Fiscal Year Ended October 31, 2002

Accounting Bulletin (Consolidated)

December 13, 2002

Listed Company Name **Kanamoto Company, Ltd.**

Company Code Number **9678**

Listing Exchanges **Tokyo Stock Exchange, Sapporo Stock Exchange**

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Date of Report to the Board of Directors December 13, 2002

SEC Accounting Standards The Company has not adopted SEC accounting standards

1. Consolidated operating results for the fiscal year ended October 31, 2002 (Nov. 1, 2001 – Oct. 31, 2002)

(1) Consolidated operating results (Numbers less than one million yen have been rounded down)

	Revenues		Operating Income		Ordinary Income	
	¥ millions	%	¥ millions	%	¥ millions	%
Fiscal year ended October 31, 2002	65,251	(△3.1)	2,287	(△20.4)	2,381	(△26.9)
Fiscal year ended October 31, 2001	67,346	(8.6)	2,872	(△5.6)	3,257	(27.8)

	Net Income		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
	¥ millions	%	Yen	Yen	%	%	%
Fiscal year ended October 31, 2002	1,209	(155.8)	39.99	30.76	3.9	2.3	3.6
Fiscal year ended October 31, 2001	472	(△65.3)	15.64	13.89	1.5	3.1	4.8

(Notes) 1. Equity method investment profit or loss

FY ended October 31, 2002 — FY ended October 31, 2001 —

2. Average number of shares (consolidated) outstanding during the fiscal year

FY ended October 31, 2002: 30,235,808 shares FY ended October 31, 2001: 30,229,603 shares

3. Are there any changes in accounting method? Yes

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, 2002	99,313	31,240	31.5	1,033.30
Fiscal year ended October 31, 2001	106,639	30,843	28.9	1,020.03

(Note) Number of shares (consolidated) issued and outstanding at the end of the fiscal year:

FY ended October 31, 2002: 30,233,756 shares FY ended October 31, 2001: 30,237,259 shares

(3) Consolidated cash flow

	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
	¥ millions	¥ millions	¥ millions	¥ millions
Fiscal year ended October 31, 2002	10,645	△ 442	△10,761	15,433
Fiscal year ended October 31, 2001	12,469	△ 762	△12,137	15,991

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

Number of consolidated subsidiaries: 6 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 in scope of consolidation accounting and application of equity method accounting

Consolidation (New): 1 company (Excluded): 0 companies

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

2. Projected consolidated operating results for the fiscal year ending October 31, 2003 (November 1, 2002 – October 31, 2003)

	Revenues	Ordinary Income	Net Income
	¥ millions	¥ millions	¥ millions
Interim period	33,300	1,410	690
Full year	65,500	2,180	1,000

(Reference) Projected net income per share of common stock (fiscal year): ¥33.08

Note: The above projection was created based on information and projections of the future economic environment available to the Company's management at the time this report was published. Actual operating results may differ from the projected figures, as a result of various future factors.

I　Current Conditions of the Company's Group

The Kanamoto Company group is comprised of the parent company, eight subsidiaries and two affiliated companies. The business activities of the group are centered on the rental of construction equipment, and the development of businesses involved in the rental and sale of a full line of construction-related materials. An explanation of each company's position with regard to its relevant business is provided below.

〔Businesses related to the Construction Equipment Rental Division〕

The Company's rental division, together with **Taniguchi Co., Ltd.** (a subsidiary company), **Daiichi Machine Industries Co., Ltd.** (a subsidiary company) and **Kanamoto Shikoku Co., Ltd.** (a non-consolidated subsidiary company), is engaged in the rental and sale of construction equipment and machines used for construction. These three subsidiary companies 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 and sale 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 Division〕

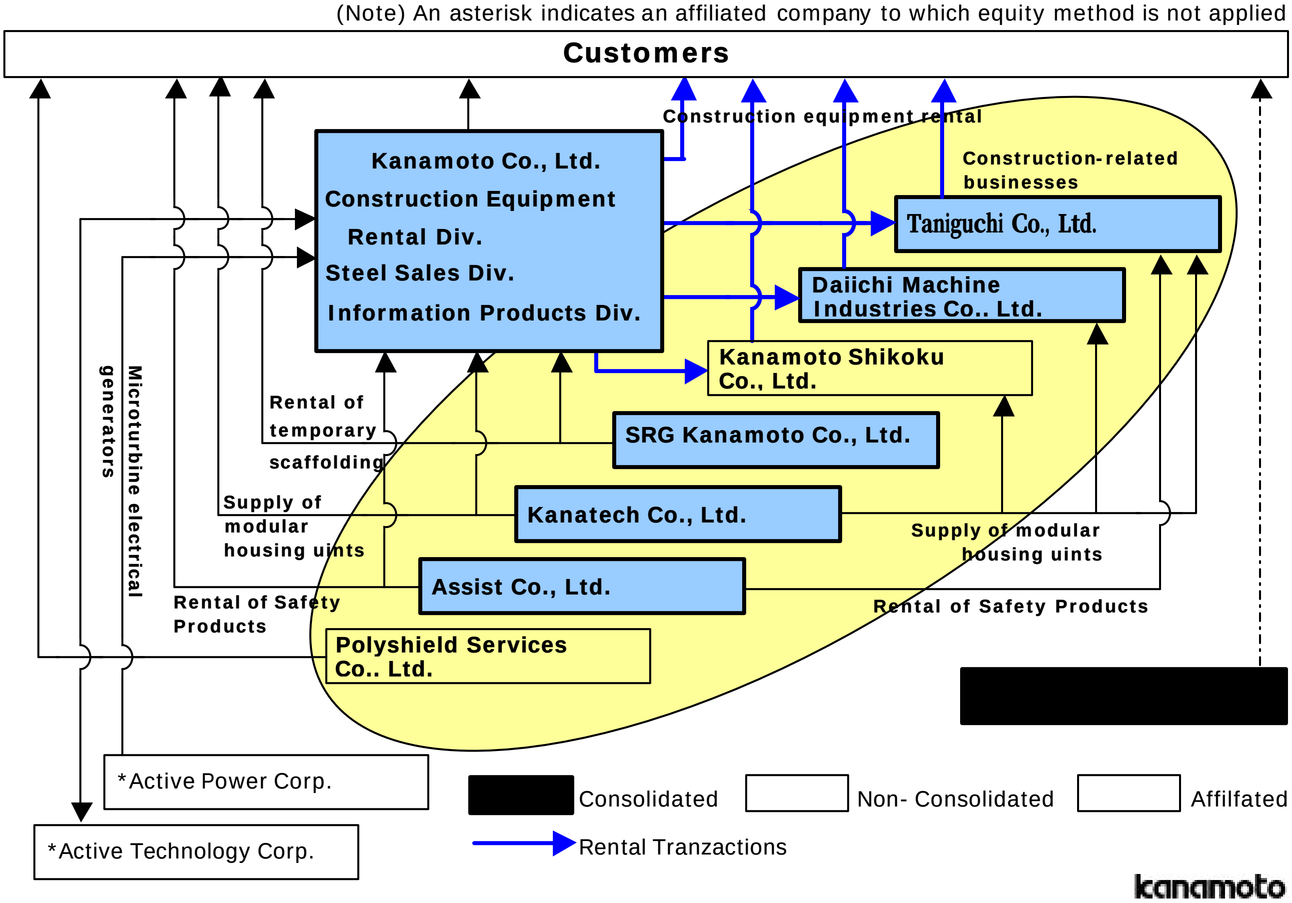
The Company's Steel Sales Division sells steel products and construction-related manufactured goods. The Company has no subsidiaries or affiliated companies related to this division.

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

As the Company's information and telecommunications-related division, Kanamoto's Computer and Peripheral Equipment Rental 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 **Active Technology Corporation** (an affiliated company), which is principally engaged in the sale of telecommunications-related equipment such as wireless LAN devices. As supplemental businesses, **Active Power Corporation** (an affiliated company) is engaged in the sale of microturbine generators manufactured by Capstone Corporation, a U.S. company, and supplies these products to the Company, among others. **Providence Brewery Co., Ltd.** (a subsidiary company), which brewed and sold regional beers, has ceased all manufacturing and sales operations at the present time.

〔Relationship of the Operating Businesses〕

(Note) An asterisk indicates an affiliated company to which equity method is not applied



II Management Policies and Operating Results

1. Basic policies concerning business management

Kanamoto Company has always made the centerpiece of its action agenda the concept, "constantly seek innovation and strive to energize the business." We believe that adapting to changes in the business environment, developing the firm on a sustainable basis and maximizing earnings contributes to the best results for our stakeholders. Our focus is on maintaining an ability to continually distribute profits to our shareholder partners, and demonstrating Kanamoto's potential to customers and local communities as the leading construction equipment rental company, by developing its business throughout Japan. We seek to offer detailed services that are intimately linked to each local area, by having each branch office act an independent business enterprise.

2. Basic policies concerning distribution of earnings

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.

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

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

2-2. Policy concerning reduction of the Company's investment unit

Given the Company's present circumstances and markets, the Company believes it has adopted an appropriate position with regard to its investment unit and stock allocation, 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 future distribution of investment units.

2-3. Management indicators established as objectives

For aspects of its business that require strict valuation of assets at market prices and the application of conservative accounting principles, Kanamoto believes it is vitally important to vigorously fulfill these requirements. Moreover, Kanamoto has always emphasized ROI (return on investment) and cash flow, and seeks growth in EBITDA (earnings before interest, taxes, depreciation and amortization) to meet its primary objective of establishing a solid foundation for management. The Company considers EBITDA to be the most appropriate measure for comprehensive evaluation of earnings in an industry that requires a large portfolio of assets such as construction equipment rental, and continually measures this index and applies it for making management decisions.

3. Medium to long-term corporate management strategy

In its principal business of construction equipment rentals, the Company is continuing to implement the following business and financial strategies to the extent possible, based on the "Kanamoto Survival Plan," the Three-Year Plan the Company is currently implementing.

① Adopt an offensive structure, by executing a bold scrap and build program and shifting human resources and construction equipment rental assets to major metropolitan areas where demand is concentrated, particularly Tokyo, while adhering firmly to its strategy of improving operating rates of rental equipment assets and building a dominant network to surround local customers. Over the short-term, place priority on sales branches that are able to maintain profitability.

② In regions such as western Japan where the Company has not previously built its own sales branches, continue expansion of the business base by constructing an alliance group, and achieve synergistic results by strengthening the quality of each partner firm, regardless of whether it is a consolidated or non-consolidated company, and enhancing cooperation among the firms as a group.

③ Aim at continuously raising the Company's debt rating and improving and strengthening the Company's financial position from the standpoint of procuring diverse, high-quality capital resources.

4. Issues to be addressed by the Company

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

The company-wide application of ability and performance-based evaluations based on a review of the personnel system, and low-cost operation activities at sales branches, are steadily improving operating results. Nevertheless, regional differences in maintenance ability have increased as we rapidly expanded our branch network over the past few years. To address this issue, we will accelerate construction of a knowledge management system and maintenance standardization system to utilize effectively the online network linking every Kanamoto branch.

Kanamoto continues to support venture businesses, in order to nurture new businesses that will follow the growth path of its construction equipment rental business. In this effort, the Company seeks to reduce risk by determining in a prompt and timely manner whether a venture business has viable commercial prospects and growth potential.

5. Changes to the Company's management organization and measures concerning corporate governance

At Kanamoto, we have already introduced a corporate officer system to clarify responsibility for execution of the Company's business. Kanamoto has also consolidated its organizational framework, which will improve the communication function for top-down notification of instructions such as management policies, and provide a system for keeping every employee well informed about the Company's policies.

In addition, by preparing ethics guidelines and establishing a Compliance Committee that includes outside committee members, the Company has taken steps to strengthen respect for the law and ethical regulations.

To improve the business development capabilities of the entire Kanamoto group, the Company holds a regular "alliance group meeting" that is attended by the management of each group company. This meeting serves to ensure a thorough understanding of the group's business objectives and management policies.

2. Operating Results and Financial Position

(1) Operating results

① Summary of fiscal year consolidated operating results (Fiscal year ended October 2002)

During the fiscal year under review, restraints arising from the need to restore central government finances prevented the administration from implementing fiscal stimulus measures, and Japan's economy did not see any improvement in business sentiment. In the construction industry, the principal customer for Kanamoto's construction equipment rental business, an extremely severe business environment continued not only because of lower public works spending, but also because of a rapid slowdown in private sector capital investment, with the exception of the Tokyo metropolitan area. A summary of operating results for each operating division is discussed below.

〔Construction-related business〕

The latest figures based on research by the Japan Civil Engineering Association (issued June 2002) showed that Japan's construction companies rely on construction equipment rentals for 55.5% (up 1.2% points over the prior year) of their equipment needs. The demand for construction equipment rentals remains unchanged and vigorous. The number of public works construction projects declined, however, and revenues for the construction industry overall were lower. As a result, companies faced strong pressure to reduce construction equipment rental prices. Despite the upward trend in the use of rentals to meet construction equipment needs, therefore, revenues for the construction equipment rental industry as a whole declined, and the business environment confronting the industry remained extremely challenging.

● Conditions for the Company (Unconsolidated)

In its Construction Equipment Rental Division, Kanamoto reorganized the existing branch network according to territories, and revised management reporting lines. The Company also sought to reduce costs through several measures, including closing four unprofitable branches and simultaneously integrating the back-office activities of the branch network. During the fiscal year under review, Kanamoto opened two new branches in the Hokkaido territory, added three new branches and closed one branch in the Tohoku territory, beefed up the Kanto-Shinetsu territory by opening four branches and closing two branches, and added one new branch while closing an unprofitable branch in the Kinki-Chubu territory. Altogether, the branch network grew by a net addition of six branches.
As a result of the above steps, the Company maintained the operating rates for its rental asset at the same high levels achieved in the past. By keeping reductions in rental unit prices to a minimum, the Company held the decline in construction equipment rental revenues to 5.3%.

By region, compared to the prior fiscal year rental revenues declined by 10.6% in Hokkaido and 8.1% in the Tohoku territory, respectively, as both regions bore the brunt of decreasing demand for public works construction. In the Kanto-Shinetsu territory, revenues increased by 3.9%. While public works spending and private construction demand in the Tokyo metropolitan area was vigorous, this was offset by weak conditions in the Shinetsu region and the northern Kanto area. In the Kinki-Chubu territory, business remained brisk in both the Osaka and Nagoya metropolitan areas, demand also picked up in the Hokuriku region as that area shook off a temporary slump, and the alliance group strategy for developing western Japan also contributed positive results. For the territory as a whole, equipment rental revenues rose 9.8%.

With regard to sales revenues for the division, on the other hand, revenues from the overseas sale of used construction equipment grew strongly, but despite steady sales activity in the domestic sales territories unit price declines greatly influenced revenues. As a result, sales revenues were off by 3.8% compared to the prior fiscal year.
From the standpoint of profitability, the Construction Equipment Rental Division's operating income can under intense pressure from the effects of lower rental unit prices, with the result that profitability declined compared to the prior fiscal year. This was despite the fact that the Company achieved cost reductions based on the new "Kanamoto Survival Plan" Three-Year Plan, which the Company began implementing during the period under review, and attained a more balanced depreciation expense burden by emphasizing leases as the form for introducing assets.

● Conditions for consolidated subsidiaries

Fiscal year operating results for the consolidated subsidiaries in construction-related businesses were as follows.
At **Taniguchi Co., Ltd.**, revenue increased by 1.6% compared to the prior fiscal year and net income jumped 35.1%, as the firm fought strongly in a tough environment in which public sector construction in Hokkaido is declining.
Assist Co., Ltd. enjoyed the results of its prior year efforts to expand and strengthen its sales offices. Revenue increased by 18.5%, and net income rose by 108.3%.
Although **SRG Kanamoto Co., Ltd.** set the stage for strengthening sales by opening a new branch in Sapporo, revenue fell 4.7% and the company incurred a net loss as the result of stagnant construction demand, lower unit prices and the rise in costs for opening the new branch.
Kanatech Co., Ltd. increased its revenue by 14.2%, aided by the supply of modular housing units to other members of

Kanamoto's alliance group. Net income declined by 72.2%, however, as costs of sales rose because of efforts to broaden the firm's product lineup and higher transportation expenses.

Daiichi Machine Industries Co., Ltd. became one of Kanamoto's consolidated subsidiaries during the fiscal year under review. Although a true comparison of year-to-year results is not possible because Daiichi changed its fiscal period closing month and applied special accounting rules, the firm achieved steady growth in both revenues and operating earnings. Nevertheless, the company ended the fiscal year with a net loss, as the amortization of prior year costs also increased.

As a result of the above activities, consolidated fiscal year revenues from construction-related businesses fell by 1.8% to ¥56,558 million, and operating income decreased by 17.6% to ¥2,108 million.

〔Steel sales-related business〕

The Steel Sales Division focused its sales efforts by shifting human resources to the Sapporo metropolitan area, where demand was strong. The division was unable to increase revenue despite great efforts made to cover the drop in revenues generated by its steel production raw materials (iron scrap) section, which the division decided to abolish as of the end of January 2002, by handling steel materials with strong demand and construction materials. The division also lowered prices to meet market unit prices. The division was able to minimize the negative influence of the local market, however, where private sector demand remained in a slump.

As a result, sales fell 10.8% to ¥7,435 million, and operating income declined 67.7% to ¥47 million.

〔Computer and peripheral equipment related business and other businesses〕

At Kanamoto's Computer and Peripheral Equipment Rental Division, which manages the Company's information and telecommunications businesses, workstation rentals, which were strong in the prior fiscal year, were weakened by a delay in rental inquiries for models equipped with new OS because of the market's outlook. Rentals of personal computers were strong in terms of quantity, but rental prices weakened under the influence of falling sales prices. Given tough conditions, rental revenue declined 14.8% compared to the prior year. Equipment sales were strong, particularly for wireless LAN, which enjoyed steady sales similar to the previous fiscal year, with unit prices showing only a minute decline of 0.8%. For the division as a whole, revenues decreased 7.0%.

In other businesses, Kanamoto faced uncertain prospects at Providence Brewery Co., Ltd., which struggled from flat personal consumption and the inability to expand sales channels in the tradition-bound alcoholic beverage industry. The Company was unable to avoid a decision to discontinue local beer production in February 2002.

Revenues for the Company's computer and peripheral equipment-related business and other businesses fell 9.6% to ¥1,257 million, and operating income was down 83.7% to ¥4 million.

〔Fiscal Year ending October 31, 2002　Consolidated operating results〕

(Million yen)

	Revenues	Operating Income	Ordinary Income	Net Income
Consolidated FY under review	65,251	2,287	2,381	1,209
Change from prior year	△3.1%	△20.4%	△26.9%	155.8%

(Percentage figures show the change compared to prior year)

〔Other business operating results〕

The Company did not locate any promising investment targets for Kanamoto's venture business support activities and did not provide any support, such as new capital investment, during the consolidated fiscal year under review.

② Outlook for the next consolidated fiscal year (Business period ending October 2003)

The Japanese government is slowly taking steps to put Japan's financial system back on a sound footing at an early stage, as part of the Koizumi Cabinet's reforms. As a result, many observers believe this will accelerate the restructuring and shuttering of so-called "heavily-indebted troubled companies." With regard to the supplementary budget as well, although the government drafted a public works budget totaling roughly ¥1.5 trillion, this failed to satisfy industry expectations because of sharp cuts in the total amount of the initial budget. Given these conditions, Kanamoto believes the tough competitive situation among manufacturer-related rental companies, large multi-regional rental firms and middle-market rental companies will continue, but this will also serve as a factor leading to greater industry reliance on construction equipment rentals.

The present circumstances provide an opportunity to expand market share in the construction equipment rental business, which is the leading sector among construction-related industries. Kanamoto will focus on ensuring increased earnings, by acting to strengthen its business through greater cooperation and integration among the Kanamoto alliance group companies, and promoting a product line-up that suits customers' needs by reviewing some of the products the companies handle. Kanamoto will simultaneously promote the rationalization of back-office operations and maintenance, to bolster low-cost operations. The priority for new sales branch openings will be on the Tokyo metropolitan area. Together with the recent expansion of Kanamoto's market share, we will aggressively introduce rental assets during the next fiscal year as well.

In other areas, although the Steel Sales Division and the Computer and Peripheral Equipment Rental Division represent only a small portion of Kanamoto's total net revenues, we will work to continually increase the revenues at each division. Furthermore, the Company will fully write off the estimated loss incurred from the liquidation of Providence Brewery Co., Ltd. during the consolidated fiscal year under review.

〔Fiscal year ending October 31, 2003　Projected consolidated operating results〕

(Million yen)

	Revenues		Operating Income		Ordinary Income		Net Income	
Interim period	33,300	2.1%	1,480	△12.7%	1,410	△20.7%	690	△25.9%
Full year	65,500	0.4%	2,360	3.2%	2,180	△8.4%	1,000	△17.3%

(Percentage figures show the change compared to prior year)

(2) Financial position

For the consolidated accounting fiscal year under review, **cash flow from operating activities** was down 14.6% to ¥10,645. This was ¥1,823 million less than in the prior consolidated accounting fiscal year. In addition to higher income before taxes and adjustments, this reflected a decrease in accrued employee retirement benefits and lower depreciation and amortization expense, plus an increase in payment of corporate and other taxes.

Cash flow used for investing activities was ¥442 million, ¥320 million (42.0%) less than in the prior fiscal year. This was primarily the result of fewer funds used for the purchase of tangible fixed assets.

Cash flow used for financing activities was ¥10,761 million, ¥1,376 million less than in the prior consolidated accounting fiscal accounting year. The Company used funds provided by long-term bank borrowings to repay outstanding loans and redeem straight and convertible bonds.

As a result of the above, the balance of cash and the cash equivalents at the end of the consolidated accounting fiscal year under review was ¥15,433 million, ¥558 million (3.5%) less than at the end of the prior consolidated accounting fiscal year.

III Consolidated Financial Statements

1. Consolidated Balance Sheets

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

Category \ Period	Current consolidated accounting fiscal year (As of October 31, 2002)		Prior consolidated accounting fiscal year (As of October 31, 2001)		Change from prior year
	Amount	Percent	Amount	Percent	
(Assets)					
Current Assets					
Cash and deposits	15,437,482		15,996,639		△559,156
Notes and trade accounts receivable	23,120,417		25,807,750		△2,687,333
Negotiable securities	75,075		114,440		△39,365
Inventory	809,466		1,117,400		△307,934
Construction equipment	2,466,271		2,931,588		△465,316
Corporate and other taxes receivable	56,109		—		56,109
Deferred tax assets	167,379		230,232		△62,853
Other current assets	437,337		351,760		85,577
Allowance for doubtful accounts	△494,633		△324,938		△169,694
Total Current Assets	42,074,906	42.4	46,224,874	43.3	△4,149,968
Fixed Assets					
Tangible fixed assets					
Rental equipment	16,896,190		19,820,577		△2,924,386
Buildings and structures	7,685,672		8,163,141		△477,468
Machinery, equipment, and vehicles and delivery equipment	1,087,738		1,300,205		△212,467
Land	24,600,974		24,396,831		204,143
Construction in progress	108,792		58,896		49,896
Other assets	189,559		231,088		△41,528
Total Tangible Fixed Assets	50,568,929	50.9	53,970,740	50.6	△3,401,810
Intangible Fixed Assets					
Other assets	100,727		84,251		16,476
Total Intangible Fixed Assets	100,727	0.1	84,251	0.1	16,476

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

Category \ Period	Current consolidated accounting fiscal year (As of October 31, 2002)		Prior consolidated accounting fiscal year (As of October 31, 2001)		Change from prior year
	Amount	Percent	Amount	Percent	
Investments and Other Assets					
Investment securities	3,682,356		3,789,391		△107,035
Deferred tax assets	1,748,980		1,567,069		181,910
Other	1,717,732		1,449,550		268,181
Allowance for doubtful accounts	△580,183		△446,847		△133,336
Total Investments and Other Assets	6,568,886	6.6	6,359,165	6.0	209,720
Total Fixed Assets	57,238,543	57.6	60,414,156	56.7	△3,175,613
Total Assets	99,313,449	100.0	106,639,030	100.0	△7,325,581
Current Liabilities					
Notes and accounts payable, trade					
Short-term bank loans	11,965,279		12,620,598		△655,318
Long-term bank loans due within one year	905,454		510,053		395,401
Current Liabilities	8,484,358		7,819,446		664,911
Corporate bonds to be redeemed within one year	5,277,692		—		5,277,692
Convertible bonds to be redeemed within one year	4,164,000		—		4,164,000
Corporate taxes payable	19,309		1,319,459		△1,300,149
Accrued bonuses to employees	541,179		594,688		△53,509
Accounts payable, other	7,909,341		8,299,274		△389,932
Other current liabilities	753,119		763,794		△10,674
Total Current Liabilities	40,019,734	40.3	31,927,314	29.9	8,092,420
Long-term Liabilities					
Straight bonds	—		5,277,692		△5,277,692
Convertible bonds	—		9,281,000		△9,281,000
Long-term bank loans	17,301,830		14,547,095		2,754,734
Accrued employees retirement benefit	1,675,725		2,008,761		△333,035
Retirement allowances to directors and auditors	196,643		282,426		△85,782
Long-term accrued expenses	8,636,876		12,405,133		△3,768,257
Consolidation adjustment account	25,493		—		25,493
Other	118,996		—		118,996
Total Long-term Liabilities	27,955,564	28.1	43,802,108	41.1	△15,846,543
Total Liabilities	67,975,299	68.4	75,729,422	71.0	△7,754,123
(Minority Interest)					
Minority interest	97,574	0.1	66,601	0.1	30,972

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

Period / Category	Current consolidated accounting fiscal year (As of October 31, 2002)		Prior consolidated accounting fiscal year (As of October 31, 2001)		Change from prior year
	Amount	Percent	Amount	Percent	
（Shareholders' Equity）					
Common stock	8,596,737	8.7	8,596,737	8.1	―
Additional paid-in capital	9,720,343	9.8	9,720,343	9.1	―
Consolidated retained earnings	13,044,002	13.1	12,395,900	11.6	648,102
Valuation difference on other investment securities	△108,448	△0.1	140,535	0.1	△248,984
Total Shareholders' Equity	31,252,634	31.5	30,853,516	28.9	399,117
Treasury stock	△2,086	△0.0	△537	△0.0	△1,548
Parent company stock held by subsidiaries	△9,973	△0.0	△9,973	△0.0	―
Total Shareholders' Equity	31,240,575	31.5	30,843,006	28.9	397,569
Total Liabilities, Minority Interest and Shareholders' Equity	99,313,449	100.0	106,639,030	100.0	△7,325,581

2. Consolidated Statements of Income

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

Category \ Period	Current consolidated accounting fiscal year (From November 1, 2001 to October 31, 2002)		Prior consolidated accounting fiscal year (From November 1, 2000 to October 31, 2001)		Change from prior year
	Amount	Percent	Amount	Percent	
Revenues from operations					
Rental revenues	40,560,882		41,839,605		△1,278,723
Sales	24,690,988		25,506,819		△815,830
Total revenues from operations	65,251,870	100.0	67,346,425	100.0	△2,094,554
Cost of revenues from operations					
Cost of rental revenues	30,630,540		31,189,827		△559,287
Cost of goods sold	19,376,376		19,986,164		△609,788
Total cost of revenues	50,006,917	76.6	51,175,992	76.0	△1,169,075
Gross profit	15,244,953	23.4	16,170,432	24.0	△925,478
Selling and administrative expenses	12,957,410	19.9	13,298,018	19.7	△340,608
Operating income	2,287,543	3.5	2,872,413	4.3	△584,870
Non-operating revenue					
Interest revenue	10,089		17,257		△7,168
Dividend income	45,627		22,190		23,437
Gain on sale of investment securities	157,293		376,299		△219,005
Insurance benefits	38,354		242,730		△204,376
Rents	95,177		256,066		△160,888
Cash bonus received	168,536		—		168,536
Amortization of consolidation adjustment account	6,237		—		6,237
Other	233,103		177,869		55,233
Total non-operating revenues	754,419	1.1	1,092,413	1.6	△337,994
Non-operating expenses					
Interest expense	475,129		544,075		△68,946
Other	185,605		163,512		22,093
Total non-operating expenses	660,735	1.0	707,587	1.1	△46,852
Ordinary income	2,381,227	3.6	3,257,239	4.8	△876,012
Extraordinary profit					
Adjustment of prior period profit or loss	—		2,256		△2,256
Gain on sale of fixed assets	14,266		4,178		10,088
Reimbursement of accrued employees retirement benefit	395,091		—		395,091
Guarantee of moving expenses	—		24,782		△24,782
Other	11,101		1,934		9,167
Total extraordinary profit	420,459	0.6	33,151	0.1	387,307

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

Category \ Period	Current consolidated accounting fiscal year (From November 1, 2001 to October 31, 2002)		Prior consolidated accounting fiscal year (From November 1, 2000 to October 31, 2001)		Change from prior year
	Amount	Percent	Amount	Percent	
Extraordinary loss					
Loss on sale or retirement of fixed assets	199,356		101,886		97,470
Valuation loss on investment securities	240,765		126,450		114,314
Loss on sale of investment securities	70,085		—		70,085
Loss on redemption of convertible bonds	96,085		—		96,085
Money transferred to accrued employees retirement benefit	—		1,982,023		△1,982,023
Other	67,585		55,340		12,245
Total extraordinary loss	673,878	1.0	2,265,701	3.4	△1,591,822
Income before taxes and adjustments	2,127,807	3.2	1,024,690	1.5	1,103,117
Corporate, local and business taxes	864,430	1.3	1,883,570	2.7	△1,019,139
Adjustment for corporate and other taxes	59,397	0.1	△1,308,431	△1.9	1,367,829
Minority interest loss	5,252	0.0	23,135	0.0	△17,882
Net income	1,209,231	1.8	472,686	0.7	736,545

3. Statements of Consolidated Retained Earnings

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

Category \ Period	Current consolidated accounting fiscal year (From November 1, 2001 to October 31, 2002)	Prior consolidated accounting fiscal year (From November 1, 2000 to October 31, 2001)	Change from prior year
	Amount	Amount	
Balance of consolidated retained surplus at the beginning of the period	12,395,900	12,484,124	△88,224
Reduction in consolidated retained earnings			
Dividends	544,529	544,311	218
Directors and auditors' bonuses	16,600	16,600	—
(Auditors' bonuses)	(1,700)	(1,700)	(—)
Total reduction in consolidated retained earnings	561,129	560,911	218
Net income for the period	1,209,231	472,686	736,545
Balance of consolidated retained surplus at the end of the period	13,044,002	12,395,900	648,102

4. Consolidated Statements of Cash Flows

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

Category \ Period	Current consolidated accounting fiscal year (From November 1, 2001 to October 31, 2002) Amount	Prior consolidated accounting fiscal year (From November 1, 2000 to October 31, 2001) Amount	Change from prior year
Cash flow from operating activities			
Net income before taxes and adjustments	2,127,807	1,024,690	1,103,117
Depreciation and amortization expense	8,119,889	9,486,358	△1,366,468
Amortization of consolidated adjustment account	△6,237	—	△6,237
Gain on sale of fixed assets	△14,266	△4,178	△10,088
Loss on disposal of fixed assets	199,356	101,886	97,470
Profit from adjustment of prior period profit or loss	—	△1,618	1,618
Installment purchases of assets for small-value rentals	265,647	361,621	△95,973
Reclassification of cost of sales associated with disposal of construction equipment	35,359	134,927	△99,567
Reclassification of cost of sales associated with disposal of rental assets	1,504,216	1,193,637	310,578
Expenditures for acquisition of rental assets	△1,251,943	△295,556	△956,387
Valuation loss on investment securities	240,765	126,450	114,314
Gain on sale of investment securities	△157,293	△376,299	219,005
Loss on sale of investment securities	70,085	—	70,085
Gain on redemption of bonds	△46,450	△8,143	△38,307
Loss on redemption of convertible bonds	96,085	—	96,085
Increase in allowance for doubtful accounts	300,631	367,817	△67,186
Increase (decrease) in accrued bonuses to employees	△53,509	91,785	△145,294
Increase (decrease) in accrued employees retirement benefit	△333,035	2,008,761	△2,341,797
Decrease in retirement allowances to directors and auditors	△85,782	△5,028	△80,754
Interest revenue and dividend income	△55,717	△39,448	△16,269
Interest expense on installment purchases of rental assets	271,236	299,831	△28,594
Interest expense	475,129	544,075	△68,946
(Increase) decrease in accounts receivable, trade	2,985,326	△2,476,330	5,461,657
(Increase) decrease in inventory assets	336,554	△291,190	627,744
Increase (decrease) in accounts payable, trade	△1,104,285	901,119	△2,005,404
Increase in accounts payable, other	107,073	487,864	△380,791
Directors and auditors' bonuses paid	△16,600	△16,600	—
Other	△563,520	426,291	△989,811
Subtotal	13,446,523	14,042,726	△596,202
Interest and dividends received	55,717	39,448	16,269
Interest expense	△747,992	△844,586	96,594
Payment of corporate and other taxes	△2,108,470	△767,928	△1,340,542
Cash flow from operating activities	10,645,777	12,469,659	△1,823,881

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

Category \ Period	Current consolidated accounting fiscal year (From November 1, 2001 to October 31, 2002) Amount	Prior consolidated accounting fiscal year (From November 1, 2000 to October 31, 2001) Amount	Change from prior year
Cash flow from investing activities			
Disbursements for investments in term deposits	△207,190	△4,233	△202,956
Revenue from redemption of term deposits	645,131	9,129	636,002
Funds used for the purchase of tangible fixed assets	△398,195	△1,073,093	674,897
Funds provided from the sale of tangible fixed assets	112,805	122,249	△9,443
Funds used for the purchase of intangible fixed assets	△26,294	△28,669	2,374
Funds used for the purchase of investment securities	△2,645,631	△2,772,134	126,503
Funds provided from sale of investment securities	2,243,014	3,066,275	△823,261
Funds used for purchase of investments	△16,129	△82,439	66,309
Funds used for purchase of subsidiary company stock following change in scope of consolidation	△114,274	—	△114,274
Other	△35,512	—	△35,512
Cash flow from investing activities	△442,276	△762,916	320,639
Cash flow from financing activities			
Decrease in short-term bank borrowing	160,001	△4,216,562	4,376,563
Funds provided by long-term bank borrowing	13,670,000	10,136,450	3,533,550
Funds used to repay long-term bank borrowing	△10,538,637	△8,793,335	△1,745,301
Funds used for redemption of straight bonds	△1,576,550	△506,857	△1,069,693
Funds used for redemption of convertible bonds	△3,590,085	—	△3,590,085
Funds provided from the issue of common stock	—	10,488	△10,488
Funds used for repayment of installment obligations	△8,348,209	△8,242,273	△105,936
Funds provided from the sale of treasury stock	—	3,153	△3,153
Funds used for the purchase of treasury stock	△1,548	△3,525	1,976
Payment of dividends to parent company	△544,529	△544,311	△218
Funds provided from the issue of stock to minority shareholders	8,000	20,000	△12,000
Funds used for other financing activities	—	△1,057	1,057
Cash flow from financing activities	△10,761,559	△12,137,831	1,376,271
Increase in cash and equivalents	△558,058	△431,088	△126,969
Balance of cash and equivalents at beginning of period	15,991,306	16,422,395	△431,088
Balance of cash and equivalents at end of the interim period	15,433,247	15,991,306	△558,058

5. Significant Accounting Policies for the Consolidated Financial Statements

	Current consolidated accounting fiscal year (From November 1, 2001 to October 31, 2002)	Prior consolidated accounting fiscal year (From November 1, 2000 to October 31, 2001)
1. Companies included in the consolidation	The six subsidiary companies included in the consolidation are SRG Kanamoto Co., Ltd., Taniguchi Co., Ltd., Assist Co., Ltd., Kanatech Co., Ltd., Providence Brewery Co., Ltd. and Daiichi Machine Industries 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.	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	Two unconsolidated subsidiaries and two affiliated companies (Active Technology Corporation and Active Power Corporation) 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.	Same as at left
3. Matters pertaining to the fiscal year for consolidated subsidiaries	The fiscal year-end for all of 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.	Same as at left
4. Accounting principles and standards used for normal accounting treatment (1) Appraisal standards and appraisal methods for principal assets	a. Negotiable securities Other 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 Securities without market prices 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.	a. Negotiable securities Other negotiable securities Securities with a market price Same as at left Securities without market prices Same as at left 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.

	(Supplemental information) The Company formerly used 7 years as the depreciable life for floor plate and steel plate. In consideration of the period over which such products can be used physically and economically, however, based upon their physical condition and customers' intentions to rent, respectively, beginning in the consolidated accounting fiscal year under review the Company changed the durable life of such products to 10 years based upon a projection of the period for their possible use. As a result, during the consolidated accounting fiscal year under review, depreciation expense was ¥209,320,000 lower, and gross profit, operating income, ordinary income and income before taxes and adjustments were ¥209,320,000 higher, respectively, compared to what they otherwise would have been had the accounting standards used in previous periods been applied. The effect of this change on information by business segment is described in the relevant section of this report.	
	c. Merchandise inventories and supplies (i) Merchandise inventories Lower of cost or market based on the Last-in, First-out method (ii) Supplies The Latest Purchase Cost method	c. Merchandise inventories and supplies (i) Merchandise inventories Same as at left (ii) Supplies Same as at left
(2) Depreciation methods for principal depreciable assets	a. 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. For certain consolidated subsidiaries, the Company has adopted the straight-line method for buildings and structures acquired on or after April 1, 2000 but excluding fixtures and equipment. The depreciable lives mainly used by the Company are as follows. Rental assets 5-10 years Buildings 31-34 years (Supplemental information) The Company formerly used 7 years as the depreciable life for temporary rental structures. In consideration of the period over which such products can be used physically and economically, however, based upon improved product quality and customers' intentions to rent, respectively, beginning in the consolidated accounting fiscal year under review the Company changed the durable life of such products to 10 years based upon a projection of the period for their possible use.	a. 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. For certain consolidated subsidiaries, the Company has adopted the straight-line method for buildings and structures acquired on or after April 1, 2000 but excluding fixtures and equipment. The depreciable lives mainly used by the Company are as follows. Rental assets 5-10 years Buildings 31-34 years

	As a result, during the consolidated accounting fiscal year under review depreciation expense was ¥232,276,000 lower, and gross profit, operating income, ordinary income and income before taxes and adjustments were ¥232,276,000 higher, respectively, compared to what they otherwise would have been had the accounting standards used in previous periods been applied. The effect of this change on information by business segment is described in the relevant section of this report.	
	b. 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).	b. Intangible fixed assets Same as at left
(3) Accounting standards for principal allowances and reserves	a. Reserve 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.	a. Reserve for doubtful accounts Same as at left
	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 during the year based upon a salary estimate amount.	b. Accrued bonuses to employees Same as at left
	c. Accrued employees retirement benefit 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 consolidated accounting fiscal year. At the end of each consolidated accounting fiscal year, the Company appropriates an amount to the reserve to provide for the liability recognized during the period. Past years' service liabilities are fully amortized in the year incurred. The difference based on an actuarial calculation is charged to income beginning in the consolidated accounting fiscal year following the year in which incurred, with the amounts allocated proportionately 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.	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 fiscal 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 fiscal 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 appropriated to the account proportionately based upon length of service.	d. Retirement allowances to directors and auditors Same as at left
(4) 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.	Same as at left

(5) Hedge 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. a. 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.	a. Hedge transactions Same as at left b. Hedge methods and hedged transactions Same as at left c. Hedging policies Same as at left d. Method for evaluating the effectiveness of hedges Same as at left
(6) Other significant matters for preparation of the consolidated fiscal year 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.	Accounting treatment of consumption tax Same as at left
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.	Same as at left
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 that are written off completely in the year in which they occur.	Same as at left

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.	Same as at left
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.	Same as at left

(Changes in accounting treatment)

	Current consolidated accounting fiscal year (From November 1, 2001 to October 31, 2002)	Prior consolidated accounting fiscal year (From November 1, 2000 to October 31, 2001)
Change in revenue and expense classifications when accounting for accidents involving equipment under lease contract	In prior years the Company accounted for revenue from insurance benefits as insurance benefits in non-operating revenues whenever it suffered damages to rental assets and equipment utilized under leases as the result of an accident, and accounted for the asset book value as a loss on abandonment of fixed assets in extraordinary losses and the lease equipment contract cancellation charge as a miscellaneous loss in non-operating expenses, respectively. Beginning in the consolidated accounting fiscal year under review, the Company changed its accounting treatment to account for insurance benefits as operating revenues and account for the rental asset book value and lease equipment contract cancellation charge as cost of revenues from operations. The Company made this change because the Company seeks to recover the full amount of capital invested in the equipment rental business through rental charges as equipment is leased and the insurance benefits received following an accident can also be considered as recovery of invested capital, and because the amount of revenue from insurance benefits has been increasing. As a result, revenue increased by ¥204,754,000, gross profit and operating income increased by ¥75,843,000, and ordinary income decreased by ¥61,017,000, respectively, compared to what they otherwise would have been had the accounting standards used in previous periods been applied. The change had no effect on income before taxes and adjustments. The effect of this change on information by business segment is described in the relevant section of this report.	―――

Change in accounting treatment for revenue and expenses for employee housing rents	In prior years, the Company accounted for payments of employee housing rents in selling, general and administrative expenses, and accounted for the employee portion of such expenses in non-operating revenues. Beginning in the consolidated accounting fiscal year under review, the Company changed its accounting method to exclude the employee portion of employee housing rent expense from selling and administrative expenses. The Company adopted this change in order to disclose the actual amount of the Company's housing rental burden, because the materiality of the amounts in question has been increasing as the Company increases the number of its employees. As a result, operating income increased by ¥165,232,000 compared to what it otherwise would have been had the accounting standards used in previous periods been applied. The change had no effect on ordinary income and income before taxes and adjustments. The effect of this change on information by business segment is described in the relevant section of this report.	―――――

(Change in disclosure method)

Current consolidated accounting fiscal year (From November 1, 2001 to October 31, 2002)	Prior consolidated accounting fiscal year (From November 1, 2000 to October 31, 2001)
The amount of "cash bonus received" that was included in other non-operating income in prior consolidated accounting fiscal years has increased and now accounts for more than ten percent of non-operating income. Accordingly, the Company reclassified this item into a separate reporting category. The amount of the "cash bonus received" in the prior consolidated accounting fiscal year was ¥86,487,000.	―――――

(Supplemental information)

Current consolidated accounting fiscal year (From November 1, 2001 to October 31, 2002)	Prior consolidated accounting fiscal year (From November 1, 2000 to October 31, 2001)
———	Accounting for accrued employees retirement benefits The Company has adopted the accounting standards for retirement benefits ("Opinions on Setting Standards for Post-employment Benefits," Business Accounting Council, June 16, 1998) from the current consolidated accounting 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 and adjustments 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.
———	Accounting for financial instruments The Company has adopted the accounting standards for financial instruments ("Opinions on Setting Standards for Financial Instruments," Business Accounting Committee, January 22, 1999) from the current consolidated accounting fiscal year. As a result, the Company's ordinary income increased by ¥79,351,000 and income before taxes and adjustments increased by ¥14,153,000 compared to what they would have been had the accounting standards used in the prior consolidated accounting fiscal year been applied. In addition, the Company reviewed its holding objectives for negotiable securities held at the beginning of the consolidated accounting 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 consolidated accounting fiscal year been applied.

6. Notes to the Financial Statements

(Notes to the Consolidated Balance Sheets)

Current consolidated accounting fiscal year (As of October 31, 2002)		Prior consolidated accounting fiscal year (As of October 31, 2001)	
1. Accumulated depreciation of tangible fixed assets	44,097,260,000	1. Accumulated depreciation of tangible fixed assets	46,638,798,000
2. Discount on notes receivable, trade	84,562,000	2. Discount on notes receivable, trade	67,100,000
3. Balance of notes receivable – trade endorsed	178,242,000	3. Balance of notes receivable – trade endorsed	167,213,000
4. Items pertaining to non-consolidated subsidiaries and affiliated companies are as follows.		4. Items pertaining to non-consolidated subsidiaries and affiliated companies are as follows.	
Investment securities (stocks)	199,000,000	Investment securities (stocks)	204,000,000
5. Assets offered as collateral security		5. Assets offered as collateral security	
Buildings and structures	37,554,000	- - - - - -	
Land	197,434,000		
Total	234,988,000		
The assets shown above have been pledged as collateral for ¥223,400,000 of short-term bank loans, ¥118,120,000 of long-term bank loans due within one year and ¥226,580,000 of long-term bank loans.			
6. Guarantees		6. Guarantees	
Joint and several guarantees of employee bank loans (Bank of Tokyo-Mitsubishi, others)	22,334,000	Joint and several guarantees of employee bank loans (Bank of Tokyo-Mitsubishi, others)	26,839,000
Guarantee of debt for long-term bank loan to affiliated company (Active Power Co., Ltd.) (Mizuho Bank, Ltd.)	350,000,000	Guarantee of debt for long-term bank loan to affiliated company (Active Power Co., Ltd.) (Mizuho Bank, Ltd.)	350,000,000
Total	372,334,000	Total	376,839,000

(Notes to the Consolidated Statements of Income)

<table>
<tr><th>Current consolidated accounting fiscal year
(From November 1, 2001
to October 31, 2002)</th><th>Prior consolidated accounting fiscal year
(From November 1, 2000
to October 31, 2001)</th></tr>
<tr><td>1. Major expense categories and amounts included in selling and administrative expenses
Employee salaries and wages 4,846,212,000
Depreciation expense 1,021,701,000
Rents 1,397,906,000
Transfer to allowance for doubtful accounts 549,086,000
Employees retirement benefit expense 503,711,000
Transfer to accrued bonuses to employees 539,350,000
Transfer to retirement allowances to directors and auditors 22,016,000</td><td>1. Major expense categories and amounts included in selling and administrative expenses
Employee salaries and wages 4,958,744,000
Depreciation expense 1,099,677,000
Rents 1,421,216,000
Transfer to allowance for doubtful accounts 573,957,000
Transfer to accrued bonuses to employees 594,688,000
Employees retirement benefit expense 440,050,000
Transfer to retirement allowances to directors and auditors 17,808,000</td></tr>
<tr><td>2. Details of gain from adjustment to prior period profit or loss
Amount received from adjustment of tax liability 1,541,000</td><td>2. Details of gain from 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</td></tr>
<tr><td>3. Gain on sale or retirement of fixed assets
Machinery, equipment, and vehicles and delivery equipment 8,546,000
Land 5,639,000
Buildings and structures 81,000
Total 14,266,000</td><td>3. Gain on sale or retirement of fixed assets
Land 4,068,000
Buildings and structures 109,000
Total 4,178,000</td></tr>
<tr><td>4. Reimbursement of accrued employees retirement benefit
Decrease in liability for retirement benefits as a result of raising the age at which the welfare pension system will begin paying pension annuities from April 2002.</td><td>4. ―――――</td></tr>
<tr><td>5. Loss on sale or retirement of fixed assets
(Loss on sale of fixed assets)
Buildings and structures 17,583,000
Land 306,000
Other 275,000
(Loss on retirement of fixed assets)
Rental equipment 23,021,000
Buildings and structures 33,637,000
Machinery, equipment, and vehicles and delivery equipment 104,212,000
Other assets 20,319,000
Total 199,356,000</td><td>5. Loss on sale or retirement of fixed assets
(Loss on sale of fixed assets)
Buildings and structures 3,847,000
Machinery, equipment and delivery equipment 818,000
(Loss on retirement of fixed assets)
Rental equipment 85,707,000
Buildings and structures 8,437,000
Machinery, equipment and delivery equipment 1,551,000
Other assets 1,524,000
Total 101,886,000</td></tr>
</table>

(Notes to the Consolidated Statements of Income)

Current consolidated accounting fiscal year (From November 1, 2001 to October 31, 2002)	Prior 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 15,437,482,000 Term deposits with a maturity longer than 3 months △4,234,000 ash and equivalents 15,433,247,000	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. Assets and liabilities of companies that became new affiliated companies as the result of purchases of their stock. The details of assets and liabilities and their relationship to the stock purchase amount and expenditures (net amount) for stock purchases at the start of consolidation for newly consolidated companies as the result of purchase of stock are as follows. Daiichi Machine Industries Co., Ltd. Current assets 939,031,000 Fixed assets 805,543,000 Current liabilities △990,508,000 Long-term liabilities △380,626,000 Consolidation adjustment △ 31,866,000 Minority interest △ 65,352,000 Daiichi Machine Industries purchase price 276,222,000 Daiichi Machine Industries Cash and cash equivalents △161,948,000 Net: Expenditure to acquire Daiichi Machine Industries 114,274,000	2. ―
3. Details of major non-cash transactions The amount of assets and liabilities related to installment transactions that are newly accounted for during this consolidated accounting fiscal year is ¥3,637,011,000 respectively.	3. Details of major non-cash transactions The amount of assets and liabilities related to installment transactions that are newly accounted for during this consolidated accounting fiscal year is ¥9,701,009,000 respectively.

(Notes for leasing transactions)

Current consolidated accounting fiscal year (From November 1, 2001 to October 31, 2002)	Prior consolidated accounting fiscal year (From November 1, 2000 to October 31, 2001)

Current consolidated accounting fiscal year (From November 1, 2001 to October 31, 2002)

1. Finance lease transactions except for leases that transfer ownership of the property to the lessee.

(1) Amounts corresponding to lease property acquisition price, accumulated depreciation and outstanding balances at the end of the fiscal year accounting period.

	Acquisition price (¥ '000)	Accumulated depreciation (¥ '000)	Outstanding balance (¥ '000)
Rental assets	25,612,138	8,300,356	17,311,781
Other assets	666,755	383,756	282,999
Total	26,278,894	8,684,113	17,594,780

(2) Outstanding balance of future lease payments at the end of the fiscal year

Within one year	4,662,895,000
After one year	13,357,075,000
Total	18,019,970,000

(3) Amount of lease payments, depreciation expense and interest expense

Lease payments	4,343,353,000
Depreciation expense	3,732,378,000
Interest expense	384,087,000

(4) Accounting method for amount equivalent to depreciation expense

Straight-line depreciation using the lease term as the depreciable life and zero residual value.

(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.

2. Operating leases

Future lease payments

Within one year	1,543,331,000
After one year	2,642,701,000
Total	4,186,032,000

Prior 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) Amounts corresponding to lease property acquisition price, accumulated depreciation and outstanding balances at the end of the fiscal year accounting period.

	Acquisition price (¥ '000)	Accumulated depreciation (¥ '000)	Outstanding balance (¥ '000)
Rental assets	14,913,569	7,162,742	7,750,826
Other assets	1,220,026	563,453	656,572
Total	16,133,596	7,726,196	8,407,399

(2) Outstanding balance of future lease payments at the end of the fiscal year

Within one year	3,264,160,000
After one year	5,323,430,000
Total	8,587,590,000

(3) Amount of lease payments, depreciation expense and interest expense

Lease payments	3,115,473,000
Depreciation expense	2,837,451,000
Interest expense	291,179,000

(4) Accounting method for amount equivalent to depreciation expense

Same as at left

(5) Accounting method for amount equivalent to interest expense

Same as at left

2. Operating leases

Future lease payments

Within one year	1,680,768,000
After one year	2,837,561,000
Total	4,518,329,000

(Notes related to negotiable securities)

Negotiable securities

1. Other negotiable securities with market prices

	Type	Current consolidated accounting fiscal year (As of October 31, 2002)			Prior consolidated accounting fiscal year (As of October 31, 2001)		
		Acquisition price (¥ '000)	Amount reported on the consolidated balance sheet	Valuation profit or loss (¥ '000)	Acquisition price (¥ '000)	Amount reported on the consolidated balance sheet	Valuation profit or loss (¥ '000)
Negotiable securities whose balance on the consolidated balance sheet exceeds the acquisition price	(1) Stocks	872,890	1,276,349	403,459	838,578	1,520,394	681,815
	(2) Bonds						
	a. Government bonds	—	—	—	—	—	—
	b. Corporate bonds	—	—	—	—	—	—
	c. Other	—	—	—	—	—	—
	(3) Other negotiable securities	—	—	—	—	—	—
	Subtotal	872,890	1,276,349	403,459	838,578	1,520,394	681,815
Negotiable securities whose balance on the consolidated balance sheet is less than the acquisition price	(1) Stocks	1,143,040	782,536	△360,503	839,415	636,731	△202,683
	(2) Bonds						
	a. Government bonds	—	—	—	—	—	—
	b. Corporate bonds	141,005	136,959	△4,046	231,270	227,830	△3,440
	c. Other	—	—	—	—	—	—
	(3) Other negotiable securities	1,214,013	989,085	△224,928	1,032,448	797,813	△234,635
	Subtotal	2,498,059	1,908,581	△589,477	2,103,134	1,662,374	△440,759
Total		3,370,949	3,184,931	△186,017	2,941,712	3,182,768	241,056

2. Other negotiable securities sold during the prior consolidated accounting fiscal year and the current consolidated accounting fiscal year

(Thousand yen)

Current consolidated accounting fiscal year (From November 1, 2001 to October 31, 2002)			Prior consolidated accounting fiscal year (From November 1, 2000 to October 31, 2001)		
Selling amount	Total gain on sale	Total loss on sale	Selling amount	Total gain on sale	Total loss on sale
1,319,677	158,559	71,351	1,806,471	377,186	887

3. Details of other negotiable securities that do not have a market value

(Thousand yen)

Type	Current consolidated accounting fiscal year (As of October 31, 2002)	Prior consolidated accounting fiscal year (As of October 31, 2001)
	Amount shown on the consolidated balance sheet	Amount shown on the consolidated balance sheet
Other negotiable securities		
Unlisted stocks (excluding over the counter stocks)	373,500	497,010
Unlisted foreign bonds	—	10,053
Corporate bonds with warrants for new stock	—	10,000

4. Planned future redemption amounts of other securities that have a maturity date

(Thousand yen)

Type	Current consolidated accounting fiscal year (As of October 31, 2002)				Prior consolidated accounting fiscal year (As of October 31, 2001)			
	Within one year	After one year and within five years	After five years and within ten years	After ten years	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	75,075	61,884	—	—	114,440	113,390	—	—
(3) Other	—	—	—	—	—	—	—	—
2. Other securities	—	11,738	776,815	27,159	—	14,938	763,705	—
Total	75,075	73,622	776,815	27,159	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, 2002)	Prior consolidated accounting fiscal year (As of October 31, 2001)
(1) Liability for accrued employees retirement benefit	△5,409,447	△5,269,961
(2) Pension assets	2,983,066	2,782,025
(3) Liability for unreserved accrued employees retirement benefit (1)＋(2)	△2,426,381	△2,487,936
(4) Unamortized amount of the one-time valuation difference for change in accounting standards	—	—
(5) Unrecognized actuarial differences	750,657	479,176
(6) Unrecognized past years' service obligation (reduction in liability)	—	—
(7) Net liability shown on the consolidated balance sheet (3)＋(4)＋(5)＋(6)	△1,675,725	△2,008,761
(8) Prepaid pension expense	—	—
(9) Accrued employees retirement benefit (7)－(8)	△1,675,725	△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, 2001 to October 31, 2002)	Prior consolidated accounting fiscal year (From November 1, 2000 to October 31, 2001)
Retirement benefit expense	99,006	2,422,074
(1) Service costs	413,255	407,249
(2) Interest costs	143,049	138,371
(3) Expected return on plan investments (reduction)	110,125	105,570
(4) Write-off of past years' service liability expense	△395,091	—
(5) Write-off of expense for actuarial based difference	47,918	—
(6) Amount of one-time valuation difference for change in accounting standards charged as an expense	—	1,982,023

(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, 2002)	Prior consolidated accounting fiscal year (As of October 31, 2001)
(1) Discount rate	3.00%	3.00%
(2) Expected rate of return on plan investments	4.00%	4.00%
(3) Method of allocating projected benefits to periods of service	Service period fixed benefit basis	Service period fixed benefit basis
(4) Amortization period of past years' service liability	1 year	—
(5) Amortization period for actuarial differences	10 years beginning from the next consolidated accounting fiscal year	10 years beginning from the next consolidated accounting fiscal year
(6) Number of years for amortization of one-time valuation difference for change in accounting standards	1 year	1 year

(Notes related to tax effect accounting)

	Current consolidated accounting fiscal year (From November 1, 2001 to October 31, 2002)	Prior consolidated accounting fiscal year (From November 1, 2000 to October 31, 2001)
1. Major factors creating deferred tax assets and deferred tax liabilities		
Deferred tax assets		
Amount in excess of limit for inclusion in expenses for allowance for doubtful accounts	223,215,000	139,048,000
Disallowance of deferred business taxes	500,000	105,214,000
Excess accrued employees retirement benefit	696,487,000	836,513,000
Amount in excess of limit for retirement allowances to directors and auditors	81,980,000	117,771,000
Amount in excess of limit for accrued bonuses to employees	149,778,000	123,001,000
Disallowance of excess depreciation	388,081,000	476,600,000
Amount of loss carried forward	176,365,000	139,600,000
Other	298,748,000	99,674,000
Deferred tax asset subtotal	2,015,155,000	2,037,421,000
Valuation reserve	△176,365,000	△139,600,000
Total deferred tax assets	1,838,790,000	1,897,821,000
Deferred tax liability		
Valuation difference on negotiable securities	77,569,000	△100,520,000
Total deferred tax liability	77,569,000	△100,520,000
Net deferred tax assets	1,916,359,000	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%	Statutory corporate tax rate	41.7%
(Adjustments)		(Adjustments)	
Local tax equalization	3.9%	Local tax equalization	7.8%
Items not included permanently in losses such as expense accounts	1.1%	Items not included permanently in losses such as expense accounts	2.6%
Consolidated subsidiary losses	1.2%	Consolidated subsidiary losses	4.4%
Valuation loss on investment in consolidated companies	△3.4%	Other	△0.4%
Other	△1.1%	Burden ratio for corporate and other taxes after application of tax effect accounting	56.1%
Burden ratio for corporate and other taxes after application of tax effect accounting	43.4%		

IV Business segment information

1. Segment information by type of business

Prior 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, microturbine 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.

Current consolidated accounting fiscal year (From November 1, 2001 to October 31, 2002)

(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	56,558,591	7,435,642	1,257,635	65,251,870	—	65,251,870
(2) Sales or transfers between related segments	—	—	—	—	—	—
Total	56,558,591	7,435,642	1,257,635	65,251,870	—	65,251,870
Operating expenses	54,450,377	7,388,021	1,253,270	63,091,668	△127,340	62,964,327
Operating income	2,108,214	47,621	4,365	2,160,202	127,340	2,287,543
II. Assets, depreciation expense and capital disbursements						
Assets	70,990,352	3,443,460	1,437,308	75,871,121	23,442,328	99,313,449
Depreciation expense	7,950,023	6,182	11,822	7,968,028	151,860	8,119,889
Capital disbursements	4,677,086	1,938	—	4,679,024	31,219	4,710,243

(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, microturbine generators, microbrewery

3. The total amount for assets that were eliminated or included in the categories for all companies was ¥23,442,328,000 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.
4. As described in the "Significant Accounting Policies for the Consolidated Financial Statements," beginning in the consolidated accounting fiscal year under review the Company changed the depreciable life it uses for floor plate and steel plate from 7 years to 10 years. As a result of this change, operating expenses for construction-related businesses decreased by ¥209,320,000 and operating income increased by the same amount, respectively, for the consolidated accounting fiscal year under review, compared to what they otherwise would have been had the accounting standards used in prior periods been applied.

As described in the "Significant Accounting Policies for the Consolidated Financial Statements," beginning in the consolidated accounting fiscal year under review the Company similarly changed the durable life for rental housing from 7 years to 10 years. As a result of this change, operating expenses for construction-related businesses decreased by ¥232,276,000 and operating income increased by the same amount, respectively, for the consolidated accounting fiscal year under review, compared to what they otherwise would have been had the accounting standards used in prior period been applied.

As described in the "Changes in Accounting Treatment," beginning in the consolidated accounting fiscal year under review the Company changed its accounting treatment for revenue and expenses when it suffers damages to rental assets and equipment utilized under leases as the result of an accident. Beginning in the consolidated accounting fiscal year under review,, the Company will recognize revenue received from insurance benefits as operating revenues rather than insurance benefits, and the rental asset book value and the lease equipment contract cancellation charge will be recognized as cost of revenues rather than as a loss on abandonment of fixed assets and miscellaneous loss, respectively. As a result of this change, revenues for construction-related businesses increased by ¥204,754,000, operating expenses increased by ¥128,910,000 and operating income increased by ¥75,843,000, respectively, for the consolidated accounting fiscal year under review, compared to what they otherwise would have been had the accounting standards used in previous periods been applied.

As described in the "Changes in Accounting Treatment," beginning in the consolidated accounting fiscal year under review the Company similarly changed its accounting method to exclude the employee portion of employee housing rent expense from rental housing fees. As a result of this change, operating expenses for construction-related businesses decreased by ¥160,393,000 for construction-related businesses, ¥3,532,000 for steel sales-related business and ¥1,306,000 for computer and peripheral equipment business and other businesses, respectively, and the operating income for each business increased by the same amounts, respectively, compared to what they otherwise would have been had the accounting standards used in previous periods been applied.

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, 2000 to October 31, 2001)

Because it applies hedge accounting, the Company had no material items to report.

Current consolidated accounting fiscal year (From November 1, 2001 to October 31, 2002)

Because it applies hedge accounting, the Company had no material items to report.

VII Transactions with related parties

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

The Company had no material items to report.

Current consolidated accounting fiscal year (From November 1, 2001 to October 31, 2002)

The Company had no material items to report.