**Fiscal Year ending October 31, 2002**

# Interim Financial Statements Bulletin (Consolidated)

**June 14, 2002**

| | | |
|---|---|---|
| Listed Company Name | **Kanamoto Company, Ltd.** | Listing Exchanges |
| Company Code Number | **9678** | **Tokyo Stock Exchange** |
| | | **Sapporo Stock Exchange** |

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(URL http://www.kanamoto.co.jp)
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Date of Report to the Board of Directors June 14, 2002
SEC Accounting Standards The Company has not adopted SEC accounting standards

**1. Consolidated Operating Results for the Interim Period ended April 30, 2002** (Nov. 1, 2001 – Apr. 30, 2002)
**(1) Consolidated Operating Results** (Numbers less than one million yen have been rounded down)

| | Revenues | | Operating Income | | Ordinary Income | |
|---|---|---|---|---|---|---|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % |
| Six months ended April 30, 2002 | 32,615 | –0.1 | 1,695 | 3.5 | 1,779 | –13.6 |
| Six months ended April 30, 2001 | 32,640 | — | 1,637 | — | 2,059 | — |
| Fiscal year ended October 31, 2001 | 67,346 | | 2,872 | | 3,257 | |

| | Net Income | | Net Income per Share of Common Stock | Net income per share on a fully diluted basis |
|---|---|---|---|---|
| | Millions of yen | % | Yen | Yen |
| Six months ended April 30, 2002 | 931 | 78.0 | 30.79 | 24.32 |
| Six months ended April 30, 2001 | 522 | — | 17.30 | 14.20 |
| Fiscal year ended October 31, 2001 | 472 | | 15.64 | 13.89 |

Notes 1. Investment profit or loss accounted for by the equity method
Six months ended April 30, 2002 —
Six months ended April 30, 2001 —
Fiscal year ended October 31, 2001 —

2. Average number of shares (consolidated) outstanding during the period
Six months ended April 30, 2002 30,234,542 share
Six months ended April 30, 2001 30,228,376 shares
Fiscal year 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 net income are the percent increase or decrease compared to the same period of the prior fiscal year

**(2) Consolidated Financial Position**

| | Total Assets | Shareholders' Equity | Shareholders' Equity Ratio | Shareholders' Equity per Share |
|---|---|---|---|---|
| | Millions of yen | Millions of yen | % | Yen |
| Six months ended April 30, 2002 | 103,857 | 31,429 | 30.3 | 1,039.46 |
| Six months ended April 30, 2001 | 106,181 | 31,751 | 29.9 | 1,050.09 |
| Fiscal year ended October 31, 2001 | 106,639 | 30,843 | 28.9 | 1,020.03 |

Notes 1. Number of shares (consolidated) issued and outstanding at end of period

| | |
|---|---|
| Six months ended April 30, 2002 | 30,236,044 shares |
| Six months ended April 30, 2001 | 30,236,951 shares |
| Fiscal year ended October 31, 2001 | 30,237,259 shares |

**(3) Consolidated Cash Flows**

| | Cash Flow from Operating Activities | Cash Flow from Investing Activities | Cash Flow from Financing Activities | Balance of Cash and Equivalents at End of Period |
|---|---|---|---|---|
| | Millions of yen | Millions of yen | Millions of yen | Millions of yen |
| Six months ended April 30, 2002 | 8,708 | – 617 | – 3,458 | 20,624 |
| Six months ended April 30, 2001 | 7,869 | – 268 | – 8,243 | 15,780 |
| 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

Number of non-consolidated subsidiaries accounted for by the equity method: 0

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

**(5) Changes in scope of consolidation and application of equity method accounting**

| | | | |
|---|---|---|---|
| Consolidation (new companies) | 1 | (Excluded) | 0 |
| Equity method accounting (new companies) | 0 | (Excluded) | 0 |

**2. Projected Consolidated Operating Results for the Fiscal Year Ending October 31, 2002**

(November 1, 2001 - October 31, 2002)

| | Revenues | Ordinary Income | Net Income |
|---|---|---|---|
| | Millions of yen | Millions of yen | Millions of yen |
| Full year | 63,200 | 2,320 | 1,130 |

Reference: Projected net income per share of common stock (Full year) ¥37.37

※The above projections were prepared based upon information available to the Company at the time the projections were announced as well as various assumptions concerning the future economic and business environment. Actual operating results may differ from the projected figures depending upon various factors in the future. Please refer to Page 6 for details of the projections.

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

### 〔Businesses related to the Construction Equipment Rental 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〕

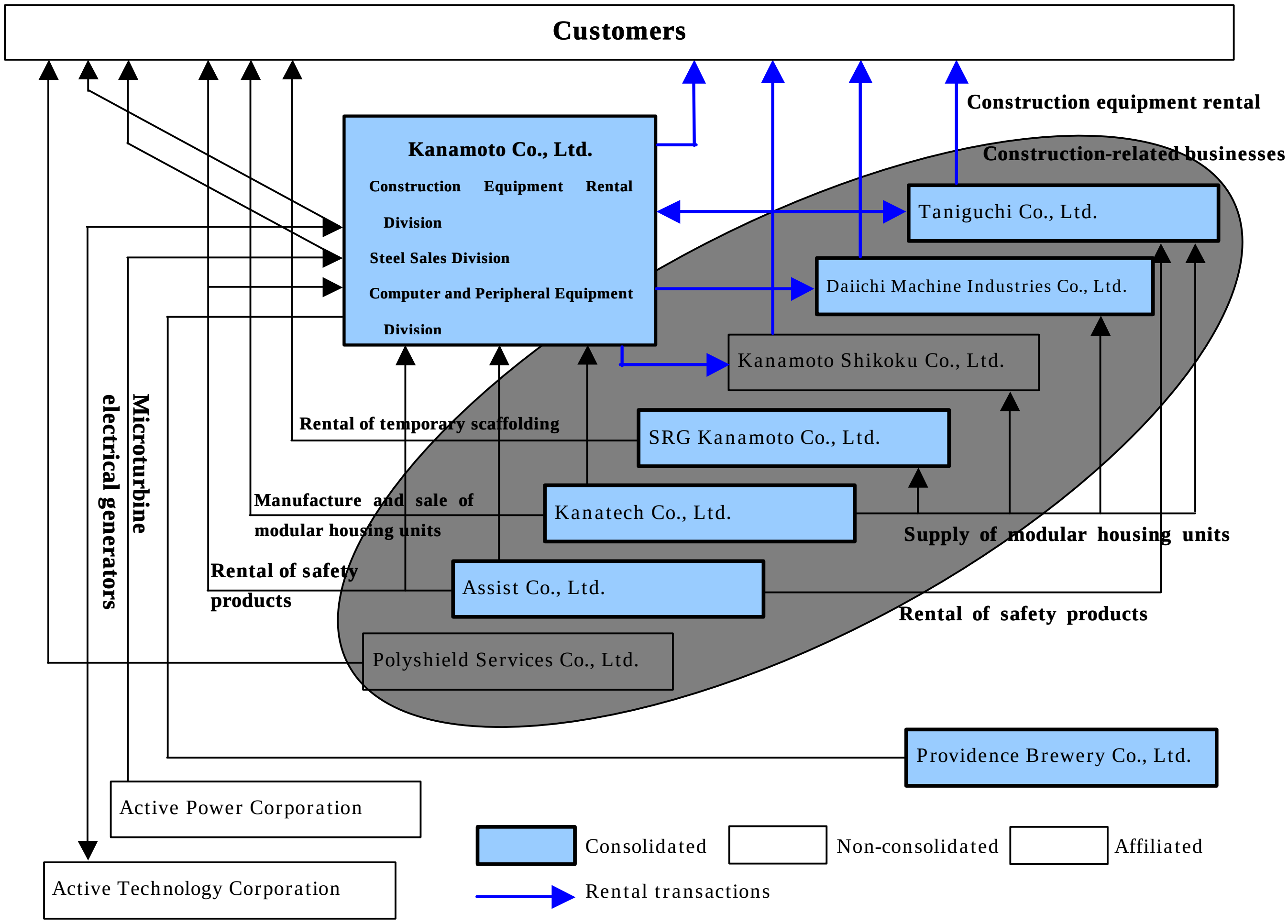
The Company's Steel Sales Division sells steel products and construction-related manufactured goods. The Company has no subsidiaries or affiliated companies related to this division.

### 〔Businesses related to the Computer and Peripheral Equipment Rental 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 Co., Ltd.** (an affiliated company), which is principally engaged in the sale of telecommunications-related equipment such as wireless LAN devices. As supplemental businesses, **Active Power Co., Ltd.** (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) brews and sells regional beers.

〔Relationship of the Operating Businesses〕

(Note) ※Indicates companies to which equity method is not applied



## II Management Policies and Operating Results

### 1. Basic policies concerning business management

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

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

### 2. Basic policies concerning distribution of earnings

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

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

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

### 3. Medium to long-term corporate management strategy

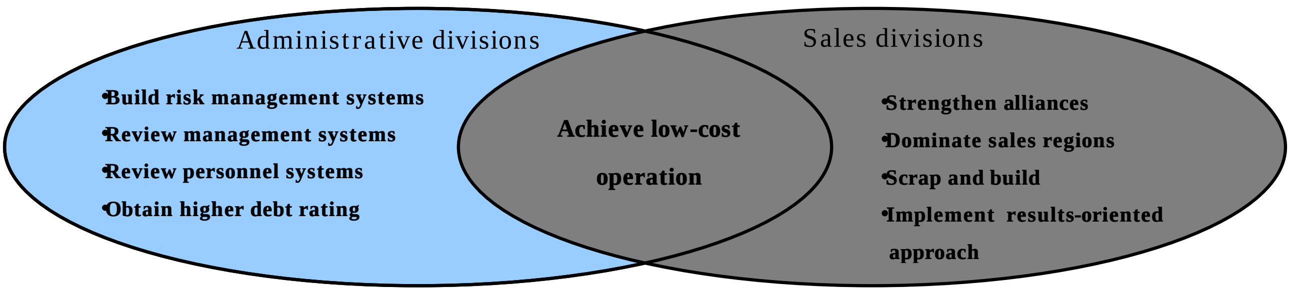
In its principal business of construction equipment rentals, the Company is continuing to implement to the extent possible the following two business strategies, together with other firms that are recognized as being the leading companies in their own businesses.

① Increase the efficient utilization of its rental assets through its strategy of building a dominant network in existing sales territories, by opening a greater number of small-scale branch offices

② Expand its business base by constructing an alliance group of business partners in regions such as western Japan where the Company has not previously built its own sales branches

By continuing to pursue this strategy, the Company has created a group of firms that employs more than 1,300 individuals and has achieved an expansionary trend that will provide future growth.

Nevertheless, any increase in the number of offices and employees brings a danger of succumbing to so-called "big company syndrome," where a company's organization becomes inflexible or employee morale stagnates. In order to avoid this result, based on the new "Kanamoto Survival Plan" Three-Year Plan initiated in November 2001, Kanamoto Company will strengthen its internal management systems in the following areas.



Among these objectives, Kanamoto will promote further improvements in business efficiency and greater operating efficiency for its rental assets by taking maximum advantage of the online network linking all of the Company's branches. This system provides the underlying structure of the Company's operations, and is more advanced and vastly superior to similar efforts at other companies in the industry.

Under its scrap and build policy, Kanamoto has adopted a proactive system to promptly close unprofitable branches that do not satisfy the Company's prescribed standards and shift its human resources and rental assets to regions with higher needs. Kanamoto's policy is to place priority on opening branches that can rapidly attain profitability. Specifically the Company has placed its greatest priority on the Kanto region, particularly in the Tokyo area.

In addition, Kanamoto is taking steps to strengthen its alliance group. These include boosting business capabilities without regard to whether a firm is a consolidated or non-consolidated company, and enhancing tie-ups among the firms as a group. As part of this effort, Kanamoto made Daiichi Machine Industries Co., Ltd. (Head office: Kanoya, Kagoshima Prefecture), whose main sales territory is the southern area of Kyushu, a subsidiary company in November 2001.

Finally, as its strategy in the finance and administrative division, Kanamoto will continue to focus on improving its bond rating with a view of ensuring access to diverse, high-quality capital funding, in order to improve and strengthen its financial position.

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

To provide overall management for the 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, and to provide each firm participating in the group with a sense of harmony as well as independence. For those companies subject to consolidation in particular, these meeting focus on improvements to the business development capabilities of the entire group by strengthening the business of each respective firm and ensuring a solid financial base.

In January 2001, Kanamoto introduced an executive director system. The Company took this step as a means to clarify responsibility for execution of the Company's business and speed up decision-making. In addition to consolidating the organizational framework in the Construction Equipment Rental Division and clarifying the system of responsibility in each region, the new system 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.

The Company has also abolished the seniority system and replaced it with an emphasis on ability and performance-based evaluations. Under this new system, Kanamoto is aggressively appointing promising young employees as on-site managers of the Company's 136 branch offices.

### 5. Issues to be addressed by the Company

Because of the pressure on construction companies to lower rental unit prices that has accompanied recent public works spending cuts, the construction equipment rental industry is experiencing deteriorating profit margins. In order to maintain its growth in the face of this environment, Kanamoto must continue to introduce equipment to meet the demand for renewal construction (bridge inspection vehicles) and the most up-to-date equipment such as specialized equipment (large-scale electrical generators or ground improvement equipment) that competitors cannot make available. In addition, the Company must also build an organization that can deliver this equipment to users throughout Japan and differentiate Kanamoto from other firms, through fast, accurate maintenance and a responsive asset quality assurance system.
Because such differentiation also runs the risk leading to higher costs, however, as mentioned earlier Kanamoto has

drafted a "Kanamoto Survival Plan" Three-Year Plan, which the Company will implement beginning from November 2001. With this plan Kanamoto seeks to achieve a low-cost operation without sacrificing service quality, by lowering its purchasing costs through planned rental asset purchases and reviewing and reducing all expenditures.

For its marketing efforts as well, Kanamoto will take maximum advantage of its high-quality services and top-down system of guidance created by the change in organization, in order to implement systematic marketing from its sales force to top management.

In the past, Kanamoto Company delayed opening branches in the large market provided by the Kanto region, particularly the Tokyo metropolitan area, because of the problem of obtaining suitable branch office sites. Over the coming years Kanamoto will focus on the Tokyo metropolitan area as the most important business territory for new growth and proceed to build a sales office network. While there are many competitors and achieving branch profitability is expected to be challenging, the Company can anticipate suitable results because its branch network will be newly constructed.

Kanamoto will also continue its venture business support activities, in order to nurture new businesses that will follow the growth path of its construction equipment rental business. Among the companies Kanamoto has invested in so far, microturbine electrical generators and VoIP (Internet telephony) technology show strong promise.

## 2. Operating Results and Financial Position

### (1) Summary of the interim period under review

During the interim period under review, Japan's economic conditions grew more serious. The sense of economic gloom deepened, demonstrated not only by the continual negative outlook captured by the Diffusion Index (DI), which measures corporate sentiment, but also by the fact that the government's forced efforts to restore government finances disregarded economic trends and made it plausible to talk about a possible "March crisis" in Japan's economic and financial system.

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 deceleration of private sector capital investment, with the exception of the Tokyo metropolitan area. A summary of operating results for each operating division is discussed below.

### ① 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 following cuts in the public works budget, however, and revenues for the construction industry overall were lower. As a result, construction equipment rental companies including Kanamoto faced strong pressure to reduce unit 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 for the second year, and the business environment confronting the industry remained extremely difficult.

### ● Conditions for the Company (Unconsolidated)

Kanamoto took further steps to secure revenues for its Construction Equipment Rental Division. These included reorganizing the existing branch network, dividing Hokkaido into two territories and consolidating the six prefectures in the Tohoku, Kanto-Shinetsu and Kinki-Chubu areas into three territories, implementing measures to improve the distribution efficiency of rental assets, and closing unprofitable branches while simultaneously pursuing flexible business development by shifting human resources and rental assets away from unprofitable areas.

During the interim period under review, the Company increased the number of branches by six. This reflected one new branch in Hokkaido, three new branches and one branch closing in the Tohoku region, three new branches and one branch closing in the Kanto area and one new branch in the Kinki-Chubu area. Based on these changes, and assisted by the positive results of the Company's alliance strategy in western Japan, the Company kept the decline in construction equipment rental revenues to 5.8%.

By region, rental revenue declined by 12.5% in Hokkaido, as demand for public works construction decreased. Revenues also fell 9.2% in the Tohoku area for the same reason. Rental revenues grew 5.8% in the Kanto-Shinetsu area that includes Tokyo, where public works spending and private construction demand remained vigorous. In the Kinki-Chubu area, revenues climbed 9.1%.

With regard to sales revenue, on the other hand, the division's sales of used construction equipment exhibited strong growth, supported by the healthy economies of Southeast Asia and by the Company's development of sales activities in other parts of Japan. As a result, revenues from sales of equipment increased 12.2% compared to the same period of the prior fiscal year.

From the standpoint of profitability, the Company restored the Construction Equipment Rental Division's profitability and achieved results that greatly exceeded its initial projections. This was the result of cost reductions based on the Company's new "Kanamoto Survival Plan" Three-Year Plan, which the Company began implementing during the period under review, and greater balance from reviewing the way in which the Company introduces assets, which enabled it to smooth the depreciation expense burden while maintaining capital investment (construction equipment rental assets).

### ● Conditions for consolidated subsidiaries

Interim period operating results for consolidated subsidiaries in construction-related businesses were as follows.

At **Taniguchi Co., Ltd.**, interim period net income fell 30.1% compared to the same period of the prior fiscal year despite a revenue increase of 0.6%, as the firm made a strong effort to obtain more orders in the face of lower public works construction in Hokkaido.

**Assist Co., Ltd.** enjoyed the results of its prior year efforts to expand and strengthen its sales offices. Revenue increased by 20.0%, and net income rose by 12.5%.

Although **SRG Kanamoto Co., Ltd.** was able to increase revenue by 16.5% after opening a new branch in Sapporo, net income remained unchanged from the same period of the prior fiscal year because of lower unit prices.

**Kanatech Co., Ltd.** doubled its revenues as the supply of its modular housing units to other members of Kanamoto's alliance group remained on track. Net income declined by 10.0% from the same period of the prior fiscal year, however, as costs rose because of efforts to broaden the firm's product line-up and higher transportation expenses.

**Daiichi Machine Industries Co., Ltd.** became a new consolidated subsidiary in November 2001. Because this company changed its fiscal period closing month and applied special accounting rules, a direct comparison to the prior fiscal year operating results is not possible. Nevertheless, the firm achieved steady growth in construction equipment rental and sales income and net income.

As a result of the above activities, interim period consolidated revenues from construction-related business rose by 2.8% to ¥28,833 million, and operating income increased by 5.1% to ¥1,664 million.

### ② Steel sales-related business

The Steel Sales Division focused its sales efforts on the Sapporo metropolitan area, which accounts for the largest portion of sales in the Hokkaido region. Nevertheless, the weakening of construction investment including private sector demand negatively affected sales. The division also made a decision to abolish its steel production raw materials (iron scrap) section as of the end of January 2002. As a result, sales fell 19.3% from the level of the same period of the prior fiscal year to ¥3,157 million, and the division incurred an operating loss of ¥11 million.

### ③ Computer and peripheral equipment related business and other businesses

Rental revenue at Kanamoto's Computer and Peripheral Equipment Rental Division, which manages the Company's information and telecommunications-related businesses, came under pressure as firms reached the end of a purchasing cycle for new equipment and demand weakened because of customer cutbacks in research expenses. Compared to the same period of the prior fiscal year, rental revenue declined 14.2%. Equipment sales rose marginally by 1.5%.

In other businesses, Kanamoto established Providence Brewery Co., Ltd. in July 1999 with the goal of creating a business to help to revitalize the city of Muroran, where the Company first began. Despite this intention, however, weak personal consumption demand and the inability to expand sales channels in the tradition-bound alcoholic beverage industry made it difficult to continue operations. Faced with uncertain prospects, Kanamoto was unable to avoid a decision to discontinue local beer production in February 2002. Because of the small scale of the brewery's earnings, this decision did not have a material affect on the Company's revenues and earnings.

Revenues for the Company's computer and peripheral equipment-related business and other businesses fell 8.1% to ¥624 million, and these businesses incurred an operating loss of ¥25 million.

**(Fiscal Year ending October 31, 2002 Interim Consolidated Operating Results)**

| | | Revenues | Operating Income | Ordinary Income | Net Income |
|---|---|---|---|---|---|
| Interim period | Mil. yen | 32,615 | 1,695 | 1,779 | 931 |
| Change from same period of prior year | % | –0.1 | 3.5 | –13.6 | 78.0 |

**〔Other business operating results〕**

The effect of Japan's economic recession has reduced the number of promising investment targets for the Company's venture business support activities. The Company did not provide any support such as new capital investment during the interim consolidated period under review.

Kanamoto is currently pursuing project sales of Capstone microturbine electrical generators that will run on a variety of previously underutilized gases (methane gases such as colliery gas, biogas and sludge digestion gas). The Company expects these efforts to result in additional new business in the future.

## (2) Consolidated cash flow

Cash flow from operating activities increased by ¥838 million compared to the interim period of the prior consolidated fiscal year to ¥8,708 million. This change primarily reflected the increase in income before taxes and adjustments, a smaller increase in accrued employees retirement benefits, a decrease in trade accounts receivable, a decrease in accounts payable and an increase in corporate and other taxes paid.

Cash flow used for investing activities was ¥617 million. This was ¥348 million greater than in the same period of the prior fiscal year, and was mainly the result of larger expenditures for the acquisition of tangible fixed assets and outlays for the acquisition of subsidiary company stock that accompanied the change in the scope of application of consolidation accounting.

Cash flow used for financing activities declined by ¥4,784 million compared with the interim period of the prior fiscal year to ¥3,458 million. Although the Company made payments to redeem corporate bonds by purchase, this was largely funded by an increase in long-term bank borrowing.

As a result of the above activities, the balance of cash and equivalents at the end of the interim consolidated accounting period was ¥20,624 million, up ¥4,844 million compared with the end of the interim period of the prior consolidated fiscal year.

## (3) Outlook for the full fiscal year

Kanamoto expects the budget for public works construction to remain on a downward trend as Japan's government implements spending cutbacks. We also do not foresee any immediate turnaround in private sector capital investment demand, although the consensus is that such demand has reached the bottom and will not worsen. The Company therefore cannot anticipate any large increases in construction equipment rental revenue. Based on its projections of slightly lower revenues, a lighter depreciation and amortization expense burden, improvement to its earnings structure and no further one-time expenses such as those that accompanied the adoption of new accounting standards, Kanamoto projects that it will be able to maintain a suitable level of profitability.

**(Fiscal Year ending October 31, 2002　Projected Full-year Consolidated Operating Results)**

| | | Revenues | Operating Income | Ordinary Income | Net Income |
|---|---|---|---|---|---|
| Full year projection | Mil. yen | 63,200 | 2,350 | 2,320 | 1,130 |
| Change from prior year | % | –6.2 | –18.2 | –28.8 | 139.4 |

(The above projection reflects adjustments to Company forecast announced on May 29, 2002)

The Kanamoto group aims to ensure higher earnings in the Company's main business of construction equipment rentals by strengthening the management of this division and each group company within the division. The Company will simultaneously promote rationalization of administrative and maintenance activities, in order to strengthen low-cost operations. The priority for creation of new branches will be on the Tokyo metropolitan area.

In November 2001, Kanamoto opened its Hassumu Mega-Station, a large-scale multi-use facility located in Hassumu in Sapporo, Hokkaido. Because this facility has gradually begun to show synergistic results, the Company plans to carry out a similar management arrangement in other areas of Japan that will similarly unify the group.

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

The Company's Computer and Peripheral Equipment Rental Division will newly commercialize and market KISARA, the VoIP Internet telephone product developed by Soft Front Inc. In other areas, Kanamoto will continue its efforts to expand sales of Capstone Corporation's microturbine electrical generators.

## III Interim Consolidated Financial Statements

### 1. Interim Consolidated Balance Sheets

(Amounts have been rounded down to the nearest thousand yen)

| Category \ Period | | End of Current Consolidated Fiscal Year Interim Period (As of April 30, 2002) | | End of Prior Consolidated Fiscal Year Interim Period (As of April 30, 2001) | | Prior Fiscal Year Summary Consolidated Balance Sheet (As of October 31,2001) | |
|---|---|---|---|---|---|---|---|
| | | Amount | Percent | Amount | Percent | Amount | Percent |
| (Assets) | | | | | | | |
| Current Assets | | | | | | | |
| Cash and deposits | | 21,011,766 | | 15,784,766 | | 15,996,639 | |
| Notes and accounts receivable, trade | ※4,5,6 | 20,439,161 | | 24,047,536 | | 25,807,750 | |
| Negotiable securities | | 204,510 | | 272,882 | | 114,440 | |
| Inventory | | 958,989 | | 1,368,469 | | 1,117,400 | |
| Construction equipment | | 2,784,487 | | 3,378,866 | | 2,931,588 | |
| Deferred tax assets | | 247,114 | | 222,143 | | 230,232 | |
| Other current assets | | 375,898 | | 769,201 | | 351,760 | |
| Allowance for doubtful accounts | | －400,964 | | －200,367 | | －324,938 | |
| Total Current Assets | | 45,620,962 | 43.9 | 45,643,498 | 43.0 | 46,224,874 | 43.3 |
| Fixed Assets | | | | | | | |
| Tangible Fixed Assets | | | | | | | |
| Rental equipment | ※1 | 17,549,688 | | 20,336,553 | | 19,820,577 | |
| Buildings and structures | ※2 | 8,068,926 | | 8,182,337 | | 8,163,141 | |
| Machinery, equipment and delivery equipment | | 1,239,391 | | 1,338,636 | | 1,300,205 | |
| Land | ※2 | 24,635,142 | | 24,181,603 | | 24,396,831 | |
| Construction in progress | | 57,505 | | 110,100 | | 58,896 | |
| Other tangible fixed assets | | 217,880 | | 230,047 | | 231,088 | |
| Total Tangible Fixed Assets | | 51,768,535 | 49.9 | 54,379,278 | 51.2 | 53,970,740 | 50.6 |
| Intangible Fixed Assets | | | | | | | |
| Total Intangible Fixed Assets | | 89,557 | 0.1 | 72,529 | 0.1 | 84,251 | 0.1 |
| Investments and Other Assets | | | | | | | |
| Investment securities | | 3,745,300 | | 4,560,930 | | 3,789,391 | |
| Deferred tax assets | | 1,701,602 | | 609,073 | | 1,567,069 | |
| Other assets | | 1,538,571 | | 1,495,262 | | 1,449,550 | |
| Allowance for doubtful accounts | | －606,624 | | －579,240 | | －446,847 | |
| Total Investments and Other Assets | | 6,378,849 | 6.1 | 6,086,026 | 5.7 | 6,359,165 | 6.0 |
| Total Fixed Assets | | 58,236,943 | 56.1 | 60,537,834 | 57.0 | 60,414,156 | 56.7 |
| Total Assets | | 103,857,906 | 100.0 | 106,181,333 | 100.0 | 106,639,030 | 100.0 |

(Amounts have been rounded down to the nearest thousand yen)

| Category / Period | | End of Current Consolidated Fiscal Year Interim Period (As of April 30, 2002) | | End of Prior Consolidated Fiscal Year Interim Period (As of April 30, 2001) | | Prior Fiscal Year Summary Consolidated Balance Sheet (As of October 31,2001) | |
|---|---|---|---|---|---|---|---|
| | | Amount | Percent | Amount | Percent | Amount | Percent |
| (Liabilities) | | | | | | | |
| Current Liabilities | | | | | | | |
| Notes and accounts payable, trade | ※6 | 10,724,769 | | 13,324,434 | | 12,620,598 | |
| Short-term bank loans | ※2 | 750,385 | | 516,525 | | 510,053 | |
| Long-term bank loans due within one year | ※2 | 8,304,937 | | 7,889,407 | | 7,819,446 | |
| Corporate bonds to be redeemed within one year | | 5,277,692 | | — | | — | |
| Corporate taxes payable | | 920,796 | | 1,263,445 | | 1,319,459 | |
| Accrued bonuses to employees | | 573,459 | | 538,760 | | 594,688 | |
| Accounts payable, other | | 8,129,085 | | 8,349,533 | | 8,299,274 | |
| Other current liabilities | | 739,274 | | 580,146 | | 763,794 | |
| Total Current Liabilities | | 35,420,400 | 34.1 | 32,462,253 | 30.6 | 31,927,314 | 29.9 |
| Long-term Liabilities | | | | | | | |
| Straight bonds | | — | | 5,277,692 | | 5,277,692 | |
| Convertible bonds | | 7,754,000 | | 9,733,000 | | 9,281,000 | |
| Long-term bank loans | ※2 | 16,831,060 | | 13,293,542 | | 14,547,095 | |
| Retirement allowances to directors and auditors | | 176,174 | | 273,522 | | 282,426 | |
| Accrued employees retirement benefits | | 2,054,945 | | 1,018,988 | | 2,008,761 | |
| Long-term accrued expenses | | 9,829,051 | | 12,262,848 | | 12,405,133 | |
| Consolidation adjustment | | 28,679 | | — | | — | |
| Other long-term liabilities | | 164,105 | | — | | — | |
| Total Long-term Liabilities | | 36,838,016 | 35.5 | 41,859,592 | 39.4 | 43,802,108 | 41.1 |
| Total Liabilities | | 72,258,417 | 69.6 | 74,321,846 | 70.0 | 75,729,422 | 71.0 |
| (Minority Interests) | | | | | | | |
| Minority interests | | 169,946 | 0.2 | 108,030 | 0.1 | 66,601 | 0.1 |
| (Shareholders 'Equity) | | | | | | | |
| Common stock | | 8,596,737 | 8.3 | 8,596,080 | 8.1 | 8,596,737 | 8.1 |
| Additional paid-in capital | | 9,720,343 | 9.3 | 9,719,689 | 9.1 | 9,720,343 | 9.1 |
| Consolidated retained earnings | | 13,038,067 | 12.5 | 12,718,429 | 12.0 | 12,395,900 | 11.6 |
| Valuation difference on other investment | | 85,392 | 0.1 | 727,323 | 0.7 | 140,535 | 0.1 |

| | | | | | | |
|---|---|---|---|---|---|---|
| securities | | | | | | |
| | 31,440,540 | 30.2 | 31,761,522 | 29.9 | 30,853,516 | 28.9 |
| Treasury stock | – 1,024 | – 0.0 | – 93 | – 0.0 | – 537 | – 0.0 |
| Parent company stock held by subsidiaries | – 9,973 | – 0.0 | – 9,973 | – 0.0 | – 9,973 | – 0.0 |
| Total Shareholders ' Equity | 31,429,542 | 30.2 | 31,751,456 | 29.9 | 30,843,006 | 28.9 |
| Total Liabilities, Minority Interests and Shareholders 'Equity | 103,857,906 | 100.0 | 106,181,333 | 100.0 | 106,639,030 | 100.0 |

## 2. Consolidated Statements of Income

(Amounts have been rounded down to the nearest thousand yen)

| Category / Period | | Current Consolidated Fiscal Year Interim Period (From November 1, 2001 to April 30, 2002) | | Prior Consolidated Fiscal Year Interim Period (From November 1, 2000 to April 30, 2001) | | Prior Fiscal Year Summary Consolidated Statement of Income (From November 1, 2000 to October 31,2001) | |
|---|---|---|---|---|---|---|---|
| | | Amount | Percent | Amount | Percent | Amount | Percent |
| Revenues from operations | | | | | | | |
| Rental revenues | | 21,024,837 | | 21,658,504 | | 41,839,605 | |
| Sales | | 11,591,052 | | 10,981,724 | | 25,506,819 | |
| Total revenues from operations | | 32,615,889 | 100.0 | 32,640,228 | 100.0 | 67,346,425 | 100.0 |
| Cost of revenues from operations | | | | | | | |
| Cost of rental revenues | | 15,327,322 | | 15,625,679 | | 31,189,827 | |
| Cost of goods sold | | 8,847,179 | | 8,678,648 | | 19,986,164 | |
| Total cost of revenues | | 24,174,502 | 74.1 | 24,304,327 | 74.5 | 51,175,992 | 76.0 |
| Gross profit | | 8,441,387 | 25.9 | 8,335,901 | 25.5 | 16,170,432 | 24.0 |
| Selling, general and administrative expenses | ※1 | 6,745,872 | 20.7 | 6,698,161 | 20.5 | 13,298,018 | 19.7 |
| Operating income | | 1,695,514 | 5.2 | 1,637,740 | 5.0 | 2,872,413 | 4.3 |
| Non-operating revenues | | | | | | | |
| Interest revenue | | 8,268 | | 20,172 | | 17,257 | |
| Dividend income | | 2,854 | | 6,786 | | 22,190 | |
| Gain on sale of investment securities | | 44,506 | | 361,017 | | 376,299 | |
| Insurance benefits | | 28,821 | | 127,103 | | 242,730 | |
| Rents received | | 48,395 | | 118,956 | | 256,066 | |
| Gain on redemption of corporate bonds by purchase | | 44,915 | | — | | 8,143 | |
| Cash bonus received | | 158,980 | | — | | 86,487 | |
| Consolidation adjustment account write-off | | 3,186 | | — | | — | |
| Other | | 85,514 | | 139,593 | | 83,239 | |
| Total non-operating revenues | | 425,443 | 1.3 | 773,629 | 2.4 | 1,092,413 | 1.6 |
| Non-operating expenses | | | | | | | |
| Interest expense | | 241,941 | | 293,706 | | 544,075 | |
| Other | | 99,684 | | 58,161 | | 163,512 | |
| Total non-operating expenses | | 341,626 | 1.0 | 351,868 | 1.1 | 707,587 | 1.1 |
| Ordinary income | | 1,779,331 | 5.5 | 2,059,501 | 6.3 | 3,257,239 | 4.8 |
| Extraordinary profits | | | | | | | |
| Adjustment of prior period profit or loss | ※2 | 5,943 | | — | | 2,256 | |
| Gain on sale or retirement of fixed assets | ※3 | 275 | | — | | 4,178 | |
| Guarantee of moving expenses | | — | | — | | 24,782 | |
| Other | | 4,168 | | — | | 1,934 | |
| Total extraordinary profits | | 10,386 | 0.0 | — | — | 33,151 | 0.0 |

(Amounts have been rounded down to the nearest thousand yen)

| Category / Period | Current Consolidated Fiscal Year Interim Period (From November 1, 2001 to April 30, 2002) | | Prior Consolidated Fiscal Year Interim Period (From November 1, 2000 April 30, 2001) | | Prior Fiscal Year Summary Consolidated Statement of Income (From November 1, 2000 to October 31,2001) | |
|---|---|---|---|---|---|---|
| | Amount | Percent | Amount | Percent | Amount | Percent |
| Extraordinary losses | | | | | | |
| Loss on sale or retirement of fixed assets ※4 | 24,151 | | 42,621 | | 101,886 | |
| Valuation loss on investment securities | 13,329 | | 15,000 | | 126,450 | |
| Transfer to reserve for accrued employees retirement benefits | — | | 991,011 | | 1,982,023 | |
| Other | 27,908 | | — | | 55,340 | |
| Total extraordinary losses | 65,389 | 0.2 | 1,048,633 | 3.2 | 2,265,701 | 3.4 |
| Income before taxes and adjustments | 1,724,329 | 5.3 | 1,010,868 | 3.1 | 1,024,690 | 1.5 |
| Corporate, local and business taxes | 866,375 | 2.6 | 1,230,987 | 3.8 | 1,883,570 | 2.8 |
| Adjustment for corporate and other taxes | －111,075 | －0.3 | －762,853 | －2.3 | －1,308,431 | －1.9 |
| Minority interest in income or loss | －37,992 | －0.1 | －19,768 | －0.0 | 23,135 | 0.0 |
| Net income | 931,036 | 2.9 | 522,965 | 1.6 | 472,686 | 0.7 |

## 3. Statements of Consolidated Retained Earnings

(Amounts have been rounded down to the nearest thousand yen)

| Category / Period | Current Consolidated Fiscal Year Interim Period (From November 1, 2001 to April 30, 2002) | Prior Consolidated Fiscal Year Interim Period (From November 1, 2000 April 30, 2001) | Prior Fiscal Year Consolidated Retained Earnings (From November 1, 2000 to October 31,2001) |
|---|---|---|---|
| | Amount | Amount | Amount |
| Balance of consolidated retained earnings at the beginning of the period | 12,395,900 | 12,484,124 | 12,484,124 |
| Reduction in consolidated retained earnings | | | |
| Dividends | 272,270 | 272,060 | 544,311 |
| Directors and auditors ' bonuses | 16,600 | 16,600 | 16,600 |
| (Auditors 'bonuses) | (1,700) | (1,700) | (1,700) |
| Total reduction in retained earnings | 288,870 | 288,660 | 560,911 |
| Net income for the period | 931,036 | 522,965 | 472,686 |
| Balance of consolidated retained earnings at the end of the period | 13,038,067 | 12,718,429 | 12,395,900 |

## 4. Consolidated Statements of Cash Flows

(Amounts have been rounded down to the nearest thousand yen)

| Category / Period | Current Consolidated Fiscal Year Interim Period (From November 1, 2001 to April 30, 2002) Amount | Prior Consolidated Fiscal Year Interim Period (From November 1, 2000 April 30, 2001) Amount | Prior Fiscal Year Summary Consolidated Statement of Cash Flow (From November 1, 2000 to October 31,2001) Amount |
|---|---|---|---|
| Cash flow from operating activities | | | |
| Income before taxes and adjustments | 1,724,329 | 1,010,868 | 1,024,690 |
| Amortization of consolidation adjustment account | – 3,186 | — | — |
| Depreciation and amortization expense | 3,991,836 | 4,372,913 | 9,486,358 |
| Gain on sale or retirement of fixed assets | – 275 | — | – 4,178 |
| Loss on sale or retirement of fixed assets | 24,151 | 42,621 | 101,886 |
| Gain from adjustment of prior period profit or loss | — | — | – 1,618 |
| Installment purchases of assets for small-value rentals | 179,985 | 274,690 | 361,621 |
| Reclassification of cost of sales associated with disposal of construction equipment | 32,412 | 21,174 | 134,927 |
| Reclassification of cost of sales associated with disposal of rental assets | 705,656 | 488,759 | 1,193,637 |
| Expenditures for acquisition of rental assets | – 363,898 | – 301,880 | – 295,556 |
| Valuation loss on investment securities | 13,329 | 15,000 | 126,450 |
| Gain on sale of investment securities | – 44,506 | – 361,017 | – 376,299 |
| Gain on redemption of corporate bonds by purchase | – 44,915 | – 2,457 | – 8,143 |
| Increase in allowance for doubtful accounts | 233,403 | 375,640 | 367,817 |
| Increase in accrued bonuses to employees | – 21,228 | 35,857 | 91,785 |
| Increase in accrued employees retirement benefits | 46,184 | 1,018,988 | 2,008,761 |
| Increase in retirement allowances to directors and auditors | – 106,251 | – 13,932 | – 5,028 |
| Interest revenue and dividend income | – 11,122 | – 26,958 | – 39,448 |
| Interest expense on installment purchases of rental assets | 146,993 | 151,370 | 299,831 |
| Interest expense | 241,941 | 293,706 | 544,075 |
| (Increase) decrease in accounts receivable, trade | 5,666,581 | – 716,116 | – 2,476,330 |
| (Increase) decrease in inventory assets | 187,031 | – 542,258 | – 291,190 |
| Increase (decrease) in accounts payable, trade | – 2,344,794 | 1,604,956 | 901,119 |
| Increase in accounts payable, other | 401,758 | 549,627 | 487,864 |
| Directors and auditors ' bonuses paid | – 16,600 | – 16,600 | – 16,600 |

| | | | |
|---|---|---|---|
| Other, net | – 288,736 | 181,665 | 426,291 |
| Subtotal | 10,350,078 | 8,456,618 | 14,042,726 |
| Interest and dividends received | 11,122 | 26,958 | 39,448 |
| Interest expense | – 387,940 | – 442,641 | – 844,586 |
| Payment of corporate and other taxes | – 1,265,038 | – 171,359 | – 767,928 |
| Cash flow from operating activities | 8,708,222 | 7,869,575 | 12,469,659 |

(Amounts have been rounded down to the nearest thousand yen)

| Category \ Period | Current Consolidated Fiscal Year Interim Period (From November 1, 2001 to April 30, 2002) | Prior Consolidated Fiscal Year Interim Period (From November 1, 2000 April 30, 2001) | Prior Fiscal Year Summary Consolidated Statement of Cash Flow (From November 1, 2000 to October 31,2001) |
|---|---|---|---|
| | Amount | Amount | Amount |
| Cash flow from investing activities | | | |
| Disbursements for investments in term deposits | –207,188 | — | –4,233 |
| Revenue from redemption of term deposits | 261,662 | 5,500 | 9,129 |
| Funds used for the purchase of tangible fixed assets | –472,829 | –336,341 | –1,073,093 |
| Funds provided from the sale of tangible fixed assets | 18,743 | 82,689 | 122,249 |
| Funds used for acquisition of subsidiary stock at time of change in scope of consolidation | –114,274 | — | — |
| Funds used for the purchase of intangible fixed assets | –8,198 | –15,821 | –28,669 |
| Funds used for the purchase of investment securities | –1,207,113 | –2,047,491 | –2,772,134 |
| Funds provided from sale of investment securities | 1,112,187 | 2,100,406 | 3,066,275 |
| Funds used for purchase of investments | — | –57,665 | –82,439 |
| Cash flow used for investing activities | –617,011 | –268,724 | –762,916 |
| Cash flow from financing activities | | | |
| Decrease in short-term bank loans | 4,932 | –4,210,089 | –4,216,562 |
| Funds provided by long-term bank loans | 7,080,000 | 4,556,450 | 10,136,450 |
| Funds used to repay long-term bank loans | –4,598,828 | –4,396,928 | –8,793,335 |
| Funds used for redemption of straight bonds | –1,482,085 | –60,543 | –506,857 |
| Funds provided from the issue of common stock | — | 9,177 | 10,488 |
| Funds used for repayment of installment obligations | –4,189,714 | –3,888,227 | –8,242,273 |
| Funds provided from the sale of treasury stock | — | — | 3,153 |
| Funds used for the purchase of treasury stock | –487 | — | –3,525 |
| Payment of dividends to parent company | –272,270 | –272,060 | –544,311 |
| Funds provided from the issue of stock to minority shareholders | — | 20,000 | 20,000 |
| Funds used for other financing activities | — | –985 | –1,057 |
| Cash flow used for financing activities | –3,458,453 | –8,243,207 | –12,137,831 |
| Increase (decrease) in cash and equivalents | 4,632,757 | –642,357 | –431,088 |
| Balance of cash and equivalents at beginning of period | 15,991,306 | 16,422,395 | 16,422,395 |
| Balance of cash and equivalents at end of the interim period | 20,624,063 | 15,780,037 | 15,991,306 |

## 5. Notes to the Interim Consolidated Financial Statements and Significant Accounting Policies

### (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 and do not have a material effect on the interim consolidated financial statements.

### (2) Matters pertaining to application of equity method accounting

The Company's investments in two affiliated companies (Active Technology Corporation and Active Power Corporation) have been excluded from items to which equity method accounting is applied because their respective effect on interim consolidated net income or loss and interim consolidated retained earnings is immaterial and neither company is important to the Company's overall operations.

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

The interim period closing date for all of the consolidated subsidiary companies is February 28. When preparing the interim consolidated financial statements, the Company used the subsidiaries' financial statements as of February 28 and made adjustments for significant transactions that occurred between March 1, 2002 and the interim consolidated accounting date on April 30, 2002 that were deemed to have a material effect on the interim consolidated financial results.

### (4) Accounting principles and standards

① Valuation standards and valuation methods for principal assets

a. Negotiable securities

Other negotiable securities

Securities with a market price

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

Other negotiable securities

・・・Cost method, cost being determined by the moving average method

b. Appraisal standards and appraisal method for construction equipment

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

**(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 interim consolidated accounting period 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 interim consolidated accounting period under review depreciation expense was ¥104,640,000 lower, and gross profit, operating income, ordinary income and income before taxes and adjustments were ¥104,640,000 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 the Company's operating segment results is described in the section concerning segment information.

c. Appraisal standards and appraisal method for merchandise inventories and supplies

Merchandise Inventories・・・Lower of cost or market based on the last-in, first-out method

Supplies ・・・・・・・・・・The latest purchase cost method

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 interim consolidated accounting period 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 interim consolidated accounting period under review depreciation expense was ¥123,550,000 lower, and gross profit, operating income, ordinary income and income before taxes and adjustments were ¥123,550,000 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 the Company's operating segment results is described in the section concerning segment information.

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).

③ Accounting standards for principal allowances and reserves

a. Allowance for doubtful accounts

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

b. Accrued bonuses to employees

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

c. Accrued employees retirement benefits

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

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.

④ Accounting treatment for lease transactions

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

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.

b. Hedge methods and hedged transactions

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

c. Hedging policies

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

d. Method for evaluating the effectiveness of hedges

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

⑥ 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.

### (5) Items included in cash and equivalents on the Interim Consolidated Statements of Cash Flows

Funds included in cash (cash and equivalents) on the Interim Consolidated Statements 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.

## Change in significant matters for preparation of the interim consolidated financial statements

### (Change in accounting treatment)

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. Because the purpose of providing equipment through the rental industry is to fully recover the invested amount from rental income earned by renting the equipment and it is possible to consider insurance proceeds collected as the result of an accident as a recovery of the invested amount, however, and because revenue from insurance benefits has been increasing, beginning in the interim consolidated accounting period under review the Company changed its method of accounting to account for insurance benefits as operating revenues and account for the book value of the rental asset and lease equipment contract cancellation charge as cost of revenues, respectively, in order for these items correspond to the cost of earnings.

As a result, gross profit and operating income increased by ¥46,038,000, ordinary income decreased by ¥31,560,000, and income before taxes and adjustments was unchanged, 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 the Company's operating segment results is described in the section concerning segment information.

In prior years, the Company accounted for payments of employee housing rents as rental housing fees in selling, general and administrative expenses, and accounted for the employee portion of such expenses as rents received in non-operating revenues. Because the amounts for rental housing fees and rents received have been increasing with the growth in the number of Company employees, beginning in the interim consolidated accounting period under review the Company changed its accounting method in order to disclose the Company's material burden for housing rental expenses, by excluding the employee portion of employee housing rent expense from rental housing fees.

As a result, operating income increased by ¥80,512,000 and ordinary income and income before taxes and adjustments were unchanged, 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 the Company's operating segment results is described in the section concerning segment information.

## Change in Disclosure Method

The Company included the gain on redemption of corporate bonds by purchase and cash bonuses received in "Other" under non-operating revenues at the end of the prior consolidated fiscal year interim period. At the end of the interim consolidated accounting period under review, however, the Company classified these items separately because they account for more than ten percent of non-operating revenue.

The gain on redemption of corporate bonds by purchase and the cash bonuses received were ¥2,457,000 and ¥81,675,000, respectively, at the end of the prior consolidated fiscal year interim accounting period.

## 6. Notes to the Financial Statements

### (Notes to the Interim Period Consolidated Balance Sheets)

| Category \ Period | End of Current Consolidated Fiscal Year Interim Period (As of April 30, 2002) | End of Prior Consolidated Fiscal Year Interim Period (As of April 30, 2001) | End of Prior Consolidated Fiscal Year (As of October 31,2001) |
|---|---|---|---|
| ※ 1. Total accumulated depreciation for tangible fixed assets | ¥45,410,825,000 | ¥48,748,131,000 | ¥46,638,798,000 |
| ※ 2. Assets offered as collateral security | Buildings and structures ¥38,883,000<br>Land ¥184,669,000<br>Total ¥223,553,000 | ———— | ———— |
| Corresponding liabilities | Short-term bank loans ¥189,400,000<br>Long-term bank loans due within one year ¥121,120,000<br>Long-term bank loans \284,640,000<br>Total \595,160,000 | | |
| 3. Contingent liabilities<br>Joint and several guarantee of employee bank loans | ¥24,936,000 | ¥26,243,000 | ¥26,839,000 |
| Debt guarantee of affiliated company (Active Power Corporation) loan liability | ¥350,000,000 | ¥350,000,000 | ¥350,000,000 |
| ※ 4. Discount on notes receivable, trade | ¥162,725,000 | ¥162,645,000 | ¥67,100,000 |
| ※ 5. Balance of notes receivable, trade-endorsed | ¥290,717,000 | ¥270,103,000 | ¥167,213,000 |
| ※ 6. Accounting treatment of notes maturing at the end of the period | ———— | The interim period-end was a financial institution holiday in Japan. Notes receivable and payable that matured on that date were settled on the immediately following business day, as is customary in Japan. Notes outstanding for which settlement was postponed and which are included in the interim balances were as follows.<br>Notes receivable, trade ¥2,089,610,000<br>Notes payable, trade ¥1,340,272,000 | ———— |

## (Notes to the Interim Period Consolidated Statements of Income)

| Current Consolidated Fiscal Year Interim Period (From November 1, 2001 to April 30, 2002) | Prior Consolidated Fiscal Year Interim Period (From November 1, 2000 to April 30, 2001) | Prior Consolidated Fiscal Year (From November 1, 2000 to October 31, 2001) |
|---|---|---|
| ※1. Major expense categories and amounts included in selling, general and administrative expenses<br>Employee salaries and wages ¥2,515,395,000<br>Depreciation expense ¥509,745,000<br>Rents ¥703,769,000<br>Transfer to allowance for doubtful accounts ¥320,694,000<br>Transfer to accrued bonuses to employees ¥570,609,000<br>Transfer to retirement allowances to directors and auditors ¥1,548,000 | ※1. Major expense categories and amounts included in selling, general and administrative expenses<br>Employee salaries and wages ¥2,461,314,000<br>Depreciation expense ¥538,780,000<br>Rents ¥705,409,000<br>Transfer to allowance for doubtful accounts ¥424,513,000<br>Transfer to accrued bonuses to employees ¥527,730,000<br>Transfer to retirement allowances to directors and auditors ¥8,904,000 | ※1. Major expense categories and amounts included in selling, general and administrative expenses<br>Employee salaries and wages ¥4,958,744,000<br>Depreciation expense ¥1,099,677,000<br>Rents ¥1,421,216,000<br>Transfer to allowance for doubtful accounts ¥573,957,000<br>Transfer to accrued bonuses to employees ¥594,688,000<br>Employees retirement benefit expense ¥440,050,000<br>Transfer to retirement allowances to directors and auditors ¥17,808,000 |
| ※2. Details of gain from adjustment to prior period profit or loss<br>Amount received from adjustment of tax liability \5,943,000 | ※2 ―――― | ※2. Details of gain from adjustment to prior period profit or loss<br>Amount received from adjustment of tax liability \1,618,000<br>Recovery of bad debts \638,000<br>Total \2,256,000 |
| ※3. Gain on sale or retirement of fixed assets<br>Buildings and structures ¥81,000<br>Machinery, equipment and delivery equipment ¥194,000<br>Total ¥275,000 | ※3 ―――― | ※3. Gain on sale or retirement of fixed assets<br>Land ¥4,068,000<br>Buildings and structures ¥109,000<br>Total ¥4,178,000 |
| ※4. Loss on sale or retirement of fixed assets<br>(Loss on sale of fixed assets)<br>Machinery, equipment and delivery equipment ¥243,000<br>Buildings and structures ¥91,000<br>Other assets ¥31,000<br>(Loss on retirement of fixed assets)<br>Rental equipment ¥7,788,000<br>Buildings and structures ¥11,875,000<br>Machinery, equipment and delivery equipment ¥1,555,000<br>Other assets ¥2,564,000<br>Total ¥24,151,000 | ※4. Loss on sale or retirement of fixed assets<br>(Loss on sale of fixed assets)<br>Machinery, equipment and delivery equipment ¥762,000<br>(Loss on retirement of fixed assets)<br>Rental equipment ¥34,174,000<br>Buildings and structures ¥5,992,000<br>Machinery, equipment and delivery equipment ¥1,280,000<br>Other assets ¥412,000<br>Total ¥42,621,000 | ※4. Loss on sale or retirement of fixed assets<br>(Loss on sale of fixed assets)<br>Buildings and structures ¥3,847,000<br>Machinery, equipment and delivery equipment ¥818,000<br>(Loss on retirement of fixed assets)<br>Rental equipment ¥85,707,000<br>Buildings and structures ¥8,437,000<br>Machinery, equipment and delivery equipment ¥1,551,000<br>Other assets ¥1,524,000<br>Total ¥101,886,000 |

**(Notes to the Interim Consolidated Statements of Cash Flows)**

| Current Consolidated Fiscal Year Interim Period (From November 1, 2001 to April 30, 2002) | Prior Consolidated Fiscal Year Interim Period (From November 1, 2000 to April 30, 2001) | Prior Consolidated Fiscal Year (From November 1, 2000 to October 31, 2001) |
|---|---|---|
| Relationships between interim period ending balance for cash and equivalents and amounts for items shown on the interim consolidated balance sheet (As of April 30, 2002)<br>Cash and equivalents ¥21,011,766,000<br>Term deposits with a maturity longer than 3 months – ¥387,702,000<br>Items considered to be cash and equivalents ¥20,624,063,000 | Relationships between interim period ending balance for cash and equivalents and amounts for items shown on the interim consolidated balance sheet (As of April 30, 2001)<br>Cash and equivalents ¥15,784,766,000<br>Term deposits with a maturity longer than 3 months – ¥4,729,000<br>Items considered to be cash and equivalents ¥15,780,037,000 | Relationships between interim period ending balance for cash and equivalents and amounts for items shown on the interim consolidated balance sheet (As of October 31, 2001)<br>Cash and equivalents ¥15,996,639,000<br>Term deposits with a maturity longer than 3 months – ¥5,333,000<br>Items considered to be cash and equivalents ¥15,991,306,000 |

## IV Business segment information

### (Segment information by type of business)

### Prior consolidated fiscal year interim period (From November 1, 2000 to April 30, 2001)

(Unit: Yen thousands)

| | Construction equipment rental business | Steel sales business | Computer and peripheral equipment and other businesses | Total | Eliminations or entire company | Consolidated |
|---|---|---|---|---|---|---|
| Revenues | | | | | | |
| (1) Sales to outside customers | 28,048,269 | 3,912,105 | 679,853 | 32,640,228 | — | 32,640,228 |
| (2) Sales or transfers between related segments | 178 | — | — | 178 | – 178 | — |
| Total | 28,048,447 | 3,912,105 | 679,853 | 32,640,407 | – 178 | 32,640,228 |
| Operating expenses | 26,464,698 | 3,873,033 | 677,929 | 31,015,661 | – 13,173 | 31,002,488 |
| Operating income | 1,583,749 | 39,072 | 1,923 | 1,624,745 | 12,994 | 1,637,740 |

### Consolidated fiscal year interim period under review (From November 1, 2001 to April 30, 2002)

(Unit: Yen thousands)

| | Construction equipment rental business | Steel sales business | Computer and peripheral equipment and other businesses | Total | Eliminations or entire company | Consolidated |
|---|---|---|---|---|---|---|
| Revenues | | | | | | |
| (1) Sales to outside customers | 28,833,499 | 3,157,515 | 624,874 | 32,615,889 | - | 32,615,889 |
| (2) Sales or transfers between related segments | - | - | - | - | - | - |
| Total | 28,833,499 | 3,157,515 | 624,874 | 32,615,889 | - | 32,615,889 |
| Operating expenses | 27,169,129 | 3,168,629 | 649,919 | 30,987,678 | – 67,303 | 30,920,375 |
| Operating income | 1,664,369 | – 11,113 | – 25,044 | 1,628,210 | 67,303 | 1,695,514 |

### Prior consolidated 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 |
|---|---|---|---|---|---|---|
| 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 |

(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. As described in "5. (4) Accounting principles and standards" beginning in the interim consolidated accounting period 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 ¥104,640,000 and operating income increased by the same amount, respectively, for the interim consolidated accounting period under review, compared to what they otherwise would have been had the accounting standards used in prior period been applied.

During the interim consolidated accounting period 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 ¥123,550,000 and operating income increased by the same amount, respectively, for the interim consolidated accounting period under review, compared to what they otherwise would have been had the accounting standards used in prior period been applied.

As described in "Change in significant matters for preparation of the interim consolidated financial statements," the Company has 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 interim consolidated accounting period 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, operating expenses for construction-related businesses decreased by ¥46,038,000 and operating income increased by the same amount, respectively, compared to what they otherwise would have been had the accounting standards used in previous periods been applied.

During the interim consolidated accounting period 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 ¥78,074,000, operating expenses for steel sales-related business decreased by ¥1,698,000 and operating expenses for computer and peripheral equipment business and other businesses decreased by ¥739,000, 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.

## (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 fiscal year interim period, the consolidated fiscal year interim period and the prior consolidated accounting fiscal year.

## (Foreign sales)

The Company did not have any foreign sales during the prior consolidated fiscal year interim period, the consolidated fiscal year interim period and the prior consolidated accounting fiscal year.

## V Lease Transactions

### Current Consolidated Fiscal Year Interim Period (From November 1, 2001 to April 30, 2002)

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

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

| | Acquisition price (¥ 000) | Accumulated depreciation (¥ 000) | Outstanding balance (¥ 000) |
|---|---|---|---|
| Rental assets | ¥19,042,497 | ¥8,378,550 | ¥10,663,947 |
| Other assets | ¥567,003 | ¥337,739 | ¥229,264 |
| Total | ¥19,609,501 | ¥8,716,289 | ¥10,893,211 |

(2) Outstanding balance of future leas payments at the end of the interim period

| | |
|---|---|
| Within one year | ¥3,789,278,000 |
| After one year | ¥7,263,822,000 |
| Total | ¥11,053,101,000 |

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

| | |
|---|---|
| Lease payments | ¥1,839,058,000 |
| Depreciation expense | ¥1,657,595,000 |
| Interest expense | ¥164,976,000 |

(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 | ¥1,616,353,000 |
| After one year | ¥2,783,375,000 |
| Total | ¥4,399,728,000 |

### Prior Consolidated Fiscal Year Interim Period (From November 1, 2000 to April 30, 2001)

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

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

| | Acquisition price (¥ 000) | Accumulated depreciation (¥ 000) | Outstanding balance (¥ 000) |
|---|---|---|---|
| Rental assets | ¥13,230,516 | ¥5,871,914 | ¥7,358,602 |
| Other assets | ¥794,854 | ¥334,152 | ¥460,702 |
| Total | ¥14,025,371 | ¥6,206,067 | ¥7,819,304 |

(2) Outstanding balance of future leas payments at the end of the interim period

| | |
|---|---|
| Within one year | ¥2,483,331,000 |
| After one year | ¥5,482,320,000 |
| Total | ¥7,965,652,000 |

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

| | |
|---|---|
| Lease payments | ¥1,357,042,000 |
| Depreciation expense | ¥1,239,438,000 |
| Interest expense | ¥124,679,000 |

(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 | ¥1,427,854,000 |
| After one year | ¥3,386,803,000 |
| Total | ¥4,814,658,000 |

### Prior Consolidated 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 prices, accumulated depreciation and outstanding balances at the end of the interim 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 leas payments at the end of the interim period

| | |
|---|---|
| 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 |

## VI Notes related to negotiable securities

### Prior consolidated fiscal year interim period (As of April 30, 2001)

#### Market value of negotiable securities

**1. Other negotiable securities with a market value** (Unit: Yen thousands)

| | Prior consolidated fiscal year interim period end | | |
|---|---|---|---|
| | Acquisition cost | Amount reported on the interim consolidated balance sheet | Difference |
| (1) Stocks | 1,468,149 | 2,918,702 | 1,450,553 |
| (2) Bonds | | | |
| Central and local government bonds | — | — | — |
| Corporate bonds | 280,652 | 280,978 | 325 |
| Other | 20,000 | 19,378 | – 622 |
| (3) Other | 1,097,994 | 895,290 | – 202,704 |
| Total | 2,866,797 | 4,114,349 | 1,247,552 |

**2. Details of other negotiable securities that do not have a market value** (Unit: Yen thousands)

| | Prior consolidated fiscal year interim period end |
|---|---|
| | Amount shown on the interim period consolidated balance sheet |
| Other negotiable securities | |
| Unlisted stocks (excluding over-the-counter stocks) | 719,463 |

### Consolidated fiscal year interim period under review (As of April 30, 2002)

#### Market value of negotiable securities

**1. Other negotiable securities with a market value** (Unit: Yen thousands)

| | Consolidated fiscal year interim period under review | | |
|---|---|---|---|
| | Acquisition cost | Acquisition cost | Acquisition cost |
| (1) Stocks | 1,793,449 | 2,092,469 | 299,020 |
| (2) Bonds | | | |
| Central and local government bonds | — | — | — |
| Corporate bonds | 250,407 | 245,785 | – 4,622 |
| Other | 20,000 | 14,800 | – 5,200 |
| (3) Other | 1,018,218 | 875,492 | – 142,726 |
| Total | 3,082,075 | 3,228,547 | 146,471 |

**2. Details of other negotiable securities that do not have a market value** (Unit: Yen thousands)

| | Consolidated fiscal year interim period under review period end |
|---|---|
| | Amount shown on the interim period consolidated balance sheet |
| Other negotiable securities | |
| Unlisted stocks (excluding over-the-counter stocks) | 502,210 |
| Unlisted foreign bonds | 10,053 |
| Corporate bonds with attached warrants | 10,000 |

**Prior consolidated fiscal year (As of October 31, 2001)**

**Market value of negotiable securities**

**1. Other negotiable securities with a market value** (Unit: Yen thousands)

| | Prior consolidated fiscal year end | | |
|---|---|---|---|
| | Acquisition cost | Acquisition cost | Acquisition cost |
| (1) Stocks | 1,677,993 | 2,157,125 | 479,132 |
| (2) Bonds | | | |
| Central and local government bonds | — | — | — |
| Corporate bonds | 231,270 | 227,830 | – 3,440 |
| Other | — | — | — |
| (3) Other | 1,032,448 | 797,813 | – 234,635 |
| Total | 2,941,712 | 3,182,768 | 241,056 |

**2. Details of other negotiable securities that do not have a market value** (Unit: Yen thousands)

| | Prior consolidated fiscal year end |
|---|---|
| | Amount shown on the consolidated fiscal year-end balance sheet |
| Other negotiable securities | |
| Unlisted stocks (excluding over-the-counter stocks) | 497,010 |
| Unlisted foreign bonds | 10,053 |
| Corporate bonds with attached warrants | 10,000 |

## VII Notes related to Derivative Transactions

**Prior consolidated fiscal year interim period (As of April 30, 2001)**

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

**Consolidated fiscal year interim period under review (As of April 30, 2002)**

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

**Prior consolidated fiscal year (As of October 31, 2001)**

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