October 2001 Accounting Bulletin (Consolidated)

December 13, 2001

Kanamoto Company, Ltd.

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Stock Code: **9678**

Listing Exchanges: **Tokyo Stock Exchange (First Section), Sapporo Stock Exchange**

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Date of Report to the Board of Directors:

December 13, 2001

SEC (United States) Accounting Standards:

The Company has not adopted SEC accounting standards

1. Consolidated operating results for the fiscal year ended October 31, 2001

(1) Consolidated operating results

(Numbers less than one million yen have been rounded down)

(¥ millions & %)

	Revenues	Operating Income	Ordinary Income	Net Income
Fiscal year ended October 31, 2001	67,346 (8.6)	2,872 (-6.0)	3,257 (27.8)	472 (-65.3)
Fiscal year ended October 31, 2000	61,996 (-)	3,042 (-)	2,548 (-)	1,360 (-)

	Net income per share of common stock	Net income per share of common stock after adjustment for potential ordinary shares	Return on shareholders' equity	Return on total assets	Ordinary income margin
	Yen	Yen	%	%	%
Fiscal year ended October 31, 2001	15.64	13.89	1.5	3.1	4.8
Fiscal year ended October 31, 2000	45.51	36.35	4.4	2.5	4.1

(Notes) ① Equity method investment profit or loss Fiscal year ended October 31, 2001 —
Fiscal year ended October 31, 2000 —

② Average number of shares (consolidated) outstanding during the period
Fiscal year ended October 31, 2001: 30,229,603 shares
Fiscal year ended October 31, 2000: 29,894,781 shares

③ Changes in accounting method We haven't changes in this fiscal year.

④ The percentages shown for revenues, operating income, ordinary income and fiscal year net income are the percent increase or decrease compared to the prior fiscal year

(2) Consolidated financial position

	Total assets	Shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
	¥ millions	¥ millions	%	Yen
Fiscal year ended October 31, 2001	106,639	30,843	28.9	1,020.03
Fiscal year ended October 31, 2000	103,412	30,781	29.7	1,018.72

(Note) Number of shares (consolidated) issued and outstanding at the end of the period:
Fiscal year ended October 31, 2001: 30,237,259 shares
Fiscal year ended October 31, 2000: 30,215,864 shares

(3) Consolidated cash flow

(¥ millions)

	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Cash and cash equivalents at the end of the fiscal year
Fiscal year ended October 31, 2001	12,469	-762	↴ 12,137	15,991
Fiscal year ended October 31, 2000	10,616	-1,826	↴ 8,544	16,422

(4) Companies to which consolidation accounting and equity method accounting apply

Number of consolidated subsidiaries: 5 companies

Number of unconsolidated subsidiaries accounted for under the equity method: 0 companies

Number of affiliated companies accounted for under the equity method: 0 companies

(5) Changes to which consolidation accounting and equity method accounting apply

Consolidation	(New): 0 companies	(Excluded): 0 companies
Equity method accounting	(New): 0 companies	(Excluded): 0 companies

2. Projected consolidated operating results for the fiscal year ending October 31, 2002 (November 1, 2001 – October 31, 2002)

(¥ millions)

	Revenues	Ordinary Income	Net Income
Interim period	32,300	1,250	590
Full year	65,500	1,530	700

(Reference) Projected net income per share of common stock (fiscal year) ¥23.15

I Current conditions of the Company's group

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

〔Businesses related to the Construction Equipment Rental Operation〕

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

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

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

〔Businesses related to the Steel Sales Operation〕

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

〔Businesses related to the Information Products Operation and other businesses〕

As the Company's information and telecommunications-related operation, Kanamoto's Information Products Division is engaged in the rental and sale of computers, computer peripheral equipment and equipment for the development of computer products. Companies affiliated with this division include **Newtech Co., Ltd.** (an affiliated company), which primarily manufactures and sells computer peripheral equipment such as RAID (large volume, high speed external storage products), and **Active Technology Corp.** (an affiliated company), which is principally engaged in the sale of telecommunications-related equipment such as wireless LAN devices.

As supplemental businesses, **Active Power Corp.** (an affiliated company) is engaged in the sale of micro-turbine generators manufactured by the U.S. company Capstone Corporation, and supplies these products to the Company, among others. **Providence Brewery Co., Ltd.** (a subsidiary company) brews and sells regional beers.

〔Relationship of the operating businesses〕

Kanamoto Co., Ltd.

- Construction Equipment Rental
- Steel Sales
- Information Products

Construction-related Businesses

(Consolidated companies)
Taniguchi Co., Ltd. Assist Co., Ltd. SRG Kanamoto Co., Ltd. Kanatech Co., Ltd.
(Non-consolidated companies)
Polyshield Services Co., Ltd. Kanamoto Shikoku Co,, Ltd.

Information and Telecommunications-related and Other Businesses

Computer and peripheral equipment-related businesses	(Affiliated companies)※ Newtech Co., Ltd. Active Technology Corp.
Other Businesses	(Consolidated company) Providence Brewery Co., Ltd. (Affiliated company)※Active Power Corp.

(Note) * Indicates affiliated companies to which equity method accounting is not applied.

II Management policies and operating results

1. Basic policies concerning business management and distribution of earnings

Kanamoto Company's basic mission is to achieve successful performance that produces maximum satisfaction for all stakeholders of the Company, including customers, shareholders and the local community. The Company undertakes its businesses based on a fundamental management policy embodied in the phrase, "constantly seek innovation and move forward based on a spirit of independence and self-reliance."

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

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

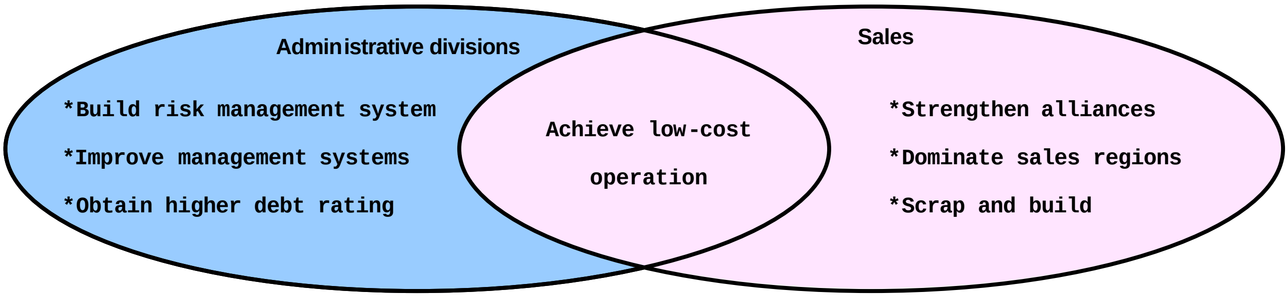
To accomplish these goals, Kanamoto Company focuses on the importance of cash flow and places particular importance on the growth of EBITDA (earnings before interest, taxes and depreciation and amortization).

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

2. Medium to long-term corporate management strategy

During the three years since the Company's stock was raised to the First Section of the Tokyo Stock Exchange in April 1998, Kanamoto Company has implemented efforts to seek new businesses, expand the operating areas for the Company's main business of construction equipment rentals and enhance in-house systems, in order to strengthen the Company's management base. We are confident these activities have produced favorable results, such as the Company's venture business support activity, the creation of various alliances and the regional office reorganization of the construction equipment rental division, and the establishment of Used Products Sales Division, respectively. Each of these measures has helped Kanamoto Company to form a company group that currently employs more than 1,000 individuals.

Nevertheless, growth in the number of offices and employees brings a danger of succumbing to so-called big company syndrome, where a company's organization becomes inflexible or employee morale stagnates. In order to avoid this result, Kanamoto Company will implement a new three-year plan, the "Medium-term Management Plan for the 38th-40th Business Periods," starting from November 2001. The core of this plan is policies to strengthen the Company's internal management systems, as shown below.



With regard to achieving a low-cost operation, Kanamoto Company is aggressively continuing the program it began several years ago to build a dominant network in existing sales territories, by opening a greater number of small-scale branch offices and increasing the efficient utilization of its rental assets. The Company is also pursuing greater operating efficiency, and simultaneously implementing a scrap and build policy that is aligned with local economies and regional characteristics. For new branch offices, the Company has placed its greatest priority on the Kanto region, particularly in the vicinity of Tokyo.

Kanamoto Company is also moving as a group to strengthen its corporate alliances in western Japan. This effort is centered on leading companies in the Okinawa and Kyushu region with which Kanamoto has already formed business alliances (Machida Kikou Co., Ltd. and Kyushu Kensan Group), together with Daiichi Machine Industries Co., Ltd. (headquarters in Kanuma, Kagoshima Prefecture), whose sales region is in the southern part of Kyushu, and Kanamoto Shikoku Co., Ltd. (headquarters in Takamatsu, Kagawa Prefecture), which operates in Shikoku. In November 2001, Daiichi Machine Industries Co., Ltd. became a subsidiary of Kanamoto Company.

Based upon these fundamental activities, the Kanamoto Company group will aim to enhance the business development capabilities of the consolidated group as a whole, by strengthening the capabilities of each business and ensuring that each firm has a solid financial foundation.

Kanamoto is also continuing its venture business support activities, in order to nurture new businesses that will follow the growth path of its construction equipment rental business. This is the major objective for development of the Company's new businesses. Kanamoto makes investments in venture businesses not only for the purpose of capital gains from a new public offering, but also so these companies will contribute to the Company's earnings through dividends and profits from the distribution of new products. Among the companies that Kanamoto has invested in so far, those developing micro-turbine electrical generators and VoIP (Internet telephony) technology show strong promise.

Ⅱ. Operating Results

(1) Summary of fiscal year operating results (Fiscal year ended October 2001)

〔External environment〕

The condition of Japan's economy grew more serious throughout the business period, as shown by the negative outlook at all firms in the Bank of Japan's Diffusion Index (DI). The business sentiment of firms continued to deteriorate, as demonstrated particularly by the most recent business outlook survey, which showed the worst business conditions outlook since the survey was begun.

In the construction industry, the principal customer for Kanamoto's construction equipment rental business, public spending in the central government's initial FY2001 budget was maintained at ¥7,251,100 million. Nevertheless, as a result of fears that a public spending increase could not be expected in the second supplementary budget because of financial reform measures announced by Prime Minister Koizumi's administration and a tight lid on local government spending budgets, the number of orders nationwide for public construction fell after May. Added to the rapid slowdown in private capital investment throughout Japan, with the exception of the Tokyo metropolitan area, Japan's business environment was exceedingly severe.

〔Conditions for the Company（Unconsolidated)〕

Kanamoto Company's total revenues for the fiscal year were ¥64,295 million (an increase of 5.4% compared to the prior fiscal year), and ordinary income was ¥2,394 million (up 23.5%). Revenues for each operating division are discussed below.

Construction Equipment Rental Division

Although excess competition intensified among companies in the construction equipment rental industry as public spending slowed, demand for construction equipment rentals remained strong as construction companies sought to control capital spending. At Kanamoto, total rental revenues for the Construction Equipment Rental Division rose 3.8% compared to the prior fiscal year as the result of a reorganization of the sales team to cover regional markets, establishment of small local offices to provide close customer contact and efforts to expand the Company's marketing area. Sales of construction equipment increased 9.6% over the prior year, as a result of a transition to low-exhaust emissions equipment owned by the Company (rental assets) and aggressive sales of used equipment. Both activities were part of as an ecology-oriented project at the new Used Products Sales Division, which Kanamoto Company established during the fiscal year. Revenue for the division as a whole was up 5.2%. By region, rental revenue rose 4.0% in Hokkaido as a result of increasing the number of small-scale branches, while sales were flat in the Tohoku area as a cycle of public spending ended. Sales increased 7.3% in the Kanto-Joetsu region as both public spending and private demand were strong. In the Kinki-Chubu region, sales grew by 10.7% as the Company's alliance strategy in western Japan proved successful. During the fiscal year the Company established nine new branches, including four new branches in Hokkaido, one branch in the Tohoku area, two branches in the Kanto area and two branches in the Kinki-Chubu area.

In the **Steel Sales Division,** sales were up 5.4% compared to the prior year as the result of greater emphasis on sales in the Sapporo metropolitan area, which accounts for large portion of sales in the Hokkaido region.

The **Information Products Division** achieved an 11.0% increase in rental revenues as the result of steady orders for investment in new model workstations, which rose 14.2%, and an 8.7% increase in sales revenue from higher demand for wireless LAN equipment.

〔Business conditions at consolidated subsidiaries〕

Taniguchi Co., Ltd. is building a solid market share in the Shiribeshi region of Hokkaido. The company increased both revenue and profits during the business period and continued to achieve steady growth.

Assist Co., Ltd. (Hokkaido) increased the number of its branches from four to nine in order to expand its sales area to all of Hokkaido. As a result, the company had higher sales but lower profits because of a larger burden for capital equipment.

SRG Kanamoto Co., Ltd., which closed its books on its second fiscal year since being established, was within the range of revenue and earnings projected in its initial business plan. The firm was able to steadily improve its operating results despite competition from other companies in the same business.

Although this was the first fiscal year for external sales by **Kanatech Co., Ltd.**, the company posted good operating results that exceeded the objectives set in its initial business plan.

Providence Brewery Co., Ltd. moved to reform its profit structure through actions such as consigning management of its restaurant business to an outside firm. Revenue and profit declined, however, because of a brief shutdown for remodeling and the effect of cool summer weather on sales.

〔Consolidated operating results for the fiscal year ended October 2001〕

During the current accounting period, the Company charged to income an extraordinary loss for the full amount of ¥1,982 million for a one-time valuation difference for a change in accounting standards based on the introduction of accounting for post-employment benefits.

As a result of the above activities, the Company had total revenues of ¥67,346 million, an increase of 8.6% over the prior fiscal year. Ordinary income was ¥3,257 million (up 27.8%) and net income for the period was ¥472 million (down 65.3%).

〔Other business operating results〕

The effect of Japan's economic recession has reduced the number of promising investment targets for the Company's venture business support activities. Support such as new capital investment provided by the Company declined as a result, totaling ¥35 million for the fiscal year.

The number of inquiries for rentals and purchases of the Capstone micro-turbine electrical generators increased as the result of offering Active Power Co., Ltd.'s specifications and cogeneration systems, and the start of unit deliveries. The delivery of units to the Shin Akabira Mine owned by Sumitomo Coal Mining Co., Ltd. in particular, which is the first "multi-pack" micro-turbine system to be installed in Japan, is expected to produce more business in the future.

(2) Outlook for the next fiscal year (Business period ending October 2002)

〔Business environment〕

The details of the Koizumi administration's reform concepts, which were announced in the phrase "structural reform with no sanctuaries," are gradually becoming clearer. Sectors being emphasized are IT, urban renewal, the environment, the aging of Japan's population and shrinking youth population, education, science and technology and regional revitalization. The strength of various forces arrayed against reforms is also strong, however, and it is impossible to predict how public sentiment will change when the pain accompanying the progress of the reforms becomes evident. It will be difficult to avoid reductions in public spending, however, and the construction industry and related industries are projected to be greatly effected. The Koizumi administration has also made a public promise to quickly dispose of the non-performing loan problems at Japan's financial institutions, a large proportion of which are loans to general construction companies and real estate-related businesses. This means detailed attention to credit management will be vitally important, because the clean-up of loans to firms that cannot reduce their liabilities through rationalization of operations can be expected to proceed quickly.

In order to reduce their assets and maintain earnings, construction firms facing this type of situation will undoubtedly utilize construction equipment rentals even more than they have in the past. This means the rental industry still has substantial room for growth. Nevertheless, the severity of the competition to determine the survivors in the construction equipment rental industry is growing more intense. Maintaining future growth will require appropriate management efforts and solid financial strength.

Although public spending will be curtailed, urban renewal has been cited by the Koizumi administration as one sector for emphasis. For Kanamoto Company this means that growth in the Tokyo metropolitan area will be a critically important future issue.

〔Company response (including consolidated subsidiaries)〕

Kanamoto will focus on maintaining the profitability of its construction equipment rental business, which is the Company's the primary business, and will seek to strengthen the division's marketing. The Company will simultaneously proceed to rationalize its operations and equipment in order to enhance its low-cost operations. Priority for opening new branch offices will be placed on the Tokyo metropolitan area.

On November 1, 2001, Kanamoto opened its Hassumu Mega-Station, a large (total area 32,456m^2) multi-use facility located in Hassumu in Sapporo, Hokkaido. In addition to housing the Sapporo sales office of the Company's Steel Sales Division and the Sapporo Equipment Center for the Construction Equipment Rental Division, the Sapporo sales offices of Assist Co., Ltd and SRG Kanamoto and the Company's parts center are also located at the facility. Kanamoto plans to use the facility to conduct sales operation for the group as a whole. For the Steel Sales Division in particular, the facility consolidates and centralizes the three sales offices for Sapporo, Muroran and Tomakomai in Sapporo, where the metropolitan and surrounding areas account for the bulk of demand for steel in Hokkaido. The Company intends to use the facility to engage in strong sales linked with construction equipment rentals.

With regard to the Company's consolidated subsidiaries as well, there are many alliance partners for the company's main operations in the construction equipment rental business. Kanamoto plans to further create alliances and unify operations, in order to improve operating efficiency.

In addition to the products it already handles, the Company's Computer and Peripheral Equipment Rental Division will newly commercialize and market KISARA, the VoIP Internet telephone product developed by Soft Front Inc., a company with strong ties to Kanamoto through the Company's venture business support activities. In other areas, Kanamoto will continue its efforts to expand sales of Capstone Corporation's micro-turbine electrical generators.

〔Projected consolidated operating results for the fiscal year ending October 2002〕

During the current business period the Company nearly completed its shift to low-gas emissions equipment. As a result, the Company anticipates that revenues will decline because this will sharply reduce sales of used equipment. Total revenues for the next fiscal year are projected to be ¥65,500 million, 2.7% lower than in the fiscal year ended on October 31, 2001.

Furthermore, from a long-term perspective the Company projects a higher level of depreciation expense as a result of its aggressive introduction of rental assets, and forecasts ordinary income will be ¥1,530 million (53.0% lower than in the prior fiscal year).

Because it will not incur the extraordinary loss that accompanied the change to accounting for post-employment benefits, however, the Company projects net income for the coming fiscal year will be ¥700 million, 48.3% higher than in the fiscal year just ended.

III Consolidated Financial Statements

1. Consolidated Balance Sheets

(Amounts less than ¥1 thousand have been rounded down)

Category / Period	Prior consolidated accounting fiscal year (As of October 31, 2000)		Current consolidated accounting fiscal year (As of October 31, 2001)		Change from prior year
(Assets)					
Current Assets					
Cash and deposits	16,432,624		15,996,639		-435,984
Notes and trade accounts receivable	23,331,420		25,807,750		2,476,330
Negotiable securities	746,755		114,440		-632,315
Inventory	826,210		1,117,400		291,190
Construction equipment	3,691,573		2,931,588		-759,984
Deferred tax assets	103,282		230,232		126,950
Other current assets	434,903		351,760		-83,143
Allowance for doubtful accounts	-173,786		-324,938		-151,152
Total Current Assets	45,392,983	43.9%	46,224,874	43.3%	831,890
Fixed Assets					
Tangible fixed assets					
Rental equipment	18,825,832		19,820,577		994,744
Buildings and structures	8,384,950		8,163,141		-221,809
Machinery, equipment and delivery equipment	1,401,100		1,300,205		-100,894
Land	24,181,603		24,396,831		215,227
Construction in progress	338,959		58,896		-280,062
Other assets	228,985		231,088		2,102
Total Tangible Fixed Assets	53,361,432	51.6%	53,970,740	50.6%	609,307
Intangible Fixed Assets					
Other assets	62,658		84,251		21,592
Total Intangible Fixed Assets	62,658	0.1%	84,251	0.1%	21,592

(Amounts less than ¥1 thousand have been rounded down)

Category \ Period	Prior consolidated accounting fiscal year (As of October 31, 2000)		Current consolidated accounting fiscal year (As of October 31, 2001)		Change from prior year
Investments and Other Assets					
Investment securities	2,960,312		3,789,391		829,079
Deferred tax assets	485,310		1,567,069		1,081,759
Other	1,380,019		1,449,550		69,531
Allowance for doubtful accounts	-230,181		-446,847		-216,665
Total Investments and Other Assets	4,595,461	4.4	6,359,165	6.0	1,763,704
Total Fixed Assets	58,019,552	56.1	60,414,156	56.7	2,394,604
Total Assets	103,412,535	100.0	106,639,030	100.0	3,226,495
(Liabilities)					
Current Liabilities					
Notes and accounts payable, trade	11,696,005		12,620,598		924,592
Short-term bank loans	4,726,615		510,053		-4,216,562
Long-term bank loans due within one year	7,793,285		7,819,446		26,160
Corporate taxes payable	203,817		1,319,459		1,115,641
Accrued bonuses to employees	502,903		594,688		91,785
Accounts payable, other	7,607,164		8,299,274		692,110
Other current liabilities	418,080		763,794		345,714
Total Current Liabilities	32,947,871	31.9	31,927,314	29.9	-1,020,557
Long-term Liabilities					
Straight bonds	5,277,692		5,277,692		-
Convertible bonds	9,796,000		9,281,000		-515,000
Long-term bank loans	13,230,142		14,547,095		1,316,953
Accrued employees retirement benefit	-		2,008,761		2,008,761
Retirement allowances to directors and auditors	287,454		282,426		-5,028
Long-term accrued expenses	11,023,476		12,405,133		1,381,656
Total Long-term Liabilities	39,614,765	38.3	43,802,108	41.1	4,187,343
Total Liabilities	72,562,637	70.2	75,729,422	71.0	3,166,785
(Minority Interest)					
Minority interest	68,261	0.1	66,601	0.1	-1,660

(Amounts less than ¥1 thousand have been rounded down)

Category / Period	Prior consolidated accounting fiscal year (As of October 31, 2000)		Current consolidated accounting fiscal year (As of October 31, 2001)		Change from prior year
(Shareholders' Equity)					
Common stock	8,591,481	8.3	8,596,737	8.1	5,256
Additional paid-in capital	9,715,111	9.4	9,720,343	9.1	5,232
Consolidated retained earnings	12,484,124	12.1	12,395,900	11.6	-88,224
Valuation difference on other investment securities	-	-	140,535	0.1	140,535
Total Shareholders' Equity	30,790,717	29.8	30,853,516	28.9	62,799
Treasury stock	-165	-0.0	-537	-0.0	-372
Parent company stock held by subsidiaries	-8,915	-0.0	-9,973	-0.0	-1,057
Total Shareholders' Equity	30,781,636	29.8	30,843,006	28.9	61,369
Total Liabilities, Minority Interest and Shareholders' Equity	103,412,535	100.0	106,639,030	100.0	3,226,495

2. Consolidated Statements of Income

(Amounts less than ¥1 thousand have been rounded down)

Category \ Period	Prior consolidated accounting fiscal year (From November 1, 1999 to October 31, 2000)		Current consolidated accounting fiscal year (From November 1, 2000 to October 31, 2001)		Change from prior year
Revenues from operations					
Rental revenues	40,376,456		41,839,605		1,463,149
Sales	21,620,128		25,506,819		3,886,691
Total revenues from operations	61,996,584	100.0	67,346,425	100.0	5,349,840
Cost of revenues from operations					
Cost of rental revenues	29,407,688		31,189,827		1,782,139
Cost of goods sold	17,426,785		19,986,164		2,559,379
Total cost of revenues	46,834,473	75.5	51,175,992	76.0	4,341,519
Gross profit	15,162,111	24.5	16,170,432	24.0	1,008,320
Selling and administrative expenses	12,119,518	19.6	13,298,018	19.7	1,178,499
Operating income	3,042,592	4.9	2,872,413	4.3	-170,179
Non-operating revenue					
Interest revenue	47,972		17,257		-30,714
Dividend income	39,486		22,190		-17,295
Gain on sale of negotiable securities	128,873		-		-128,873
Gain on sale of investment securities	-		376,299		376,299
Insurance benefits	224,685		242,730		18,045
Rents	211,014		256,066		45,052
Consolidation adjustment account	1,425		-		-1,425
Other	123,975		177,869		53,894
Total non-operating revenues	777,433	1.3	1,092,413	1.6	314,980
Non-operating expenses					
Interest expense	627,344		544,075		-83,268
Valuation loss on negotiable securities	197,066		-		-197,066
Bond issue expense	147,500		-		-147,500
Contribution to pension plan	159,724		-		-159,724
Other	139,474		163,512		-24,038
Total non-operating expenses	1,271,109	2.1	707,587	1.1	-563,521
Ordinary income	2,548,916	4.1	3,257,239	4.8	708,322
Extraordinary profit					
Adjustment of prior period profit or loss	42,596		2,256		-40,339
Gain on sale of fixed assets	205		4,178		3,972
Guarantee of moving expenses	131,462		24,782		-106,679
Gain on sale of investment securities	1,561		-		-1,561
Other	-		1,934		1,934
Total extraordinary profit	175,825	0.3	33,151	0.0	-142,673

(Amounts less than ¥1 thousand have been rounded down)

Category / Period	Prior consolidated accounting fiscal year (From November 1, 1999 to October 31, 2000)		Current consolidated accounting fiscal year (From November 1, 20000 to October 31, 2001)		Change from prior year
Extraordinary loss					
Loss on sale or retirement of fixed assets	199,694		101,886		-97,807
Valuation loss on investment securities	16,351		126,450		110,098
Money transferred to reserve for accrued employees retirement benefit	-		1,982,023		1,982,023
Other	-		55,340		55,340
Total extraordinary loss	216,046	0.4	2,265,701	3.4	2,049,654
Income before taxes and adjustments	2,508,695	4.0	1,024,690	1.5	-1,484,005
Corporate, local and business taxes	1,242,998	2.0	1,883,570	2.8	640,571
Adjustment for corporate and other taxes	-51,884	-0.1	-1,308,431	-1.9	-1,256,546
Minority interest loss	42,829	0.1	23,135	0.0	-19,694
Net income	1,360,411	2.2	472,686	0.7	-887,724

3. Statements of Consolidated Retained Earnings

(Amounts less than ¥1 thousand have been rounded down)

Category / Period	Prior consolidated accounting fiscal year (From November 1, 1999 to October 31, 2000)	Current consolidated accounting fiscal year (From November 1, 2000 to October 31, 2001)	Change from prior year
Balance of consolidated retained surplus at the beginning of the period	11,704,914	12,484,124	779,210
Reduction in consolidated retained earnings			
Dividends	566,500	544,311	-22,189
Directors and auditors' bonuses	14,700	16,600	1,900
(Auditors' bonuses)	(1,200)	(1,700)	(500)
Total reduction in consolidated retained earnings	581,200	560,911	-20,289
Net income for the period	1,360,411	472,686	-887,724
Balance of consolidated retained surplus at the end of the period	12,484,124	12,395,900	-88,224

4. Consolidated Statements of Cash Flows

(Amounts less than ¥1 thousand have been rounded down)

Category \ Period	Prior consolidated accounting fiscal year (From November 1, 1999 to October 31, 2000)	Current consolidated accounting fiscal year (From November 1, 2000 to October 31, 2001)	Change from prior year
Cash flow from operating activities			
Net income before taxes and adjustments	2,508,695	1,024,690	-1,484,005
Depreciation and amortization expense	8,925,928	9,486,358	560,430
Amortization of consolidated adjustment account	-1,425	—	1,425
Gain on sale of fixed assets	-205	-4,178	-3,972
Loss on disposal of fixed assets	199,694	101,886	-97,807
Profit from adjustment of prior period profit or loss	-41,232	-1,618	39,614
Installment purchases of assets for small-value rentals	477,179	361,621	-115,557
Reclassification of cost of sales associated with disposal of	100,156	134,927	34,770
Reclassification of cost of sales associated with disposal of rental	784,842	1,193,637	408,795
Expenditures for acquisition of rental assets	-909,340	-295,556	613,784
Valuation loss on negotiable securities	197,066	—	-197,066
Valuation loss on investment securities	16,351	126,450	110,098
Gain on sale of negotiable securities	-128,873	—	128,873
Gain on sale of investment securities	-1,561	-376,299	-374,738
Bond issuance expense	147,500	—	-147,500
Gain on redemption of bonds	-28,358	-8,143	20,215
Increase in allowance for doubtful accounts	77,840	367,817	289,977
Increase in accrued bonuses to employees	23,486	91,785	68,299
Increase in accrued employees retirement benefit	—	2,008,761	2,008,761
Increase in retirement allowances to directors and auditors	8,653	-5,028	-13,681
Interest revenue and dividend income	-87,458	-39,448	48,010
Interest expense on installment purchases of rental assets	287,428	299,831	12,402
Interest expense	627,344	544,075	-83,268
Decrease in accounts receivable, trade	2,118,674	-2,476,330	-4,595,005
Decrease in inventory assets	96,860	-291,190	-388,050
Decrease in accounts payable, trade	-640,466	901,119	1,541,585
Decrease in accounts payable, other	-452,636	487,864	940,501
Directors and auditors' bonuses paid	-14,700	-16,600	-1,900
Other	-260,986	426,291	687,277
Subtotal	14,030,456	14,042,726	12,270
Interest and dividends received	87,458	39,448	-48,010
Interest expense	-904,592	-844,586	60,005
Payment of corporate and other taxes	-2,597,030	-767,928	1,829,101
Cash flow from operating activities	10,616,292	12,469,659	1,853,366

(Amounts less than ¥1 thousand have been rounded down)

Category \ Period	Prior consolidated accounting fiscal year (From November 1, 1999 to October 31, 2000)	Current consolidated accounting fiscal year (From November 1, 2000 to October 31, 2001)	Change from prior year
Cash flow from investing activities			
Disbursements for investments in term deposits	△5,506	△4,233	1,273
Revenue from redemption of term deposits	200,000	9,129	△190,870
Funds used for purchase of negotiable securities	△3,034,898	—	3,034,898
Funds provided from the sale of negotiable securities	3,145,151	—	△3,145,151
Funds used for the purchase of tangible fixed assets	△1,445,974	△1,073,093	372,880
Funds provided from the sale of tangible fixed assets	3,510	122,249	118,739
Funds used for the purchase of intangible fixed assets	△14,710	△28,669	△13,959
Funds used for the purchase of investment securities	△814,647	△2,772,134	△1,957,487
Funds provided from sale of investment securities	243,454	3,066,275	2,822,821
Funds used for purchase of investments	△140,234	△82,439	57,795
Funds provided from repayment of loans	37,500	—	△37,500
Cash flow from investing activities	△1,826,355	△762,916	1,063,438
Cash flow from financing activities			
Decrease in short-term bank borrowing	△3,975,710	△4,216,562	△240,852
Funds provided by long-term bank borrowing	7,762,200	10,136,450	2,374,250
Funds used to repay long-term bank borrowing	△7,909,668	△8,793,335	△883,667
Funds provided from the issue of straight bonds	4,852,500	—	△4,852,500
Funds used for redemption of straight bonds	△310,642	△506,857	△196,215
Funds provided from the issue of common stock	44,137	10,488	△33,649
Funds used for repayment of installment obligations	△8,441,391	△8,242,273	199,118
Funds provided from the sale of treasury stock	20,018	3,153	△16,865
Funds used for the purchase of treasury stock	△19,211	△3,525	15,686
Payment of dividends to parent company	△565,352	△544,311	21,040
Payment of dividends to minority interest shareholders	△1,750	—	1,750
Funds provided from the issue of stock to minority shareholders	—	20,000	20,000
Funds used for other financing activities	—	△1,057	△1,057
Cash flow from financing activities	△8,544,869	△12,137,831	△3,592,961
Increase in cash and equivalents	245,067	△431,088	△676,155
Balance of cash and equivalents at beginning of period	16,177,328	16,422,395	245,067
Balance of cash and equivalents at end of the interim period	16,422,395	15,991,306	△431,088

5. Significant Accounting Policies for the Consolidated Financial Statements

(1) Companies included in the consolidation

The five subsidiary companies included in the consolidation are SRG Kanamoto Co., Ltd., Taniguchi Co., Ltd., Assist Co., Ltd., Kanatech Co., Ltd. and Providence Brewery Co., Ltd.

In addition to the subsidiary companies listed above, Kanamoto Shikoku Co., Ltd. and Polyshield Services Co., Ltd. have been excluded from consolidation because their total assets, sales, profit or loss and retained earnings are small in size and do not have a material effect on the consolidated financial statements.

(2) Matters pertaining to application of equity method accounting

The Company's investments in two unconsolidated companies and in Newtech Co., Ltd., and two other affiliated companies have been omitted from items to which equity method accounting is applied because their respective effect on consolidated net income or loss and consolidated retained earnings is immaterial and none of these companies is important to the Company's overall operations. All of these companies have been valued using the cost method.

(3) Matters pertaining to the fiscal year for consolidated subsidiaries

The fiscal year-end for the consolidated subsidiary companies is August 31. When preparing the consolidated financial statements the Company uses the subsidiaries' financial statements as of August 31, adjusted for significant transactions that have occurred between the subsidiaries' fiscal year-end and the consolidation date that have a material effect on the consolidated financial results.

(4) Accounting principles and standards used for normal accounting treatment

① Appraisal standards and appraisal methods for principal assets

a. Negotiable securities

Securities with a market price

The Company has adopted the market value method (the full amount of the valuation difference is charged to equity using the direct transfer to capital method, with the disposal cost determined by the moving average method) based on the market price on the accounting period closing date or similar prices

Other negotiable securities

The Company has adopted the cost method, cost being determined by the moving average method

b. Construction equipment

Amount after deduction of depreciation expense calculated according to the declining-balance method from the original prices, by separate fiscal year of purchase.

c. Merchandise inventories and supplies

Merchandise inventories ･････････ Lower of cost or market based on the Last-in, First-out method

Supplies ･･････････････････････ The Latest Purchase Cost method

② Depreciation methods for principal depreciable assets

a. Tangible fixed assets

The Company has adopted the declining-balance method. Furthermore, for some consolidated subsidiary companies the Company has adopted the straight-line method for buildings acquired on or after April 1, 1998 (excluding equipment installed in buildings).

The useful lives mainly used by the Company are as follows:

Rental assets	5-10 years
Buildings and structures	10-34 years

b. Intangible fixed assets

Software acquired for the Company's internal use is depreciated using the straight-line method based on the assumed useful life for internal use (5 years).

③ Accounting standards for principal allowances and reserves

a. Allowance for doubtful accounts

To provide for losses on doubtful accounts such as accounts receivable, the Company charges to income an amount based on actual loss experience for normal accounts, plus an amount for projected unrecoverable amounts based on assessments of individual accounts.

b. Accrued bonuses to employees

To fully provide for expenditures of bonuses the Company will pay to employees, an amount is appropriated to the reserve for the current year liability based upon a salary estimated amount.

c. Accrued employee retirement benefit

The Company provides for employees' accrued retirement benefits based upon the projected amounts of the liability for accrued retirement benefit and pension assets at the end of the consolidated accounting year. Furthermore, the full amount of the one-time difference for change in accounting standards (¥1,982,023,000) was charged to income at the end of the current consolidated accounting year. The difference based on an actuarial calculation is charged to income beginning in the following consolidated accounting fiscal year using the straight-line method, based on a specified number of years (10 years) that is less than the average remaining period of employment for employees at the time the difference arises.

d. Retirement allowances to directors and auditors

The Company provides for retirement allowances to directors and auditors based upon pertinent rules and appropriates amounts proportionately to the account based upon length of service.

④ Accounting treatment for lease transactions

For finance lease transactions except for leases that transfer ownership of the property to the lessee, rent expenses are charged to income as payments are made.

⑤Hedge accounting for principal hedging methods

a. Hedge transactions

The Company accounts for hedge transactions using allocations based on accounting standards for foreign currency denominated transactions, and special rule accounting based on accounting standards for financial products.

b. Hedge methods and hedged transactions

The Company uses currency swaps and forward transactions in order to avoid the currency fluctuation risk related to the Company's foreign currency-denominated straight bonds and liabilities for import payments. The Company also uses interest swaps to avoid interest rate fluctuation risk related to interest on bank borrowing.

c. Hedging policies

The Company's use of derivative transactions is limited to hedging risk within the scope of the Company's assets and liabilities subject to market fluctuation risk.

d. Method for evaluating the effectiveness of hedges

The Company does not evaluate the effectiveness of its hedge transactions, because it can assume that its currency swap transactions and forward transactions will completely offset market fluctuations or changes in cash flow from the time hedge begins until it is terminated. In addition, the Company's interest swap transactions fulfill the requirements for special rule accounting, and the Company has elected to use this in place of an evaluation of effectiveness.

⑥ Other important matters that are the basis for creation of the consolidated financial statements

Accounting treatment for consumption tax

Consumption tax is taken out of all Statement of Income items and Balance Sheet items, except mainly for receivables and payables.

(5) Valuation of consolidated subsidiary assets and liabilities

The Company has adopted the market value appraisal method for the evaluation of assets and liabilities of consolidated subsidiaries.

(6) Amortization of the consolidation adjustment account

As a general rule, the Company's offsetting eliminations of the parent company's investment account and the subsidiaries' capital accounts are based on the date of investment rule. The portion of the excess of cost over underlying net assets at the date of investment resulting from the offset elimination for which the cause is not known is transferred to the appropriate account. The remainder is transferred to the consolidation adjustment account.

The consolidation account is amortized over five years using level amortization, except for extremely small amounts which are written off completely in the year in which they occur.

(7) Appropriation of retained earnings

The Statement of Consolidated Retained Earnings is created based upon the appropriation of net income decided upon by the Company during the consolidated accounting fiscal year.

(8) Items included in cash and equivalents on the Consolidated Statement of Cash Flows

Funds included in cash (cash and cash equivalents) on the Consolidated Statement of Cash Flows include cash on hand, deposits that can be withdrawn on demand and highly liquid short-term investments that mature within three months of the date of acquisition and which can be easily converted into cash and that have minimal risk of a change in price.

(Supplemental information)

①Accounting for employees retirement benefits

The Company has adopted the accounting standards for post-employment benefits ("Opinions on Setting Standards for Post-employment Benefits," Business Accounting Council, June 16, 1998) from the current fiscal year. As a result, the Company's expense for accrued employees retirement benefit increased by ¥2,008,761,000, and ordinary income decreased by ¥26,737,000 and income before taxes decreased by ¥2,008,761,000, compared to what they would have been had the accounting standards used in the prior fiscal year been applied.

②Accounting for financial instruments

The Company has adopted the accounting standards for financial instruments ("Opinions on Setting Standards for Financial Instruments," Business Accounting Council, January 22, 1999) from the current fiscal year. As a result, the Company's ordinary income increased by ¥79,351,000 and income before taxes increased by ¥14,153,000 compared to what they would have been had the accounting standards used in the prior fiscal year been applied.

In addition, the Company reviewed its holding objectives for negotiable securities held at the beginning of the fiscal year, and has disclosed the securities included in other negotiable securities that mature within one year as negotiable securities in current assets, and has disclosed all other securities as investment securities. As a result, the Company's negotiable securities accounted for as current assets were reduced by ¥278,026,000 and its investment securities increased by ¥278,026,000 compared to what they would have been had the accounting standards used in the prior fiscal year been applied.

6. Notes to the Financial Statements

(Notes to the Consolidated Balance Sheets)

Prior consolidated accounting fiscal year (As of October 31, 2000)	Current consolidated accounting fiscal year (As of October 31, 2001)
1. Accumulated depreciation of tangible fixed assets ¥49,288,766,000	1. Accumulated depreciation of tangible fixed assets ¥46,638,798,000
2. Discount on notes receivable, trade ¥126,279,000	2. Discount on notes receivable, trade ¥67,100,000
3. Balance of notes receivable – trade endorsed ¥141,558,000	3. Balance of notes receivable – trade endorsed ¥167,213,000
4. Items pertaining to non-consolidated subsidiaries and affiliated companies are as follows. Investment securities (stocks) ¥76,500,000 (Straight bonds) ¥10,000,000	4. Items pertaining to non-consolidated subsidiaries and affiliated companies are as follows. Investment securities (stocks) ¥230,500,000 (Straight bonds) ¥10,000,000
5. Assets offered as collateral security Cash ¥3,012,000 Buildings and structures ¥230,911,000 Total ¥233,924,000 The assets shown above have been pledged as collateral for ¥18,995,000 of long-term bank loans due within one year and ¥226,005,000 of long-term bank loans.	5. Assets offered as collateral security - - - - - -
6. Guarantees Joint and several guarantees of employee bank loans (Bank of Tokyo-Mitsubishi, others) ¥25,398,000 Guarantee of debt for long-term bank loan (Daiichi Kangyo Bank) to affiliated company (Active Power Co., Ltd.) ¥280,000,000 Total ¥305,398,000	6. Guarantees Joint and several guarantees of employee bank loans (Bank of Tokyo-Mitsubishi, others) ¥26,839,000 Guarantee of debt for long-term bank loan (Daiichi Kangyo Bank) to affiliated company (Active Power Co., Ltd.) ¥350,000,000 Total ¥376,839,000

(Notes to the Consolidated Statements of Income)

Prior consolidated accounting fiscal year (From November 1, 1999 to October 31, 2000)	Current consolidated accounting fiscal year (From November 1, 2000 to October 31, 2001)
1. Major expense categories and amounts included in selling expense and administrative expenses. Employee salaries and wages ¥4,596,035,000 Depreciation expense ¥1,108,982,000 Rents ¥1,441,240,000 Amount transferred to allowance for doubtful accounts ¥246,747,000 Amount transferred to accrued bonuses to employees ¥502,903,000 Amount transferred to retirement allowances to directors and auditors ¥8,653,000	1. Major expense categories and amounts included in selling expense and administrative expenses. Employee salaries and wages ¥4,958,744,000 Depreciation expense ¥1,099,677,000 Rents ¥1,421,216,000 Amount transferred to allowance for doubtful accounts ¥573,957,000 Amount transferred to accrued bonuses to employees ¥594,688,000 Employees retirement benefit expense ¥440,050,000 Amount transferred to retirement allowances to directors and auditors ¥17,808,000
2. Details of the adjustment to prior period profit or loss Amount received from adjustment of tax liability ¥41,232,000 Recovery of bad debts ¥971,000 Reduction in allowance for doubtful accounts ¥392,000 Total ¥42,596,000	2. Details of the adjustment to prior period profit or loss Amount received from adjustment of tax liability ¥1,618,000 Recovery of bad debts ¥638,000 Total ¥2,256,000
3. Loss on sale or disposal of fixed assets Vehicles and delivery equipment ¥205,000	3. Loss on sale or disposal of fixed assets Land ¥4,068,000 Buildings and structures ¥109,000 Total ¥4,178,000
4. Loss on sale or disposal of fixed assets (Loss on sale of fixed assets) Buildings ¥18,716,000 (Loss on disposal of fixed assets) Rental assets ¥62,375,000 Buildings and structures ¥19,908,000 Machinery, equipment and delivery equipment ¥4,904,000 Golf club memberships ¥92,930,000 Other ¥858,000 Total ¥199,694,000	4. Loss on sale or disposal of fixed assets (Loss on sale of fixed assets) Buildings and structures 3,847,000 Machinery, equipment and delivery equipment ¥818,000 (Loss on disposal of fixed assets) Rental assets ¥85,707,000 Buildings and structures ¥8,437,000 Machinery, equipment and delivery equipment ¥1,551,000 Other ¥1,524,000 Total ¥101,886,000

(Notes to the Consolidated Statements of Cash Flows)

Prior consolidated accounting fiscal year (From November 1, 1999 to October 31, 2000)	Current consolidated accounting fiscal year (From November 1, 2000 to October 31, 2001)
1. Relationships between the ending balance for cash and cash equivalents and the amounts in the categories shown on the consolidated balance sheet Cash and equivalents ¥16,423,624,000 Term deposits with a maturity longer than 3 months ↴ ¥10,229,000 Cash and cash equivalents ¥16,422,395,000	1. Relationships between the ending balance for cash and cash equivalents and the amounts in the categories shown on the consolidated balance sheet Cash and equivalents ¥15,996,639,000 Term deposits with a maturity longer than 3 months ↴ ¥5,333,000 Cash and equivalents ¥15,991,306,000
2. Details of major non-cash transactions (1) Conversion of convertible bonds to capital Increase in capital from conversion of convertible bonds ¥253,000,000 Increase in additional paid-in capital from conversion of convertible bonds ¥253,000,000 Decrease in convertible bonds from conversion ¥506,000,000	2. Details of major non-cash transactions (1) Conversion of convertible bonds to capital - - - - - -
(2) The amount of assets and liabilities related to installment transactions that are newly accounted for during this consolidated accounting fiscal year is ¥10,127,608 respectively.	(2) The amount of assets and liabilities related to installment transactions that are newly accounted for during this consolidated accounting fiscal year is ¥9,701,009 respectively.

(Notes for leasing transactions)

Prior consolidated accounting fiscal year (From November 1, 1999 to October 31, 2000)	Current consolidated accounting fiscal year (From November 1, 2000 to October 31, 2001)
1. Finance lease transactions except for leases that transfer ownership of the property to the lessee.	1. Finance lease transactions except for leases that transfer ownership of the property to the lessee.
(1) Amounts corresponding to lease property acquisition prices, accumulated depreciation and outstanding balances at the end of the fiscal year accounting period.	(1) Amounts corresponding to lease property acquisition prices, accumulated depreciation and outstanding balances at the end of the fiscal year accounting period.
Acquisition price (¥ ’000) Accumulated depreciation (¥ ‘000) Outstanding balance (¥ ‘000)	Acquisition price (¥ ‘000) Accumulated depreciation (¥ ‘000) Outstanding balance (¥ ‘000)
Rental assets ¥16,688,293 ¥8,788,906 ¥7,899,386	Rental assets ¥14,913,569 ¥7,162,742 ¥7,750,826
Other tangible fixed assets ¥775,954 ¥366,698 ¥409,255	Other tangible fixed assets ¥1,220,026 ¥563,453 ¥656,572
Total ¥17,464,247 ¥9,155,605 ¥8,308,641	Total ¥16,133,596 ¥7,726,196 ¥8,407,399
(2) Outstanding balance of future lease payments at the end of the fiscal year	(2) Outstanding balance of future lease payments at the end of the fiscal year
Within one year ¥2,654,146,000	Within one year ¥3,264,160,000
After one year ¥5,490,558,000	After one year ¥5,323,430,000
Total ¥8,144,704,000	Total ¥8,587,590,000
(3) Amount of lease payments, depreciation expense and interest expense	(3) Amount of lease payments, depreciation expense and interest expense
Lease payments ¥3,095,716,000	Lease payments ¥3,115,473,000
Depreciation expense ¥2,834,121,000	Depreciation expense ¥2,837,451,000
Interest expense ¥292,721,000	Interest expense ¥291,179,000
(4) Accounting method for amount equivalent to depreciation expense Straight-line depreciation using the lease term as the depreciable life and zero residual value.	(4) Accounting method for amount equivalent to depreciation expense Same as at left
(5) Accounting method for amount equivalent to interest expense Interest method using the difference between total lease payments and the acquisition price of the lease property, allocated equally to each year.	(5) Accounting method for amount equivalent to interest expense Same as at left
2. Operating leases Future lease payments	2. Operating leases Future lease payments
Within one year ¥1,422,400,000	Within one year ¥1,680,768,000
After one year ¥2,704,382,000	After one year ¥2,837,561,000
Total ¥4,126,782,000	Total ¥4,518,329,000

(Notes related to negotiable securities)

Prior accounting fiscal year (As of October 31, 2000)

Market value of negotiable securities

(Unit: Yen thousands)

Type	Prior consolidated accounting fiscal year (As of October 31, 2000)		
	Amount reported on the consolidated balance sheet	Market value	Valuation profit or loss
(1) Assets classified as current assets			
Stocks	479,035	477,964	- 1,070
Bonds	227,681	227,808	126
Other	40,038	39,188	- 850
Subtotal	746,755	744,961	- 1,793
(2) Assets classified as fixed assets			
Stocks	1,041,030	1,928,794	887,763
Bonds	38,337	38,392	54
Other	1,000,578	771,210	- 229,368
Subtotal	2,079,945	2,738,396	658,450
Total	2,826,701	3,483,358	656,657

(Notes)

Prior consolidated accounting year (As of October 31, 2000)
1. Method used to calculate market value (1) Listed negotiable securities Valued mainly on the basis of the final closing prices on the Tokyo Stock Exchange (2) Over-the-counter negotiable securities Valued on the basis of trading prices such as those published by the Japan Association of Securities Dealers (3) Beneficiary certificates for unlisted security investment trusts are valued on the basis of each trust's standard valuation 2. Consolidated balance sheet valuation of negotiable securities that are excluded from disclosure requirements (Assets classified as fixed assets) Unlisted stock except for over-the-counter stocks ¥870,367,000 Corporate bonds with stock warrants attached (corporate bonds of affiliated companies) ¥10,000,000

Current consolidated accounting year

1. Other negotiable securities with a market value (As of October 31, 2001)

(Unit: Yen thousands)

	Type	Acquisition price	Amount shown on the consolidated balance sheet	Valuation difference
Negotiable securities whose balance on the consolidated balance sheet exceeds the acquisition price	(1) Stocks	838,578	1,520,394	681,815
	(2) Bonds			
	a. Government & local bonds, etc.	—	—	—
	b. Corporate bonds	—	—	—
	c. Other	—	—	—
	(3) Other	—	—	—
	Subtotal	838,578	1,520,394	681,815
Negotiable securities whose balance on the consolidated balance sheet is less than the acquisition price	(1) Stocks	839,415	636,731	-202,683
	(2) Bonds			
	a. Government & local bonds, etc.	—	—	—
	b. Corporate bonds	231,270	227,830	-3,440
	c. Other	—	—	—
	(3) Other	1,032,448	797,813	-234,635
	Subtotal	2,103,134	1,662,374	-440,759
Total		2,941,712	3,182,768	241,056

2. Other negotiable securities sold during the current consolidated accounting fiscal year (November 1, 2000 – October 31, 2001)

(Unit: Yen thousands)

Selling amount	Total gain on sale	Total loss on sale
1,806,471	377,186	887

3. Details of other negotiable securities that do not have a market value (As of October 31, 2001)

Type	Amount shown on the consolidated balance sheet
Other negotiable securities	
Unlisted stocks (excluding over the counter stocks)	¥470,510,000
Unlisted foreign bonds	¥10,053,000

4. Planned future redemption amounts of other securities that have a maturity date (As of October 31, 2001)

(Unit: Yen thousands)

Type	Within one year	After one year and within five years	After five years and within ten years	After ten years
1. Bonds				
(1) Government & local bonds	—	—	—	—
(2) Corporate bonds	114,440	113,390	—	—
(3) Other	—	—	—	—
2. Other securities	—	14,938	763,705	—
Total	114,440	128,328	763,705	—

(Notes related to accrued employees retirement benefit)

1. Summary of the employees retirement benefit system adopted by the Company

The Company and its consolidated subsidiaries have established a pension fund system and a retirement lump-sum benefit system as a defined benefit plan. In addition, when an employee retires or leaves the Company, in some cases the Company pays an additional retirement amount that is not covered by the reserve for accrued employees retirement benefit when using actuarial accounting based on retirement benefit accounting.

2. Details of the Company's liability for accrued employees retirement benefit (Unit: Yen thousands)

	Current consolidated accounting fiscal year (As of October 31, 2001)
(1) Liability for accrued employees retirement benefit	-5,269,961
(2) Pension assets	2,782,025
(3) Liability for unreserved accrued employees retirement benefit (1)+(2)	-2,487,936
(4) Unamortized amount of the one-time valuation difference for change in accounting standards	—
(5) Unrecognized actuarial differences	479,176
(6) Unrecognized past service obligation (reduction in liability)	—
(7) Net liability shown on the consolidated balance sheet (3)+(4)+(5)+(6)	-2,008,761
(8) Prepaid pension expense	—
(9) Accrued employees retirement benefit (7)+(8)	-2,008,761

(Note) The Company's consolidated companies have adopted the simple method for calculating the accrued employees retirement benefit.

3. Details of accrued employees retirement benefit expense (Unit: Yen thousands)

	Current consolidated accounting fiscal year From November 1, 2000 To October 31, 2001
Retirement benefit expense	
(1 Service costs	407,249
(2) Interest costs	138,371
(3) Expected return on plan investments (reduction)	105,570
(4) Amount of one-time valuation difference for change in accounting standards charged as an expense	1,982,023
(5) Retirement benefit expense (1)+(2)+(3)+(4)	2,422,074

(Note) The retirement benefit expense of consolidated companies that have adopted the simple method is charged to service costs.

4. Matters related to the basis for accounting for the accrued employees retirement benefit and other items

	Current consolidated accounting fiscal year (As of October 31, 2001)
(1) Discount rate	3.00%
(2) Expected rate of return on plan investments	4.00%
(3) Method of allocating projected benefits to periods of service	Service period fixed benefit basis
(4) Amortization period of past service liability	—
(5) Amortization period for actuarial differences	10 years
(5) Number of years for amortization of one-time valuation difference for change in accounting standards	1 year

(Notes related to tax effect accounting)

Prior consolidated accounting fiscal year (From November 1, 1999 to October 31, 2000)	Current consolidated accounting fiscal year (From November 1, 2000 to October 31, 2001)
1. Principal causes of deferred tax assets Deferred tax assets (current) Amount in excess of limit for accrued bonuses to employees ¥68,370,000 Disallowance of deferred business taxes ¥11,708,000 Other ¥23,203,000 Total ¥103,282,000 Deferred tax assets (fixed) Disallowance of excess depreciation ¥315,974,000 Amount in excess of limit for accrued retirement allowances to directors and auditors ¥119,868,000 Other ¥49,467,000 Total ¥485,310,000	1. Principal causes of deferred tax assets and deferred tax liabilities Deferred tax assets Amount in excess of limit for inclusion in expenses for allowance for doubtful accounts ¥139,048,000 Disallowance of deferred business taxes ¥105,214,000 Amount in excess of limit for inclusion in expenses for accrued employees retirement benefit ¥836,513,000 Amount in excess of limit for accrued retirement allowances to directors and auditors ¥117,771,000 Amount in excess of limit for accrued bonuses to employees ¥123,001,000 Disallowance of excess depreciation ¥476,600,000 Amount of loss carried forward ¥139,600,000 Other ¥99,674,000 Deferred tax asset subtotal ¥2,037,421,000 Valuation reserve -¥139,600,000 Total deferred tax assets ¥1,897,821,000 Deferred tax liability Valuation difference on other negotiable securities -¥100,520,000 Total deferred tax liability -¥100,520,000 Net deferred tax assets ¥1,797,301,000
2. Causes of principal differences between the statutory tax rate and burden ratio for corporate and other taxes following application of tax effect accounting, by major category. Statutory corporate tax rate 41.7% (Adjustments) Local tax equalization 2.9% Items not included permanently in losses such as expense accounts 1.1% Consolidated subsidiary losses 2.0% Other -0.2% Burden ratio for corporate and other taxes after application of tax effect accounting 47.5%	2. Causes of principal differences between the statutory tax rate and burden ratio for corporate and other taxes following application of tax effect accounting, by major category. Statutory corporate tax rate 41.7% (Adjustments) Local tax equalization 7.8% Items not included permanently in losses such as expense accounts 2.6% Consolidated subsidiary losses 4.4% Other -0.4% Burden ratio for corporate and other taxes after application of tax effect accounting 56.1%

IV Business segment information

1. Segment information by type of business

Prior consolidated accounting fiscal year (From November 1, 1999 to October 31, 2000)

(Unit: Yen thousands)

	Construction equipment rental business	Steel sales business	Computer and peripheral equipment and other businesses	Total	Eliminations or entire company	Consolidated
I. Revenues and operating income						
Revenues						
(1) Sales to outside customers	52,750,998	7,913,856	1,331,730	61,996,584	—	61,996,584
(2) Sales or transfers between related segments	—	—	—	—	—	—
Total	52,750,998	7,913,856	1,331,730	61,996,584	—	61,996,584
Operating expenses	49,824,402	7,786,326	1,392,625	59,003,353	-49,361	58,953,992
Operating income	2,926,596	127,530	↴ 60,895	2,993,231	49,361	3,042,592
II. Assets, depreciation expense and capital disbursements						
Assets	74,087,494	3,957,846	1,797,710	79,843,051	23,569,484	103,412,535
Depreciation expense	8,749,672	140,073	36,181	8,925,928	—	8,925,928
Capital disbursements	10,310,902	2,148	3,405	10,316,457	309,754	10,626,212

(Notes) 1. Method of business classification

Businesses are classified based on consideration of similarities such as the type of labor and products, the nature of the business and the business markets.

2. Principal products, by business

Business	Principal products
Construction equipment rentals	Construction equipment such as hydraulic shovels, generators, temporary construction materials, construction safety equipment, temporary modular housing units, special rustproof and waterproof shields
Steel sales	Steel bar, sheet steel, steel products such as round bar, steel scrap
Computers and peripherals and other businesses	Computers and peripheral devices, telecommunications-related equipment, micro-turbine generators, microbrewery

3. The total amount for assets that were eliminated or included in the categories for all companies was ¥23,569,484,000 and represents primarily idle working capital (cash, deposits and negotiable securities), long-term investment funds (investment securities) and assets used in administrative departments at the parent company.

Current consolidated accounting fiscal year (From November 1, 2000 to October 31, 2001)

(Unit: Yen thousands)

	Construction equipment rental business	Steel sales business	Computer and peripheral equipment and other businesses	Total	Eliminations or entire company	Consolidated
I. Revenues and operating income						
Revenues						
(1) Sales to outside customers	57,613,533	8,341,786	1,391,105	67,346,425	—	67,346,425
(2) Sales or transfers between related segments	—	—	—	—	—	—
Total	57,613,533	8,341,786	1,391,105	67,346,425	—	67,346,425
Operating expenses	55,054,767	8,194,171	1,364,354	64,613,292	-139,281	64,474,011
Operating income	2,558,766	147,615	26,750	2,733,132	139,281	2,872,413
II. Assets, depreciation expense and capital disbursements						
Assets	76,592,085	3,969,760	1,438,888	82,000,734	24,638,295	106,639,030
Depreciation expense	9,455,330	12,563	18,463	9,486,358	—	9,486,358
Capital disbursements	10,044,569	895	621	10,046,085	458,204	10,504,289

(Notes) 1. Method of business classification

Businesses are classified based on consideration of similarities such as the type of labor and products, the nature of the business and the business markets.

2. Principal products, by business

Business	Principal products
Construction equipment rentals	Construction equipment such as hydraulic shovels, generators, temporary construction materials, construction safety equipment, temporary modular housing units, special rustproof and waterproof shields
Steel sales	Steel bar, sheet steel, steel products such as round bar, steel scrap
Computers and peripherals and other businesses	Computers and peripheral devices, telecommunications-related equipment, micro-turbine generators, microbrewery

3. The total amount for assets that were eliminated or included in the categories for all companies was ¥24,638,295,000 and represents primarily idle working capital (cash, deposits and negotiable securities), long-term investment funds (investment securities) and assets used in administrative departments at the parent company.

2. Segment information by location

The Company does not report segment information by location because the Company did not have any consolidated subsidiaries or important offices located in countries or regions outside of Japan during the prior consolidated accounting fiscal year and the current consolidated accounting fiscal year.

3. Foreign sales

The Company did not have any foreign sales during the prior consolidated accounting fiscal year or the current consolidated accounting fiscal year.

VI Derivative contract amount, market value and valuation profit and loss

Prior consolidated accounting fiscal year (From November 1, 1999 to October 31, 2000)

From time to time Kanamoto Company utilizes interest rate and currency derivative transactions. The amounts of these contracts and the amounts equivalent to valuation profit and loss were very small. Details of the transactions have been omitted because the amounts are deemed to be immaterial to the Company's financial position.

Current consolidated accounting fiscal year (From November 1, 2000 to October 31, 2001)

The Company has adopted hedge accounting and did not record this information for the current consolidated accounting fiscal year.

VII Transactions with affiliated parties

Prior consolidated accounting fiscal year (From November 1, 1999 to October 31, 2000)

Directors and individual shareholders

(Unit: Yen thousands)

Position	Name	Address	Capital or financing	Work or responsibilities	Owned (Unowned) percentage of voting rights, etc.	Relationship		Type of transaction	Amount of transaction	Category	Balance at end of period
						Concurrent director's duties, etc.	Business relationship				
Director	Taichu Kanamoto	Shibuya-ku, Tokyo	—	Chairman	(Unowned) Direct 5.5%	—	—	Common stock purchase	3,342	—	—
Director	Kanchu Kanamoto	Higashi-ku, Sapporo	—	President	(Unowned) Direct 1.5%	—	—	Common stock purchase	5,014	—	—
Director	Saburo Kanamoto	Muroran, Hokkaido	—	Senior Advisor	(Unowned) Direct 5.2%	—	—	Common stock purchase	3,342	—	—

(Notes) Transaction terms and conditions and policy for decisions on transaction terms and conditions

Stock purchase prices are determined based on the appraised price, with the terms of payment being a lump-sum cash payment.

Current consolidated accounting fiscal year (From November 1, 2000 to October 31, 2001)

The Company did not have any transactions with affiliated parties during the current consolidated accounting fiscal year.