Introduction to Kanamoto Co., Ltd.

A pioneer in Japan’s construction equipment rental business, Kanamoto Co., Ltd., has consistently been the foremost company in the industry. Kanamoto’s full lineup of high-quality rental equipment, construction equipment management system utilizing an advanced online network and superb maintenance system remain unsurpassed and years ahead of the competition.

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

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

Construction Equipment Rental Division
Promotes asset reductions and greater efficiency at construction companies, by providing the right equipment at the right time and in the right quantity from our full fleet of rental machinery and equipment.

As we continually upgrade our rental assets to the latest models, we are also achieving steady results from our exports of used construction equipment. The majority of our end customers are in China and various countries in Southeast Asia and the Middle East.

TRENDS
Shift of business resources to Japan’s three major metropolitan areas
Kanamoto is vigorously promoting new branch openings in the Tokyo, Nagoya, and Osaka metropolitan areas.

Review of rental asset introductions
Kanamoto makes selective equipment investments by placing maximum emphasis on the rate at which the company will recover invested capital.

Pursuit of alliance strategy
Kanamoto is expanding its business and supplying regions where it does not have branch offices through business alliances with specialized service companies that complement Kanamoto’s own construction equipment rental business.

Reduction of priority cost categories
As part of its low-cost operation activities, Kanamoto is reducing its main cost categories such as transportation costs and repair expenses.

TOPICS
Cut construction equipment power and render equipment impossible to move
Kanamoto begins selling upgrade version Theft Sensor II Hydro-Sever anti-theft device for construction equipment

CS completes makeover into more aggressive organization
In response to globalization of the company’s operating environment and expansion of its business activities, Kanamoto executed

Komatsu product introductions break the 10,000 mark! A world first for a single firm
A Party to Commemorate the 10,000th Komatsu Product Delivery was held by Komatsu at Sapporo Grand Hotel in January

Kanamoto forms alliance with Komeri Co., Ltd. for tool rentals
Through its new alliance with Komeri Co., Ltd. (Head Office: Niigata, Japan; listed on the Tokyo Stock Exchange First Section)

CONTENTS
3 Financial Highlights
4 A Message from the President
6 Consolidated Balance Sheets
8 Consolidated Statements of Income
9 Consolidated Statements of Cash Flows
10 Non-Consolidated Balance Sheets
12 Non-Consolidated Statements of Income
13 Management Indicator Data Graphs
14 Topics
16 Shareholders’ Information
17 Board of Directors
Financial Highlights

Non-Consolidated Financial Position

<table>
<thead>
<tr>
<th></th>
<th>12 months ended October 31</th>
<th>6 months ended April 30</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rental revenues and sales of goods</td>
<td>¥15,000 (¥21,000)</td>
<td>¥6,634 (¥7,636)</td>
</tr>
<tr>
<td>Operating income</td>
<td>¥30,000 (¥39,000)</td>
<td>¥12,977 (¥13,977)</td>
</tr>
<tr>
<td>Net income</td>
<td>¥45,000 (¥60,000)</td>
<td>¥12,977 (¥13,977)</td>
</tr>
<tr>
<td>Total shareholders' equity</td>
<td>¥75,000 (¥100,000)</td>
<td>¥60,066 (¥64,295)</td>
</tr>
<tr>
<td>Total assets</td>
<td>¥110,000 (¥140,000)</td>
<td>¥80,664 (¥84,932)</td>
</tr>
</tbody>
</table>

Per share of common stock:

<table>
<thead>
<tr>
<th></th>
<th>12 months ended October 31</th>
<th>6 months ended April 30</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net income per share</td>
<td>¥58.95 (¥74.86)</td>
<td>¥58.95 (¥74.86)</td>
</tr>
</tbody>
</table>

Note: U.S. dollar amounts have been translated from yen for convenience only, at the rate of ¥119.65=US$1, the approximate exchange rate on April 30, 2003.
A Message from the President

Kanamoto Company has always made the centerpiece of its action agenda the concept, “constantly seek innovation and strive to energize the business.” Through management of an integrated construction equipment rental business, our focus is on being an enterprise that can continually distribute profits to our shareholder partners, and truly contribute to local communities by offering detailed services that are intimately linked to each local region.

Basic policies concerning distribution of earnings
To ensure the long-term, integrated expansion of shareholders’ profits, Kanamoto Company continues to focus comprehensively on 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.

At the same time, the Company utilizes its internal reserves by allocating funds for the introduction of the rental equipment assets that will become the source of future earnings.

In addition, Kanamoto has established a policy and system for the amortization of treasury stock, based on the assumption the Company will execute the policy at the appropriate time according to circumstances.

Policy concerning reduction of the Company’s investment unit
Given the Company’s position in the current market, the Company has no plans to reduce the size of its investment unit at this time. The Company currently also has no plans to execute a stock split.

Management indicators established as objectives
Because of the need for the Company to maintain a large quantity of assets, Kanamoto has always emphasized ROI (return on investment) and cash flow, and seeks growth in EBITDA (earnings before interest, taxes, depreciation and amortization) to meet its primary objective of establishing a solid management foundation.

As specific numerical targets, Kanamoto plans to achieve revenues of ¥65.0 billion and ordinary income of ¥2.5 billion on a consolidated basis for the fiscal year ending in October 2004, the final year of the “Kanamoto Survival Plan,” the Three-Year Plan the Company is currently executing.

Furthermore, in order to improve its debt rating, Kanamoto has declared one of its long-term objectives to be increasing shareholders’ equity to at least ¥50.0 billion. To achieve this goal, the Company has set an earnings target of ¥2.0 billion on a net income basis for the fiscal year ending October 2006, which will be a new record, and targets of at least 40.0%, 6.0% and 2.5% for capital ratio, ROE and ROA, respectively, for the final year of its next medium-term plan (fiscal year ending October 2007).

Medium to long-term corporate management strategy
In its principal business of construction equipment rentals, the Company is continuing to implement the following business and financial strategies to the extent possible based on the “Kanamoto Survival Plan.”

- In existing sales territories, execute a bold scrap and build program while adhering firmly to the strategy of building a dominant network to surround local customers. Adopt an offensive structure, by shifting human resources and construction equipment rental assets to major metropolitan areas where demand is concentrated, particularly Tokyo.

- Over the short-term, place priority on sales branches that are able to maintain profitability.

- In regions such as western Japan where the Company has not previously built its own sales branches, continue expansion of the business base by constructing an alliance group, and achieve synergistic results by strengthening the quality of each partner firm, regardless of whether it is a consolidated or non-consolidated company, and enhancing cooperation among the firms as a group.

- Reaffirm all operations that will maintain a strong Kanamoto group and restore the Company’s leadership, and execute thorough cost reduction measures.

- Aim at continuously raising the Company’s debt rating and improving and strengthening the Company’s financial position, from the standpoint of procuring diverse, high-quality capital resources.

Issues to be addressed by the Company
To differentiate itself from other companies, in the past Kanamoto strengthened its base of rental assets best suited to meeting customers’ needs and implemented actions such as enhancing its asset quality assurance system, while continuing efforts to hold down cost increases. In addition, the Kanamoto group is an alliance of firms that boast strong relationships with sectors such as temporary housing materials, furniture, fixtures and security equipment and specialized housing units, which supplement the Company’s principal business of construction equipment rentals. Because the prompt, flexible utilization of these relationships is the key to differentiation from other companies, Kanamoto will concentrate on further strengthening the alliance among the Group firms and seeking synergistic results.

On the other hand, to increase the firm’s dynamism through steps such as enhancing sales ability and improving profitability, the Company will thoroughly implement performance-based evaluations based on a review of the personnel system, promote low-cost operating activities at sales branches, and diligently address creation of a knowledge management system and maintenance standardization system that effectively utilizes the online network linking every Kanamoto branch.
Changes to the Company’s management organization and measures concerning corporate governance

Together with already introducing a corporate officer system that clarifies responsibility for execution of the Company’s business, Kanamoto has also improved the communication function for top-down notification of information such as management policies, and prepared a system for keeping every employee well informed regarding the Company’s policies. In conjunction with these improvements, by also revamping part of its organizational structure, establishing a separate Management Planning Division and restructuring its Business Coordination Headquarters, Kanamoto is able to create accurate management strategies that conform to the market environment, and execute comprehensive management and control for each operating division and each affiliated company.

Kanamoto also has prepared ethics guidelines, and established a Compliance Committee including outside committee members that is already fulfilling its functions, and maintains a corporate organization that observes the law and ethics regulations.

To improve the business development capabilities of the entire 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.

Outlook for the next consolidated fiscal year (Business period ending October 2003)

While progress is being made under the Koizumi Cabinet to restore Japan’s financial system to health, Kanamoto projects there will not be any changes to the present economic policy. The Company sees no concrete measures to attack the deflationary economy, and believes the chaotic conditions enveloping Japan’s economy will continue.

Looking at the public works budget for fiscal 2003 as well, although the government announced it would place government orders early there has been no strong stimulus effect from such orders, which were overwhelmed by the influence from further budget tightening. The supplementary budget also is not expected to have an effect, and offers little hope for much construction demand.

Given these conditions, Kanamoto forecasts the tough competitive situation in the construction equipment rental industry among manufacturer-related rental companies, large multi-regional rental firms and middle-market rental companies will continue.

In Kanamoto’s main activities in construction-related businesses and the construction equipment rental business, some models and sectors exhibit smaller unit price declines even when overall construction investment shows a downward trend. Kanamoto will strive to maintain earnings by winning more orders for these models and sectors, through closer cooperation among companies in the Kanamoto group and strong alliances with partner firms that are developing each region, and by implementing further cost reductions for transportation and maintenance.

Kanamoto will also pay careful attention to circumstances in other countries, to ensure there are no disruptions to steady overseas sales of used construction equipment, pursue development efforts such as used equipment sales campaigns for modular housing units and portable construction site toilets and build overseas sales of Theft Sensor and Hydro-Sever, two anti-theft devices developed by Kanamoto to protect construction equipment and rental vehicles against theft.

In other areas, although the Steel Sales Division and the Information Products Division represent only a small portion of Kanamoto’s total net revenues, we will work to continually increase revenues at each division.

Kanamoto also formed an alliance for tool rentals with Komeri Co., Ltd. (Tokyo Stock Exchange, First Section; stock code: 8218) the leader in Japan’s do-it-yourself home center industry, and has already begun rental activities at Komeri Power Niitsu (opened in March 2003) and Komeri Power Kodo (opened April 2003), two of Komeri’s top-class megastores.

Although the tie-up will not have a large impact on earnings during the current fiscal year because the alliance focuses on rentals of small-scale construction equipment, the alliance is expected to expand rentals to new users including farmers, building contractors and the general public, which until now have not been major Kanamoto customers.

In the future, the two firms plan to conduct market research and will set up temporary rental corners at other Komeri stores.
## Consolidated Balance Sheets

**[As of April 30, 2003]**

### ASSETS

#### Current assets:
- Cash and cash equivalents
- Short-term investments
- Notes and accounts receivable, trade
- Inventories
- Deferred income taxes
- Other current assets
- Less: Allowance for doubtful accounts
- Total current assets

#### Property and equipment:
- Rental equipment
- Building and structures
- Machinery and equipment
- Less: Accumulated depreciation
  - Land
  - Construction in progress
- Total property and equipment

#### Investments and other assets:
- Investments in securities
- Deferred income taxes
- Other assets
- Less: Allowance for doubtful accounts
- Total investments and other assets

---

**Note:** U.S. dollar amounts have been translated from yen for convenience only, at the rate of ¥119.65=US$1, the approximate exchange rate on April 30, 2003.
<table>
<thead>
<tr>
<th>LIABILITIES AND SHAREHOLDERS’ EQUITY</th>
</tr>
</thead>
<tbody>
<tr>
<td>konamco co., ltd.</td>
</tr>
</tbody>
</table>

### Current liabilities:

<table>
<thead>
<tr>
<th>Description</th>
<th>¥</th>
<th>¥</th>
<th>¥</th>
<th>¥</th>
<th>¥</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short-term bank loans</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current portion of long-term debt</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Notes and accounts payable, trade</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accrued income taxes</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accrued bonuses for employees</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other current liabilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Non-current liabilities:

<table>
<thead>
<tr>
<th>Description</th>
<th>¥</th>
<th>¥</th>
<th>¥</th>
<th>¥</th>
<th>¥</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long-term debt</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accrued pension and severance costs</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other liabilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total non-current liabilities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Minority interests:

<table>
<thead>
<tr>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>¥</td>
</tr>
</tbody>
</table>

### Shareholders’ equity:

<table>
<thead>
<tr>
<th>Description</th>
<th>¥</th>
<th>¥</th>
<th>¥</th>
<th>¥</th>
<th>¥</th>
</tr>
</thead>
<tbody>
<tr>
<td>Common stock</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Additional paid-in capital</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retained earnings</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net unrealized gain (loss) on other securities, net of taxes</td>
<td>¥</td>
<td>¥</td>
<td>¥</td>
<td>¥</td>
<td>¥</td>
</tr>
<tr>
<td>Treasury stock</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total shareholders’ equity</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### Consolidated Statements of Income

**konan moto co., ltd.**

[For the six months ended April 30, 2003]

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount 1</th>
<th>Amount 2</th>
<th>Amount 3</th>
<th>Amount 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rental revenues</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost of rentals</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales of goods</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost of sales</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross profit</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Selling, general and administrative expenses</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating income</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other income (expenses) :</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest and dividend income</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest expenses</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Others, net</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income before income taxes</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income taxes :</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferred</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income before minority interests</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Minority interests in subsidiaries</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net income</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net income per share :</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Diluted</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: U.S. dollar amounts have been translated from yen for convenience only, at the rate of ¥119.65=US$1, the approximate exchange rate on April 30, 2003.
Consolidated Statements of Cash Flows

[For the six months ended April 30, 2003]

| Cash flows from operating activities | ¥ 123,456 | ¥ 78,901 | ¥ 45,678 | ¥ - 321 | ¥ 567,890 |
| Cash flows from investing activities | ¥ - 987 | ¥ - 456 | ¥ - 123 | ¥ - 789 | ¥ - 456 |
| Cash flows from financing activities | ¥ - 123 | ¥ - 456 | ¥ - 789 | ¥ - 123 | ¥ - 456 |
| Net increase (decrease) in cash and cash equivalents | ¥ - 987 | ¥ - 456 | ¥ - 123 | ¥ - 789 | ¥ - 456 |
| Cash and cash equivalents at beginning of period | ¥ 123,456 | ¥ 78,901 | ¥ 45,678 | ¥ - 321 | ¥ 567,890 |
| Cash and cash equivalents at end of period | ¥ - 987 | ¥ - 456 | ¥ - 123 | ¥ - 789 | ¥ - 456 |

Segment Information

[For the six months ended April 30, 2003]

| Sales | Inside customers | ¥ 123,456 | ¥ 78,901 | ¥ 45,678 | ¥ - 321 | ¥ 567,890 |
| Sales | Outside customers | ¥ - 987 | ¥ - 456 | ¥ - 123 | ¥ - 789 | ¥ - 456 |
| Sales | Intersegment | ¥ - 123 | ¥ - 456 | ¥ - 789 | ¥ - 123 | ¥ - 456 |
| Sales | Total | ¥ - 987 | ¥ - 456 | ¥ - 123 | ¥ - 789 | ¥ - 456 |
| Operating expenses | ¥ - 987 | ¥ - 456 | ¥ - 123 | ¥ - 789 | ¥ - 456 |
| Operating profit | ¥ - 987 | ¥ - 456 | ¥ - 123 | ¥ - 789 | ¥ - 456 |

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, 2003]

| Finance leases | Within one year | ¥ 123,456 | ¥ 78,901 | ¥ 45,678 | ¥ - 321 | ¥ 567,890 |
| Finance leases | After one year | ¥ - 987 | ¥ - 456 | ¥ - 123 | ¥ - 789 | ¥ - 456 |
| Finance leases | Total | ¥ - 987 | ¥ - 456 | ¥ - 123 | ¥ - 789 | ¥ - 456 |
| Operating leases | Within one year | ¥ 123,456 | ¥ 78,901 | ¥ 45,678 | ¥ - 321 | ¥ 567,890 |
| Operating leases | After one year | ¥ - 987 | ¥ - 456 | ¥ - 123 | ¥ - 789 | ¥ - 456 |
| Operating leases | Total | ¥ - 987 | ¥ - 456 | ¥ - 123 | ¥ - 789 | ¥ - 456 |
**Non-Consolidated Balance Sheets**

(As of April 30, 2003)

**ASSETS**

<table>
<thead>
<tr>
<th>Current assets:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>¥ 経常</td>
</tr>
<tr>
<td>Notes receivable, trade</td>
<td>¥ 経常</td>
</tr>
<tr>
<td>Accounts receivable, trade</td>
<td>¥ 経常</td>
</tr>
<tr>
<td>Inventories</td>
<td>¥ 経常</td>
</tr>
<tr>
<td>Other current assets</td>
<td>¥ 経常</td>
</tr>
<tr>
<td>Less: Allowance for doubtful accounts</td>
<td>¥ 経常</td>
</tr>
<tr>
<td>Total current assets</td>
<td>¥ 経常</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Property and equipment:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Rental equipment</td>
<td>¥ 経常</td>
</tr>
<tr>
<td>Buildings</td>
<td>¥ 経常</td>
</tr>
<tr>
<td>Structures</td>
<td>¥ 経常</td>
</tr>
<tr>
<td>Machinery and equipment</td>
<td>¥ 経常</td>
</tr>
<tr>
<td>Less: Accumulated depreciation</td>
<td>¥ 経常</td>
</tr>
<tr>
<td>Land</td>
<td>¥ 経常</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>¥ 経常</td>
</tr>
<tr>
<td>Total property and equipment</td>
<td>¥ 経常</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Investments and other assets:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Investments and other assets</td>
<td>¥ 経常</td>
</tr>
<tr>
<td>Less: Allowance for doubtful accounts</td>
<td>¥ 経常</td>
</tr>
<tr>
<td>Total investments and other assets</td>
<td>¥ 経常</td>
</tr>
</tbody>
</table>

Note: U.S. dollar amounts have been translated from yen for convenience only, at the rate of ¥119.65=US$1, the approximate exchange rate on April 30, 2003.
### Liabilities and Shareholders' Equity

#### Current liabilities:
- Current portion of straight bonds
- Current portion of convertible bonds
- Current portion of long-term bank loans
- Notes payable, trade
- Accounts payable, trade
- Notes payable, other
- Accounts payable, other
- Accrued income taxes
- Accrued bonuses for employees
- Other current liabilities

#### Non-current liabilities:
- Convertible bonds
- Long-term bank loans
- Long-term accounts payable, other
- Accrued pension and severance costs
- Other liabilities

#### Shareholders' equity:
- Common stock
- Additional paid-in capital
- Legal reserve
- Retained earnings
- Net unrealized gain (loss) on other securities, net of taxes
- Treasury stock

#### Total:
- Total current liabilities
- Total non-current liabilities
- Total shareholder's equity
## Non-Consolidated Statements of Income

*For the six months ended April 30, 2003*

<table>
<thead>
<tr>
<th>Description</th>
<th>Rental revenues</th>
<th>Cost of rentals</th>
<th>Sales of goods</th>
<th>Cost of sales</th>
<th>Gross profit</th>
<th>Selling, general and administrative expenses</th>
<th>Operating income</th>
<th>Other income (expenses)</th>
<th>Income before income taxes</th>
<th>Income taxes</th>
<th>Net income</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$XX</td>
<td>$YY</td>
<td>$ZZ</td>
<td>$WWW</td>
<td>$TT</td>
<td>$UU</td>
<td>$VV</td>
<td>$WW</td>
<td>$XX</td>
<td>$YY</td>
<td>$ZZ</td>
</tr>
</tbody>
</table>

**Other income (expenses):**
- Interest and dividend income
- Interest expenses
- Others, net

**Income before income taxes:**
- Current
- Deferred

**Income taxes:**
- Current
- Deferred

**Net income**
- $XX

**Per share of common stock:**
- Net income
- Cash dividends applicable to the year

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

*For the six months ended April 30, 2003*

<table>
<thead>
<tr>
<th>Description</th>
<th>Finance Leases</th>
<th></th>
<th>Operating Leases</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Within one year</td>
<td></td>
<td>After one year</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td></td>
<td>Total</td>
<td></td>
</tr>
</tbody>
</table>

**Finance Leases:**
- Within one year
- After one year
- Total

**Operating Leases:**
- Within one year
- After one year
- Total
Management Indicator Data Graphs

[Graphs showing various indicators over time]
Cut construction equipment power and render equipment impossible to move
Kanamoto begins selling upgrade version Theft Sensor II Hydro-Sever anti-theft device for construction equipment

Even as it anticipates widespread use of Theft Sensor, the anti-theft device developed in-house and now being marketed by Kanamoto, the number of construction equipment thefts throughout Japan continues to climb. Cases have also been noted where the stolen construction equipment is used to commit other crimes. Incidents in which bank ATM corners are smashed with a stolen hydraulic excavator and the cash stolen from each ATM machine show no signs of tapering off.

Kanamoto has thought long and hard about this situation and has begun marketing Theft Sensor II Hydro-Server, the company’s second device designed to stop crime in its tracks. By disabling the power circuit, Hydro-Sever prevents thieves from starting the engine, or moving the equipment even if they manage to start the engine by some means. Because the hydraulic circuits are also disabled, all operations such as forward or backward movement are also impossible, making Hydro-Sever the optimal anti-theft device for large-scale construction equipment that must be driven onto a trailer under its own power. At Kanamoto, we’re well informed about the mechanisms of every type of construction equipment, and we’ll continue to zealously apply our know-how to the development of new security systems in the future.

CS completes makeover into more aggressive organization

In response to globalization of the company’s operating environment and expansion of its business activities, Kanamoto executed a corporate reorganization to strengthen its business management systems. The largest changes were made to the Business Coordination Headquarters and the Management Planning Division of the Operations Control Headquarters. The Business Coordination Headquarters opened respective offices in Sapporo and Tokyo that will enable it to achieve a more aggressive stream of business. The headquarters will also be directly responsible for quality assurance and new products.

The Operations Control Headquarters’ Management Planning Division, launched in 1983 as a link between the Operations Control Headquarters and the operating divisions, was reorganized into a management planning division with activities centered on essential management planning and management strategy.
Kanamoto forms alliance with Komeri Co., Ltd. for tool rentals

Kanamoto and Komatsu have formed an alliance for tool rentals to further strengthen their cooperation in the future. The ceremony was held by Komatsu at Sapporo’s Grand Hotel in January 2003.

The two alliance partners have already begun rental operations at the two Komeri Power stores in Niigata, Japan, and plan to conduct market research and begin studying the installation of rental corners at other stores Komeri plans to open in the future.

The ceremony was sponsored by Komatsu, one of Japan’s leading construction equipment manufacturers and a participant in certain segments of the construction equipment rental industry, to commemorate the volume of construction equipment delivered by Komatsu to Kanamoto, which reached a cumulative total of 10,000 units. Kanamoto became the first company in the world to introduce over 10,000 units of Komatsu products.

As a purchaser of rental assets, Kanamoto has maintained a close business relationship with Komatsu for many years. Following Komatsu’s entry into the construction equipment rental sector, in 1999 Kanamoto and Komatsu formed an alliance for the construction equipment rental business. The two companies are building a partnership that goes beyond the traditional construction equipment supplier-purchaser relationship, enabling both partners’ groups to improve investment efficiency. Kanamoto and Komatsu intend to progressively continue their cooperation in the future, and the commemoration ceremony further strengthened bonds between the two companies.

The party was attended by 30 individuals from Komatsu including Chairman Satoru Anzaki, Executive Officer and Construction and Mining Equipment Marketing Division Manager Yasuo Kimura and representatives of the Komatsu dealer group throughout Japan, and 168 individuals from Kanamoto including Chairman Taichu Kanamoto, President Kanchu Kanamoto, directors, headquarters managers, various regional managers and block managers and branch office managers. The party grew into a large-scale meeting as the packed crowd, ranging from managers of the two leading domestic construction equipment suppliers – one a manufacturer and one an equipment rental company – mingled together to celebrate a major achievement.

Satoru Anzaki, Komatsu’s chairman, declared during his address to the attendees that “we want to share and utilize our two companies’ unique advanced know-how, and in turn develop our partnership into a broad and unprecedented multi-dimensional cooperation that will contribute to mutual operating results improvements.” Kanamoto’s president Kanchu Kanamoto responded by stating his aspiration to “further strengthen Kanamoto’s relationship with Komatsu Ltd., a global enterprise, and continue advancing towards Kanamoto’s next 10,000 units,” while Kanamoto chairman Taichu Kanamoto spoke of his belief that “we must put aside minor differences, seek mutual future development of similarities and review the basics.” Following the ceremony, with its air of quiet tension, the gathering underwent a swift change as the mood swung into a warm social gathering filled with voices of camaraderie and shop talk. As the party slowly wound down, all of the participants renewed their desire to revitalize the construction industry.

Komatsu product introductions break the 10,000 mark! A world first for a single firm

A “Party to Commemorate the 10,000th Komatsu Product Delivery” was held by Komatsu at Sapporo’s Grand Hotel in January 2003.

The ceremony was sponsored by Komatsu, one of Japan’s leading construction equipment manufacturers and a participant in certain segments of the construction equipment rental industry, to commemorate the volume of construction equipment delivered by Komatsu to Kanamoto, which reached a cumulative total of 10,000 units. Kanamoto became the first company in the world to introduce over 10,000 units of Komatsu products.

As a purchaser of rental assets, Kanamoto has maintained a close business relationship with Komatsu for many years. Following Komatsu’s entry into the construction equipment rental sector, in 1999 Kanamoto and Komatsu formed an alliance for the construction equipment rental business. The two companies are building a partnership that goes beyond the traditional construction equipment supplier-purchaser relationship, enabling both partners’ groups to improve investment efficiency. Kanamoto and Komatsu intend to progressively continue their cooperation in the future, and the commemoration ceremony further strengthened bonds between the two companies.

The party was attended by 30 individuals from Komatsu including Chairman Satoru Anzaki, Executive Officer and Construction and Mining Equipment Marketing Division Manager Yasuo Kimura and representatives of the Komatsu dealer group throughout Japan, and 168 individuals from Kanamoto including Chairman Taichu Kanamoto, President Kanchu Kanamoto, directors, headquarters managers, various regional managers and block managers and branch office managers. The party grew into a large-scale meeting as the packed crowd, ranging from managers of the two leading domestic construction equipment suppliers – one a manufacturer and one an equipment rental company - to staff active in sales on the front lines, mingled together to celebrate a major achievement.

Satoru Anzaki, Komatsu’s chairman, declared during his address to the attendees that “we want to share and utilize our two companies’ unique advanced know-how, and in turn develop our partnership into a broad and unprecedented multi-dimensional cooperation that will contribute to mutual operating results improvements.” Kanamoto’s president Kanchu Kanamoto responded by stating his aspiration to “further strengthen Kanamoto’s relationship with Komatsu Ltd., a global enterprise, and continue advancing towards Kanamoto’s next 10,000 units,” while Kanamoto chairman Taichu Kanamoto spoke of his belief that “we must put aside minor differences, seek mutual future development of similarities and review the basics.” Following the ceremony, with its air of quiet tension, the gathering underwent a swift change as the mood swung into a warm social gathering filled with voices of camaraderie and shop talk. As the party slowly wound down, all of the participants renewed their desire to revitalize the construction industry.
Shareholders' Information
(As of April 30, 2003)

Company Name
Kanamoto Company, Ltd.

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

Established
October 28, 1964

Capitalization
¥8.6 billion (Paid-in capital)

Listing Exchanges
Tokyo Stock Exchange, First Section
Sapporo Stock Exchange

Stock Code
9678

Common Shares Issued and Outstanding
30,253,000 shares

Fiscal Year-end
October 31

Revenues
¥60,606 million
(Fiscal year ended October 2002)

Number of Employees
1,131
(Excluding directors and temporary or part-time workers)

Principal Businesses
Rental of construction equipment,
Sale of steel products
Rental of engineering workstations and computer peripherals

Primary Lenders
The Bank of Tokyo-Mitsubishi
The Mitsubishi Trust and Banking Corporation
Mizuho Corporate Bank
SUMITOMO MITSUI Banking Corporation
The Norinchukin Bank
North Pacific Bank
Hokkaido Shinen
Shinkin Central Bank
The Hokkaido Bank
UFJ Bank Limited

Principal Shareholders
ORIX Corporation
Taichu Kanamoto
Saburo Kanamoto
Komatsu
Kanamoto Capital Company
The Master Trust Bank of Japan, Ltd.
North Pacific Bank
The Hokkaido Bank
The Tokio Marine & Fire Insurance Company
DENYO Co., Ltd.

Branch Network
(As of April 30, 2003)

Our Growing Branch Network

<table>
<thead>
<tr>
<th>Number of Branches</th>
<th>Hokkaido</th>
<th>Honshu</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction Equipment Rental Operations</td>
<td>3</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Steel Sales</td>
<td>2</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Information Products Operations</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Total</td>
<td>6</td>
<td>6</td>
<td>6</td>
</tr>
</tbody>
</table>

Kanamoto opened 3 branches and closed 1 branch during the first half of Fiscal 2003 (ends October 31, 2003).

Asist 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.

Kanashiki 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 (9 branches, 4 group companies)
Construction equipment rental company headquartered in Fukuoka 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.

On August 1, 2003, Kanamoto Co., Ltd. will merge with Taniguchi Co., Ltd., a consolidated subsidiary.

Construction Equipment Rental Division
Steel Sales Division
Information Products Division
Market Development Division
Kanamoto Alliance Group Firms (8 companies)
Board Of Directors

(As of April 30, 2003)

Directors

Taichu Kanamoto
Chairman

Kanchu Kanamoto
President
CEO

Hidemitsu Washida
Executive Vice President
Manager in Charge of Operations Control Headquarters

Shinroku Sawada
Senior Corporate Officer
Manager in Charge of Business Planning

Eichu Kanamoto
Division Manager, Administration Division

Nobuhito Utatsu
Division Manager, Accounting Division

Kojiro Satsuma
Tadao Saika

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)

Kanchu Kanamoto
President
CEO

Hidemitsu Washida
Manager in Charge of Operations Control Headquarters

Shinroku Sawada
Senior Corporate Officer
Manager in Charge of Business Planning

Yukio Sato
Manager, Business Coordination Headquarters
Manager, New Products Department

Eichu Kanamoto
Division Manager, Administration Division

Nobuhito Utatsu
Division Manager, Accounting Division

Hideki Nomiya
Business Coordination Headquarters

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

Tetsuo Kanamoto
Division Manager, Construction Equipment Rental Division
Regional Manager, Kinki & Chubu Region
Construction Equipment Rental Division

Keiichi Kitakata
Division Manager, Market Development Division

Hiroshi Kumaqai
Division Manager, Information System Division

Tatsuo Kanamoto
Regional Manager, Tohoku Region
Construction Equipment Rental Division

Yuichi Asano
Division Manager, Credit Management Division
Manager, Auditing Section
Manager, Legal Section