

Fiscal Year ending October 31, 2001

Summary of Company Interim Financial Statements

June 14, 2001

Listed Company Name **Kanamoto Company, Ltd.** Listing Exchanges
Company Code Number **9678** **Tokyo Stock Exchange**
Sapporo Stock Exchange
Head Office Address 1-19, Odori Higashi 3-chome, Chuo-ku, Sapporo, Hokkaido Japan 060-0041
(URL <http://www.kanamoto.co.jp>)
Inquiries Person to Contact **Corporate Officer and Division Manager, Accounting Division**
Name **Nobuhito Utatsu** TEL (011)-209-1600
Please send inquiries in English to takayama@kanamoto.co.jp
Date of Report to the Board of Directors June 14, 2001
Interim Dividend System The Company has an interim dividend system
Interim Dividend Payment Date July 23, 2001

1. Operating Results for the Interim Period ended April 30, 2001 (November 1, 2000 - April 30, 2001) (1) Operating Results (Numbers less than one million yen have been rounded down)

	Revenues		Operating Income		Ordinary Income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended April 30, 2001	31,234	6.1	1,505	- 26.1	1,991	14.6
Six months ended April 30, 2000	29,452	0.4	2,036	- 13.3	1,738	- 19.7
Fiscal year ended October 31, 2000	61,030		3,104		2,668	

	Net Income		Net Income per Share of Common Stock
	Millions of yen	%	Yen
Six months ended April 30, 2001	509	- 48.7	16.84
Six months ended April 30, 2000	993	- 2.8	33.56
Fiscal year ended October 31, 2000	1,455		48.66

Notes 1. Average number of shares outstanding during the period

Six months ended April 30, 2001 30,241,666 shares

Six months ended April 30, 2000 29,607,447 shares

Fiscal year ended October 31, 2000 29,908,158 shares

2. Are there any changes in accounting method? No

3. The percentages shown for revenues, operating income, ordinary income and net income are the percent increase or decrease compared to the same period of the prior fiscal year

(2) Dividends

	Interim Dividend per Share of Common Stock	Annual Dividend per Share of Common Stock
	Yen	Yen
Six months ended April 30, 2001	9.00	---
Six months ended April 30, 2000	9.00	---
Fiscal year ended October 31, 2000	---	18.00

(3) Financial Position

	Total Assets	Shareholders' Equity	Shareholders' Equity Ratio	Shareholders' Equity per Share
	Millions of yen	Millions of yen	%	Yen
Six months ended April 30, 2001	104,561	31,883	30.5	1,053.99
Six months ended April 30, 2000	102,156	30,722	30.1	1,017.39
Fiscal year ended October 31, 2000	102,920	30,926	30.0	1,023.06

Notes. Number of shares issued and outstanding at end of period

Six months ended April 30, 2001 30,250,241 shares

Six months ended April 30, 2000 30,197,241 shares

Fiscal year ended October 31, 2000 30,229,241 shares

2. Projected Operating Results for the Fiscal Year Ending October 31, 2001

(November 1, 2000 - October 31, 2001)

	Revenues	Ordinary Income	Net Income	Annual Dividend per Share of Common Stock	
				Year-end	
	Millions of yen	Millions of yen	Millions of yen	Yen	Yen
Full year	62,000	3,000	420	9.00	18.00

Reference: Projected net income per share of common stock (Full year) ¥13.88

VIII Company Financial Statements
1. Comparative Balance Sheets

(Unit: Thousands of yen)

Category	Period	End of Current Fiscal Year Interim Period (As of April 30, 2001)		End of Prior Fiscal Year Interim Period (As of April 30, 2000)		Prior Fiscal Year Summary Balance Sheet (As of October 31, 2000)	
		Amount	Percent	Amount	Percent	Amount	Percent
(Assets)			%		%		%
I Current Assets							
Cash and deposits		14,988,293		17,887,632		16,297,173	
Notes receivable, trade	6	14,734,209		14,487,679		11,858,956	
Accounts receivable, trade		8,848,112		7,743,666		11,486,658	
Inventory		928,279		991,060		817,209	
Other current assets		4,607,567		5,762,929		4,966,653	
Allowance for doubtful accounts		- 197,615		- 166,584		- 173,025	
Total Current Assets		43,908,848	42.0	46,706,384	45.7	45,253,626	44.0
II Fixed Assets							
(1) Tangible Fixed Assets	1						
Rental equipment		20,336,493		16,626,408		18,825,760	
Buildings & structures	5	6,435,630		6,281,962		6,344,520	
Land		24,042,995		24,042,786		24,042,995	
Other tangible fixed assets	5	3,276,704		3,812,620		3,610,721	
Total Tangible Fixed Assets		54,091,823		50,763,777		52,823,998	
(2) Intangible Fixed Assets		66,963		67,361		57,122	
(3) Investments and Other Assets	2	7,073,384		4,834,259		5,016,414	
Allowance for doubtful accounts		- 579,240		- 214,786		- 230,181	
Total Investments and Other Assets		6,494,144		4,619,472		4,786,233	
Total Fixed Assets		60,652,931	58.0	55,450,611	54.3	57,667,354	56.0
Total Assets		104,561,779	100.0	102,156,996	100.0	102,920,980	100.0

(Unit: Thousands of yen)

Category	Period	End of Current Fiscal Year Interim Period (As of April 30, 2001)		End of Prior Fiscal Year Interim Period (As of April 30, 2000)		Prior Fiscal Year Summary Balance Sheet (As of October 31, 2000)	
		Amount	Percent	Amount	Percent	Amount	Percent
(Liabilities)			%		%		%
I Current Liabilities							
Notes payable, trade	6	10,337,767		8,557,213		8,367,393	
Accounts payable, trade		1,855,608		2,052,541		2,784,599	
Short-term bank loans		7,851,000		14,090,200		12,135,000	
Accounts payable, other		8,347,618		7,986,053		7,582,990	
Corporate taxes payable		1,234,330		772,980		202,872	
Accrued bonuses to employees		524,054		477,625		491,873	
Equipment notes payable	6	375,063		857,930		792,559	
Other current liabilities		530,403		496,487		402,965	
Total Current Liabilities		31,055,845	29.7	35,291,031	34.5	32,760,254	31.9
II Long-term Liabilities							
Straight bonds		5,277,692		5,277,692		5,277,692	
Convertible bonds		9,733,000		9,866,000		9,796,000	
Long-term bank loans		13,076,000		11,993,000		12,865,000	
Long-term accrued expenses		12,247,643		8,719,457		11,008,272	
Accrued employees retirement benefits		1,014,536		-		-	
Retirement allowances to directors and auditors		273,522		287,454		287,454	
Total Long-term Liabilities		41,622,394	39.8	36,143,603	35.4	39,234,418	38.1
Total Liabilities		72,678,240	69.5	71,434,635	69.9	71,994,672	70.0
(Shareholders' Equity)							
I Common stock	4	8,596,080	8.2	8,584,473	8.4	8,591,481	8.3
II Additional paid-in capital	4	9,719,689	9.3	9,708,135	9.5	9,715,111	9.4
III Legal earned surplus		1,345,262	1.3	1,218,086	1.2	1,245,262	1.2
IV Retained earnings							
General reserve		10,350,000		9,550,000		9,550,000	
Unappropriated retained earnings		1,145,184		1,661,665		1,824,461	
Valuation difference on other negotiable securities		727,323		-		-	
Total other reserves		12,222,507	11.7	11,211,665	11.0	11,374,461	11.1
Shareholders' Equity		31,883,538	30.5	30,722,361	30.1	30,926,316	30.0
Total Liabilities and Shareholders' Equity		104,561,779	100.0	102,156,996	100.0	102,920,989	100.0

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2. Comparative Statements of Income

(Unit: Thousands of yen)

Category	Period	Current Fiscal Year Interim Period		Prior Fiscal Year Interim Period		Prior Fiscal Year Summary Statement of Income	
		(From November 1, 2000 to April 30, 2001)		(From November 1, 1999 to April 30, 2000)		(From November 1, 1999 to October 31, 2000)	
		Amount	Percent	Amount	Percent	Amount	Percent
I Operating revenues		31,234,972	100.0	29,452,753	100.0	61,030,048	100.0
II Cost of revenues		23,369,648	74.8	21,743,306	73.8	46,456,372	76.1
Gross profit		7,865,323	25.2	7,709,447	26.2	14,573,675	23.9
III Selling, general and administrative expenses		6,360,009	20.4	5,673,123	19.3	11,468,912	18.8
Operating income		1,505,314	4.8	2,036,324	6.9	3,104,762	5.1
IV Non-operating revenues	1	826,821	2.7	373,316	1.3	815,807	1.3
V Non-operating expenses	2	340,963	1.1	671,432	2.3	1,252,351	2.0
Ordinary income		1,991,172	6.4	1,738,208	5.9	2,668,218	4.4
VI Extraordinary profits		-		134,048	0.5	175,433	0.3
VII Extraordinary losses	3	1,043,013	3.3	97,035	0.3	215,415	0.4
Income before taxes and adjustments		948,158	3.1	1,775,220	6.0	2,628,236	4.3
Corporate, local and business taxes		1,201,529	3.9	735,943	2.5	1,226,610	2.0
Adjustment for corporate and other taxes		- 762,754	- 2.4	45,707	0.1	- 53,669	- 0.1
Net income		509,382	1.6	993,569	3.4	1,455,295	2.4
Profit carry-forward from prior period		635,801		668,096		668,096	
Cash dividends		-		-		271,754	
Additions to legal reserve		-		-		27,175	
Unappropriated retained earnings		1,145,184		1,661,665		1,824,461	

3. Notes to the Interim Financial Statements and Significant Accounting Policies

(1) Valuation standards and valuation methods for 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

(2) Appraisal standards and appraisal method for 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

(3) Valuation standards and valuation methods for negotiable securities

Subsidiary companies and affiliated companies
Cost method based upon the moving average method

Other negotiable securities

Securities with a market price

Market value method based on the market price or similar prices on the interim period closing date
(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)

Other negotiable securities

Cost method, cost being determined by the moving average method

(4) Depreciation method for fixed assets

Tangible fixed assets . . . The Company has adopted the declining-balance method. Buildings on land that is leased under a fixed-term land lease agreement, however, are depreciated using the straight-line method using the remaining period of the fixed-term lease as the depreciable life and zero residual value.

Intangible fixed assets . . Software for use within the Company is depreciated using the straight-line method based on the assumed useful life for internal use (5 years).

(5) Accounting standards for allowances and reserves

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.

Accrued bonuses to employees To fully provide for bonuses the Company will pay to employees, the Company appropriates an amount to the reserve for the interim accounting period liability based upon the estimated amounts of bonuses and salaries.

Accrued employees retirement benefits . . The Company provides for employees' accrued retirement benefits based upon the projected amounts of the liability for accrued employees retirement benefits and the value of pension assets at the end of the fiscal year. At the end of each interim accounting period, the Company appropriates an amount to the reserve to provide for the liability recognized during the period.

The Company charged 1/2 of the difference for a one-time change in accounting principles (¥1,973,120,000) to expenses at the end of the current fiscal year interim accounting period.

Retirement allowances to directors and auditors . . . The Company provides for retirement allowances to directors and auditors based upon pertinent rules and appropriated to the account at the end of the interim accounting period proportionately based upon length of service.

(6) 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.

(7) Hedge transactions

1. 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.

2. 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.

3. 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.

4. 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.

(8) Other significant matters for preparation of the interim financial statements

Accounting treatment of consumption tax

Consumption tax is taken out of all Statement of Income items and Balance Sheet items, except mainly for receivables and payables. The net difference between consumption taxes received and consumption taxes owed is small and does not have a material effect on the Company's financial statements and is included in other current liabilities.

(Supplemental information)

(Accounting 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 interim period.

As a result, the Company's expense for accrued employees retirement benefit increased by ¥1,014,536,000, and ordinary income decreased by ¥27,976,000 and income before taxes decreased by ¥1,014,536,000, respectively, compared to what they would have been had the accounting standards used in the prior fiscal year been used.

(Accounting 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 interim accounting period, and changed its accounting standard for other negotiable securities with a market price from the lower of cost or market method based on the moving average method (rounded down) to the cost method, cost being based on the moving average method.

As a result, the Company's ordinary income was not affected and income before taxes for the interim accounting period increased by ¥45,174,000 compared to what it would have been had the accounting standards used in the prior fiscal year been applied.

The Company also 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 ¥746,051,000, and its investment securities increased by ¥746,051,000, compared to what they would have been had the accounting standards used in the prior fiscal year been applied.

(Notes to the Interim Period Balance Sheets)

Category \ Period	End of Current Fiscal Year Interim Period (As of April 30, 2001)	End of Prior Fiscal Year Interim Period (As of April 30, 2000)	End of Prior Fiscal Year (As of October 31, 2000)
1. Total accumulated depreciation for tangible fixed assets	¥52,840,200,000	¥49,283,118,000	¥49,118,380,000
2. Foreign currency denominated assets			
Negotiable securities		US\$90,000 (¥10,053,000)	
Investment securities		US\$2,899,000 (¥305,154,000)	
Advances		US\$1,000,000 (¥108,914,000)	
3. Contingent liabilities			
Joint and several guarantee of employee bank loans	¥26,243,000	¥27,958,000	¥25,398,000
Debt guarantee of affiliated company (Active Power Corporation) loan liability	¥350,000,000		¥280,000,000
4. Reasons for increase in number of shares issued	Exercise of new stock subscription rights (Stock options) Shares issued: 21,000 Issue price per share: ¥437 Amount credited to capital surplus: ¥219	Exercise of new stock subscription rights (Stock options) Shares issued: 69,000 Issue price per share: ¥437 Amount credited to capital surplus: ¥219 (2) Conversion of yen-denominated convertible bonds maturing in 2003 Shares issued 651,222 Conversion price per share ¥777 Amount credited to capital surplus ¥389	Exercise of new stock subscription rights (Stock options) Shares issued: 101,000 Issue price per share: ¥437 Amount credited to capital surplus: ¥219 (2) Conversion of yen-denominated convertible bonds maturing in 2003 Shares issued 651,222 Conversion price per share ¥777 Amount credited to capital surplus ¥389
5. Reduction to book value	Amounts for assets acquired in prior fiscal years for which accumulated book values were reduced by government subsidies Machinery & equipment ¥5,044,000 Land ¥3,569,000 Total ¥8,613,000	Amounts for assets acquired in prior fiscal years for which accumulated book values were reduced by government subsidies Machinery & equipment ¥5,044,000 Land ¥3,569,000 Total ¥8,613,000	Amounts for assets acquired in prior fiscal years for which accumulated book values were reduced by government subsidies Machinery & equipment ¥5,044,000 Land ¥3,569,000 Total ¥8,613,000

<p>6. Accounting treatment of notes maturing at the end of the period</p>	<p>The interim period-end was a financial institution holiday in Japan. Notes receivable and payable that matured on that date were settled on the immediately following business day, as is customary in Japan. Notes outstanding for which settlement was postponed and which are included in the interim balances were as follows.</p> <table border="0"> <tr> <td>Notes receivable, trade</td> <td style="text-align: right;">¥2,100,807,000</td> </tr> <tr> <td>Notes payable, trade</td> <td style="text-align: right;">¥1,302,175,000</td> </tr> <tr> <td>Equipment notes payable</td> <td style="text-align: right;">¥ 40,181,000</td> </tr> </table>	Notes receivable, trade	¥2,100,807,000	Notes payable, trade	¥1,302,175,000	Equipment notes payable	¥ 40,181,000	<p>The interim period-end was a financial institution holiday in Japan. Notes receivable and payable that matured on that date were settled on the immediately following business day, as is customary in Japan. Notes outstanding for which settlement was postponed and which are included in the interim balances were as follows.</p> <table border="0"> <tr> <td>Notes receivable, trade</td> <td style="text-align: right;">¥1,347,094,000</td> </tr> <tr> <td>Notes payable, trade</td> <td style="text-align: right;">¥ 917,557,000</td> </tr> <tr> <td>Equipment notes payable</td> <td style="text-align: right;">¥ 181,029,000</td> </tr> </table>	Notes receivable, trade	¥1,347,094,000	Notes payable, trade	¥ 917,557,000	Equipment notes payable	¥ 181,029,000	
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(Notes to the Interim Period Statements of Income)

Category \ Period	Current Fiscal Year Interim Period (From November 1, 2000 to April 30, 2001)	Prior Fiscal Year Interim Period (From November 1, 1999 to April 30, 2000)	Prior Fiscal Year Summary Statement of Income (From November 1, 1999 to October 31, 2000)
1. Principal items included in non-operating revenues			
Interest received	¥18,271,000	¥7,069,000	¥38,567,000
Gain on sale of investment securities	¥355,569,000	-	-
Rents received	¥155,638,000	¥106,490,000	¥226,743,000
Insurance benefits	¥127,103,000	¥101,117,000	¥224,685,000
Gain on redemption of corporate bonds by purchase	¥2,457,000	¥25,024,000	¥28,358,000
2. Principal items included in non-operating expenses			
Interest expense	¥218,539,000	¥234,517,000	¥479,845,000
Interest on corporate bonds	¥65,142,000	¥66,255,000	¥132,001,000
New stock issuance expense	¥63,000	¥1,152,000	¥1,182,000
Straight bond issuance expense	-	¥147,500,000	¥147,500,000
3. Principal items included in extraordinary losses			
Transfer to reserve for accrued employees retirement benefits	¥986,560,000	-	-
4. Depreciation and amortization			
Tangible fixed assets	¥3,813,457,000	¥3,388,128,000	¥7,507,237,000
Intangible fixed assets	¥5,950,000	¥1,240,000	¥2,656,000

(Lease Transactions)

Period Category	Current Fiscal Year Interim Period (From November 1, 2000 to April 30, 2001)	Prior Fiscal Year Interim Period (From November 1, 1999 to April 30, 2000)	Prior Fiscal Year Summary Statement of Income (From November 1, 1999 to October 31, 2000)																																																											
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	Within one year ¥2,468,167,000	Within one year ¥2,814,451,000	Within one year ¥2,638,858,000																																																											
	After one year ¥5,419,681,000	After one year ¥6,199,145,000	After one year ¥5,402,652,000																																																											
	Total ¥7,887,849,000	Total ¥9,013,596,000	Total ¥8,041,510,000																																																											
	3. Amount of lease payments, depreciation expense and interest expense	3. Amount of lease payments, depreciation expense and interest expense	3. Amount of lease payments, depreciation expense and interest expense																																																											
Lease payments ¥1,350,791,000	Lease payments ¥1,618,672,000	Lease payments ¥3,080,428,000																																																												
Depreciation expense ¥1,233,926,000	Depreciation expense ¥1,531,426,000	Depreciation expense ¥2,820,125,000																																																												
Interest expense ¥123,314,000	Interest expense ¥153,393,000	Interest expense ¥291,429,000																																																												
4. Accounting method for amount equivalent to depreciation expense	4. Accounting method for amount equivalent to depreciation expense	4. Accounting method for amount equivalent to depreciation expense																																																												
Straight-line depreciation using the lease term as the depreciable life and zero residual value.	Same as at left	Same as at left																																																												
5. Accounting method for amount equivalent to interest expense	5. Accounting method for amount equivalent to interest expense	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.	Same as at left	Same as at left																																																												
Future lease payments	Future lease payments	Future lease payments																																																												
Within one year ¥1,427,854,000	Within one year ¥1,036,303,000	Within one year ¥1,422,400,000																																																												
After one year ¥3,386,803,000	After one year ¥1,908,879,000	After one year ¥2,704,382,000																																																												
Total ¥4,814,658,000	Total ¥2,945,182,000	Total ¥4,126,782,000																																																												

(Negotiable Securities)

The notes concerning negotiable securities for the consolidated fiscal year interim period under review and the market price of negotiable securities for the prior consolidated fiscal year are part of the notes to the interim period consolidated financial statements.

(Prior fiscal year interim accounting period) (As of April 30, 2000)

Market value of negotiable securities

(Unit: Yen thousands)

Category	Amount reported on the interim balance sheet	Market value	Difference
(1) Assets classified as current assets			
Stocks	417,810	434,286	16,476
Corporate bonds	269,130	268,447	- 682
Other	-	-	-
Total	686,940	702,734	15,793
(2) Assets classified as fixed assets			
Stocks	1,036,833	2,081,287	1,044,453
Corporate bonds	118,863	119,190	326
Other	1,000,578	779,380	- 221,198
Total	2,156,274	2,979,857	823,582
Total	2,843,215	3,682,591	839,375

Notes: 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. Treasury stock included in stocks classified as current assets

Valuation profit or loss

Stocks classified as current assets - ¥11,000

3. Consolidated balance sheet valuation of negotiable securities that are excluded from disclosure requirements

Assets classified as current assets

Beneficiary certificates for security investment trusts in their closed period

¥135,919,000

Unlisted foreign government bonds

¥109,853,000

Assets classified as fixed assets

Unlisted stocks (excluding over-the-counter stocks)

¥509,510,000

Unlisted foreign government bonds

¥305,156,000

Corporate bonds with attached warrants

¥10,000,000

(Notes related to Derivative Transactions)

The notes concerning derivative transactions for the consolidated fiscal year interim period under review and the prior consolidated fiscal year are included in the notes to the interim consolidated financial sheets.

Prior consolidated fiscal year interim period (November 1, 1999 – April 30, 2000)

1. Circumstances of transaction

Details and purpose of derivative transactions

From time to time, the Company uses forward exchange contracts and currency swap transactions in order to avoid the risk of future foreign exchange market exchange rate fluctuations for specific foreign currency-denominated assets and liabilities.

In addition, the Company uses interest rate caps and swaps to limit the effect that a future rise in market interest rates will have on the interest paid by the Company.

Transaction policy

The Company has adopted a policy of using derivatives transactions only for purposes of avoiding risks to assets and liabilities that are exposed to market price fluctuation risk. The Company does not engage in the use of derivatives transactions for the purpose of obtaining short-term trading gains (trading objectives) or for speculative purposes.

Transaction-related risks

Derivative transactions are accompanied by market risk created by fluctuation of the market prices of the items covered by the transactions, and credit risk related to the possibility that counterparties may not perform their obligations in accordance with the transaction contract.

Forward exchange contracts related to currencies used by the Company contain an element of risk created by fluctuations in foreign exchange market currency rates, and interest rate cap and interest rate swap transactions contain an element of risk created by fluctuations in market interest rates.

The Company believes it faces minimal credit risk because the counterparties for its derivative transactions are domestic banks and securities firms with strong credit ratings.

Transaction risk management system

The Company's basic policies concerning derivative transactions are decided by the board of directors, and executed and managed by the Treasury and Securities Section Manager in the Accounting Division based on the Company's internal management regulations. The corporate officer in charge of accounting reports on financial matters, including these derivative transactions, at the Company's regular meetings of the board of directors.

Supplemental information concerning transaction market prices and other matters

Forward exchange contracts and currency swaps allocated to foreign currency-denominated assets and liabilities at the end of the interim period and accounted for on the interim financial statements through conversion into monetary assets and liabilities denominated in the relevant foreign currency are excluded from disclosure at market prices.

2. Transaction market value

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