1)	264,187
Operating expenses	214,202	31,348	5,487	251,037	(106)	250,931
Operating profit	\$ 12,819	\$ 316	\$ 16	13,151	\$ 105	\$ 13,256

Non-Consolidated Balance Sheets

[As of April 30, 2001 and October 31, 2000]

ASSETS

kanamoto co., ltd.

	Millions of yen		Thousands of U.S. dollars
	October 31, 2000	April 30, 2001 (Unaudited)	April 30, 2001 (Unaudited)
Current assets :			
Cash	¥ 10,197	¥ 9,038	\$ 73,155
Time deposits	6,100	5,950	48,159
Notes receivable, trade	11,859	14,734	119,257
Accounts receivable, trade	11,487	8,848	71,616
Inventories	817	928	7,513
Other current assets	4,967	4,608	37,293
Less : Allowance for doubtful accounts	(173)	(197)	(1,600)
Total current assets	45,254	43,909	355,393
Property and equipment :			
Rental equipment	58,856	59,473	481,370
Buildings	10,172	10,504	85,018
Structures	3,686	3,740	30,272
Machinery and equipment	4,846	4,814	38,963
Less : Accumulated depreciation	(49,118)	(48,592)	(393,302)
	28,442	29,939	242,321
Land	24,043	24,043	194,601
Construction in progress	339	110	891
Total property and equipment	52,824	54,092	437,813
Investments and other assets :			
Investments and other assets	5,073	7,140	57,793
Less : Allowance for doubtful accounts	(230)	(579)	(4,688)
Total investments and other assets	4,843	6,561	53,105
	¥ 102,921	¥ 104,562	\$ 846,311

Note : U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥ 123.55=US\$1, the approximate exchange rate on April 30, 2001.

LIABILITIES AND SHAREHOLDERS' EQUITY

kanamoto co., ltd.

	Millions of yen		Thousands of U.S. dollars
	October 31, 2000	April 30, 2001 (Unaudited)	April 30, 2001 (Unaudited)
Current liabilities :			
Short-term bank loans	¥ 4,400	¥ -	\$ -
Current portion of long-term debt	7,735	7,851	63,545
Notes payable, trade	8,367	10,338	83,673
Accounts payable, trade	2,785	1,856	15,019
Notes payable, other	792	375	3,036
Accounts payable, other	7,583	8,348	67,565
Accrued income taxes	203	1,234	9,990
Accrued bonuses for employees	492	524	4,241
Other current liabilities	403	530	4,293
Total current liabilities	32,760	31,056	251,362
Non-current liabilities :			
Straight bonds	5,278	5,278	42,717
Convertible bonds	9,796	9,733	78,778
Long-term bank loans	12,865	13,076	105,836
Long-term accounts payable, other	11,008	12,248	99,131
Accrued pension and severance costs	-	1,015	8,211
Other liabilities	288	273	2,214
Total non-current liabilities	39,235	41,623	336,887
Shareholders' equity :			
Common stock, par value ¥50 per share :			
Authorized – 66,000,000 shares			
Issued			
2001 – 30,250,241 shares	-	8,596	69,576
2000 – 30,229,241 shares	8,591	-	-
Additional paid-in capital	9,715	9,720	78,670
Legal reserve	1,245	1,345	10,888
Retained earnings	11,375	11,495	93,041
Net unrealized gains on securities	-	727	5,887
Total shareholders' equity	30,926	31,883	258,062
	¥ 102,921	¥ 104,562	\$ 846,311

OTARU UNGA SHOKUDOU Opened in May 2001! (Otaru Canal Restaurant)

OTARU UNGA SHOKUDOU, established as a joint investment by nine companies including Kanamoto and Nippon Flour Mills Co., Ltd., opened its doors in May 2001. The restaurant has garnered high expectations as the newest attraction in Otaru, one of Hokkaido's most famous sightseeing venues.

The spot that's generated the hottest excitement at OTARU UNGA SHOKUDOU is the "Ramen Atelier", where popular noodle restaurants from around Japan are gathered under one roof. Six famous shops often covered by the mass media – *Hakata Ippudo*, *Yokohama's Kujiraken*, *Ganso Ichijouryuu Ganko* from Tokyo, plus *Debi*, *Taishouken* and Hokkaido's own local representative *Sumire* – are competing head to head, their owners energetically trumpeting the merits of their local flavors. All of the shops are designed in styles that evoke the good old days of yesteryear in Otaru. In an atmosphere of comfortable surroundings, with designs resembling gable-roofed two-story wooden tradesmen's homes, western-style buildings in the port's elegant uptown district and private houses made of stone, the design guarantees customers can enjoy a fun experience while trying a wide range of delicious ramen.

The Asakusabashi Beer Hall is a reconstruction of the old Mitsui Bank Otaru Branch, the first iron-frame reinforced concrete building in Otaru. Here customers can enjoy a reasonably priced buffet dinner at *Aji no Sekai Kiko* for only 1,980 yen, selecting



The Ramen Atelier

from a menu of popular foods from countries around the world.

The local specialty is "Genghis Khan", a dish that boasts of being refined until the individual flavors of succulent lamb meat, carefully selected vegetables and Hokkaido's original sauce and seasonings are



blended just right. And because it's Hokkaido, customers know they'll find 12 different dishes prepared each day from an abundance of the freshest seafood and farm products for which Hokkaido is famous. Top it all off with the nationally popular *kaiten sushi* and a full range of desserts, and customers can experience a unique, full-course dining experience not found anywhere else in Japan.

In addition there is even a regular menu of delicious, all-you-can-eat world cuisine including French, Italian and Chinese. With such a complete menu, plus Otaru's own locally-brewed "OTARU UNGADORI BEER", it's no wonder that OTARU UNGA SHOKUDOU has become the biggest topic of conversation for tourists and local residents alike. Asakusabashi Beer Hall is sure to be known soon as the most popular dining spot in Otaru.

OTARU UNGA SHOKUDOU also prepares many souvenir goods that can only be purchased at the restaurant. Be sure to drop by whenever you're in Hokkaido. You'll be happy you did.



Asakusabashi beer Hall

OTARU UNGA SHOKUDOU (Otaru Canal Restaurant)

6-5 Minato-cho, Otaru, Hokkaido Japan
<http://www.otaun-shokudo.com>

Aiming to be the Number One Construction Equipment Rental Company in Shikoku Kanamoto Shikoku Co., Ltd. Opens for Business



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

After carefully laying the groundwork since being established in October 2000, Kanamoto Shikoku finally began operations in June 2001. Established as a joint venture by Kanamoto Co., Ltd. and Tadano Ltd., Japan's largest manufacturer of cranes for construction use, the company is Kanamoto's first sales office in the

Shikoku region. Headquartered in Takamatsu City in Kagawa Prefecture, the firm has a first-year sales objective of roughly ¥200 million for the single sales office. With plans to open five or six sales offices generating annual revenues of ¥3.5-4.0 billion and obtaining a 20% share of the construction equipment rental market in Shikoku after 10 years, Kanamoto Shikoku will play a pivotal role in the expansion of Kanamoto's dominance strategy in western Japan.

Prior to the start of sales activities, on June 5 the company held its opening celebration in the Kanamoto Shikoku headquarters. Joined by numerous invited guests including local companies related to the construction business, the new business received prayers for success at a traditional Shinto ceremony, hosted a tour

of the company's facilities and sponsored an open-for-business celebration party to deepen relations with the local community.

At the Shinto ceremony that began at 10:00, the directors of Kanamoto Company, Tadano, Ltd. and Kanamoto Shikoku were joined by President Hiroshi Murakami of Murakami-gumi Co., Ltd., the company that handled the construction of Kanamoto Shikoku's office and Takeshi Murakami, President of Showa Kosan Co., Ltd., to perform the traditional dedication of paper-decked tree branches and pray for the business' success. The festivities continued with a tour of the facilities, as guests reviewed the company's headquarters office and rental operations systems, warehouse and equipment yard. Participants gained a solid understanding of the thoroughness of Kanamoto Shikoku's business systems.

Followed by an informal get-together, the celebration served to increase the bonds between the industry-related well-wishers who attended the day's events and Kanamoto Shikoku, which will contribute to the development of Shikoku's construction industry and the local area. This mutual trust is an irreplaceable asset that will help Kanamoto Shikoku as it strives towards its goals. Kanamoto Company appreciates everyone's warm support for the success of the venture.



Japanese Representative Delivers First Multi-Unit System of Five Microturbine Generators for U.S. Firm Capstone Corporation

Kanamoto Company completed delivery of a generating system that will operate five Capstone Corporation microturbine generators (MTG) as a "multi-pack" (parallel operation) system to the Shin Akabira Mine owned by Sumitomo Coal Mining Co., Ltd. (Akabira, Hokkaido). The order represents the first construction and delivery of a system in Japan to operate multiple MTG units in tandem. Sumitomo Coal Mining Co., Ltd. is also the first customer to install and use multiple Capstone MTG.

Shin Akabira Mine is the world's first project to utilize coal mine methane gas as a fuel

The project, one of several Japan-U.S. joint research efforts, will be operated as an environmentally-friendly, highly-efficient coal mine gas recovery and utilization technology study project from NEDO (New Energy and Industrial Technology Development Organization) and JCOAL (Japan Coal Energy Center) that is supported by Sumitomo Coal Mining Co., Ltd. Sumitomo Coal will also operate the system for purposes such as field tests, including the use of coal mine gas (coal mine methane) created underground to generate electricity using MTG, returning MTG exhaust gases to the mine, increasing recovery of methane gas and sequestering CO₂ in the coal seams. The project will be the world's first to collect and utilize coal mine methane gas.

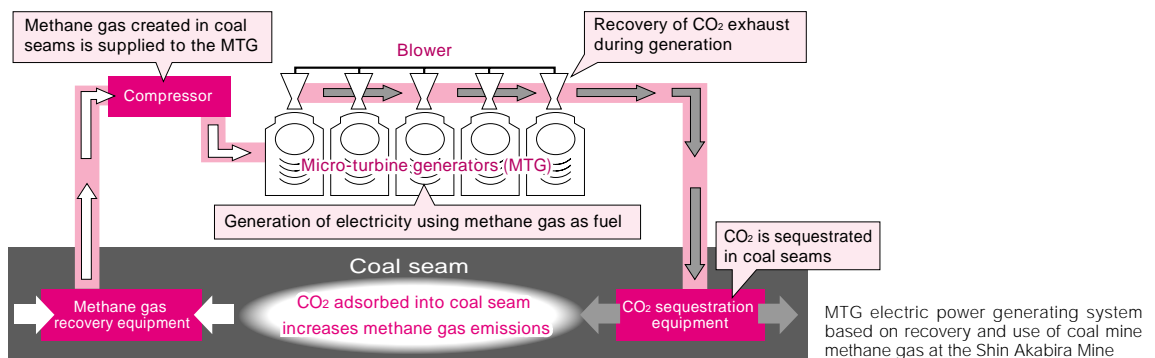
Currently a similar project is being operated in the U.S. in Wyoming, using coal seam methane gas as a fuel. The project at Shin Akabira Mine, however, which will make practical application of a coal mine after it has been shut down, is an



Multi-pack system of 5 MTG delivered by Kanamoto Company

unprecedented, epoch-making process that has attracted worldwide attention. While ushering in a new phase in the application of MTG in Japan, the project will also be extremely significant from the standpoint of helping to prevent global warming through the recovery of CO₂.

Kanamoto Company is also planning to further promote the sale of MTG within Japan, using this project and the new demand it has cultivated as a base to remain ahead of other companies.



Eco-electric power using Microturbine Generators and Kajima Corporation's Bio-Reactor at the Beautiful Fukushima Future Exposition in Fukushima Prefecture

The Japan Expo "Beautiful Fukushima Future Exposition" is being held Sukagawa in Fukushima Prefecture, Japan from July 7 through September 30. The theme of the exposition is ecology and the environment, making it a perfect opportunity to display the microturbine generators being sold by Kanamoto Company.

A Capstone Corporation MTG will be used to provide part of the electricity for the exposition pavilion lighting. The MTG will be powered by a "bio-reactor" (a device to generate methane gas from the garbage produced at the exposition's pavilions) developed by Kajima Corporation.

The Japan Expo "Beautiful Fukushima Future Exposition"

- Expo Dates : Saturday, July 7 – Sunday, September 30, 2001
Evening hours from Friday, July 20, 2001
- Hours : 9:30 a.m. to 6:00 p.m. (9:00 p.m. during evening hours)
- Location : Sukagawa, Fukushima Prefecture (On the grounds of the Sukagawa Technical Research Garden)
- Home page : <http://www.pref.fukushima.jp/miraihaku/>



MTG electrical generating system at the Beautiful Fukushima Future Exposition. The MTG is in the center, with the spherical bio-gas storage tank behind it.

Our Growing Branch Network

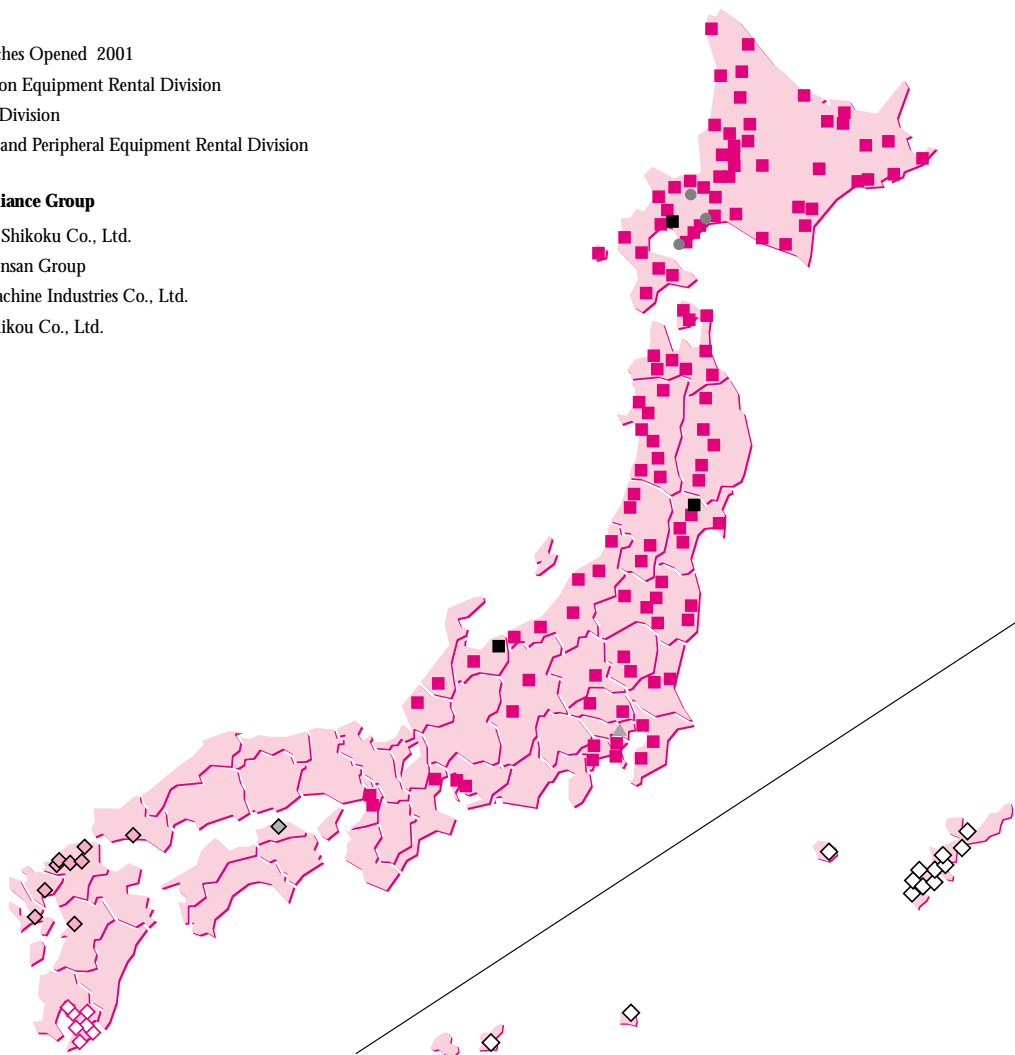
Number of Branches	As of April 30, 2001		
	Hokkaido	Honshu	Subtotal
Construction Equipment Rental Operations	51	69	120
Steel Sales	3	0	3
Computer and Peripheral Equipment Rental Operations	0	1	1
Total	54	70	124

Kanamoto opened 3 new branches during the first half of Fiscal 2001 (ends October 31, 2001).

- New Branches Opened 2001
- Construction Equipment Rental Division
- Steel Sales Division
- ▲ Computer and Peripheral Equipment Rental Division

Kanamoto Alliance Group

- ◇ Kanamoto Shikoku Co., Ltd.
- ◇ Kyushu Kensan Group
- ◇ Daiichi Machine Industries Co., Ltd.
- ◇ Machida Kikou Co., Ltd.



SHAREHOLDERS' INFORMATION

<p>Company Name Kanamoto Co., Ltd.</p> <p>Head Office 1-19, Odori Higashi 3-chome Chuo-ku, Sapporo, Hokkaido 060-0041 Japan</p> <p>Established October 28, 1964</p> <p>Capitalization ¥8.6 billion (Paid-in capital)</p> <p>Listing Exchanges Tokyo Stock Exchange, First Section Sapporo Stock Exchange</p> <p>Stock Code 9678</p>	<p>Common Shares Issued and Outstanding 30,250,000</p> <p>Fiscal Year-end October 31</p> <p>Revenues ¥61,030 million (Fiscal year ended October 2000)</p> <p>Number of Employees 1,131 (Excluding directors and temporary or part-time workers)</p> <p>Principal Businesses Rental of construction equipment, sale of steel products and steel scrap Rental of engineering workstations and computer peripherals</p>	<p>Primary Lenders The Bank of Tokyo-Mitsubishi Sumitomo Mitsui Banking Corporation The Industrial Bank of Japan The Fuji Bank North Pacific Bank The Norinchukin Bank The Mitsubishi Trust and Banking Corporation The Hokkaido Bank</p> <p>Principal Shareholders ORIX Corporation Taichu Kanamoto Saburo Kanamoto State Street Bank and Trust Company Kanamoto Capital Company Komatsu Corporation The Hokkaido Bank The Mitsubishi Trust and Banking Corporation North Pacific Bank DENYO Co., Ltd.</p>
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BOARD OF DIRECTORS

<p>Directors</p> <p>Chairman Taichu Kanamoto</p> <p>President Kanchu Kanamoto</p> <p>Executive Vice President Hidemitsu Washida</p> <p>Senior Corporate Officer Shinroku Sawada Yukio Sato</p> <p>Advisor Saburo Kanamoto</p> <p>Director Norio Uemura Masahiro Matono</p> <p>Auditors</p> <p>Standing Corporate Auditors Toshizo Okumura Norizumi Tsuda</p> <p>Outside Corporate Auditor Kiyoshi Onishi</p>	<p>Corporate Officers (Shown with the division that is representative of their work as Executive Director)</p> <p>Division Manager, Credit Management Division Eichu Kanamoto</p> <p>Division Manager, Administration Division Kimio Tsujioka</p> <p>Deputy Division Manager, Construction Equipment Rental Division Kenichi Katayama</p> <p>Quality Assurance & New Products, Deputy Division Manager of Construction Equipment Rental Division, Division Manager, Information Products Division Takemitsu Ikeda</p> <p>Deputy Division Manager, Construction Equipment Rental Division Kazuaki Tanaka</p> <p>Steel Sales Division Yoshikatsu Kon</p> <p>Division Manager, Accounting Division Nobuhito Utatsu</p>	<p>Market Development Division Hideki Nomiya</p> <p>Used Products Sales Division, Deputy Division Manager of Construction Equipment Rental Division Masakazu Hirata</p> <p>Division Manager, Business Planning Division Hitoshi Narita</p> <p>General Manager, Construction Equipment Rental Division, Tohoku Region Saburo Kudo</p> <p>General Manager, Construction Equipment Rental Division, Kantoshinetsu Region Tetsuo Kanamoto</p> <p>General Manager, Research & Investment Division Keiichi Kitakata</p>
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