



Towards a new  
K a n a m o t o

**40<sup>th</sup>**  
ANNIVERSARY

**kanamoto co., ltd.**

**SEMIANNUAL REPORT 2004**

For the six months ended April 30, 2004

## Construction Equipment Rental Division

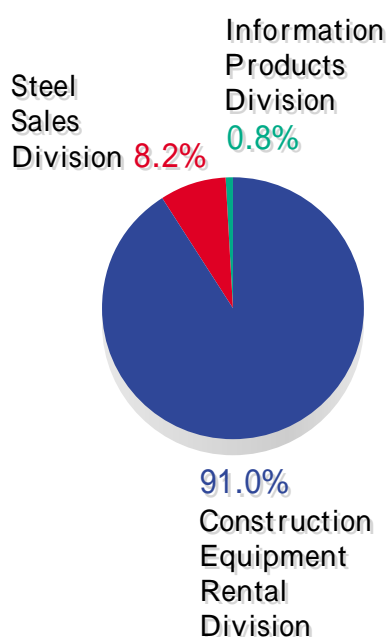
As a result of efforts to steadily locate and win small-scale construction projects in the face of weak demand, the Company was able to achieve a 0.2% increase overall in construction equipment rental revenue compared to the same period one year earlier.

As a result of the above activities, consolidated revenues from construction-related business for the interim consolidated accounting period under review declined by 3.3% to ¥28,265 million, and operating income fell 17.9% to ¥1,511 million.



## Steel Sales Division

The market for steel and related products enjoyed a resurgence, with steel material prices rising sharply for the first time in 17 years following the collapse of Japan's bubble economy. Demand for steel materials in Hokkaido, however, remained weak throughout the winter months. Nevertheless, although Steel Sales Division revenue fell 11.8% from the level of the same period of the prior fiscal year to ¥2,449 million, the division improved its operating loss by 98.5%, to ¥460,000.



## Information Products Division

Because demand shifted to low-priced versions of existing products, even for items such as engineering workstations, Kanamoto's Information Products Business Division saw its rental revenue shrink by 19.0% compared to the same period of the prior consolidated fiscal year.

Total revenues fell 56.5% year on year to ¥241 million, generating an operating loss of ¥8 million compared to positive operating income of ¥24 million one year earlier.



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## Non-Consolidated Financial Position

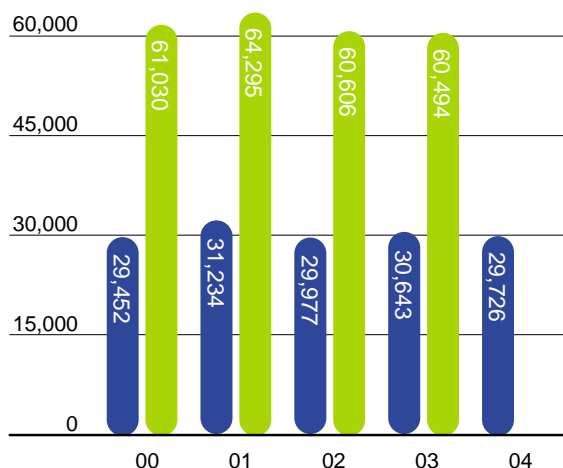
	Millions of yen			Thousands of U.S. dollars
	April 30, 2003	October 31, 2003	April 30, 2004	April 30, 2004
Rental revenues and sales of goods	¥ 30,643	¥ 60,494	¥ 29,726	\$ 269,381
Operating income	1,647	2,350	1,342	12,157
Net income	704	953	994	901
Total shareholders' equity	31,625	32,004	32,958	298,670
Total assets	95,383	87,627	85,577	\$ 775,511
Per share of common stock:				
	Yen			U.S. dollars (Note)
Net income	¥ 23.35	¥ 31.30	¥ 33.29	\$ 0.30
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 ¥110.35=US\$1, the approximate exchange rate on April 30, 2004.

■ =6 months ended April 30    ■ =12 months ended October 31

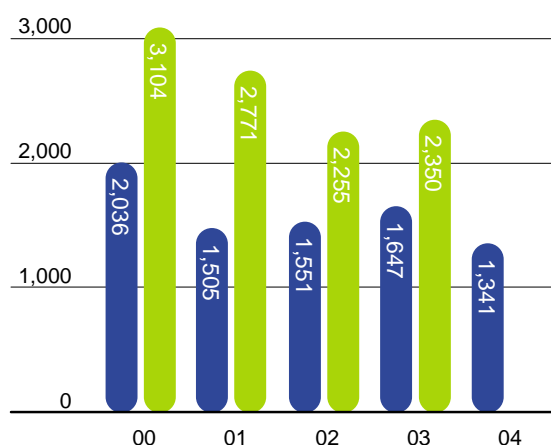
### Rental Revenues and Sales of Goods

(Millions of Yen)



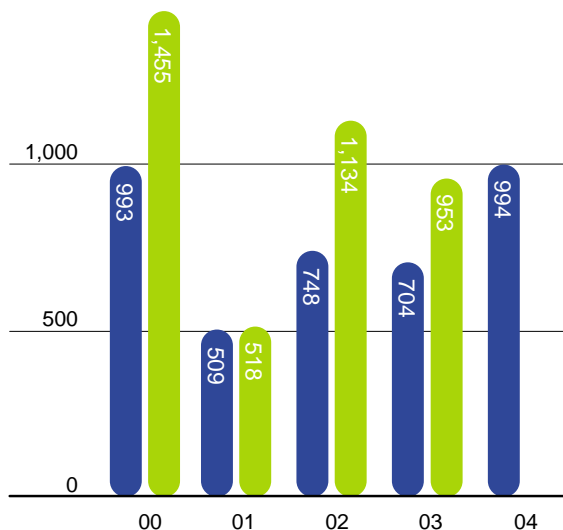
### Operating Income

(Millions of Yen)



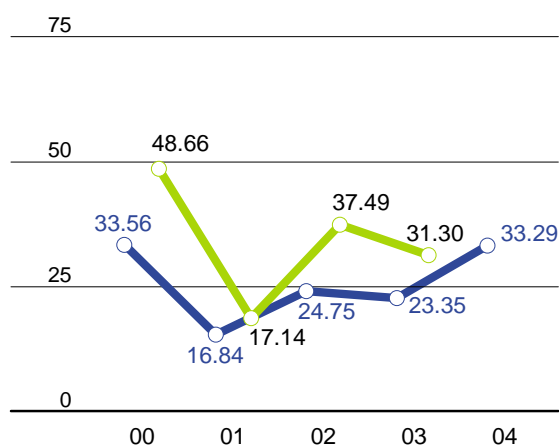
### Net Income

(Millions of Yen)



### Net Income per Share

(Yen)





### Basic policies concerning business management

The Kanamoto Company group believes that adapting to changes in the business environment, developing the group firms on a sustainable basis and maximizing earnings contributes to the best results for all stakeholders. This is the reason Kanamoto has always made the centerpiece of its action agenda the concept “constantly seek innovation and strive to energize the business.”

By offering each customer optimal solutions and services fine-tuned to its exact needs, based on rational rental proposals that take maximum advantage of Kanamoto’s years of accumulated equipment rental knowledge and experience, Kanamoto seeks to grow in a manner that will contribute fully to society.

### Basic policies concerning distribution of earnings

To ensure the long-term, integrated expansion of shareholders’ profits, Kanamoto continues to focus comprehensively on both capital investments and profitability based on its medium-term profit plan, general dividend trends and a sound financial position. In particular, the Company 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 rental equipment assets that will serve as the source of future earnings.

To provide for a more flexible capital policy in the future, Kanamoto has established a program and policy for the purchase of treasury stock.

### Management indicators established as objectives

Because of the Company’s need to maintain a large inventory of assets, Kanamoto has always emphasized ROI (return on investment) and cash flow. The Company and seeks growth in EBITDA (earnings before interest, taxes, depreciation and amortization) to meet its primary objective of establishing a solid management foundation.

For the new long-range management plan Kanamoto will launch in the fiscal year ending October 2004, the Company will seek to attain the following numerical objectives in the fiscal year ending October 2006 and in the fiscal year ending October 2008.

*(Millions of yen, except net income per share)*

		Fiscal Year ending October 2006	Fiscal Year ending October 2008
<b>Consolidated operating results</b>	Revenues	60,400	63,340
	Ordinary income	3,350	5,370
	Net income per share (yen)	57	93
<b>Non-consolidated operating results (Kanamoto Company)</b>	Revenues	58,000	60,600
	Ordinary income	3,160	5,070
	EBITDA	18,029	19,533

### Medium to long-term corporate management strategy

In “Metamorphose,” the Company’s new long-range management plan, Kanamoto will focus on enhancing operating systems in the Construction Equipment Rental Division, the core business of Kanamoto and the Kanamoto group. Kanamoto will also launch wide-ranging efforts to reinvigorate the Company, and create a stronger Kanamoto that is well-equipped to survive in the face of a changed business environment, by the end of the fiscal year ending October 2008. To accomplish this plan we have established the following objectives.

#### Earnings-focused management

Kanamoto will shift its focus away from a revenues-first approach and emphasize gross profit. Moreover, because the Company has already completed the replacement of its large-scale construction equipment rental assets with the latest emissions-controlled models designed to reduce pollution, Kanamoto will limit the introduction of new rental assets and work to reduce depreciation and amortization expense.

The Company will continue to aggressively introduce small-scale construction equipment and inexpensive rental assets, however, which boast high profit margins.

#### Execute a bold scrap and build program

In the prior fiscal year, Hokkaido accounted for 41% of Kanamoto’s total revenues by region, with Honshu

accounting for the remaining 59%. By making an aggressive effort to expand in Honshu, Kanamoto will implement its flexible branch office location strategy to raise the percentage of revenues generated in Honshu to 65-70%. In addition, by taking bolder measures to close or scale back the number of unprofitable branches, when opening new branches the Company will concentrate on establishing lightly-equipped branches, particularly in the Tokyo metropolitan area.

**Build a powerful marketing organization where customers are always Number One**

By taking maximum advantage of its information systems, Kanamoto will implement marketing programs to thoroughly fulfill user needs. The Company will continue to reconfigure its asset composition to best suit the regional characteristics of each branch office, independently and autonomously of other branches, to create a position in which Kanamoto's presence is indispensable for its customers' operations.

**Pursue Kanamoto's alliance strategy**

The Kanamoto group and its alliance firms currently have bases capable of providing products and services with uniform quality throughout Japan, from Hokkaido to Okinawa. By expanding the number of alliance firms and enhancing the alliance group's capabilities, Kanamoto has strengthened its corporate cooperation as the Kanamoto group and enhanced synergistic effects.

Even though business conditions will be extremely difficult during the initial two-year period of the new long-range management plan, by pursuing the objectives mentioned above Kanamoto will continue to be recognized as the leading company in the construction equipment rental business. By maintaining its efforts to improve and strengthen the Company's financial position, Kanamoto will seek to create a firm that is evaluated positively by the market.

**Issues to be addressed by the Company**

Over the past several years total construction investment has fallen sharply, as public works spending has been curtailed under the government's financial restoration policy. For firms involved in the construction industry, the change in the current business environment has been extremely severe and fosters little hope for a turnaround in immediate conditions. This situation is reflected in the construction equipment rental industry as well, as the decline in rental unit prices, user requests for discounts, and greater competition among firms continue unabated. Regardless of a firm's size, with each passing year operating margins at construction equipment rental firms have continued to shrink.

Nevertheless, as the use of construction equipment rentals by construction firms continues to grow, this presents opportunities in which the construction equipment rental industry will be able to maintain or even improve profitability through appropriate asset investments and timely operation.

As the Kanamoto group, we regard this deterioration of the business environment as an opportunity. Kanamoto is working to expand revenues by cooperating closely with other Kanamoto group firms and its alliance partners, from a business and asset management perspective. We are also focusing on increasing operating income by cutting various costs and overhead. Together with reducing depreciation and amortization expense with strict controls on investments, mainly for large-scale construction equipment, we are continually seeking to achieve lower-cost operations.

Kanamoto is also taking steps to improve the value of its corporate brand. To achieve this goal the Company will concentrate on appropriate user support and the level of quality satisfaction, by creating a knowledge management system and a maintenance standardization system that effectively utilize the online system linking every Kanamoto branch office.

As the standard bearer for the construction equipment rental industry, Kanamoto has taken up its mission and obligation with a strong sense of commitment and is working to develop the construction equipment rental market and foster a sound industry in the face of a challenging environment.

Kanchu Kanamoto  
President and Chief Executive Officer

*K. Kanamoto*



# Consolidated Balance Sheets

[As of April 30, 2004]

## ASSETS

	Millions of yen			Thousands of U.S. dollars (Note)
	April 30, 2003 (Unaudited)	October 31, 2003	April 30, 2004 (Unaudited)	April 30, 2004 (Unaudited)
<b>Current assets :</b>				
Cash and cash equivalents	¥ 18,515	¥ 11,921	¥ 15,142	\$ 137,214
Short-term investments	28	47	27	245
Notes and accounts receivable, trade	21,533	21,412	19,551	177,176
Inventories	1,158	854	1,043	9,456
Deferred income taxes	249	261	284	2,570
Other current assets	2,617	2,395	2,419	21,925
Less : Allowance for doubtful accounts	(574)	(489)	(561)	(5,089)
<b>Total current assets</b>	<b>43,526</b>	<b>36,401</b>	<b>37,905</b>	<b>343,497</b>
<b>Property and equipment :</b>				
Rental equipment	45,161	43,790	38,318	347,245
Building and structures	15,346	15,333	15,309	138,728
Machinery and equipment	4,882	5,153	5,190	47,028
Less : Accumulated depreciation	(42,059)	(42,361)	(39,597)	(358,832)
	23,330	21,915	19,220	174,169
Land	24,623	24,638	24,651	223,394
Construction in progress	2	2	11	101
<b>Total property and equipment</b>	<b>47,955</b>	<b>46,555</b>	<b>43,882</b>	<b>397,664</b>
<b>Investments and other assets :</b>				
Investments in securities	3,508	3,573	3,822	34,632
Deferred income taxes	1,754	1,383	917	8,312
Other assets	1,741	1,662	1,697	15,381
Less : Allowance for doubtful accounts	(567)	(564)	(618)	(5,600)
<b>Total investments and other assets</b>	<b>6,436</b>	<b>6,054</b>	<b>5,818</b>	<b>52,725</b>
	¥ 97,917	¥ 89,010	¥ 87,605	\$ 793,886

Note : U.S. dollar amounts have been translated from yen for convenience only, at the rate of ¥110.35=US\$1, the approximate exchange rate on April 30, 2004.

## LIABILITIES AND SHAREHOLDERS' EQUITY

	Millions of yen			Thousands of U.S. dollars (Note)
	April 30, 2003 (Unaudited)	October 31, 2003	April 30, 2004 (Unaudited)	April 30, 2004 (Unaudited)
<b>Current liabilities :</b>				
Short-term bank loans	¥ 853	¥ 713	¥ 935	\$ 8,472
Current portion of long-term debt	20,138	14,854	14,794	134,069
Notes and accounts payable, trade	10,819	11,048	10,540	95,512
Accrued income taxes	790	648	682	6,183
Accrued bonuses for employees	507	443	464	4,206
Other current liabilities	1,259	1,208	1,001	9,068
Total current liabilities	34,366	28,914	28,416	257,510
<b>Non-current liabilities :</b>				
Long-term debt	29,082	25,423	24,718	224,000
Accrued pension and severance costs	1,745	1,777	1,186	10,747
Other liabilities	981	918	239	2,166
Total non-current liabilities	31,808	28,118	26,143	236,913
<b>Minority interests</b>	152	71	82	739
<b>Shareholders' equity :</b>				
Common stock	8,597	8,597	8,597	77,904
Additional paid-in capital	9,720	9,720	9,720	88,087
Retained earnings	13,536	13,400	14,182	128,523
Net unrealized gain (loss) on other securities, net of taxes	(91)	367	644	5,835
Treasury stock	(171)	(177)	(179)	(1,625)
Total shareholders' equity	31,591	31,907	32,964	298,724
	¥ 97,917	¥ 89,010	¥ 87,605	\$ 793,886





## Consolidated Statements of Cash Flows

[For the six months ended April 30, 2004]

	Millions of yen			Thousands of U.S. dollars (Note)
	April 30, 2003 (Unaudited)	October 31, 2003	April 30, 2004 (Unaudited)	April 30, 2004 (Unaudited)
<b>Cash flows from operating activities</b>	¥ 6,346	¥ 10,359	¥ 4,955	\$ 44,905
<b>Cash flows from investing activities</b>	(313)	(107)	120	1,086
<b>Cash flows from financing activities</b>	(2,951)	(13,764)	(1,896)	(17,185)
<b>Net increase (decrease) in cash and cash equivalents</b>	3,082	(3,512)	3,179	28,806
<b>Cash and cash equivalents at beginning of period</b>	15,433	15,433	11,921	108,026
<b>Increase due to merger of unconsolidated subsidiary</b>	-	-	42	382
<b>Cash and cash equivalents at end of period</b>	¥ 18,515	¥ 11,921	¥ 15,142	\$ 137,214

## Segment Information

[For the six months ended April 30, 2004]

	Construction related business	Steel related business	Information and communication related and other business	Total	Eliminations and corporate items	Consolidated
<b>Sales</b>						
Outside customers	¥ 28,265 \$ 256,141	¥ 2,450 \$ 22,198	¥ 241 \$ 2,184	¥ 30,956 \$ 280,523	¥ - \$ -	¥ 30,956 \$ 280,523
Intersegment	¥ - \$ -	¥ - \$ -	¥ - \$ -	¥ - \$ -	¥ - \$ -	¥ - \$ -
Total	¥ 28,265 \$ 256,141	¥ 2,450 \$ 22,198	¥ 241 \$ 2,184	¥ 30,956 \$ 280,523	¥ - \$ -	¥ 30,956 \$ 280,523
<b>Operating expenses</b>	¥ 26,754 \$ 242,447	¥ 2,450 \$ 22,202	¥ 250 \$ 2,265	¥ 29,454 \$ 266,914	(¥ 77) (\$ 696)	¥ 29,377 \$ 266,218
<b>Operating profit</b>	¥ 1,511 \$ 13,694	(¥ 0) (\$ 4)	(¥ 9) (\$ 81)	¥ 1,502 (\$ 13,609)	¥ 77 \$ 696	¥ 1,579 (\$ 14,305)

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, 2004]

	Millions of yen			Thousands of U.S. dollars (Note)
	April 30, 2003 (Unaudited)	October 31, 2003	April 30, 2004 (Unaudited)	April 30, 2004 (Unaudited)
<b>Finance leases</b>				
Within one year	¥ 5,147	¥ 4,928	¥ 5,850	\$ 53,016
After one year	15,531	16,288	17,101	154,968
Total	¥ 20,678	¥ 21,216	¥ 22,951	\$ 207,985
<b>Operating leases</b>				
Within one year	¥ 1,897	¥ 1,793	¥ 1,614	\$ 14,628
After one year	3,291	3,239	2,266	20,539
Total	¥ 5,188	¥ 5,032	¥ 3,881	\$ 35,167

# Non-Consolidated Balance Sheets

[As of April 30, 2004]

## ASSETS

	Millions of yen			Thousands of U.S. dollars (Note)
	April 30, 2003 (Unaudited)	October 31, 2003	April 30, 2004 (Unaudited)	April 30, 2004 (Unaudited)
<b>Current assets :</b>				
Cash	¥ 17,513	¥ 11,346	¥ 14,464	\$ 131,074
Notes receivable, trade	12,998	10,148	10,821	98,064
Accounts receivable, trade	7,958	11,159	7,921	71,779
Inventories	417	376	531	4,809
Other current assets	2,832	2,627	2,751	24,932
Less : Allowance for doubtful accounts	(573)	(490)	(570)	(5,164)
Total current assets	41,145	35,166	35,918	325,494
<b>Property and equipment :</b>				
Rental equipment	43,935	42,505	37,107	336,269
Buildings	10,922	11,161	11,185	101,360
Structures	3,940	3,855	3,806	34,485
Machinery and equipment	4,748	5,039	5,074	45,985
Less : Accumulated depreciation	(40,784)	(41,201)	(38,413)	(348,099)
	22,761	21,359	18,759	170,000
Land	24,247	24,382	24,382	220,949
Construction in progress	2	2	11	97
Total property and equipment	47,010	45,743	43,152	391,046
<b>Investments and other assets :</b>				
Investments and other assets	7,786	7,488	7,333	66,452
Less : Allowance for doubtful accounts	(558)	(770)	(825)	(7,481)
Total investments and other assets	7,228	6,718	6,508	58,971
	¥ 95,383	¥ 87,627	¥ 85,578	\$ 775,511

Note : U.S. dollar amounts have been translated from yen for convenience only, at the rate of ¥110.35=US\$1, the approximate exchange rate on April 30, 2004.

## LIABILITIES AND SHAREHOLDERS' EQUITY

	Millions of yen			Thousands of U.S. dollars (Note)
	April 30, 2003 (Unaudited)	October 31, 2003	April 30, 2004 (Unaudited)	April 30, 2004 (Unaudited)
<b>Current liabilities :</b>				
Current portion of long-term bank loans	¥ 9,761	¥ 9,576	¥ 10,356	\$ 93,847
Notes payable, trade	7,898	7,387	7,739	70,131
Accounts payable, trade	1,851	3,049	2,182	19,776
Notes payable, other	389	363	93	845
Accounts payable, other	6,695	5,785	4,716	42,732
Accrued income taxes	773	645	637	5,767
Accrued bonuses for employees	485	429	449	4,071
Other current liabilities	4,672	523	554	5,021
Total current liabilities	32,524	27,757	26,726	242,190
<b>Non-current liabilities :</b>				
Long-term bank loans	22,780	20,592	21,104	191,246
Long-term accounts payable, other	6,545	5,321	3,532	32,010
Accrued pension and severance costs	1,732	1,777	1,185	10,736
Other liabilities	176	176	73	659
Total non-current liabilities	31,233	27,866	25,894	234,651
<b>Shareholders' equity :</b>				
Common stock	8,597	8,597	8,597	77,904
Additional paid-in capital	9,720	9,720	9,720	88,087
Legal reserve	1,372	1,375	1,375	12,463
Retained earnings	12,194	12,122	12,801	116,006
Net unrealized gain on securities	(91)	367	644	5,835
Treasury stock	(166)	(177)	(179)	(1,625)
Total shareholders' equity	31,626	32,004	32,958	298,670
	¥ 95,383	¥ 87,627	¥ 85,578	\$ 775,511

## Non-Consolidated Statements of Income

[For the six months ended April 30, 2004]

	Millions of yen			Thousands of U.S. dollars (Note)
	April 30, 2003 (Unaudited)	October 31, 2003	April 30, 2004 (Unaudited)	April 30, 2004 (Unaudited)
<b>Rental revenues</b>	¥ 20,090	¥ 39,639	¥ 20,087	\$ 182,029
<b>Cost of rentals</b>	15,116	30,597	15,213	137,866
<b>Sales of goods</b>	10,553	20,856	9,639	87,352
<b>Cost of sales</b>	7,942	16,098	7,268	65,860
<b>Gross profit</b>	7,585	13,800	7,245	65,655
<b>Selling, general and administrative expenses</b>	5,937	11,449	5,903	53,498
<b>Operating income</b>	1,648	2,351	1,342	12,157
<b>Other income (expenses) :</b>				
Interest and dividend income	39	81	30	276
Interest expenses	(195)	(373)	(165)	(1,493)
Others, net	(142)	(202)	642	5,814
<b>Income before income taxes</b>	1,350	1,857	1,849	16,754
<b>Income taxes :</b>				
Current	749	1,032	598	5,416
Deferred	(104)	(129)	257	2,328
	645	903	855	7,744
<b>Net income</b>	¥ 705	¥ 954	¥ 994	\$ 9,010

	Yen			U.S.dollars (Note)
	April 30, 2003 (Unaudited)	October 31, 2003	April 30, 2004 (Unaudited)	April 30, 2004 (Unaudited)
<b>Per share of common stock</b>	¥ 23.35	¥ 31.30	¥ 33.29	\$ 0.30

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

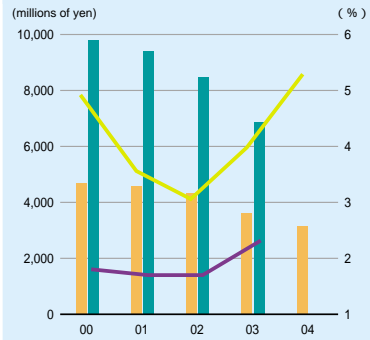
[For the six months ended April 30, 2004]

	Millions of yen			Thousands of U.S. dollars (Note)
	April 30, 2003 (Unaudited)	October 31, 2003	April 30, 2004 (Unaudited)	April 30, 2004 (Unaudited)
<b>Finance Leases</b>				
Within one year	¥ 4,778	¥ 4,689	¥ 5,614	\$ 50,871
After one year	15,120	16,064	16,856	152,750
Total	¥ 19,897	¥ 20,753	¥ 22,470	\$ 203,621
<b>Operating Leases</b>				
Within one year	1,897	1,790	1,601	14,511
After one year	3,291	3,239	2,242	20,320
Total	¥ 5,188	¥ 5,028	¥ 3,844	\$ 34,830

## Cash Flow

### PCFR

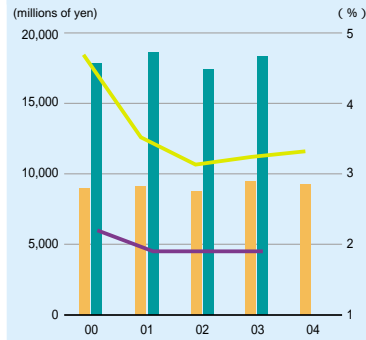
CF = Net income + Depreciation expense - (Cash dividends + Bonuses to directors and auditors)  
 PCFR = Total market capitalization ÷ CF ÷ Stock Price ÷ Cash flow per share of common stock



## EBITDA<sup>+</sup>

### EBITDA<sup>+</sup> Ratio

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

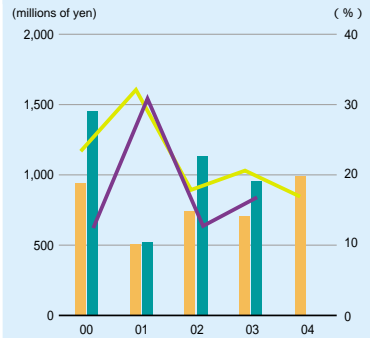


- =Annual
- =Interim
- ⋯ =Anticipated
- =Annual
- =Interim

## Net Income

### PER

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



## PBR

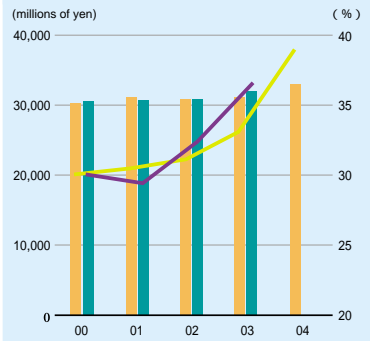
PBR = ROE × PER



## Shareholders' Equity

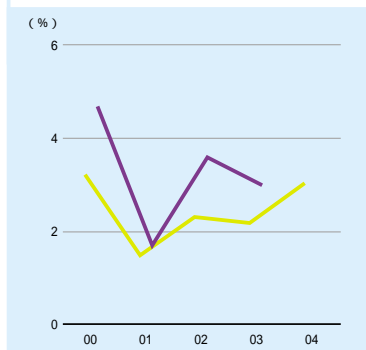
### Shareholders' Equity Ratio

Shareholders' Equity Ratio = Shareholders' equity ÷ Total assets



## ROE

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

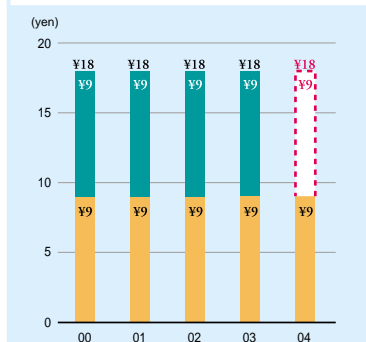


## ROA

ROA = Net income ÷ Total assets



## Dividend per Share of Common Stock





## Kanamoto Opens Two Offices in Shin-Kiba in Tokyo's Koto Ward



Shin-Kiba Branch / Shutoken Aerial Equipment Branch

Kanamoto simultaneously opened the Shin-Kiba Branch and the Shutoken Aerial Equipment Branch on the same site in Tokyo's Koto Ward on June 1, 2004. Branch offices established in Tokyo in the past by Kanamoto were small in size. With an average floor space measuring approximately 900m<sup>2</sup>, branches focused mainly on a line-up of products such as small construction equipment and hand tools. The newest branches, on the other hand, are located in one of Tokyo's 23 main wards and share a site covering about 5,600m<sup>2</sup>. The branches have a storage yard that can handle large-scale construction equipment, with a maintenance facility capable of providing medium and large-scale repairs established as an annex. Kanamoto can claim without boasting that few other companies in the industry have established a facility in the Tokyo metropolitan area with this amount of space.

Kanamoto has positioned both branches as its most important bases for expanding the Company's market share in the Tokyo metropolitan area. So having a site on this scale makes a good deal of sense.

Each base has a different objective and will focus on a different segment of the market. The Shin-Kiba branch will aim at expanding Kanamoto's market share, by participating in harbor construction works in the Tokyo Bay area and large-scale redevelopment project-related construction, and through aggressive business development as Kanamoto's core branch in the Tokyo metropolitan area. On the other hand, as its name implies the Shutoken Aerial Equipment Branch will be a base focusing on equipment for aerial works. The goal of this branch will be to expand Kanamoto's share of construction equipment rentals for aerial works such as Tokyo Metropolitan Expressway maintenance, bridge construction, signboards, painting and electrical works, and full-scale entry into

markets where the Company has had a limited presence so far, such as large-scale condominium and office building construction projects. The Shutoken Aerial Equipment Branch was established through transfer of the construction equipment rental business operations of Kanaya Lease Co., Ltd. (Yukio Kanaya, President; Head Office: Urayasu, Chiba Prefecture), as reported on May 10.

Kanamoto requested the traditional Shinto rites when both branches were established, which were performed on June 15 in the second-floor main conference room at the site. In the evening, Company representatives and invited guests moved to Hotel East 21 in Toyoko, Koto Ward, where customers and construction equipment manufacturers mingled to enjoy the announcement commemorating the branch openings and a banquet hosted by Kanamoto.

During the banquet Kanchu Kanamoto, president of Kanamoto Company, introduced and praised the outstanding services provided for over 30 years by the officers and employees of Kanaya Lease as the predecessors of the Shutoken Aerial Equipment Branch, and commented on the significance of the two simultaneously established bases. Following these remarks Yukio Kanaya, President of Kanaya Lease, expressed his appreciation for customers' patronage and his wish to see the Kanaya spirit of safety first continued. Certainly, the Shutoken Aerial Equipment Branch, the Shin-Kiba Branch and all of Kanamoto's branch offices will maintain the concept of safety first, and both new branches are expected to generate substantial activity in the future.



Shutoken Aerial Equipment Branch equipment yard

## Kanamoto Opens Large-scale Base and Engaru Branch in Hokkaido

On June 1, the same day Kanamoto established its Shin-Kiba Branch and the Shutoken Aerial Equipment Branch in Tokyo, the Company began temporary operations at its Engaru Branch (Engaru, Monbetsu-gun, Hokkaido) in Hokkaido. The branch began full-scale operations at the end of June.

The Engaru Branch was established by Kanamoto succeeding to the construction equipment rental business developed by Nakano Motors Co., Ltd. (Hiroshi Nakano, President; Head Office: Ikutahara, Monbetsu-gun, Hokkaido), a company which has enjoyed friendly business relations with Kanamoto in the same region. Nakano Motors decided to transfer its equipment leasing operations in order to specialize in its main business of selling construction equipment and farm machinery and expand its repair business service.

Because Nakano Motors had an extremely large share of construction equipment rentals in the Engaru area and enjoyed an oligopoly position, Kanamoto anticipates a substantial increase in its local market dominance through operations of the Engaru Branch after taking over Nakano Motors' construction

equipment rental business. Moreover, the Engaru Branch boasts a total area in excess of 9,000m<sup>2</sup>,



making it one of Kanamoto's biggest branches in terms of size. This is likely to catapult the branch to the leading position in the eastern area of Hokkaido. Kanamoto simultaneously closed its Maruseppu Equipment Center with the opening of the Engaru Branch, leaving the number of branches within the Abashiri jurisdiction unchanged at eight.

Kanamoto will add the advantage of its scale to the branch's services to further boost customer satisfaction, while continuing to value the relationships of trust formed with customers throughout the region by Nakano Motors over 25 years.

## Kanamoto Merges with Kanamoto Shikoku Co., Ltd.

Kanamoto recently completed a merger with Kanamoto Shikoku Co., Ltd. (established June 2001; Head Office: Takamatsu, Kagawa Prefecture), a subsidiary company. Since April 2004, the former joint venture has continued operations as one of Kanamoto's key locations in Shikoku as the Takamatsu Branch of the Construction Equipment Rental Division's Kinki & Chubu Region.

The merger was completed as part of "Metamorphose," the new long-range management plan Kanamoto is currently implementing, for the purpose of building and enhancing a sales and marketing organization where customers are always Number One. The merger will enable Kanamoto to respond to customer requests

demand with even greater speed and flexibility than in the past.

The Kanamoto Group will continue to provide services of the highest quality following the merger.



The former head office of Kanamoto Shikoku Co., Ltd., is continuing business operations as Kanamoto's Takamatsu Branch.

## Kanamoto Acquires Subsidiary Company Shares

In November 2003, Kanamoto acquired 30 shares (7.5%) of the stock of Daiichi Machine Industries Co., Ltd. (Head Office: Kanoya, Kagoshima Prefecture), making the firm a consolidated subsidiary. Daiichi Machine's main business is construction equipment rentals and the company has eight branch offices in Kagoshima Prefecture.

Kanamoto also effected a merger with Taniguchi Co., Ltd., a subsidiary company, in August 2003 as

previously reported.

As a result of these changes, the alliances of Kanamoto's Construction Equipment Rental Division function more smoothly and have become one cornerstone of Kanamoto's business operations. Kanamoto will continue to strengthen the sales and marketing organization of the entire Kanamoto Group in the future, and work to increase the Group's market share in the construction equipment rental industry.

## 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

¥60,494 million  
(Fiscal year ended October 2003)

## Number of Employees

1,109  
(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  
North Pacific Bank  
The Norinchukin Bank  
Hokkaido Shinren  
Shinkin Central Bank  
The Hokkaido Bank  
UFJ Bank Limited

## Principal Shareholders

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

## Our Growing Branch Network

Number of Branches	Kanamoto	Kanamoto Alliance & Associate Firms	Total
Hokkaido Region	55	13	68
Tohoku Region	39	1	40
Kanto & Shinetsu Region	30	3	33
Kinki & Chubu Region	14	2	16
Other Regions	-	39	39
<b>Total</b>	<b>138</b>	<b>58</b>	<b>196</b>

\* The number of Kanamoto branches in the Hokkaido Region includes three branches for the Steel Sales Division, and the number of branches in the Kanto & Shinetsu Region includes one branch for the Information Products Division.

\* Kanamoto opened 2 branches and closed 5 branches during the first half of fiscal 2004 (ends October 31, 2004)

Construction Equipment Rental Division ■

Steel Sales Division ●

Information Products Division ▲

Kanamoto Alliance & Associate Firms

**Assist Co., Ltd.** (9 branches) ■

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.** (5 branches) ■

Designs, manufactures and sells modular housing units for construction use.

**Kyushu Kensan Group** (16 branches, 4 group companies including) ■

Construction equipment rental company headquartered in Fukuoka Prefecture.

**Daiichi Machine Industries Co., Ltd.** (8 branches) ■

Construction equipment rental company headquartered in Kagoshima Prefecture.

**Machida Kikou Co., Ltd.** (14 branches) ■

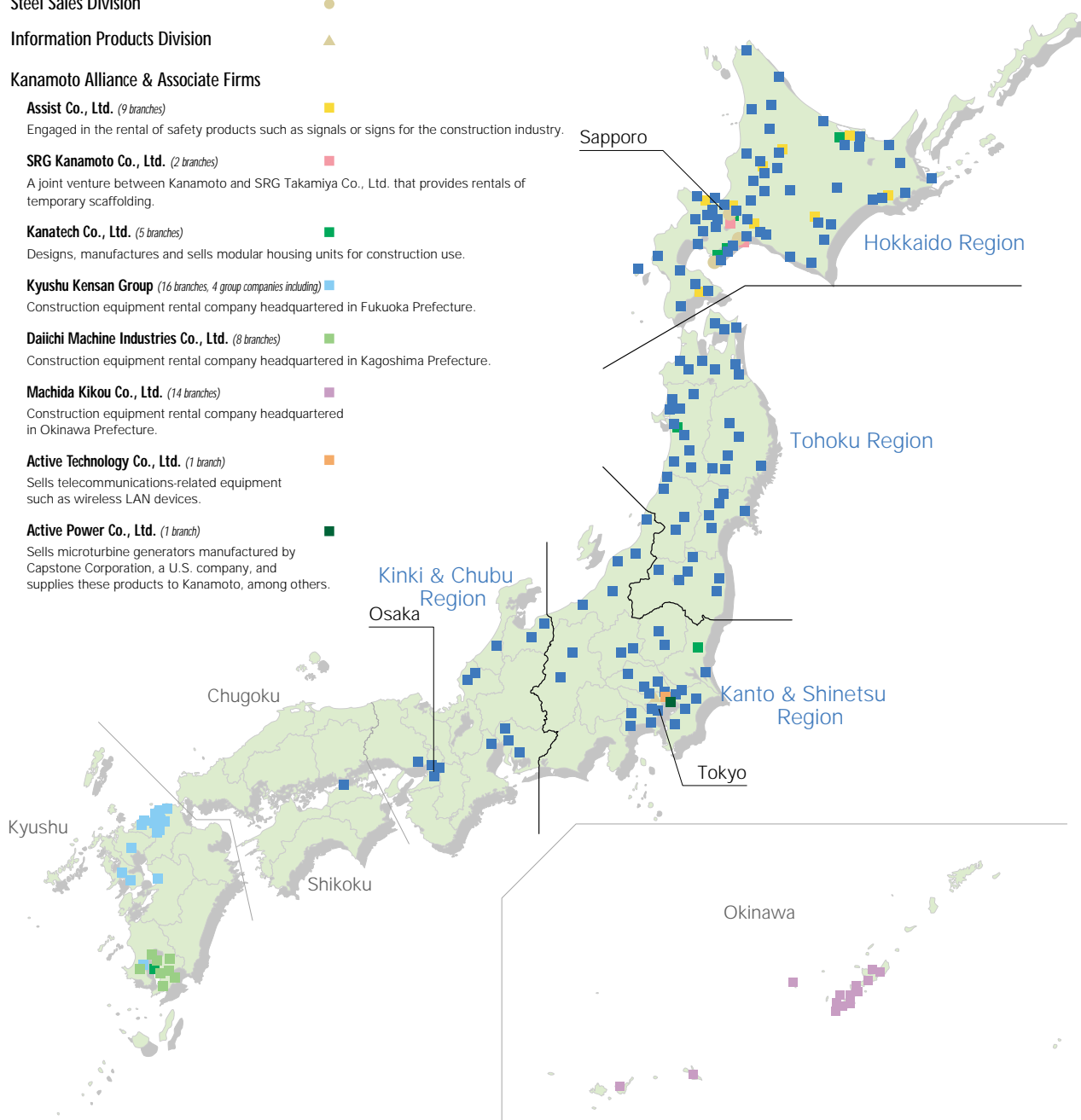
Construction equipment rental company headquartered in Okinawa Prefecture.

**Active Technology Co., Ltd.** (1 branch) ■

Sells telecommunications-related equipment such as wireless LAN devices.

**Active Power Co., Ltd.** (1 branch) ■

Sells microturbine generators manufactured by Capstone Corporation, a U.S. company, and supplies these products to Kanamoto, among others.





# Board Of Directors

[As of June 30, 2004]



## Directors

Kanchu Kanamoto \*  
*President  
CEO*



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



Yukio Sato \*  
*Senior Corporate Officer  
Manager, Business Coordination  
Headquarters*



Eichu Kanamoto \*  
*Division Manager,  
Administration Division  
Manager in Charge of Credit  
Management Division &  
Auditing Section*



Nobuhito Utatsu \*  
*Division Manager,  
Accounting Division*



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



Hitoshi Narita \*  
*Division Manager, Management  
Planning Division  
Office Chief, Secretarial Office*



Kojiro Satsuma



Tadao Saika



*Asterisk indicates directors who hold the additional post of corporate officer.*



## Corporate Officers

Hideki Nomiya  
*Business Coordination Headquarters  
Manager in Charge of Steel Sales  
Division*



Keiichi Kitakata  
*Division Manager, Research &  
Investment Division*



Tatsuo Kanamoto  
*Regional Manager, Tohoku Region  
Construction Equipment Rental  
Division*



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



Hiroshi Kumagai  
*Division Manager, Information  
System Division*



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

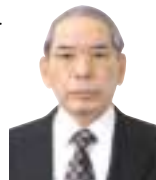


## Auditors

Toshizo Okumura  
*Standing Corporate Auditor*



Shinroku Sawada  
*Standing Corporate Auditor*



Kiyoshi Onishi  
*Outside Corporate Auditor*



Akio Hashimoto  
*Outside Corporate Auditor*





**kanamoto co., ltd.**

<http://www.kanamoto.co.jp>