

Fiscal Year ended October 31, 2002

Summary of Company Financial Statements

December 13, 2002

Listed Company Name **Kanamoto Company, Ltd.**
 Company Code Number **9678**
 Listing Exchanges **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>)
 Representative **Kanchu Kanamoto** President
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Date of Report to the Board of Directors December 13, 2002
 Interim Dividend System The Company has an interim dividend system
 Regular General Meeting of the Shareholders January 28, 2003
 Has the Company adopted a Unit Stock System? Yes (One unit equals 1,000 shares)

1. Operating results for the fiscal year ended October 31, 2002 (November 1, 2001 - October 31, 2002)

(1) 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 | 60,606 | (5.7) | 2,255 | (18.6) | 2,477 | (24.8) |
| Fiscal year ended October 31, 2001 | 64,295 | (5.4) | 2,771 | (10.7) | 3,294 | (23.5) |

| | Net Income | | Net income per share of common stock | Return on shareholders' equity | Return on total assets | Ordinary income margin |
|---------------------------------------|------------|-----------|--------------------------------------|--------------------------------|------------------------|------------------------|
| | ¥ millions | % | Yen | Yen | % | % |
| Fiscal year ended October 31, 2002 | 1,134 | (118.7) | 37.49 | 28.85 | 3.6 | 2.5 |
| Fiscal year ended October 31, 2001 | 518 | (64.4) | 17.14 | 15.04 | 1.7 | 3.2 |

(Notes) 1. Average number of shares outstanding during the fiscal year

FY ended October 31, 2002: 30,250,808 shares FY ended October 31, 2001: 30,245,585 shares

2. Are there any changes in accounting method?

Yes

3. 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) Dividends

| | Annual dividend per share of common stock | | | Total dividends (Annual) | Dividend payout ratio | Dividends as a % of shareholders' equity |
|------------------------------------|---|-------------|-------------|--------------------------|-----------------------|--|
| | Interim | Year-end | | | | |
| Fiscal year ended October 31, 2002 | Yen 18.00 | Yen 9.00 | Yen 9.00 | ¥ millions 544 | Yen 48.0 | % 1.7 |
| Fiscal year ended October 31, 2001 | 18.00 | 9.00 | 9.00 | 544 | 105.0 | 1.8 |

(3) Financial

| | Total assets | Shareholders' equity | Shareholders' equity ratio | Shareholders' equity per share |
|------------------------------------|--------------|----------------------|----------------------------|--------------------------------|
| | ¥ millions | ¥ millions | % | Yen |
| Fiscal year ended October 31, 2002 | 96,717 | 31,356 | 32.4 | 1,036.63 |
| Fiscal year ended October 31, 2001 | 105,423 | 31,034 | 29.4 | 1,025.82 |

(Notes) 1. Number of shares issued and outstanding at fiscal year-end

FY ended October 31, 2002: 30,248,756 shares FY ended October 31, 2001: 30,252,259 shares

2. Number of shares of treasury stock at fiscal year-end

FY ended October 31, 2002: 4,485 shares FY ended October 31, 2001: 982 shares

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

| | Revenues | Ordinary income | Net income | Annual dividend per share of common stock | | |
|----------------|------------|-----------------|------------|---|----------|-------|
| | | | | Interim | Year-end | |
| | ¥ millions | ¥ millions | ¥ millions | Yen | Yen | Yen |
| Interim period | 31,300 | 1,250 | 630 | 9.00 | ???? | ???? |
| Full year | 62,000 | 2,080 | 950 | ???? | 9.00 | 18.00 |

(Reference) Projected net income per share of common stock (Full year) ¥31.41

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.

VIII Company Financial Statements

1. Comparative Balance Sheets

(Amounts less than ¥1,000 have been rounded down)

| Category | Current fiscal year (As of October 31, 2002) | | Prior fiscal year (As of October 31, 2000) | | Amount of increase or decrease |
|---|---|---------|---|---------|--------------------------------------|
| | Amount | Percent | Amount | Percent | Amount |
| | ¥ thousands | % | ¥ thousands | % | ¥ thousands |
| (Assets) | | | | | |
| Current Assets | | | | | |
| Cash and deposits | 14,578,410 | | 15,691,502 | | 1,113,092 |
| Notes receivable, trade | 10,422,798 | | 12,519,707 | | 2,096,909 |
| Accounts receivable, trade | 11,796,391 | | 12,586,858 | | 790,466 |
| Negotiable securities | 75,075 | | 114,440 | | 39,365 |
| Merchandise inventory | 347,504 | | 738,281 | | 390,776 |
| Construction equipment | 2,466,271 | | 2,931,588 | | 465,316 |
| Supplies | 51,223 | | 67,865 | | 16,641 |
| Prepaid expenses | 242,097 | | 252,944 | | 10,846 |
| Deferred corporate and other tax receivables | 56,109 | | - | | 56,109 |
| Deferred tax assets | 151,957 | | 226,386 | | 74,428 |
| Other current assets | 133,976 | | 73,392 | | 60,583 |
| Allowance for doubtful accounts | 462,026 | | 318,288 | | 143,737 |
| Total Current Assets | 39,859,790 | 41.2 | 44,884,678 | 42.6 | 5,024,888 |
| Fixed Assets | | | | | |
| (1) Tangible Fixed Assets | | | | | |
| Rental equipment | 16,609,158 | | 19,820,554 | | 3,211,395 |
| Buildings | 6,082,853 | | 6,446,603 | | 363,750 |
| Structures | 1,373,252 | | 1,581,594 | | 208,341 |
| Machinery and equipment | 1,062,271 | | 1,294,670 | | 232,398 |
| Vehicles and delivery equipment | 2,033 | | 2,078 | | 45 |
| Tools, furnishings and fixtures | 188,522 | | 230,596 | | 42,073 |
| Land | 24,227,409 | | 24,258,223 | | 30,813 |
| Construction in progress | 104,184 | | 58,896 | | 45,287 |
| Total Tangible Fixed Assets | 49,649,685 | 51.3 | 53,693,217 | 50.9 | 4,043,531 |
| (2) Intangible Fixed Assets | | | | | |
| Total Intangible Fixed Assets | 93,358 | 0.1 | 78,984 | 0.1 | 14,374 |
| (3) Investments and Other Assets | | | | | |
| Investment securities | 3,467,694 | | 3,581,437 | | 113,743 |
| Stock of affiliated companies | 805,435 | | 561,699 | | 243,735 |
| Advances | 144,875 | | 187,468 | | 42,593 |
| Long-term loans to affiliated companies | - | | 100,000 | | 100,000 |
| Long-term prepaid expenses | 134,839 | | 168,148 | | 33,308 |
| Insurance reserve | 132,086 | | 194,193 | | 62,107 |
| Deferred tax assets | 1,727,149 | | 1,563,464 | | 163,684 |
| Other | 1,275,329 | | 856,838 | | 418,490 |
| Allowance for doubtful accounts | 572,830 | | 446,847 | | 125,982 |
| Total Investments and Other Assets | 7,114,579 | 7.4 | 6,766,405 | 6.4 | 348,174 |
| Total Fixed Assets | 56,857,624 | 58.8 | 60,538,606 | 57.4 | 3,680,982 |
| Total Assets | 96,717,414 | 100.0 | 105,423,285 | 100.0 | 8,705,870 |

(Amounts less than ¥1,000 have been rounded down)

| Category | Current fiscal year (As of October 31, 2002) | | Prior fiscal year (As of October 31, 2001) | | Amount of increase or decrease |
|---|---|---------|---|---------|--------------------------------------|
| | Amount | Percent | Amount | Percent | Amount |
| (Liabilities) | ¥ thousands | % | ¥ thousands | % | ¥ thousands |
| Current Liabilities | | | | | |
| Notes payable, trade | 8,091,133 | | 9,151,177 | | 1,060,044 |
| Accounts payable, trade | 2,856,865 | | 2,646,364 | | 210,500 |
| Short-term bank loans | 8,289,000 | | 7,755,000 | | 534,000 |
| 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 |
| Accounts payable, other | 7,887,580 | | 8,284,244 | | 396,663 |
| Corporate taxes payable | - | | 1,290,280 | | 1,290,280 |
| Consumption and other taxes payable | 338,870 | | 319,204 | | 19,665 |
| Accrued expenses | 214,920 | | 279,598 | | 64,677 |
| Accrued bonuses to employees | 519,580 | | 575,298 | | 55,718 |
| Equipment notes payable | 289,066 | | 421,631 | | 132,565 |
| Other current liabilities | 122,361 | | 122,830 | | 468 |
| Total Current Liabilities | 38,051,070 | 39.4 | 30,845,629 | 29.3 | 7,205,440 |
| Long-term Liabilities | | | | | |
| Straight bonds | - | | 5,277,692 | | 5,277,692 |
| Convertible bonds | - | | 9,281,000 | | 9,281,000 |
| Long-term bank loans | 16,858,000 | | 14,305,000 | | 2,553,000 |
| Long-term accrued expenses | 8,614,241 | | 12,399,361 | | 3,785,120 |
| Retirement allowances to auditors and directors | 177,723 | | 282,426 | | 104,703 |
| Accrued employees retirement benefit | 1,659,509 | | 1,997,795 | | 338,286 |
| Total Long-term Liabilities | 27,309,473 | 28.2 | 43,543,275 | 41.3 | 16,233,801 |
| Total Liabilities | 65,360,543 | 67.6 | 74,388,904 | 70.6 | 9,028,361 |
| (Shareholders' Equity) | | | | | |
| Common stock | 8,596,737 | 8.9 | 8,596,737 | 8.2 | - |
| Additional paid-in capital | 9,720,343 | 10.0 | 9,720,343 | 9.2 | - |
| Legal earned surplus | 1,372,487 | 1.4 | 1,372,487 | 1.3 | - |
| Retained earnings | | | | | |
| (1) Voluntary reserves | | | | | |
| General reserve | 10,350,000 | | 10,350,000 | | - |
| (2) Unappropriated retained earnings | 1,427,837 | | 854,814 | | 573,023 |
| Total other reserves | 11,777,837 | 12.2 | 11,204,814 | 10.6 | 573,023 |
| Valuation difference on other negotiable securities | 108,448 | 0.1 | 140,535 | 0.1 | 248,984 |
| Treasury stock | 2,086 | 0.0 | 537 | 0.0 | 1,548 |
| Shareholders' Equity | 31,356,871 | 32.4 | 31,034,380 | 29.4 | 322,490 |
| Total Liabilities and Shareholders' Equity | 96,717,414 | 100.0 | 105,423,285 | 100.0 | 8,705,870 |

2. Comparative Statements of Income

(Amounts less than ¥1,000 have been rounded down)

| Category | Current fiscal year (From November 1, 2001 to October 31, 2002) | | Prior fiscal year (From November 1, 2000 to October 31, 2001) | | Amount of increase or decrease |
|---|---|---------|---|---------|--------------------------------------|
| | Amount | Percent | Amount | Percent | |
| | ¥ thousands | % | ¥ thousands | % | ¥ thousands |
| Operating revenues | 60,606,901 | 100.0 | 64,295,468 | 100.0 | 3,688,567 |
| Cost of revenues from operations | 46,456,572 | 76.7 | 48,872,408 | 76.0 | 2,415,836 |
| Gross profit | 14,150,328 | 23.3 | 15,423,059 | 24.0 | 1,272,731 |
| Selling and administrative expenses | 11,894,836 | 19.6 | 12,651,742 | 19.7 | 756,905 |
| Operating income | 2,255,491 | 3.7 | 2,771,317 | 4.3 | 515,825 |
| Non-operating revenue | 825,116 | 1.4 | 1,191,777 | 1.8 | 366,660 |
| Interest and dividends | 55,887 | | 40,492 | | 15,395 |
| Gain on sale of investment securities | 157,293 | | 370,851 | | 213,557 |
| Gain on redemption of straight bonds | 46,450 | | 8,143 | | 38,307 |
| Rents received | 150,222 | | 316,635 | | 166,413 |
| Cash bonus received | 168,536 | | - | | 168,536 |
| Other | 246,726 | | 455,655 | | 208,928 |
| Non-operating expenses | 603,011 | 1.0 | 668,233 | 1.0 | 65,221 |
| Interest expense | 334,493 | | 395,076 | | 60,582 |
| Bond interest expense | 111,986 | | 129,290 | | 17,304 |
| Other | 156,531 | | 143,865 | | 12,665 |
| Ordinary income | 2,477,597 | 4.1 | 3,294,861 | 5.1 | 817,264 |
| Extraordinary profit | 413,449 | 0.7 | 33,151 | 0.1 | 380,297 |
| Adjustment of prior period profit or loss | - | | 2,256 | | 2,256 |
| Reimbursement of accrued employees retirement benefit | 395,091 | | - | | 395,091 |
| Other | 18,358 | | 30,895 | | 12,536 |
| Extraordinary loss | 838,356 | 1.4 | 2,255,508 | 3.5 | 1,417,152 |
| Loss on sale or disposal of fixed assets | 197,038 | | 100,597 | | 96,440 |
| Valuation loss on investment securities | 232,561 | | 126,450 | | 106,110 |
| Loss on sale of investment securities | 70,085 | | - | | 70,085 |
| Loss on advance provided to affiliate | 100,000 | | - | | 100,000 |
| Loss on redemption of convertible bonds | 96,085 | | - | | 96,085 |
| Money transferred to accrued employees retirement benefit | - | | 1,973,120 | | 1,973,120 |
| Other | 142,585 | | 55,340 | | 87,245 |
| Income before taxes and adjustments | 2,052,690 | 3.4 | 1,072,504 | 1.7 | 980,186 |
| Corporate, local and business taxes | 829,703 | 1.4 | 1,854,010 | 2.9 | 1,024,307 |
| Adjustment for corporate and other taxes | 88,834 | 0.1 | 1,299,994 | 2.0 | 1,388,828 |
| Net income | 1,134,153 | 1.9 | 518,488 | 0.8 | 615,664 |
| Profit carry-forward from prior period | 565,944 | | 635,801 | | 69,857 |
| Cash dividends | 272,259 | | 272,250 | | 8 |
| Additions to legal reserve | - | | 27,225 | | 27,225 |
| Unappropriated retained earnings | 1,427,837 | | 854,814 | | 573,023 |

3. Comparative Appropriation of Retained Earnings

(Amounts less than ¥1,000 have been rounded down)

| Category | Period | Current fiscal year (proposed) General Meeting of the Shareholders approval date (January 28, 2003) | Prior fiscal year General Meeting of the Shareholders approval date (January 29, 2002) | Amount of increase or decrease |
|---|--------|---|---|-----------------------------------|
| | | ¥ thousands | ¥ thousands | ¥ thousands |
| Unappropriated retained earnings | | 1,427,837 | 854,814 | 573,023 |
| To be appropriated as follows | | | | |
| Amount of appropriated retained earnings | | 838,838 | 288,870 | 549,968 |
| Transfer to legal earned surplus | | - | - | - |
| (Note) Cash dividends | | 272,238 | 272,270 | 31 |
| | | (¥9 per share) | (¥9 per share) | |
| Directors bonuses | | 16,600 | 16,600 | - |
| (Auditors bonuses) | | (1,700) | (1,700) | (-) |
| Voluntary reserve | | | | |
| General reserve | | 550,000 | - | 550,000 |
| Net income carried forward to the next period | | | 565,944 | 23,054 |

- (Notes)
1. The Company paid an interim dividend of ¥272,259,000 (¥9 per share) on July 22, 2002.
 2. The shareholder dividend is calculated excluding 4,485 shares of treasury stock.

4. Notes to the financial statements

(Significant accounting policies)

| Category | Period Current fiscal year From November 1, 2001 To October 31, 2002 | Prior fiscal year From November 1, 2000 To October 31, 2001 |
|--|--|--|
| 1. Valuation standards and valuation methods for negotiable securities | <p>Common stock of subsidiaries and affiliated companies The Company has adopted the cost method based upon the moving average method.</p> <p>Other negotiable securities</p> <p>Negotiable securities with a market on a securities exchange 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</p> <p>Other negotiable securities The Company has adopted the cost method based upon the moving average method</p> | <p>Common stock of subsidiaries and affiliated companies Same as at left</p> <p>Other negotiable securities</p> <p>Negotiable securities with a market on a securities exchange Same as at left</p> <p>Other negotiable securities Same as at left</p> |
| 2. Appraisal standards and appraisal method for construction equipment | <p>Amount after deduction of depreciation expense calculated according to the declining-balance method from the original prices, by separate fiscal year of purchase</p> <p>(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 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 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.</p> | <p>Amount after deduction of depreciation expense calculated according to the declining-balance method from the original prices, by separate fiscal year of purchase</p> |
| 3. Appraisal standards and appraisal method for merchandise inventories and supplies | <p>(1) Merchandise inventories Lower of cost or market based on the Last-in, First-out method</p> <p>(2) Supplies The Latest Purchase Cost method</p> | <p>(1) Merchandise inventories Same as at left</p> <p>(2) Supplies Same as at left</p> |

| | | | | | | | | | | |
|---|---|---|------------|-----------|-------------|---|---------------|------------|-----------|-------------|
| <p>4. Depreciation method for fixed assets</p> | <p>(1) 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. The depreciable lives mainly used by the Company are as follows.</p> <table data-bbox="539 432 874 495"> <tr> <td>Rental assets</td> <td>5-10 years</td> </tr> <tr> <td>Buildings</td> <td>31-34 years</td> </tr> </table> <p>(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 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 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.</p> <p>(2) 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).</p> <p>(3) Long-term prepaid expenses The Company has adopted straight-line depreciation.</p> | Rental assets | 5-10 years | Buildings | 31-34 years | <p>(1) 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. The depreciable lives mainly used by the Company are as follows.</p> <table data-bbox="995 432 1331 495"> <tr> <td>Rental assets</td> <td>5-10 years</td> </tr> <tr> <td>Buildings</td> <td>31-34 years</td> </tr> </table> <p>(2) Intangible fixed assets Same as at left</p> <p>(3) Long-term prepaid expenses Straight-line depreciation based upon provisions in the Corporate Income Tax Law.</p> | Rental assets | 5-10 years | Buildings | 31-34 years |
| Rental assets | 5-10 years | | | | | | | | | |
| Buildings | 31-34 years | | | | | | | | | |
| Rental assets | 5-10 years | | | | | | | | | |
| Buildings | 31-34 years | | | | | | | | | |
| <p>5. Deferred charges</p> <p>6. Accounting standards for allowances and reserves</p> | <p>(1) 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.</p> <p>(2) 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.</p> | <p>New share issue expenses are charged to income as incurred.</p> <p>(1) Reserve for doubtful accounts Same as at left</p> <p>(2) Accrued bonuses to employees Same as at left</p> | | | | | | | | |

| <div style="text-align: right;">Period</div> <div style="text-align: left;">Category</div> | Current fiscal year From November 1, 2001 To October 31, 2002 | Prior fiscal year From November 1, 2000 To October 31, 2001 |
|--|---|--|
| | <p>(3) Accrued employees retirement benefit</p> <p>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 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 written off in the year incurred.</p> <p>The difference based on an actuarial calculation is charged to income beginning in the 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.</p> <p>(4) Retirement allowances to directors and auditors</p> <p>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.</p> | <p>(3) Accrued employees retirement benefit</p> <p>The Company provides for employees' accrued retirement benefits based upon the projected amounts of the accrued retirement benefit liability and pension assets at the end of the accounting year. The full amount of the one-time difference for change in accounting standards (¥1,973,120,000) was charged to income at the end of the current consolidated accounting year.</p> <p>The difference based on an actuarial calculation is charged to income beginning in the following 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.</p> <p>(4) Retirement allowances to directors and auditors</p> <p style="text-align: center;">Same as at left</p> |
| 7. 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 |
| 8. Hedge transactions | <p>(1) Hedge transactions</p> <p>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.</p> <p>(2) Hedge methods and hedged transactions</p> <p>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.</p> <p>(3) Hedging policies</p> <p>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.</p> <p>(4) Method for evaluating the effectiveness of hedges</p> <p>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.</p> | <p>(1) Hedge transactions</p> <p style="text-align: center;">Same as at left</p> <p>(2) Hedge methods and hedged transactions</p> <p style="text-align: center;">Same as at left</p> <p>(3) Hedging policies</p> <p style="text-align: center;">Same as at left</p> <p>(4) Method for evaluating the effectiveness of hedges</p> <p style="text-align: center;">Same as at left</p> |

| | | |
|--|---|--|
| 9. Other significant matters for preparation of the 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 |
|--|---|--|

(Changes in accounting treatment)

| Period Category | Current fiscal year From November 1, 2001 To October 31, 2002 | Prior 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 | <p>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 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.</p> <p>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.</p> <p>As a result, operating revenue increased by ¥204,754,000, gross profit and operating income increased by ¥75,843,000, and ordinary income decreased by ¥61,017,000, 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.</p> | |
| Change in accounting treatment for revenue and expenses for employee housing rents | <p>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 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.</p> <p>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.</p> <p>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.</p> | |

(Change in disclosure method)

| Current fiscal year From November 1, 2001 To October 31, 2002 | Prior fiscal year From November 1, 2000 To October 31, 2001 |
|---|---|
| The amount of "cash bonus received" that was included in other non-operating income 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 fiscal year was ¥86,487,000. | |

(Supplemental information)

| Period Category | Current fiscal year From November 1, 2001 To October 31, 2002 | Prior fiscal year From November 1, 2000 To October 31, 2001 |
|---|---|---|
| Accounting for accrued employees retirement benefit | | <p>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 fiscal year. As a result, the Company's expense for accrued employees retirement benefit increased by ¥1,997,795,000, and ordinary income decreased by ¥24,675,000 and income before taxes and adjustments decreased by ¥1,997,795,000, compared to what they would have been had the accounting standards used in the prior fiscal year been applied.</p> |
| Accounting for financial instruments | | <p>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 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 fiscal year been applied.</p> <p>In addition, the Company reviewed its holding objectives for negotiable securities held at the beginning of the fiscal year, and has disclosed the securities included in other negotiable securities that mature within one year as negotiable securities in current assets, and has disclosed all other securities as investment securities. As a result, the Company's negotiable securities accounted for as current assets were reduced by ¥278,026,000 and its investment securities increased by ¥278,026,000 compared to what they would have been had the accounting standards used in the prior fiscal year been applied.</p> |

(Notes to the Balance Sheets)

| Period Category | Current fiscal year As of October 31, 2002 | Prior fiscal year As of October 31, 2001 |
|--|--|--|
| 1. Total accumulated depreciation for tangible fixed assets | ¥42,840,623,000 | ¥49,491,403,000 |
| 2. Balance of liability for guarantees | Joint and several guarantees of employee bank loans <div style="text-align: right;">¥22,334,000</div> Guarantee of debt for long-term bank loan to affiliated company (Active Power Co., Ltd.) (Mizuho Bank, Ltd.) <div style="text-align: right;">¥350,000,000</div> | Joint and several guarantees of employee bank loans <div style="text-align: right;">¥26,839,000</div> Guarantee of debt for long-term bank loan to affiliated company (Active Power Co., Ltd.) (Mizuho Bank, Ltd.) <div style="text-align: right;">¥350,000,000</div> |
| 3. Common stock issued during the fiscal year Form of issue Number of shares issued Share issue price Capitalization amount | - - - - - | Exercise of subscription rights (Stock option) 24,000 shares <div style="text-align: right;">¥437</div> <div style="text-align: right;">¥219</div> |
| 4. Reduction to book value Amounts for assets acquired for which accumulated book values were reduced by government subsidies Machinery & equipment Land <hr/> Total | ¥5,044,000 ¥3,569,000 <hr/> ¥8,613,000 | ¥5,044,000 ¥3,569,000 <hr/> ¥8,613,000 |

(Notes to the Statements of Income)

| Period Category | Current fiscal year As of October 31, 2002 | Prior fiscal year As of October 31, 2001 |
|--|---|--|
| 1. 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. | |
| 2. Principal items included in sale and disposal of fixed assets | (Loss on sale of fixed assets) Buildings ¥17,492,000 Machinery and equipment ¥243,000 Other ¥123,000 (Loss on disposal of fixed assets) Rental equipment ¥22,174,000 Buildings ¥18,858,000 Structures ¥13,751,000 Machinery and equipment ¥104,118,000 Tools, furnishings and fixtures ¥11,346,000 Other ¥8,929,000 | (Loss on sale of fixed assets) Buildings ¥1,668,000 Structures ¥2,178,000 Machinery and equipment ¥818,000 (Loss on disposal of fixed assets) Rental equipment ¥85,707,000 Buildings ¥4,300,000 Structures ¥3,536,000 Machinery and equipment ¥1,551,000 Tools, furnishings and fixtures ¥385,000 |
| 3. Loss on advance provided to affiliated company | The Company wrote off the amount of loan it projects it will be unable to recover as a result of liquidating Providence Brewery Co., Ltd., a subsidiary company. | |

(Lease Transactions)

| Current fiscal year From November 1, 2001 To October 31, 2002 | | | | Prior fiscal year From November 1, 2000 To October 31, 2001 | | | |
|---|-----------------------|--------------------------|---------------------|---|----------------------|--------------------------|---------------------|
| 1. For finance lease transactions except leases that transfer ownership of the property to the lessee. (1) Amounts corresponding to lease property acquisition price, accumulated depreciation and outstanding balance at the end of the fiscal year | | | | 1. For finance lease transactions except leases that transfer ownership of the property to the lessee. (1) Amounts corresponding to lease property acquisition price, accumulated depreciation and outstanding balance at the end of the fiscal year | | | |
| | Acquisition price | Accumulated depreciation | Outstanding balance | | Acquisition price | Accumulated depreciation | Outstanding balance |
| | ¥ '000 | ¥ '000 | ¥ '000 | | ¥ '000 | ¥ '000 | ¥ '000 |
| Rental assets | 24,072,116 | 7,532,570 | 16,539,546 | Rental assets | 14,030,856 | 6,820,861 | 7,209,995 |
| Other assets | 562,620 | 339,044 | 223,576 | Other assets | 623,113 | 306,423 | 316,689 |
| Total | 24,634,737 | 7,871,615 | 16,763,122 | Total | 14,653,970 | 7,127,285 | 7,526,684 |
| 2. Outstanding balance of future lease payments at the end of the fiscal year | | | | 2. Outstanding balance of future lease payments at the end of the fiscal year | | | |
| Within one year | 4,258,886,000 | | | Within one year | 2,893,595,000 | | |
| After one year | 12,899,776,000 | | | After one year | 4,787,601,000 | | |
| Total | 17,158,662,000 | | | Total | 7,681,197,000 | | |
| 3. Amount of lease payments, depreciation expense and interest expense | | | | 3. Amount of lease payments, depreciation expense and interest expense | | | |
| Lease payments | 3,838,017,000 | | | Lease payments | 2,717,322,000 | | |
| Depreciation expense | 3,272,184,000 | | | Depreciation expense | 2,471,800,000 | | |
| Interest expense | 333,786,000 | | | Interest expense | 252,179,000 | | |

| | |
|--|---|
| 4. Accounting method for amount equivalent to depreciation expense Straight-line depreciation using the lease term as the depreciable life and zero residual value. | 4. Accounting method for amount equivalent to depreciation expense Same as at left |
| 5. Accounting method for amount equivalent to interest expense Interest method using the difference between total lease payments and the acquisition price of the lease property, allocated equally to each year. | 5. Accounting method for amount equivalent to interest expense Same as at left |
| 2. Operating leases | 2. Operating leases |
| Future lease payments | Future lease payments |
| Within one year | Within one year |
| After one year | After one year |
| Total | Total |
| 1,543,331,000 | 1,680,658,000 |
| 2,642,701,000 | 2,837,561,000 |
| 4,186,032,000 | 4,518,220,000 |

(Negotiable securities)

The notes concerning the market price of negotiable securities included in the prior consolidated accounting fiscal year financial statements and negotiable securities including in the current consolidated accounting fiscal year financial statements (excluding the stock of subsidiary companies and affiliated companies that has a market price) are part of the notes to the financial statements for the consolidated balance sheets. For the prior consolidated accounting fiscal year (as of October 31, 2001) and the current consolidated accounting fiscal year (as of October 31, 2002), the stock of the Company's subsidiary companies and affiliated companies did not have a market price.

(Tax effect accounting)

| Current fiscal year From November 1, 2001 To October 31, 2002 | Prior fiscal year From November 1, 2000 To October 31, 2001 |
|---|---|
| 1. Major factors creating deferred tax assets and deferred tax liabilities | 1. Major factors creating deferred tax assets and deferred tax liabilities |
| Deferred tax assets | Deferred tax assets |
| Amount in excess of limit for inclusion in expenses for allowance for doubtful accounts | 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 | Disallowance of deferred business taxes |
| - | 105,214,000 |
| Excess accrued employees retirement benefit | Excess accrued employees retirement benefit |
| 692,015,000 | 833,080,000 |
| Amount in excess of limit for retirement allowances to directors and auditors | Amount in excess of limit for retirement allowances to directors and auditors |
| 74,110,000 | 117,771,000 |
| Amount in excess of limit for accrued bonuses to employees | Amount in excess of limit for accrued bonuses to employees |
| 144,443,000 | 119,949,000 |
| Disallowance of excess depreciation | Disallowance of excess depreciation |
| 387,404,000 | 476,600,000 |
| Other | Other |
| 280,350,000 | 98,708,000 |
| Total deferred tax assets | Total deferred tax assets |
| 1,801,537,000 | 1,890,370,000 |
| Deferred tax liabilities | Deferred tax liabilities |
| Valuation difference on negotiable securities | Valuation difference on negotiable securities |
| 77,569,000 | 100,520,000 |
| Net accrued tax assets | Net accrued tax assets |
| 1,879,106,000 | 1,789,850,000 |
| Disclosure classifications: | Disclosure classifications: |
| Current assets | Current assets |
| 151,957,000 | 226,386,000 |
| Fixed assets | Fixed assets |
| 1,727,149,000 | 1,563,464,000 |

| | | | |
|---|-------|---|-------|
| 2. Causes of principal significant differences between the statutory corporate tax rate and the tax burden for corporate and other taxes following application of tax effect accounting, by major category. | | 2. Causes of principal significant differences between the statutory corporate tax rate and the tax burden 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 | 3.8% | Local tax equalization | 7.2% |
| Items not permanently included in expenses such as expense accounts | 1.1% | Items not permanently included in expenses such as expense accounts | 2.4% |
| Other | 0.4% | Other | 0.4% |
| Burden ratio for corporate and other taxes after application of tax effect accounting | 46.2% | Burden ratio for corporate and other taxes after application of tax effect accounting | 51.7% |

IX Changes to directors and auditors

1. Changes to representative directors

There were no changes to the Company's representative directors.

2. Changes to other directors and auditors

Candidates for new appointments as directors

Director Eichu Kanamoto (Currently Corporate Officer, Division Manager, Credit Management Division and Manager, Auditing Section)

Director Nobuhito Utatsu (Currently Corporate Officer, Division Manager, Accounting Division)

Director (not full-time)

Tadao Saiga (District Sales Headquarters, ORIX Corporation)

Retiring directors

Director (not full-time)

Masahiro Matano