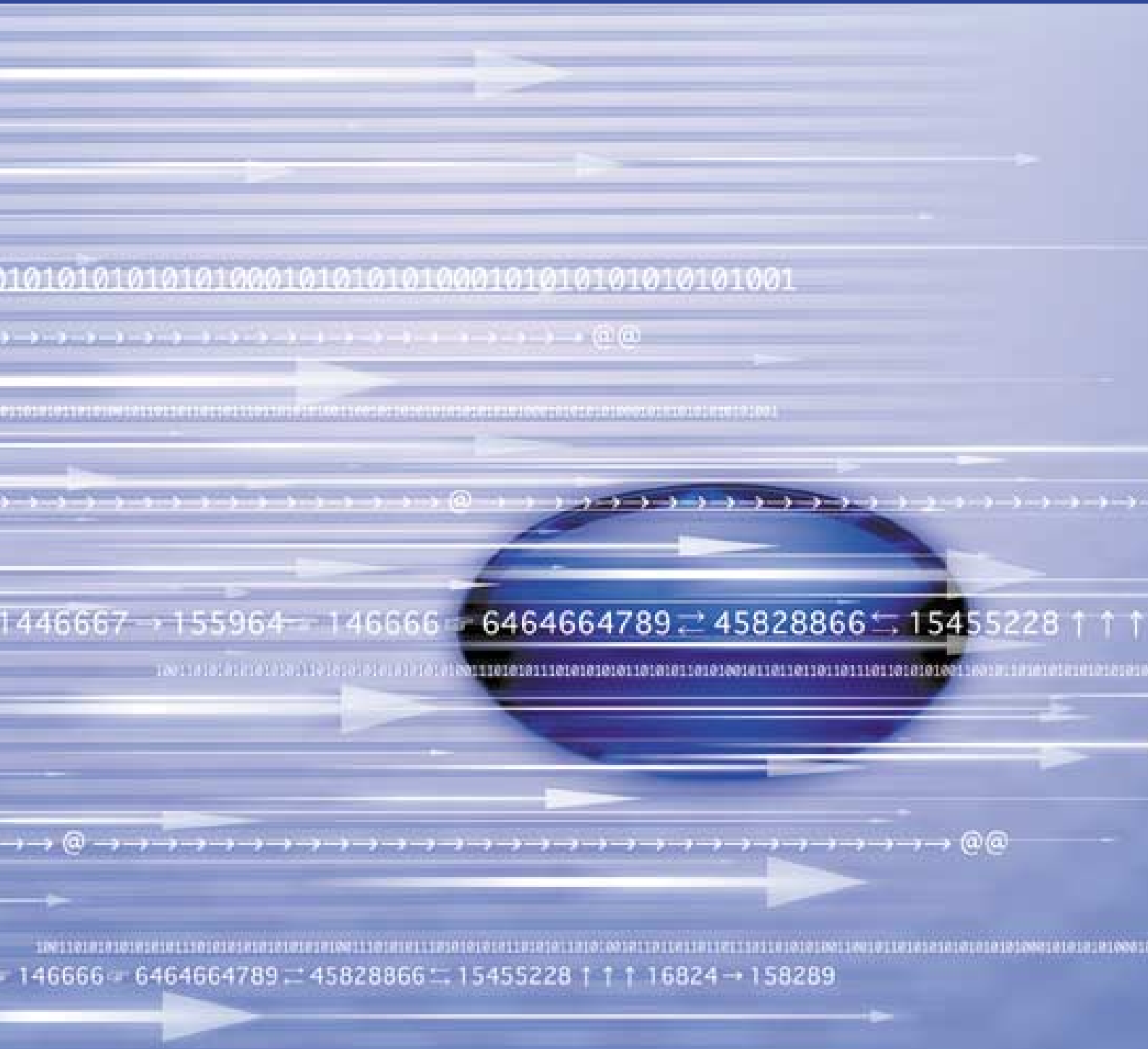


kanamoto co., ltd.

# Semiannual Report 2002

For the six months ended April 30, 2002





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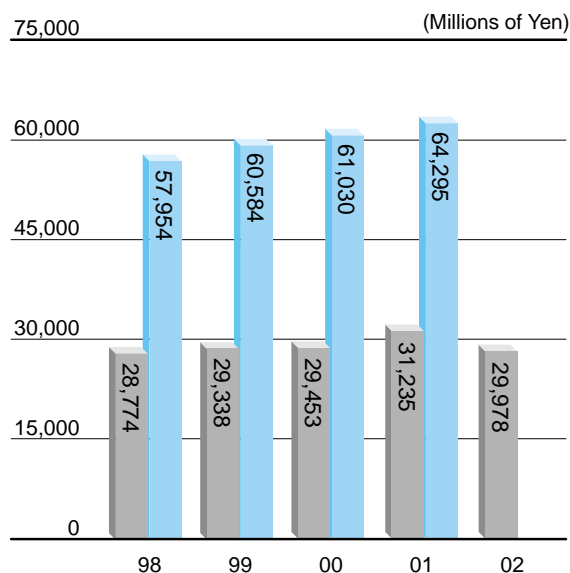
## Non-Consolidated Financial Position

kanamoto co., ltd.

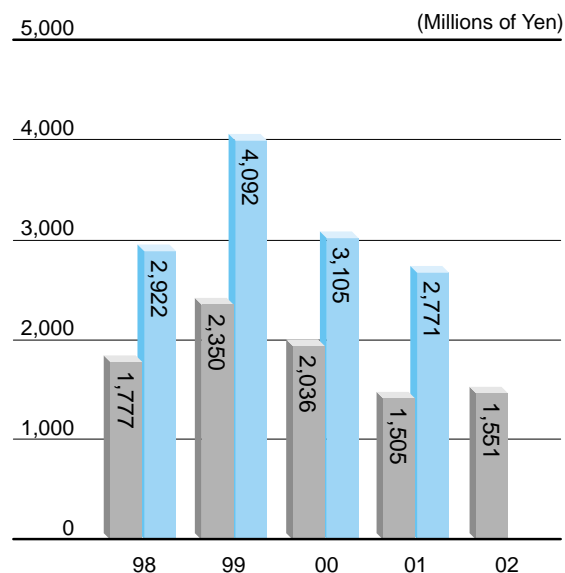
|                                    | Millions of yen |                  |                | Thousands of U.S. dollars |
|------------------------------------|-----------------|------------------|----------------|---------------------------|
|                                    | April 30, 2001  | October 31, 2001 | April 30, 2002 | April 30, 2002            |
| Rental revenues and sales of goods | ¥ 31,234        | ¥ 64,295         | ¥ 29,977       | \$ 231,756                |
| Operating income                   | 1,505           | 2,771            | 1,551          | 11,991                    |
| Net income                         | 509             | 518              | 748            | 5,787                     |
| Total shareholders' equity         | 31,883          | 31,034           | 31,438         | 243,049                   |
| Total assets                       | 104,561         | 105,423          | 100,934        | 780,322                   |
|                                    |                 |                  |                | U.S. dollars (Note)       |
| Per share of common stock:         | Yen             |                  |                |                           |
| Net income                         | ¥ 16.84         | ¥ 17.14          | ¥ 24.75        | \$ 0.13                   |
| 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 ¥128.35=US\$1, the approximate exchange rate on April 30, 2002.

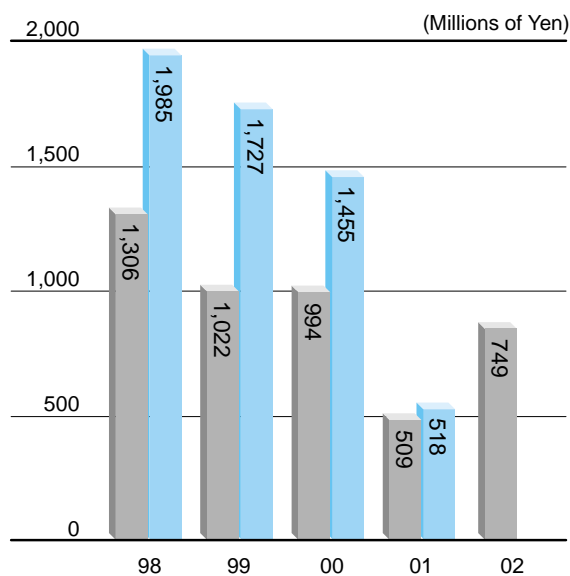
### Rental Revenues and Sales of Goods



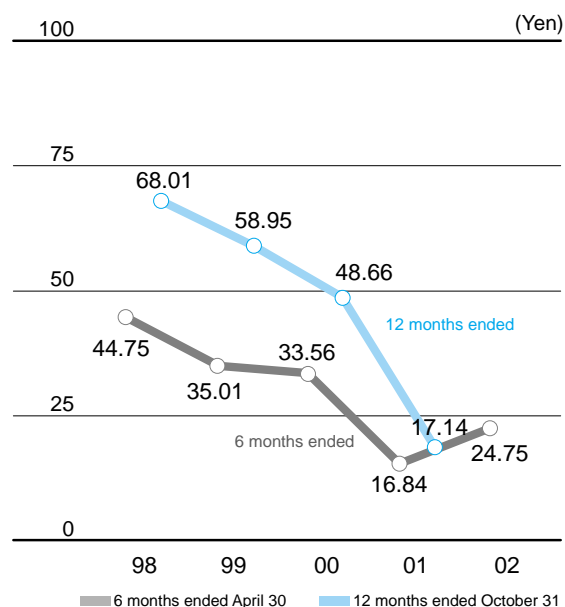
### Operating Income



### Net Income



### Net Income per Share



*The Kanamoto Company group is comprised of the parent company, eight subsidiaries and two affiliated companies. The business activities of the group are centered on the rental and sale of construction equipment, temporary construction materials, safety equipment and other products, the sale of steel materials, and the rental and sale of information technology equipment (computers and peripheral equipment). The Company is also undertaking development of electric power supply and service businesses and food and beverage businesses as supplemental business activities. An explanation of each company's position with regard to its relevant business is provided below.*

**Businesses related to the Construction Equipment Rental Division**

The Company's rental division, together with Taniguchi Co., Ltd. (a subsidiary company), Daiichi Machine Industries Co., Ltd. (a subsidiary company) and Kanamoto Shikoku Co., Ltd. (a non-consolidated subsidiary company), is engaged in the rental and sale of construction equipment and machines used for construction. These three subsidiary companies operate in designated marketing areas and borrow rental equipment assets from the Company as needed in order to meet customer demand.

SRG Kanamoto Co., Ltd. (a subsidiary company) operates a rental business that provides temporary materials for construction use. Assist Co., Ltd. (a subsidiary company) is engaged in the rental and sale of furniture and fixtures and safety products for the construction industry. The Company and Taniguchi Co., Ltd. borrow rental assets from SRG Kanamoto Co., Ltd. and Assist Co., Ltd. as needed to rent to their own customers.

In addition to the above companies, Kanatech Co., Ltd. (a subsidiary company) develops, manufactures and sells modular housing units for temporary use, and Polyshield Services Co., Ltd. (a subsidiary company) is engaged in the sale and construction of specialized rust-proof, water-proof shields.

**Businesses related to the Steel Sales Division**

The Company's Steel Sales Division sells steel products and construction-related manufactured goods. The Company has no subsidiaries or affiliated companies related to this division.

**Businesses related to the Computer and Peripheral Equipment Rental Division and other businesses**

As the Company's information and telecommunications-related division, Kanamoto's Computer and Peripheral Equipment Rental Division is engaged in the rental and sale of computers, computer peripheral equipment and equipment for the development of computer products. Companies affiliated with this division include Active Technology Co., Ltd. (an affiliated company), which is principally engaged in the sale of telecommunications-related equipment such as wireless LAN devices. As supplemental businesses, Active Power Co., Ltd. (an affiliated company) is engaged in the sale of microturbine generators manufactured by Capstone Corporation, a U.S. company, and supplies these products to the Company, among others. Providence Brewery Co., Ltd. (a subsidiary company) brews and sells regional beers.

**1. Basic policies concerning business management**

Kanamoto Company's basic mission is to achieve successful performance that produces maximum satisfaction for all stakeholders of the Company, including customers, shareholders

and the local community. The Company undertakes its businesses based on a fundamental management policy embodied in the phrase, "constantly seek innovation and move forward based on a spirit of independence and self-reliance."

The Company's 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.

**2. Basic policies concerning distribution of earnings**

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).

Furthermore, given the Company's present circumstances and markets, the Company believes it has adopted an appropriate position with regard to its investments and has no plans to reduce its positions at this time. The Company will continue to flexibly examine its activities, however, in accordance with the distribution of future investment positions.

**3. Medium to long-term corporate management strategy**

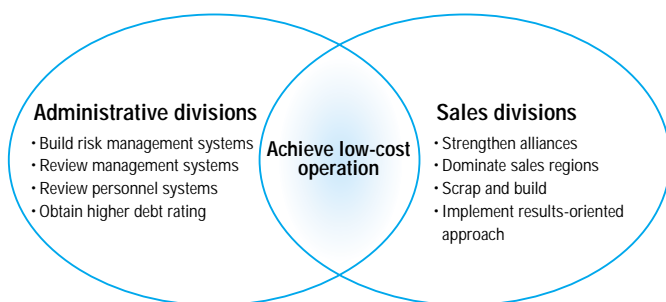
In its principal business of construction equipment rentals, the Company is continuing to implement to the extent possible the following two business strategies, together with other firms that are recognized as being the leading companies in their own businesses.

- ① Increase the efficient utilization of its rental assets through its strategy of building a dominant network in existing sales territories, by opening a greater number of small-scale branch offices
- ② Expand its business base by constructing an alliance group of business partners in regions such as western Japan, where the Company has not previously built its own sales branches

By continuing to pursue this strategy, the Company has created a group of firms that employs more than 1,300 individuals and has achieved an expansionary trend that will provide future growth.

Nevertheless, any increase in the number of offices and employees brings a danger of succumbing to so-called "big company syndrome," where a company's organization becomes inflexible or employee morale stagnates. In order to avoid this result, based on the new "Kanamoto Survival Plan" Three-Year Plan initiated in November 2001, Kanamoto Company will strengthen its internal management systems in the following areas.

Among these objectives, Kanamoto will promote further improvements in business efficiency and greater operating efficiency for its rental assets by taking maximum advantage of the online network linking all of the Company's branches. This system provides the underlying structure of the Company's operations, and is more advanced and vastly superior to similar efforts at other companies in the industry.



Under its scrap and build policy, Kanamoto has adopted a proactive system to promptly close unprofitable branches that do not satisfy the Company's prescribed standards and shift its human resources and rental assets to regions with higher needs. Kanamoto's policy is to place priority on opening branches that can rapidly attain profitability. Specifically the Company has placed its greatest priority on the Kanto region, particularly in the Tokyo area.

In addition, Kanamoto is taking steps to strengthen its alliance group. These include boosting business capabilities without regard to whether a firm is a consolidated or non-consolidated company, and enhancing tie-ups among the firms as a group. As part of this effort, Kanamoto made Daiichi Machine Industries Co., Ltd. (Head office: Kanoya, Kagoshima Prefecture), whose main sales territory is the southern area of Kyushu, a subsidiary company in November 2001.

Finally, as its strategy in the finance and administrative division, Kanamoto will continue to focus on improving its bond rating with a view of ensuring access to diverse, high-quality capital funding, in order to improve and strengthen its financial position.

#### 4. Changes to the Company's management organization and measures concerning corporate governance

To provide overall management for the Kanamoto group, the Company holds a regular "alliance group meeting" that is attended by the management of each group company. This meeting serves to ensure a thorough understanding of the group's business objectives and management policies, and to provide each firm participating in the group with a sense of harmony as well as independence. For those companies subject to consolidation in particular, these meeting focus on improvements to the business development capabilities of the entire group by strengthening the business of each respective firm and ensuring a solid financial base.

In January 2001, Kanamoto introduced a corporate officer system. The Company took this step as a means to clarify responsibility for execution of the Company's business and speed up decision-making. In addition to consolidating the organizational framework in the Construction Equipment Rental Division and clarifying the system of responsibility in each region, the new system will improve the communication function for top-down notification of instructions such as management policies and provide a system for keeping every employee well informed about the Company's policies.

The Company has also abolished the seniority system and replaced it with an emphasis on ability and performance-based evaluations.

Under this new system, Kanamoto is aggressively appointing promising young employees as on-site managers of the Company's 136 branch offices.

#### 5. Issues to be addressed by the Company

Because of the pressure on construction companies to lower rental unit prices that has accompanied recent public works spending cuts, the construction equipment rental industry is experiencing deteriorating profit margins. In order to maintain its growth in the face of this environment, Kanamoto must continue to introduce equipment to meet the demand for renewal construction (bridge inspection vehicles) and the most up-to-date equipment such as specialized equipment (large-scale electrical generators or ground improvement equipment) that competitors cannot make available. In addition, the Company must also build an organization that can deliver this equipment to users throughout Japan and differentiate Kanamoto from other firms, through fast, accurate maintenance and a responsive asset quality assurance system.

Because such differentiation also runs the risk leading to higher costs, however, as mentioned earlier Kanamoto has drafted a "Kanamoto Survival Plan" Three-Year Plan, which the Company will implement beginning from November 2001. With this plan Kanamoto seeks to achieve a low-cost operation without sacrificing service quality, by lowering its purchasing costs through planned rental asset purchases and reviewing and reducing all expenditures.

For its marketing efforts as well, Kanamoto will take maximum advantage of its high-quality services and top-down system of guidance created by the change in organization, in order to implement systematic marketing from its sales force to top management.

In the past, Kanamoto Company delayed opening branches in the large market provided by the Kanto region, particularly the Tokyo metropolitan area, because of the problem of obtaining suitable branch office sites. Over the coming years Kanamoto will focus on the Tokyo metropolitan area as the most important business territory for new growth and proceed to build a sales office network. While there are many competitors and achieving branch profitability is expected to be challenging, the Company can anticipate suitable results because its branch network will be newly constructed.

Kanamoto will also continue its venture business support activities, in order to nurture new businesses that will follow the growth path of its construction equipment rental business. Among the companies Kanamoto has invested in so far, microturbine electrical generators and VoIP (Internet telephony) technology show strong promise.



Kanchu Kanamoto, President  
June 2002

*K. Kanamoto*

# Consolidated Balance Sheets

[As of April 30, 2002]

## ASSETS

Ikanamoto co., Ltd.

|  | Millions of yen                  |                     |                                  | Thousands of<br>U.S. dollars (Note) |
|--|----------------------------------|---------------------|----------------------------------|-------------------------------------|
|  | April 30,<br>2001<br>(Unaudited) | October 31,<br>2001 | April 30,<br>2002<br>(Unaudited) | April 30,<br>2002<br>(Unaudited)    |
| <b>Current assets :</b>                |                                  |                     |                                  |                                     |
| Cash and cash equivalents              | ¥ 15,780                         | ¥ 15,991            | ¥ 20,624                         | \$ 160,686                          |
| Short-term investments                 | 278                              | 120                 | 592                              | 4,614                               |
| Notes and accounts receivable, trade   | 24,048                           | 25,808              | 20,439                           | 159,246                             |
| Inventories                            | 1,368                            | 1,118               | 959                              | 7,472                               |
| Deferred income taxes                  | 222                              | 230                 | 247                              | 1,925                               |
| Other current assets                   | 4,148                            | 3,283               | 3,160                            | 24,623                              |
| Less : Allowance for doubtful accounts | (200)                            | (325)               | (401)                            | (3,124)                             |
| Total current assets                   | 45,644                           | 46,225              | 45,620                           | 355,442                             |
| <b>Property and equipment :</b>        |                                  |                     |                                  |                                     |
| Rental equipment                       | 59,473                           | 56,322              | 52,392                           | 408,195                             |
| Building and structures                | 14,503                           | 14,883              | 15,216                           | 118,548                             |
| Machinery and equipment                | 4,859                            | 4,949               | 4,879                            | 38,015                              |
| Less : Accumulated depreciation        | (48,748)                         | (46,639)            | (45,411)                         | (353,804)                           |
|  | 30,087                           | 29,515              | 27,076                           | 210,954                             |
| Land                                   | 24,182                           | 24,397              | 24,635                           | 191,937                             |
| Construction in progress               | 110                              | 59                  | 58                               | 448                                 |
| Total property and equipment           | 54,379                           | 53,971              | 51,769                           | 403,339                             |
| <b>Investments and other assets :</b>  |                                  |                     |                                  |                                     |
| Investments in securities              | 4,561                            | 3,789               | 3,745                            | 29,180                              |
| Deferred income taxes                  | 609                              | 1,567               | 1,702                            | 13,257                              |
| Other assets                           | 1,567                            | 1,534               | 1,628                            | 12,685                              |
| Less : Allowance for doubtful accounts | (579)                            | (447)               | (607)                            | (4,726)                             |
| Total investments and other assets     | 6,158                            | 6,443               | 6,468                            | 50,396                              |
|  | ¥ 106,181                        | ¥ 106,639           | ¥ 103,857                        | \$ 809,177                          |

Note : U.S. dollar amounts have been translated from yen for convenience only, at the rate of ¥128.35=US\$1, the approximate exchange rate on April 30, 2002.

**LIABILITIES AND SHAREHOLDERS' EQUITY**
**kanamoto co.,ltd.**

|                                     | Millions of yen                  |                     |                                  | Thousands of<br>U.S. dollars (Note) |
|-------------------------------------|----------------------------------|---------------------|----------------------------------|-------------------------------------|
|                                     | April 30,<br>2001<br>(Unaudited) | October 31,<br>2001 | April 30,<br>2002<br>(Unaudited) | April 30,<br>2002<br>(Unaudited)    |
| <b>Current liabilities :</b>        |                                  |                     |                                  |                                     |
| Short-term bank loans               | ¥ 517                            | ¥ 510               | ¥ 750                            | \$ 5,846                            |
| Current portion of long-term debt   | 14,715                           | 15,240              | 20,962                           | 163,323                             |
| Notes and accounts payable, trade   | 13,324                           | 12,620              | 10,725                           | 83,559                              |
| Accrued income taxes                | 1,263                            | 1,319               | 921                              | 7,174                               |
| Accrued bonuses for employees       | 539                              | 595                 | 573                              | 4,468                               |
| Other current liabilities           | 2,104                            | 1,643               | 1,489                            | 11,597                              |
| Total current liabilities           | 32,462                           | 31,927              | 35,420                           | 275,967                             |
| <b>Non-current liabilities :</b>    |                                  |                     |                                  |                                     |
| Long-term debt                      | 38,233                           | 40,043              | 33,863                           | 263,835                             |
| Accrued pension and severance costs | 1,019                            | 2,009               | 2,055                            | 16,010                              |
| Other liabilities                   | 2,608                            | 1,750               | 920                              | 7,167                               |
| Total non-current liabilities       | 41,860                           | 43,802              | 36,838                           | 287,012                             |
| <b>Minority interests</b>           | 108                              | 67                  | 170                              | 1,324                               |
| <b>Shareholders' equity :</b>       |                                  |                     |                                  |                                     |
| Common stock                        | 8,596                            | 8,597               | 8,597                            | 66,979                              |
| Additional paid-in capital          | 9,720                            | 9,720               | 9,720                            | 75,733                              |
| Retained earnings                   | 12,718                           | 12,396              | 13,038                           | 101,582                             |
| Net unrealized gains on securities  | 727                              | 141                 | 85                               | 665                                 |
| Treasury stock                      | (10)                             | (11)                | (11)                             | (85)                                |
| Total shareholders' equity          | 31,751                           | 30,843              | 31,429                           | 244,874                             |
|                                     | ¥ 106,181                        | ¥ 106,639           | ¥ 103,857                        | \$ 809,177                          |

# Consolidated Statements of Income

[For the six months ended April 30, 2002]

**kanamoto co., ltd.**

|   | Millions of yen               |                  |                               | Thousands of U.S. dollars (Note) |
|---|-------------------------------|------------------|-------------------------------|----------------------------------|
|   | April 30, 2001<br>(Unaudited) | October 31, 2001 | April 30, 2002<br>(Unaudited) | April 30, 2002<br>(Unaudited)    |
| <b>Rental revenues</b>                              | ¥ 21,659                      | ¥ 41,839         | ¥ 21,024                      | \$163,808                        |
| <b>Cost of rentals</b>                              | 15,626                        | 31,190           | 15,327                        | 119,418                          |
| <b>Sales of goods</b>                               | 10,982                        | 25,507           | 11,591                        | 90,308                           |
| <b>Cost of sales</b>                                | 8,679                         | 19,986           | 8,847                         | 68,930                           |
| <b>Gross profit</b>                                 | 8,336                         | 16,170           | 8,441                         | 65,768                           |
| <b>Selling, general and administrative expenses</b> | 6,698                         | 13,298           | 6,745                         | 52,558                           |
| <b>Operating income</b>                             | 1,638                         | 2,872            | 1,696                         | 13,210                           |
| <b>Other income (expenses) :</b>                    |                               |                  |                               |                                  |
| Interest and dividend income                        | 27                            | 40               | 11                            | 87                               |
| Interest expenses                                   | (294)                         | (544)            | (242)                         | (1,885)                          |
| Others, net   | (360)                         | (1,343)          | 259                           | 2,023                            |
| <b>Income before income taxes</b>                   | 1,011                         | 1,025            | 1,724                         | 13,435                           |
| <b>Income taxes :</b>                               |                               |                  |                               |                                  |
| Current   | 1,231                         | 1,883            | 866                           | 6,750                            |
| Deferred  | (763)                         | (1,308)          | (111)                         | (865)                            |
|   | 468                           | 575              | 755                           | 5,885                            |
| <b>Income before minority interests</b>             | 543                           | 450              | 969                           | 7,550                            |
| <b>Minority interests in subsidiaries</b>           | 20                            | (23)             | 38                            | 296                              |
| <b>Net income</b>                                   | ¥ 523                         | ¥ 473            | ¥ 931                         | \$ 7,254                         |

|                                    | Yen                           |                  |                               | U.S.dollars (Note)            |
|------------------------------------|-------------------------------|------------------|-------------------------------|-------------------------------|
|                                    | April 30, 2001<br>(Unaudited) | October 31, 2001 | April 30, 2002<br>(Unaudited) | April 30, 2002<br>(Unaudited) |
| <b>Per share of common stock :</b> |                               |                  |                               |                               |
| Basic                              | ¥ 17.30                       | ¥ 15.64          | ¥ 30.79                       | \$ 0.24                       |
| Diluted                            | 14.20                         | 13.89            | 24.32                         | 0.19                          |

Note : U.S. dollar amounts have been translated from yen for convenience only, at the rate of ¥128.35=US\$1, the approximate exchange rate on April 30, 2002.



# Consolidated Statements of Cash Flows

[For the six months ended April 30, 2002]

kanamoto co., ltd.

|   | Millions of yen               |                  |                               | Thousands of U.S. dollars (Note) |
|---|-------------------------------|------------------|-------------------------------|----------------------------------|
|   | April 30, 2001<br>(Unaudited) | October 31, 2001 | April 30, 2002<br>(Unaudited) | April 30, 2002<br>(Unaudited)    |
| <b>Cash flows from operating activities</b>                 | ¥ 7,870                       | ¥ 12,470         | <b>¥ 8,708</b>                | <b>\$ 67,847</b>                 |
| <b>Cash flows from investing activities</b>                 | (269)                         | (763)            | <b>(617)</b>                  | <b>(4,807)</b>                   |
| <b>Cash flows from financing activities</b>                 | (8,243)                       | (12,138)         | <b>(3,458)</b>                | <b>(26,945)</b>                  |
| <b>Net increase (decrease) in cash and cash equivalents</b> | (642)                         | (431)            | <b>4,633</b>                  | <b>36,095</b>                    |
| <b>Cash and cash equivalents at beginning of period</b>     | 16,422                        | 16,422           | <b>15,991</b>                 | <b>124,591</b>                   |
| <b>Cash and cash equivalents at end of period</b>           | ¥ 15,780                      | ¥ 15,991         | <b>¥ 20,624</b>               | <b>\$ 160,686</b>                |

## Segment Information

[For the six months ended April 30, 2002 (Unaudited)]

kanamoto co., ltd.

|                           | Construction related business | Steel related business | Information and communication related and other business | <b>Total</b>                         | Eliminations and corporate items | Consolidated           |
|---------------------------|-------------------------------|------------------------|--|--------------------------------------|----------------------------------|------------------------|
| <b>Sales</b>              |                               |                        |  |                                      |                                  |                        |
| Outside customers         | ¥ 28,833<br>\$ 224,647        | ¥ 3,158<br>\$ 24,601   | ¥ 625<br>\$ 4,869  | <b>¥ 32,616</b><br><b>\$ 254,117</b> | ¥ –<br>\$ –                      | ¥ 32,616<br>\$ 254,117 |
| Intersegment              | ¥ –<br>\$ –                   | ¥ –<br>\$ –            | ¥ –<br>\$ –  | <b>¥ –</b><br><b>\$ –</b>            | ¥ –<br>\$ –                      | ¥ –<br>\$ –            |
| Total                     | ¥ 28,833<br>\$ 224,647        | ¥ 3,158<br>\$ 24,601   | ¥ 625<br>\$ 4,869  | <b>¥ 32,616</b><br><b>\$ 254,117</b> | ¥ –<br>\$ –                      | ¥ 32,616<br>\$ 254,117 |
| <b>Operating expenses</b> | ¥ 27,169<br>\$ 211,680        | ¥ 3,169<br>\$ 24,687   | ¥ 650<br>\$ 5,064  | <b>¥ 30,988</b><br><b>\$ 241,431</b> | (¥ 67)<br>(\$ 524)               | ¥ 30,921<br>\$ 240,907 |
| <b>Operating profit</b>   | ¥ 1,664<br>\$ 12,967          | (¥ 11)<br>(\$ 86)      | (¥ 25)<br>(\$ 195)                                       | <b>¥ 1,628</b><br><b>\$ 12,686</b>   | ¥ 67<br>\$ 524                   | ¥ 1,695<br>\$ 13,210   |

Amounts shown in the table are millions of yen and thousands of U.S. dollars.

## Outstanding Balance of Future Lease Payments (Consolidated)

[For the six months ended April 30, 2002 ]

kanamoto co., ltd.

|                         | Millions of yen               |                  |                               | Thousands of U.S. dollars (Note) |
|-------------------------|-------------------------------|------------------|-------------------------------|----------------------------------|
|                         | April 30, 2001<br>(Unaudited) | October 31, 2001 | April 30, 2002<br>(Unaudited) | April 30, 2002<br>(Unaudited)    |
| <b>Finance Leases</b>   |                               |                  |                               |                                  |
| Within one year         | ¥ 2,483                       | ¥ 3,264          | <b>¥ 3,789</b>                | <b>\$ 29,523</b>                 |
| After one year          | 5,482                         | 5,323            | <b>7,264</b>                  | <b>56,594</b>                    |
| Total                   | 7,965                         | 8,587            | <b>11,053</b>                 | <b>86,117</b>                    |
| <b>Operating Leases</b> |                               |                  |                               |                                  |
| Within one year         | 1,428                         | 1,681            | <b>1,616</b>                  | <b>12,593</b>                    |
| After one year          | 3,386                         | 2,837            | <b>2,783</b>                  | <b>21,686</b>                    |
| Total                   | ¥ 4,814                       | ¥ 4,518          | <b>¥ 4,399</b>                | <b>\$ 34,279</b>                 |

# Non-Consolidated Balance Sheets

[As of April 30, 2002]

## ASSETS

kanamoto co., ltd.

|  | Millions of yen               |                  |                               | Thousands of U.S. dollars (Note) |
|--|-------------------------------|------------------|-------------------------------|----------------------------------|
|  | April 30, 2001<br>(Unaudited) | October 31, 2001 | April 30, 2002<br>(Unaudited) | April 30, 2002<br>(Unaudited)    |
| <b>Current assets :</b>                |                               |                  |                               |                                  |
| Cash                                   | ¥ 9,038                       | ¥ 8,282          | ¥ 19,985                      | \$ 155,711                       |
| Time deposits                          | 5,950                         | 7,410            | -                             | -                                |
| Notes receivable, trade                | 14,734                        | 12,520           | 11,376                        | 88,632                           |
| Accounts receivable, trade             | 8,848                         | 12,587           | 8,160                         | 63,574                           |
| Inventories                            | 928                           | 806              | 544                           | 4,239                            |
| Other current assets                   | 4,608                         | 3,598            | 3,540                         | 27,580                           |
| Less : Allowance for doubtful accounts | (197)                         | (318)            | (367)                         | (2,858)                          |
| Total current assets                   | 43,909                        | 44,885           | 43,238                        | 336,878                          |
| <b>Property and equipment :</b>        |                               |                  |                               |                                  |
| Rental equipment                       | 59,473                        | 56,321           | 51,120                        | 398,283                          |
| Buildings                              | 10,504                        | 10,766           | 10,876                        | 84,736                           |
| Structures                             | 3,740                         | 3,857            | 3,866                         | 30,119                           |
| Machinery and equipment                | 4,814                         | 4,923            | 4,754                         | 37,042                           |
| Less : Accumulated depreciation        | (48,592)                      | (46,491)         | (44,179)                      | (344,206)                        |
|  | 29,939                        | 29,376           | 26,437                        | 205,974                          |
| Land                                   | 24,043                        | 24,258           | 24,258                        | 189,000                          |
| Construction in progress               | 110                           | 59               | 57                            | 448                              |
| Total property and equipment           | 54,092                        | 53,693           | 50,752                        | 395,422                          |
| <b>Investments and other assets :</b>  |                               |                  |                               |                                  |
| Investments and other assets           | 7,140                         | 7,292            | 7,551                         | 58,828                           |
| Less : Allowance for doubtful accounts | (579)                         | (447)            | (607)                         | (4,726)                          |
| Total investments and other assets     | 6,561                         | 6,845            | 6,944                         | 54,102                           |
|  | ¥ 104,562                     | ¥ 105,423        | ¥ 100,934                     | \$ 786,402                       |

Note : U.S. dollar amounts have been translated from yen for convenience only, at the rate of ¥128.35=US\$1, the approximate exchange rate on April 30, 2002.

**LIABILITIES AND SHAREHOLDERS' EQUITY**
**kanamoto co., ltd.**

|   | Millions of yen                  |                     |                                  | Thousands of U.S. dollars (Note) |
|---|----------------------------------|---------------------|----------------------------------|----------------------------------|
|   | April 30,<br>2001<br>(Unaudited) | October 31,<br>2001 | April 30,<br>2002<br>(Unaudited) | April 30,<br>2002<br>(Unaudited) |
| <b>Current liabilities :</b>            |                                  |                     |                                  |                                  |
| Current portion of straight bonds       | ¥ –                              | ¥ –                 | ¥ 5,278                          | \$ 41,120                        |
| Current portion of long-term bank loans | 7,851                            | 7,755               | 8,115                            | 63,226                           |
| Notes payable, trade                    | 10,338                           | 9,151               | 7,831                            | 61,011                           |
| Accounts payable, trade                 | 1,856                            | 2,647               | 1,695                            | 13,205                           |
| Notes payable, other                    | 375                              | 422                 | 215                              | 1,675                            |
| Accounts payable, other                 | 8,348                            | 8,284               | 8,105                            | 63,145                           |
| Accrued income taxes                    | 1,234                            | 1,290               | 898                              | 6,998                            |
| Accrued bonuses for employees           | 524                              | 575                 | 553                              | 4,306                            |
| Other current liabilities               | 530                              | 722                 | 682                              | 5,322                            |
| Total current liabilities               | 31,056                           | 30,846              | 33,372                           | 260,008                          |
| <b>Non-current liabilities :</b>        |                                  |                     |                                  |                                  |
| Straight bonds                          | 5,278                            | 5,278               | –                                | –                                |
| Convertible bonds                       | 9,733                            | 9,281               | 7,754                            | 60,413                           |
| Long-term bank loans                    | 13,076                           | 14,305              | 16,336                           | 127,277                          |
| Long-term accounts payable, other       | 12,248                           | 12,399              | 9,816                            | 76,476                           |
| Accrued pension and severance costs     | 1,015                            | 1,998               | 2,042                            | 15,912                           |
| Other liabilities                       | 273                              | 282                 | 176                              | 1,373                            |
| Total non-current liabilities           | 41,623                           | 43,543              | 36,124                           | 281,451                          |
| <b>Shareholders' equity :</b>           |                                  |                     |                                  |                                  |
| Common stock                            | 8,596                            | 8,597               | 8,597                            | 66,979                           |
| Additional paid-in capital              | –                                | 9,720               | 9,720                            | 75,733                           |
| Legal reserve                           | 9,720                            | 1,372               | 1,372                            | 10,693                           |
| Retained earnings                       | 1,345                            | 11,205              | 11,665                           | 90,881                           |
| Net unrealized gains on securities      | 11,495                           | 141                 | 85                               | 665                              |
| Treasury stock                          | 727                              | (1)                 | (1)                              | (8)                              |
| Total shareholders' equity              | 31,883                           | 31,034              | 31,438                           | 244,943                          |
|   | ¥ 104,562                        | ¥ 105,423           | ¥ 100,934                        | \$ 786,402                       |

# Non-Consolidated Statements of Income

[For the six months ended April 30, 2002]

kanamoto co.,ltd.

|   | Millions of yen               |                  |                               | Thousands of U.S. dollars (Note) |
|---|-------------------------------|------------------|-------------------------------|----------------------------------|
|   | April 30, 2001<br>(Unaudited) | October 31, 2001 | April 30, 2002<br>(Unaudited) | April 30, 2002<br>(Unaudited)    |
| <b>Rental revenues</b>                              | ¥ 21,143                      | ¥ 41,456         | ¥ 19,925                      | \$ 155,242                       |
| <b>Cost of rentals</b>                              | 15,470                        | 31,303           | 14,762                        | 115,017                          |
| <b>Sales of goods</b>                               | 10,092                        | 22,840           | 10,052                        | 78,320                           |
| <b>Cost of sales</b>                                | 7,900                         | 17,570           | 7,467                         | 58,179                           |
| <b>Gross profit</b>                                 | 7,865                         | 15,423           | 7,748                         | 60,366                           |
| <b>Selling, general and administrative expenses</b> | 6,360                         | 12,652           | 6,197                         | 48,281                           |
| <b>Operating income</b>                             | 1,505                         | 2,771            | 1,551                         | 12,085                           |
| <b>Other income (expenses) :</b>                    |                               |                  |                               |                                  |
| Interest and dividend income                        | 27                            | 40               | 8                             | 62                               |
| Interest expenses                                   | (284)                         | (524)            | (227)                         | (1,768)                          |
| Others, net   | (300)                         | (1,215)          | 145                           | 1,131                            |
| <b>Income before income taxes</b>                   | 948                           | 1,072            | 1,477                         | 11,510                           |
| <b>Income taxes :</b>                               |                               |                  |                               |                                  |
| Current   | 1,202                         | 1,854            | 843                           | 6,574                            |
| Deferred  | (763)                         | (1,300)          | (115)                         | (896)                            |
|   | 439                           | 554              | 728                           | 5,678                            |
| <b>Net income</b>                                   | ¥ 509                         | ¥ 518            | ¥ 749                         | \$ 5,832                         |

|                                       | Yen                           |                  |                               | U.S.dollars (Note)            |
|---------------------------------------|-------------------------------|------------------|-------------------------------|-------------------------------|
|                                       | April 30, 2001<br>(Unaudited) | October 31, 2001 | April 30, 2002<br>(Unaudited) | April 30, 2002<br>(Unaudited) |
| <b>Per share of common stock :</b>    |                               |                  |                               |                               |
| Net income                            | ¥ 16.84                       | ¥ 17.14          | ¥ 24.75                       | \$ 0.19                       |
| Cash dividends applicable to the year | 9.00                          | 18.00            | 9.00                          | 0.07                          |

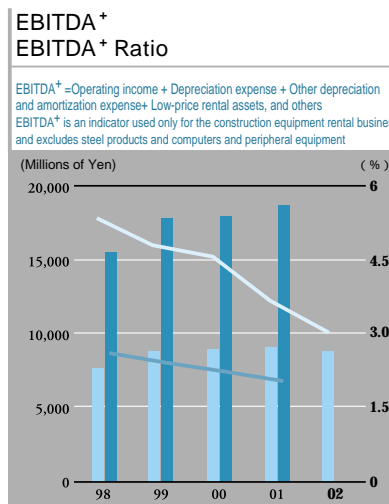
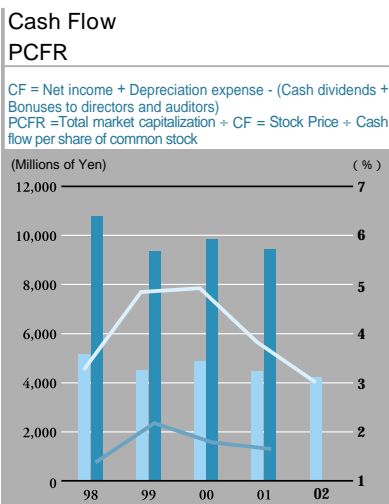
Note : U.S. dollar amounts have been translated from yen for convenience only, at the rate of ¥128.35=US\$1, the approximate exchange rate on April 30, 2002.

## Outstanding Balance of Future Lease Payments (Non-Consolidated)

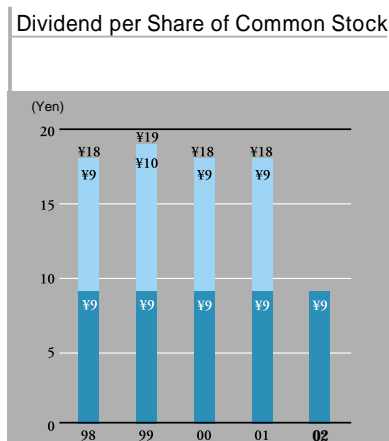
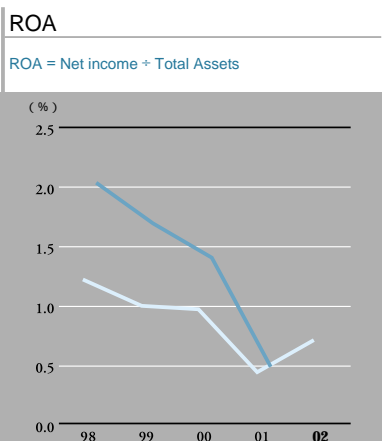
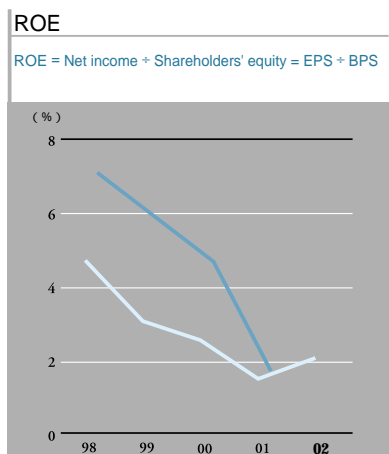
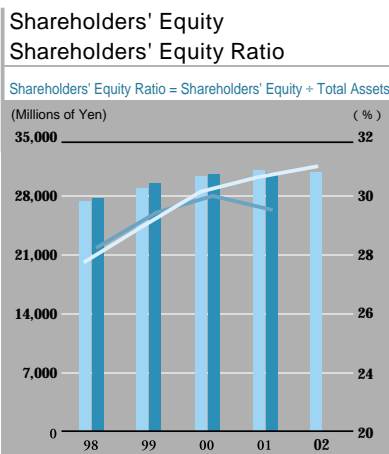
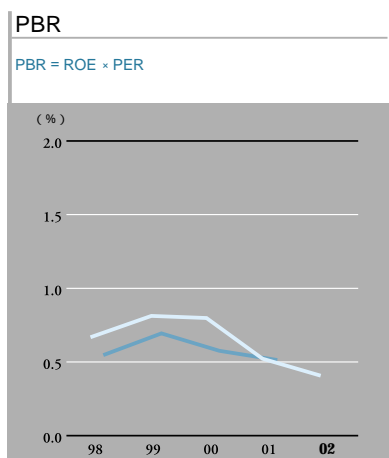
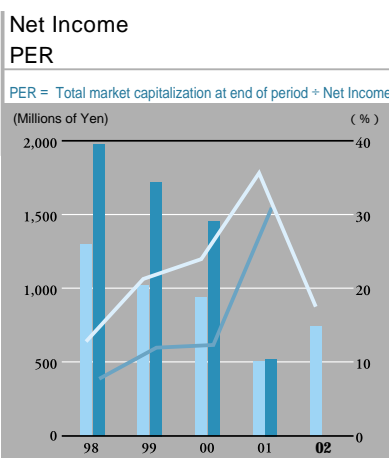
[For the six months ended April 30, 2002]

kanamoto co.,ltd.

|                         | Millions of yen               |                  |                               | Thousands of U.S. dollars (Note) |
|-------------------------|-------------------------------|------------------|-------------------------------|----------------------------------|
|                         | April 30, 2001<br>(Unaudited) | October 31, 2001 | April 30, 2002<br>(Unaudited) | April 30, 2002<br>(Unaudited)    |
| <b>Finance Leases</b>   |                               |                  |                               |                                  |
| Within one year         | ¥ 2,468                       | ¥ 2,893          | ¥ 3,348                       | \$ 26,085                        |
| After one year          | 5,420                         | 4,788            | 6,621                         | 51,583                           |
| Total                   | 7,888                         | 7,681            | 9,969                         | 77,668                           |
| <b>Operating Leases</b> |                               |                  |                               |                                  |
| Within one year         | 1,428                         | 1,681            | 1,616                         | 12,593                           |
| After one year          | 3,386                         | 2,837            | 2,783                         | 21,686                           |
| Total                   | ¥ 4,814                       | ¥ 4,518          | ¥ 4,399                       | \$ 34,279                        |



■ =Annual  
■ =Interim  
— =Annual  
— =Interim



## Daiichi Machine Industries Co., Ltd. becomes a Kanamoto subsidiary

As previously announced, on November 1, 2001 Kanamoto acquired majority ownership of the stock of Daiichi Machine Industries Co., Ltd. (Head office: Kanoya, Kagoshima Prefecture), making the company a subsidiary of Kanamoto.

Daiichi Machine and Kanamoto have built a strong, positive business relationship over many years. As one of the original members of the Company's alliance group, Daiichi Machine is helping Kanamoto grow as our business partner in the southern half of Kyushu.

[Company summary]  
 Daiichi Machine Industries Co., Ltd.  
 1056-1 Kasanoharacho, Kanoya, Kagoshima Prefecture, Japan  
 Kiyoto Matsui, President and Representative Director  
 Established September 1, 1977  
 Sales offices 7 branches  
 Employees 47  
 Capital ¥498 million  
 Sales ¥1,400 million  
 (Fiscal year ended June 2001)



Daiichi Machine Industries Co., Ltd. head office



Daiichi Machine Industries Co., Ltd. President, Kiyoto Matsui

## MTG adopted for electric power generation technology development research and testing using sewage digestion gas



Industrial package microturbine electrical generator from U.S. manufacturer Capstone Corporation

The Fukuoka Sewage Bureau, NKK Corporation (NKK) and Kanamoto Co., Ltd. will undertake joint research on power generation technology development using sewage digestion gas. The companies will conduct empirical tests using a microturbine electrical generator (MTG) built by the U.S. manufacturer Capstone Corporation and imported, sold and rented by Kanamoto.

The research will test the feasibility of generating electricity using an MTG and methane gas obtained from decomposition of organic

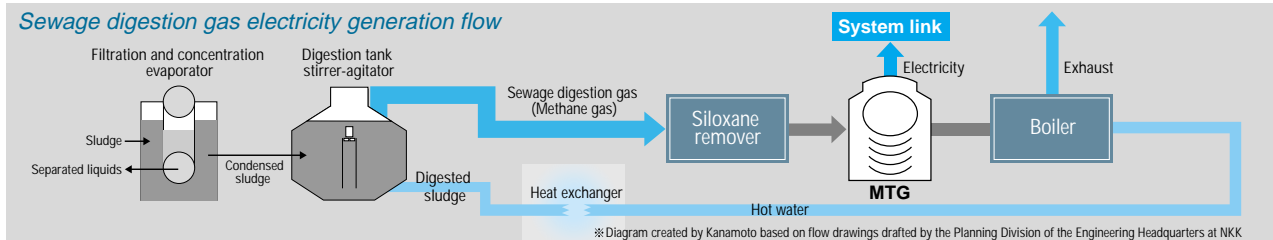
materials by microorganisms in sewage sludge as a fuel. The tests are scheduled to begin this summer, and will be continued for about three years until the end of March 2005.

The equipment used in the planned tests will be located at the Fukuoka Wajiro Water Treatment Center. The plant will generate electricity by heating dehydrated sludge in a stirrer-agitator, and drawing off the methane gas produced by fermentation to burn as fuel in the MTG. The plant will also use waste heat to warm the digestion tank and supply heat to other facilities.

One of the most significant aspects of the tests is the point that by utilizing a compact MTG, the quantity of methane required for plant operations will be limited to approximately 450Nm<sup>3</sup> each day. This will make it possible to construct systems that can be introduced even for use by existing small and medium-scale sewage treatment facilities. For Kanamoto, the project will provide promising research that can be expected to result in future demand for the corresponding number of MTG.



Water Treatment Center



## Branch Network

[As of April 30, 2002]

### Our Growing Branch Network

| Number of Branches                                  | As of April 30, 2002 |        |       |
|---|----------------------|--------|-------|
|   | Hokkaido             | Honshu | Total |
| Construction Equipment Rental Operations            | 56                   | 76     | 132   |
| Steel Sales   | 3                    | 0      | 3     |
| Computer and Peripheral Equipment Rental Operations | 0                    | 1      | 1     |
| Total   | 59                   | 77     | 136   |

Kanamoto opened 8 branches and closed 2 branches during the first half of Fiscal 2002 (ends October 31, 2002).

#### 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)

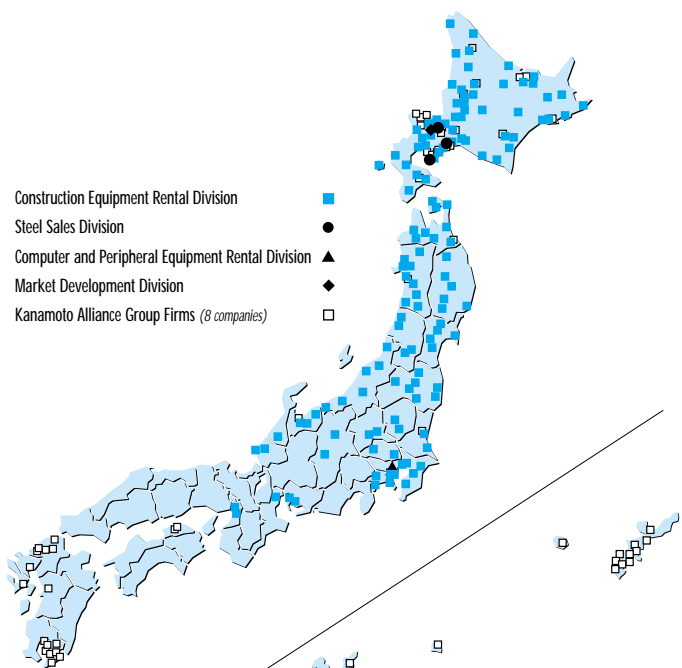
Construction equipment rental company headquartered in Kagoshima Prefecture.

#### 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



## SHAREHOLDERS' INFORMATION

|   |  |   |
|---|--|---|
| <p><b>Company Name</b><br/>Kanamoto Company, Ltd.</p> <p><b>Head Office</b><br/>1-19, Odori Higashi 3-chome<br/>Chuo-ku, Sapporo, Hokkaido<br/>060-0041 Japan</p> <p><b>Established</b><br/>October 28, 1964</p> <p><b>Capitalization</b><br/>¥8.6 billion (Paid-in capital)</p> <p><b>Listing Exchanges</b><br/>Tokyo Stock Exchange, First Section<br/>Sapporo Stock Exchange</p> <p><b>Stock Code</b><br/>9678</p> | <p><b>Common Shares Issued and Outstanding</b><br/>30,253,000 shares</p> <p><b>Fiscal Year-end</b><br/>October 31</p> <p><b>Revenues</b><br/>¥64,295 million<br/>(Fiscal year ended October 2001)</p> <p><b>Number of Employees</b><br/>1,137<br/>(Excluding directors and temporary or part-time workers)</p> <p><b>Principal Businesses</b><br/>Rental of construction equipment, sale of steel products<br/>Rental of engineering workstations and computer peripherals</p> | <p><b>Primary Lenders</b><br/>The Bank of Tokyo-Mitsubishi<br/>The Mitsubishi Trust and Banking Corporation<br/>Mizuho Corporate Bank<br/>SUMITOMO MITSUI Banking Corporation<br/>North Pacific Bank<br/>The Norinchukin Bank<br/>Hokkaido Shinren<br/>The Hokkaido Bank<br/>UFJ Bank Limited<br/>Shinkin Central Bank</p> <p><b>Principal Shareholders</b><br/>ORIX Corporation<br/>Taichu Kanamoto<br/>Saburo Kanamoto<br/>The Mitsubishi Trust and Banking Corporation<br/>Komatsu Corporation<br/>Kanamoto Capital Company<br/>The Hokkaido Bank<br/>The Tokio Marine &amp; Fire Insurance Company<br/>North Pacific Bank<br/>DENYO Co., Ltd.</p> |
|---|--|---|

## BOARD OF DIRECTORS

### Directors

**Taichu Kanamoto**  
Chairman

**Kanchu Kanamoto**  
President

**Hidemitsu Washida**  
Executive Vice President

**Shinroku Sawada**

**Yukio Sato**

**Masahiro Matono**

**Kojiro Satsuma**

### Auditors

**Toshizo Okumura**  
Standing Corporate Auditor

**Norizumi Tsuda**  
Standing Corporate Auditor

**Kiyoshi Onishi**  
Outside Corporate Auditor

### Corporate Officers (Shown with the division that is representative of their work as a corporate officer)

**Shinroku Sawada**  
Senior Corporate Officer  
Manager in charge of Business Planning

**Yukio Sato**  
Senior Corporate Officer  
Division Manager, Construction Equipment Rental Division

**Eichu Kanamoto**  
Division Manager, Credit Management Division

**Kimio Tsujioka**  
Division Manager, Administration Division

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

**Yoshikatsu Kon**  
Division Manager, Steel Sales Division

**Nobuhito Utatsu**  
Division Manager, Accounting Division

**Hideki Nomiya**  
Division Manager, Market Development Division; Manager, New Products Department

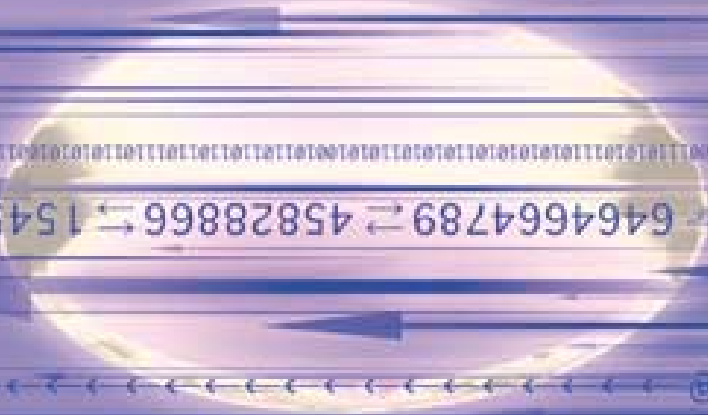
**Masakazu Hirata**  
Deputy Division Manager, Construction Equipment Rental Division; Division Manager, Used Products Sales Division; Manager, Quality Assurance Section

**Hitoshi Narita**  
Division Manager, Business Planning Division

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

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

**Keiichi Kitakata**  
Division Manager, Research & Investment Division



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