

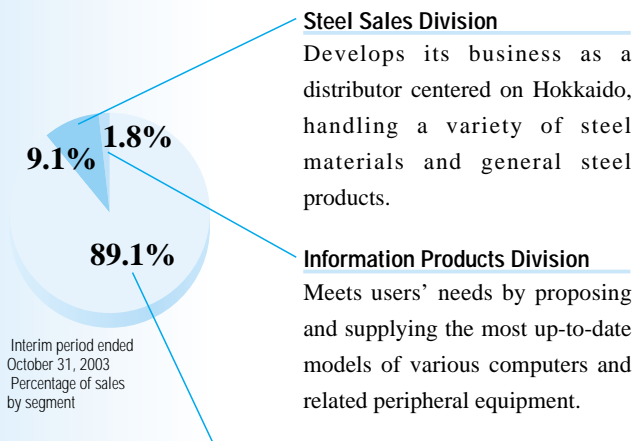


**kanamoto**

Semiannual Report  
**2003**

*For the six months ended April 30, 2003*

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.



Kanamoto's mission is to provide all of the construction equipment and related materials needed at a construction site. Beginning with hydraulic excavators, the most commonly rented construction equipment, we maintain a diversified lineup of rental construction equipment.

## 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

..... <For the full text of this article please refer to page 14 >

### 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..... <For the full text of this article please refer to page 14 >

### 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..... <For the full text of this article please refer to page 15 >

### 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) ..... <For the full text of this article please refer to page 15 >

## CONTENTS

3	<b>Financial Highlights</b>	12	<b>Non-Consolidated Statements of Income Outstanding Balance of Future Lease Payments (Non-Consolidated)</b>
4	<b>A Message from the President</b>	13	<b>Management Indicator Data Graphs</b>
6	<b>Consolidated Balance Sheets</b>	14	<b>Topics</b>
8	<b>Consolidated Statements of Income</b>	16	<b>Shareholders' Information Branch Network</b>
9	<b>Consolidated Statements of Cash Flows Segment Information Outstanding Balance of Future Lease Payments (Consolidated)</b>	17	<b>Board of Directors</b>
10	<b>Non-Consolidated Balance Sheets</b>		

## Non-Consolidated Financial Position

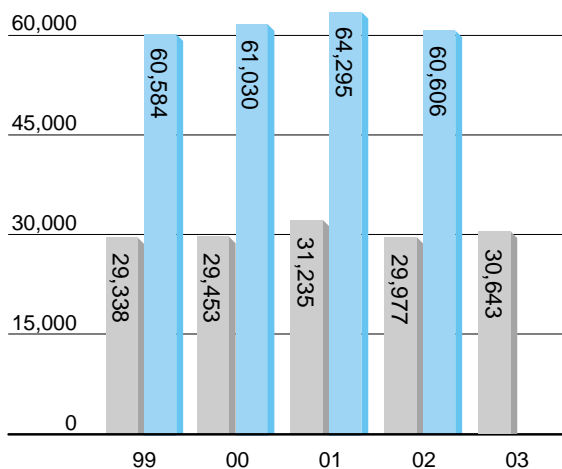
kanamoto co., ltd.

	Millions of yen			Thousands of U.S. dollars
	April 30, 2002	October 31, 2002	April 30, 2003	April 30, 2003
Rental revenues and sales of goods	¥ 29,977	¥ 60,606	¥ 30,643	\$ 256,109
Operating income	1,551	2,255	1,648	13,772
Net income	749	1,134	705	5,889
Total shareholders' equity	31,438	31,357	31,626	264,320
Total assets	100,934	96,717	95,383	\$ 797,184
Per share of common stock:				
	Yen			U.S. dollars (Note)
Net income	¥ 24.75	¥ 37.49	¥ 23.35	\$ 0.20
Cash dividends	9.00	18.00	9.00	0.08

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.

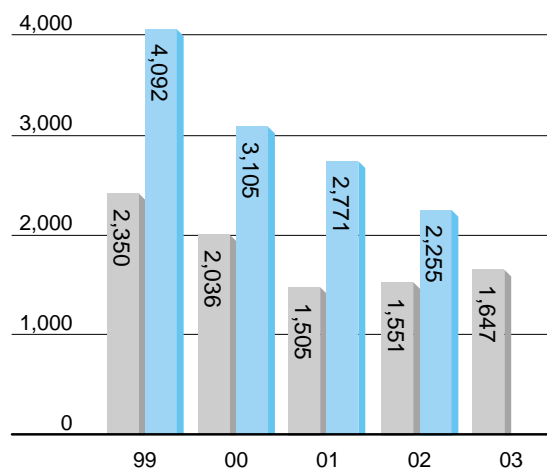
### Rental Revenues and Sales of Goods

75,000 (Millions of Yen)



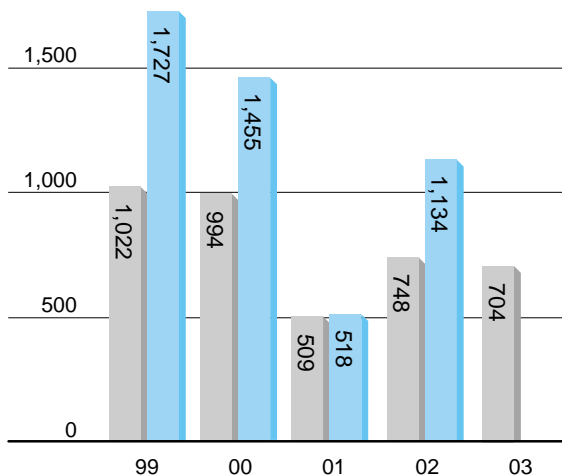
### Operating Income

5,000 (Millions of Yen)



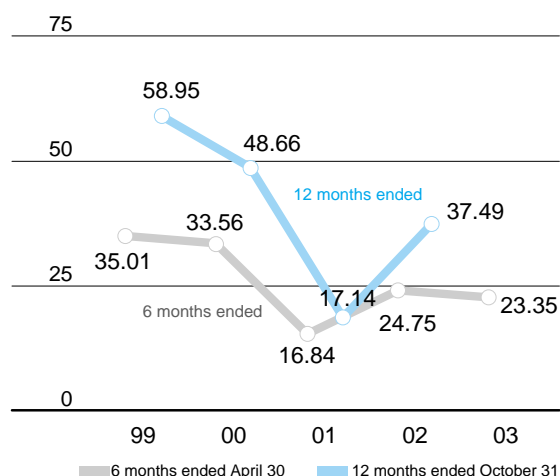
### Net Income

2,000 (Millions of Yen)



### Net Income per Share

100 (Yen)



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.



Kanchu Kanamoto, President  
June 2003

*K. Kanamoto*

# Consolidated Balance Sheets

[As of April 30, 2003]

## ASSETS

kanamoto co.,ltd.

	Millions of yen			Thousands of U.S. dollars (Note)
	April 30, 2002 (Unaudited)	October 31, 2002	April 30, 2003 (Unaudited)	April 30, 2003 (Unaudited)
<b>Current assets :</b>				
Cash and cash equivalents	¥ 20,624	¥ 15,433	¥ 18,515	\$ 154,743
Short-term investments	592	79	28	231
Notes and accounts receivable, trade	20,439	23,121	21,533	179,966
Inventories	959	810	1,158	9,679
Deferred income taxes	247	167	249	2,084
Other current assets	3,160	2,960	2,617	21,875
Less : Allowance for doubtful accounts	(401)	(495)	(574)	(4,797)
Total current assets	45,620	42,075	43,526	363,781
<b>Property and equipment :</b>				
Rental equipment	52,392	50,009	45,161	377,444
Building and structures	15,216	15,177	15,346	128,253
Machinery and equipment	4,879	4,770	4,882	40,804
Less : Accumulated depreciation	(45,411)	(44,097)	(42,059)	(351,518)
	27,076	25,859	23,330	194,983
Land	24,635	24,601	24,623	205,788
Construction in progress	58	109	2	18
Total property and equipment	51,769	50,569	47,955	400,789
<b>Investments and other assets :</b>				
Investments in securities	3,745	3,682	3,508	29,316
Deferred income taxes	1,702	1,749	1,754	14,657
Other assets	1,628	1,819	1,741	14,558
Less : Allowance for doubtful accounts	(607)	(580)	(567)	(4,740)
Total investments and other assets	6,468	6,670	6,436	53,791
	¥ 103,857	¥ 99,314	¥ 97,917	\$ 818,361

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

kanamoto co., ltd.

	Millions of yen			Thousands of U.S. dollars (Note)
	April 30, 2002 (Unaudited)	October 31, 2002	April 30, 2003 (Unaudited)	April 30, 2003 (Unaudited)
<b>Current liabilities :</b>				
Short-term bank loans	¥ 750	¥ 905	¥ 853	\$ 7,130
Current portion of long-term debt	20,962	24,965	20,138	168,311
Notes and accounts payable, trade	10,725	11,965	10,819	90,423
Accrued income taxes	921	19	790	6,600
Accrued bonuses for employees	573	541	507	4,235
Other current liabilities	1,489	1,625	1,259	10,520
Total current liabilities	35,420	40,020	34,366	287,219
<b>Non-current liabilities :</b>				
Long-term debt	33,863	24,700	29,082	243,057
Accrued pension and severance costs	2,055	1,676	1,745	14,590
Other liabilities	920	1,580	981	8,198
Total non-current liabilities	36,838	27,956	31,808	265,845
<b>Minority interests</b>	170	97	152	1,271
<b>Shareholders' equity :</b>				
Common stock	8,597	8,597	8,597	71,849
Additional paid-in capital	9,720	9,720	9,720	81,240
Retained earnings	13,038	13,044	13,536	113,130
Net unrealized gain (loss) on other securities, net of taxes	85	(108)	(91)	(764)
Treasury stock	(11)	(12)	(171)	(1,429)
Total shareholders' equity	31,429	31,241	31,591	264,026
	¥ 103,857	¥ 99,314	¥ 97,917	\$ 818,361

# Consolidated Statements of Income

[For the six months ended April 30, 2003]

kanamoto co., ltd.

	Millions of yen			Thousands of U.S. dollars (Note)
	April 30, 2002 (Unaudited)	October 31, 2002	April 30, 2003 (Unaudited)	April 30, 2003 (Unaudited)
<b>Rental revenues</b>	¥ 21,024	¥ 40,561	¥ 21,044	\$ 175,877
<b>Cost of rentals</b>	15,327	30,631	15,514	129,657
<b>Sales of goods</b>	11,591	24,691	11,527	96,337
<b>Cost of sales</b>	8,847	19,376	8,755	73,171
<b>Gross profit</b>	8,441	15,245	8,302	69,386
<b>Selling, general and administrative expenses</b>	6,745	12,957	6,397	53,463
<b>Operating income</b>	1,696	2,288	1,905	15,923
<b>Other income (expenses) :</b>				
Interest and dividend income	11	56	39	328
Interest expenses	(242)	(475)	(212)	(1,768)
Others, net	259	259	(232)	(1,944)
<b>Income before income taxes</b>	1,724	2,128	1,500	12,539
<b>Income taxes :</b>				
Current	866	865	766	6,408
Deferred	(111)	59	(101)	(845)
	755	924	665	5,563
<b>Income before minority interests</b>	969	1,204	835	6,976
<b>Minority interests in subsidiaries</b>	38	(5)	54	450
<b>Net income</b>	¥ 931	¥ 1,209	¥ 781	\$ 6,526
			Yen	U.S.dollars (Note)
	April 30, 2002 (Unaudited)	October 31, 2002	April 30, 2003 (Unaudited)	April 30, 2003 (Unaudited)
<b>Net income per share :</b>				
Basic	¥ 30.79	¥ 39.99	¥ 25.88	\$ 0.22
Diluted	24.32	30.76	23.32	0.19

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]

kanamoto co., ltd.

	Millions of yen			Thousands of U.S. dollars (Note)
	April 30, 2002 (Unaudited)	October 31, 2002	April 30, 2003 (Unaudited)	April 30, 2003 (Unaudited)
<b>Cash flows from operating activities</b>	¥ 8,708	¥ 10,646	¥ 6,346	\$ 53,040
<b>Cash flows from investing activities</b>	(617)	(442)	(313)	(2,614)
<b>Cash flows from financing activities</b>	(3,458)	(10,762)	(2,951)	(24,670)
<b>Net increase (decrease) in cash and cash equivalents</b>	4,633	(558)	3,082	25,756
<b>Cash and cash equivalents at beginning of period</b>	15,991	15,991	15,433	128,987
<b>Cash and cash equivalents at end of period</b>	¥ 20,624	¥ 15,433	¥ 18,515	\$ 154,743

## Segment Information

[For the six months ended April 30, 2003]

kanamoto co., ltd.

	Construction related business	Steel related business	Information and communication related and other business	Total	Eliminations and corporate items	Consolidated
<b>Sales</b>						
Outside customers	¥ 29,239 \$ 244,370	¥ 2,777 \$ 23,209	¥ 554 \$ 4,635	¥ 32,570 \$ 272,214	¥ - \$ -	¥ 32,570 \$ 272,214
Intersegment	¥ - \$ -	¥ - \$ -	¥ - \$ -	¥ - \$ -	¥ - \$ -	¥ - \$ -
Total	¥ 29,239 \$ 244,370	¥ 2,777 \$ 23,209	¥ 554 \$ 4,635	¥ 32,570 \$ 272,214	¥ - \$ -	¥ 32,570 \$ 272,214
<b>Operating expenses</b>	¥ 27,398 \$ 228,981	¥ 2,809 \$ 23,476	¥ 531 \$ 4,442	¥ 30,738 \$ 256,899	(¥ 73) (\$ 608)	¥ 30,665 \$ 256,291
<b>Operating profit</b>	¥ 1,841 \$ 15,389	(¥ 32) (\$ 267)	¥ 23 \$ 193	¥ 1,832 \$ 15,315	¥ 73 \$ 608	¥ 1,905 \$ 15,923

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]

kanamoto co., ltd.

	Millions of yen			Thousands of U.S. dollars (Note)
	April 30, 2002 (Unaudited)	October 31, 2002	April 30, 2003 (Unaudited)	April 30, 2003 (Unaudited)
<b>Finance leases</b>				
Within one year	¥ 3,789	¥ 4,663	¥ 5,147	\$ 43,019
After one year	7,264	13,357	15,531	129,805
Total	¥ 11,053	¥ 18,019	¥ 20,678	\$ 172,824
<b>Operating leases</b>				
Within one year	¥ 1,616	¥ 1,543	¥ 1,897	\$ 15,855
After one year	2,783	2,643	3,290	27,504
Total	¥ 4,399	¥ 4,186	¥ 5,188	\$ 43,359

# Non-Consolidated Balance Sheets

[As of April 30, 2003]

## ASSETS

kanamoto co., ltd.

	Millions of yen			Thousands of U.S. dollars (Note)
	April 30, 2002 (Unaudited)	October 31, 2002	April 30, 2003 (Unaudited)	April 30, 2003 (Unaudited)
<b>Current assets :</b>				
Cash	¥ 19,985	¥ 14,578	¥ 17,513	\$ 146,371
Notes receivable, trade	11,376	10,423	12,998	108,629
Accounts receivable, trade	8,160	11,796	7,958	66,510
Inventories	544	399	417	3,490
Other current assets	3,540	3,126	2,832	23,665
Less : Allowance for doubtful accounts	(367)	(462)	(573)	(4,787)
Total current assets	43,238	39,860	41,145	343,878
<b>Property and equipment :</b>				
Rental equipment	51,120	48,816	43,935	367,193
Buildings	10,876	10,825	10,922	91,283
Structures	3,866	3,874	3,940	32,932
Machinery and equipment	4,754	4,644	4,748	39,683
Less : Accumulated depreciation	(44,179)	(42,841)	(40,784)	(340,858)
	26,437	25,318	22,761	190,233
Land	24,258	24,228	24,247	202,645
Construction in progress	57	104	2	18
Total property and equipment	50,752	49,650	47,010	392,896
<b>Investments and other assets :</b>				
Investments and other assets	7,551	7,780	7,786	65,075
Less : Allowance for doubtful accounts	(607)	(573)	(558)	(4,665)
Total investments and other assets	6,944	7,207	7,228	60,410
	¥ 100,934	¥ 96,717	¥ 95,383	\$ 797,184

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

kanamoto co., ltd.

	Millions of yen			Thousands of U.S. dollars (Note)
	April 30, 2002 (Unaudited)	October 31, 2002	April 30, 2003 (Unaudited)	April 30, 2003 (Unaudited)
<b>Current liabilities :</b>				
Current portion of straight bonds	¥ 5,278	¥ 5,278	¥ -	\$ -
Current portion of convertible bonds	-	4,164	4,098	34,250
Current portion of long-term bank loans	8,115	8,289	9,761	81,580
Notes payable, trade	7,831	8,091	7,898	66,004
Accounts payable, trade	1,695	2,857	1,851	15,472
Notes payable, other	215	289	389	3,255
Accounts payable, other	8,105	7,888	6,695	55,959
Accrued income taxes	898	-	773	6,458
Accrued bonuses for employees	553	519	485	4,057
Other current liabilities	682	676	574	4,795
Total current liabilities	33,372	38,051	32,524	271,830
<b>Non-current liabilities :</b>				
Convertible bonds	7,754	-	-	-
Long-term bank loans	16,336	16,858	22,780	190,389
Long-term accounts payable, other	9,816	8,614	6,545	54,700
Accrued pension and severance costs	2,042	1,660	1,732	14,473
Other liabilities	176	177	176	1,472
Total non-current liabilities	36,124	27,309	31,233	261,034
<b>Shareholders' equity :</b>				
Common stock	8,597	8,597	8,597	71,849
Additional paid-in capital	9,720	9,720	9,720	81,240
Legal reserve	1,372	1,372	1,372	11,471
Retained earnings	11,665	11,778	12,194	101,911
Net unrealized gain (loss) on other securities, net of taxes	85	(108)	(91)	(764)
Treasury stock	(1)	(2)	(166)	(1,387)
Total shareholder's equity	31,438	31,357	31,626	264,320
	¥ 100,934	¥ 96,717	¥ 95,383	\$ 797,184

## Non-Consolidated Statements of Income

[For the six months ended April 30, 2003]

**kanamoto co., ltd.**

	Millions of yen			Thousands of U.S. dollars (Note)
	April 30, 2002 (Unaudited)	October 31, 2002	April 30, 2003 (Unaudited)	April 30, 2003 (Unaudited)
<b>Rental revenues</b>	¥ 19,925	¥ 39,206	¥ 20,090	\$ 167,907
<b>Cost of rentals</b>	14,762	29,952	15,116	126,338
<b>Sales of goods</b>	10,052	21,401	10,553	88,202
<b>Cost of sales</b>	7,467	16,505	7,942	66,376
<b>Gross profit</b>	7,748	14,150	7,585	63,395
<b>Selling, general and administrative expenses</b>	6,197	11,895	5,937	49,623
<b>Operating income</b>	1,551	2,255	1,648	13,772
<b>Other income (expenses) :</b>				
Interest and dividend income	8	56	39	326
Interest expenses	(227)	(446)	(195)	(1,629)
Others, net	145	188	(142)	(1,187)
<b>Income before income taxes</b>	1,477	2,053	1,350	11,282
<b>Income taxes :</b>				
Current	843	830	749	6,265
Deferred	(115)	89	(104)	(872)
	728	919	645	5,393
<b>Net income</b>	¥ 749	¥ 1,134	¥ 705	\$ 5,889

	Yen			U.S.dollars (Note)
	April 30, 2002 (Unaudited)	October 31, 2002	April 30, 2003 (Unaudited)	April 30, 2003 (Unaudited)
<b>Per share of common stock :</b>				
Net income	¥ 24.75	¥ 37.49	¥ 23.35	\$ 0.20
Cash dividends applicable to the year	9.00	18.00	9.00	0.08

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

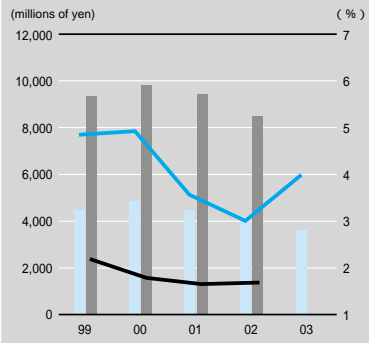
[For the six months ended April 30, 2003]

**kanamoto co., ltd.**

	Millions of yen			Thousands of U.S. dollars (Note)
	April 30, 2002 (Unaudited)	October 31, 2002	April 30, 2003 (Unaudited)	April 30, 2003 (Unaudited)
<b>Finance Leases</b>				
Within one year	¥ 3,438	¥ 4,259	¥ 4,778	\$ 39,929
After one year	6,621	12,900	15,120	126,365
Total	¥ 9,969	¥ 17,159	¥ 19,897	\$ 166,294
<b>Operating Leases</b>				
Within one year	1,616	1,543	1,897	15,855
After one year	2,783	2,643	3,291	27,504
Total	¥ 4,400	¥ 4,186	¥ 5,188	\$ 43,359

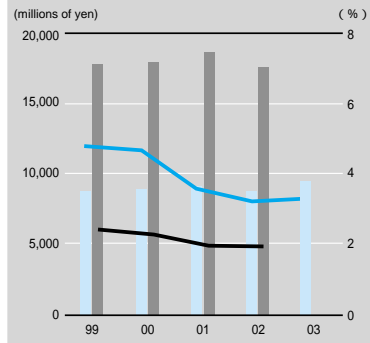
Cash Flow  
PCFR

CF = Net income + Depreciation expense - (Cash dividends + Bonuses to directors and auditors)  
PCFR = Total market capitalization ÷ CF = Stock Price ÷ Cash flow per share of common stock



EBITDA+  
EBITDA+ Ratio

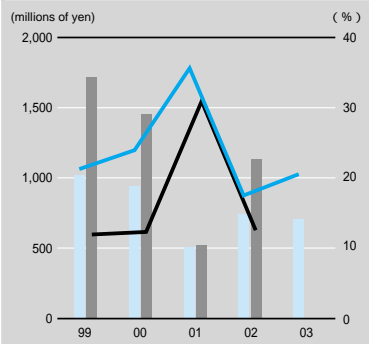
EBITDA+ = Operating income + Depreciation expense + Other depreciation and amortization expense + Low-price rental assets, and others  
EBITDA+ is an indicator used only for the construction equipment rental business and excludes steel products and information products



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

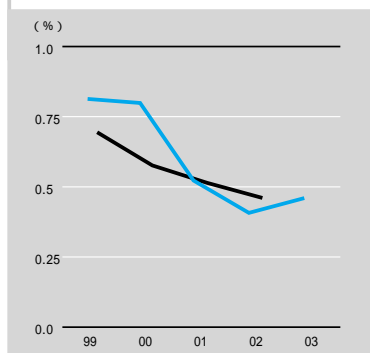
Net Income  
PER

PER = Total market capitalization at end of period ÷ Net Income



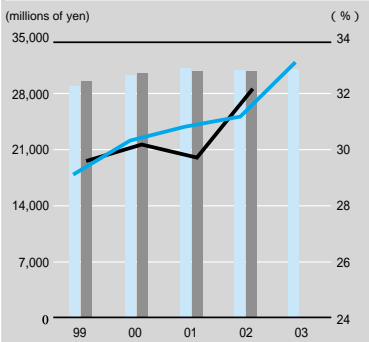
PBR

PBR = ROE × PER



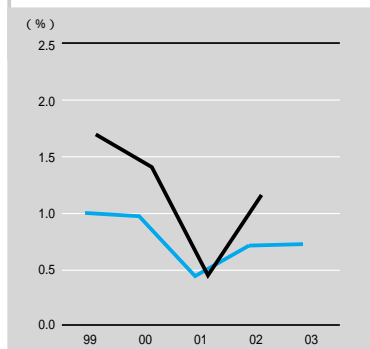
Shareholders' Equity  
Shareholders' Equity Ratio

Shareholders' Equity Ratio = Shareholders' equity ÷ Total assets



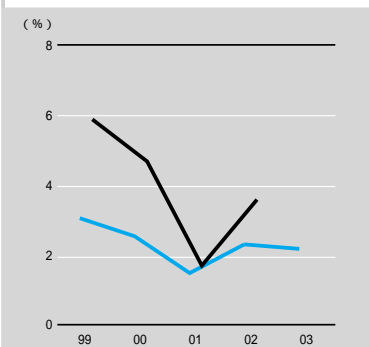
ROE

ROE = Net income ÷ Shareholders' equity = EPS ÷ BPS

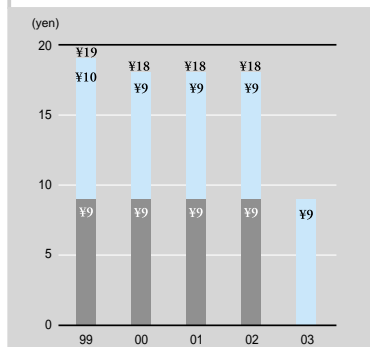


ROA

ROA = Net income ÷ Total assets



Dividend per Share of Common Stock



## 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 Hydrosever, 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

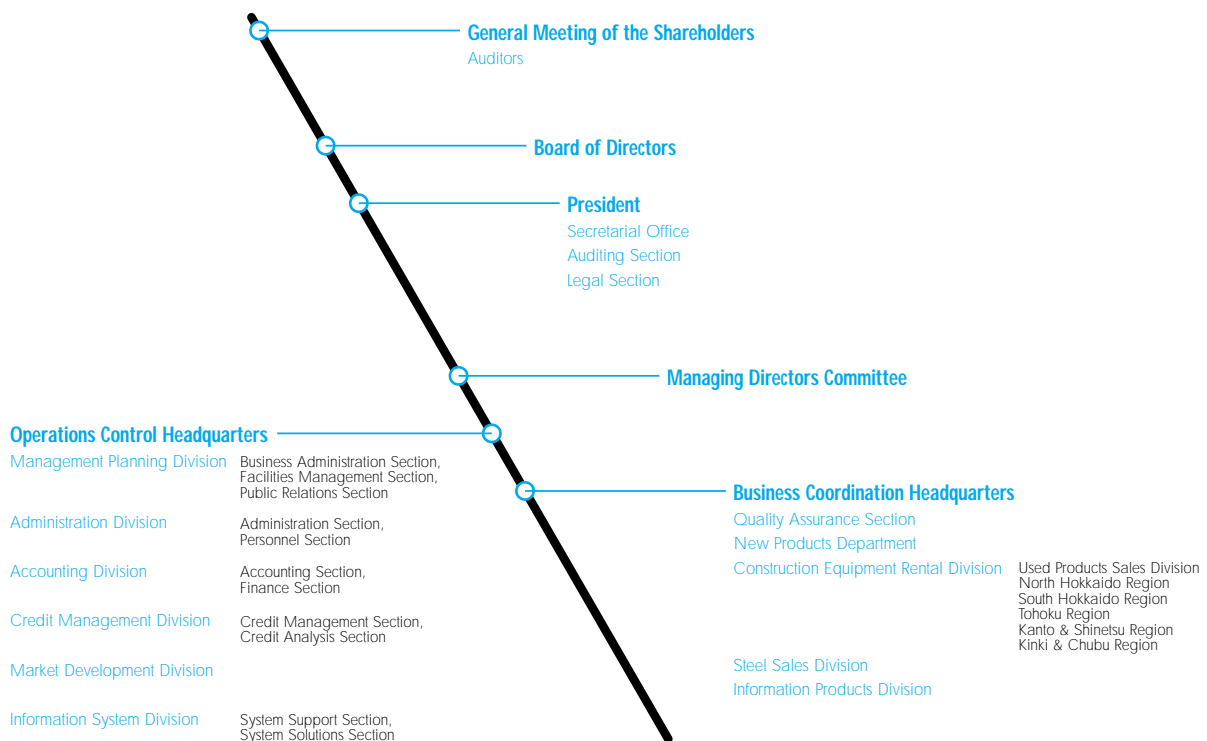
In response to globalization of the company's operating environment and expansion of its business activities, Kanamoto executed a corporate reorganization to strengthen its business management systems.

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 Company, Ltd. organization chart (As of April 1, 2003)



## 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.



Kanamoto president Kanchu Kanamoto was presented with a commemorative plaque from Komatsu chairman Satoru Anzaki

## Kanamoto forms alliance with Komeri Co., Ltd. for tool rentals



Large-scale Komeri Power store operated by Komeri Co., Ltd., the leader in Japan's do-it-yourself home center industry

Through its new alliance with Komeri Co., Ltd. (Head Office: Niigata, Japan; listed on the Tokyo Stock Exchange First Section), the leader in Japan's do-it-yourself home center industry, Kanamoto will provide rentals of small-scale construction equipment through home centers (HC) being developed by Komeri.

Komeri will establish rental corners on the premises of its Komeri Power megastores, large-scale outlets being developed by Komeri where it has also set up professional shops aimed at the construction trades, and use the corners to continually display and rent Kanamoto rental assets such as hand tools and small

electrical generators.

The main items the rental corners will stock include small construction equipment such as hand tools (electric power tools, air-powered tools, etc.), small electrical generators, washing equipment, plates, rammers, weed mowers, lighting equipment and mini-excavators that can be used for applications such as small-scale farming, week-end home improvement projects and gardening in addition to construction activities. Komeri will also act as a sales outlet for other Kanamoto construction-related rental products, such new and used modular housing units and storage sheds designed for the general public, and will also offer rentals of other construction equipment.

Kanamoto believes the potential demand for the new rental service will be strong among building contractors, farmers and the general public, market segments which have not been large Kanamoto customers in the past. Because the Tohoku-Chubu region where Komeri is developing its stores is an area where Kanamoto has relatively few sales branches, Kanamoto also anticipates the alliance will help expand its business territories. The two alliance partners have already begun rental operations at 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.

[As of April 30, 2003]

<p><b>Company Name</b> Kanamoto Company, Ltd.</p> <p><b>Head Office</b> 1-19, Odori Higashi 3-chome Chuo-ku, Sapporo, Hokkaido 060-0041 Japan</p> <p><b>Established</b> October 28, 1964</p> <p><b>Capitalization</b> ¥8.6 billion (Paid-in capital)</p> <p><b>Listing Exchanges</b> Tokyo Stock Exchange, First Section Sapporo Stock Exchange</p> <p><b>Stock Code</b> 9678</p>	<p><b>Common Shares Issued and Outstanding</b> 30,253,000 shares</p> <p><b>Fiscal Year-end</b> October 31</p> <p><b>Revenues</b> ¥60,606 million (Fiscal year ended October 2002)</p> <p><b>Number of Employees</b> 1,131 (Excluding directors and temporary or part-time workers)</p> <p><b>Principal Businesses</b> Rental of construction equipment, Sale of steel products Rental of engineering workstations and computer peripherals</p>	<p><b>Primary Lenders</b> 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 Shinren Shinkin Central Bank The Hokkaido Bank UFJ Bank Limited</p> <p><b>Principal Shareholders</b> 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 &amp; Fire Insurance Company DENYO Co., Ltd.</p>
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[As of April 30, 2003]

## Our Growing Branch Network

Number of Branches	Hokkaido	Honshu	Total
	As of April 30, 2003	As of April 30, 2003	As of April 30, 2003
Construction Equipment Rental Operations	55	80	135
Steel Sales	3	0	3
Information Products Operations	0	1	1
<b>Total</b>	<b>58</b>	<b>81</b>	<b>139</b>

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

### 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 Kansen Group (9 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

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

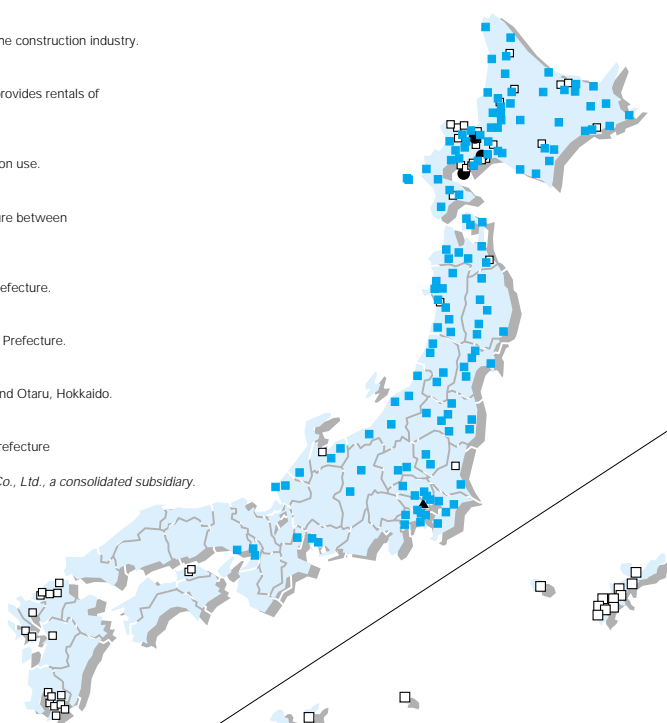
Construction Equipment Rental Division ■

Steel Sales Division ●

Information Products Division ▲

Market Development Division ◆

Kanamoto Alliance Group Firms (8 companies) □







## 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*

**Yukio Sato**  
*Senior Corporate Officer*  
*Manager, Business Coordination Headquarters*  
*Manager, New Products Department*

**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**  
*Senior Corporate Officer*  
*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*

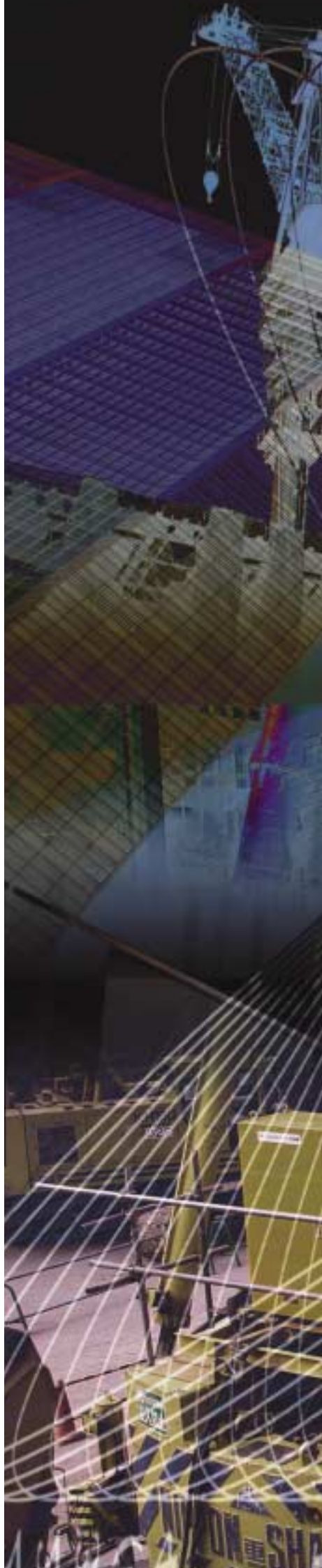
**Tetsuo Kanamoto**  
*Division Manager, Construction Equipment*  
*Rental Division*  
*Regional Manager, Kinki&Chubu Region*  
*Construction Equipment Rental Division*

**Keiichi Kitakata**  
*Division Manager, Market Development Division*

**Hiroshi Kumagai**  
*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*



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