Fiscal Year ended October 31, 2003

Accounting Bulletin (Consolidated)

December 11, 2003

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

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Date of Report to the Board of Directors December 11, 2003

SEC Accounting Standards The Company has not adopted SEC accounting standards

1. Consolidated Operating Results for the Fiscal Year ended October 31, 2003

(November 1, 2002 – October 31, 2003)

(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	%
Fiscal year ended October 31, 2003	63,686	(−2.4)	2,307	(0.9)	2,279	(−4.3)
Fiscal year ended October 31, 2002	65,251	(−3.1)	2,287	(−20.4)	2,381	(−26.9)

	Net Income		Net Income per Share of Common Stock	Net income per share on a fully diluted basis	Return on shareholders' equity	Return on total assets	Ordinary income margin
	Millions of yen	%	Yen	Yen	%	%	%
Fiscal year ended October 31, 2003	913	(−24.4)	29.96	27.11	2.9	2.4	3.6
Fiscal year ended October 31, 2002	1,209	(155.8)	39.99	30.76	3.9	2.3	3.6

(Note) 1. Investment profit or loss accounted for by the equity method

Fiscal Year ended October 31, 2003 —

Fiscal Year ended October 31, 2002 —

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

Fiscal Year ended October 31, 2003 30,030,383 shares

Fiscal Year ended October 31, 2002 30,235,808 shares

3. Are there any changes in accounting method? No

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

(2) Consolidated Financial Position

	Total Assets	Shareholders' Equity	Shareholders' Equity Ratio	Shareholders' Equity per Share
	Millions of yen	Millions of yen	%	Yen
Fiscal year ended October 31, 2003	89,010	31,907	35.8	1,068.25
Fiscal year ended October 31, 2002	99,313	31,240	31.5	1,033.30

(Note) Number of shares (consolidated) issued and outstanding at the end of the fiscal year:
Fiscal Year ended October 31, 2003 29,868,824 shares Fiscal Year ended October 31, 2002 30,233,756 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
Fiscal year ended October 31, 2003	10,359	−107	−13,764	11,920
Fiscal year ended October 31, 2002	10,645	−442	−10,761	15,433

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

Number of consolidated subsidiaries: 4
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) 0 (Excluded) 2
Equity method accounting (new companies) 0 (Excluded) 0

2. Projected Consolidated Operating Results for the Fiscal Year Ending October 31, 2004

(November 1, 2003 - October 31, 2004)

	Revenues	Ordinary Income	Net Income
	Millions of yen	Millions of yen	Millions of yen
Interim period	29,970	920	420
Full year	59,590	1,450	580

Reference: Projected net income per share of common stock (Full year) ¥19.42

*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

I Current Conditions of the Company's Group

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

Businesses related to the Construction Equipment Rental Division

The Company's rental division, together with **Daiichi Machine Industries Co., Ltd.** (a consolidated 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 two subsidiary companies operate in designated marketing areas and borrow rental equipment assets from the Company as needed in order to meet customer demand. Taniguchi Co., Ltd., a subsidiary company that also engaged in this business, was merged into Kanamoto in August 2003.

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

In addition to the above companies, **Kanatech Co., Ltd.** (a consolidated subsidiary company) develops, manufactures and sells modular housing units for temporary use. **Polyshield Services Co., Ltd.** (a non-consolidated subsidiary company), which was engaged in the sale and construction of specialized rust-proof, water-proof shields, has halted all business operations at the present time.

Businesses related to the Steel Sales Division

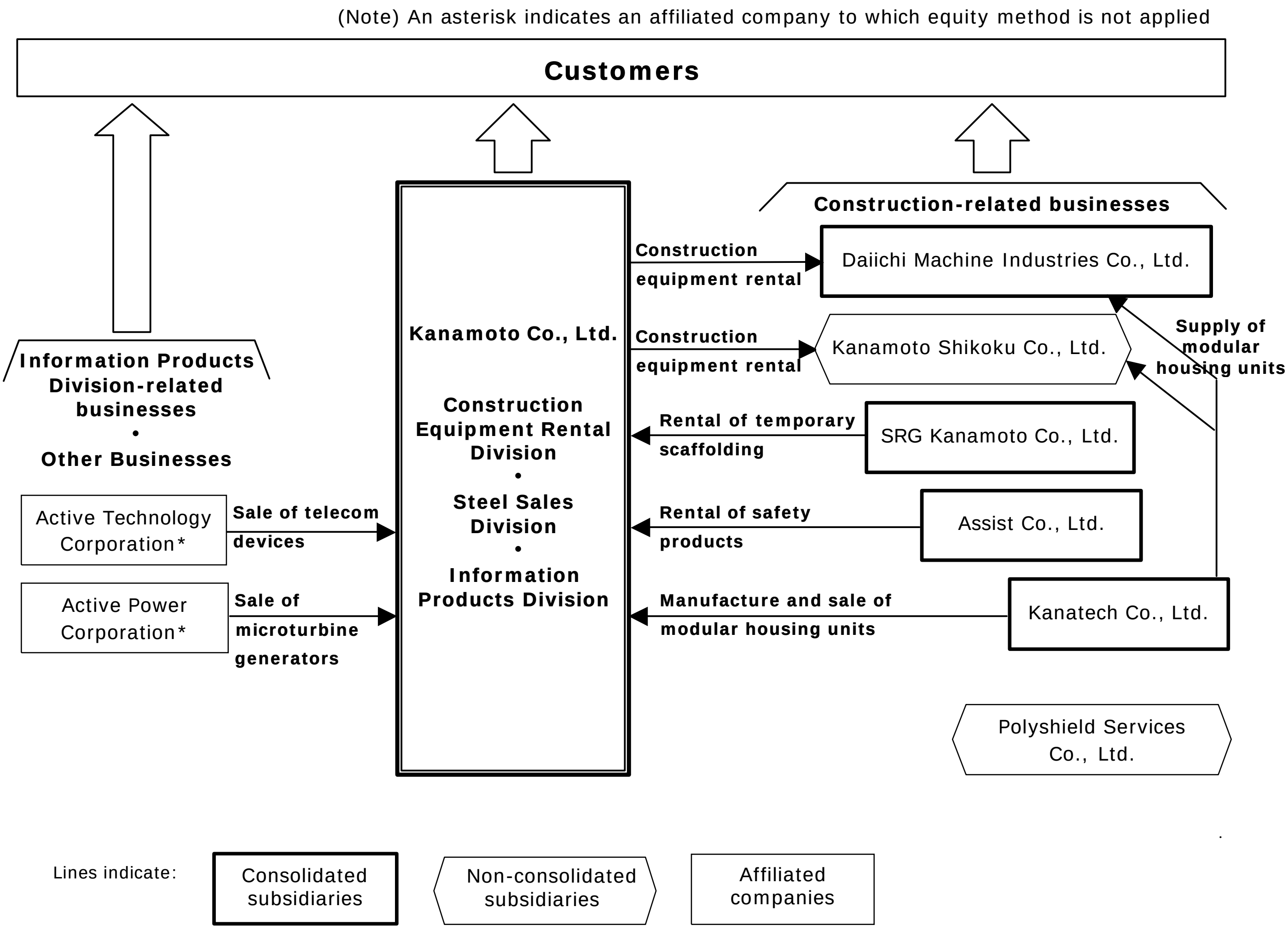
The Company's Steel Sales Division sells steel products and construction-related manufactured goods. The Company has no subsidiaries or affiliated companies related to this division.

Businesses related to the Information Products Division and Other Businesses

As the Company's information and telecommunications-related division, Kanamoto's Information Products Division is engaged in the rental and sale of computers, computer peripheral equipment and equipment for the development of computer products. **Active Technology Corporation** (an affiliated company), which is principally engaged in the sale of telecommunications-related equipment such as wireless LAN devices, is affiliated with this division.

As a supplemental business, **Active Power Corporation** (an affiliated company) is engaged in the sale of microturbine generators manufactured by Capstone Corporation, a U.S. company, and supplies these products to the Company, among others.

Relationship of the Operating Businesses



II Management Policies

1. Basic policies concerning business management

Kanamoto Company believes that adapting to changes in its business environment, developing the firm on a sustainable basis and maximizing earnings contributes to the best results for all of its stakeholders. This is the reason the Company has always made the centerpiece of its action agenda the concept "constantly seek innovation and strive to energize the business."

By offering each customer optimal solutions and services fine-tuned to its exact needs, based on rational rental proposals that take maximum advantage of Kanamoto's years of accumulated equipment rental knowledge and experience, Kanamoto seeks to grow in a manner that will contribute fully to society.

2. Basic policies concerning distribution of earnings

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

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

During the consolidated fiscal year under review, the Company purchased 351,000 shares of treasury stock. Kanamoto has established a policy and system for the amortization of treasury stock, based on the assumption the Company will execute its policy at the appropriate time according to circumstances.

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

Given the Company's present circumstances and markets, management believes it has adopted an appropriate position with regard to Kanamoto's investment unit and stock allocation, and has no plans to reduce these positions at this time. The Company currently also has no plans to execute a stock split.

The Company will continue to flexibly examine its activities, however, in accordance with the future situation concerning the distribution of investment units.

2-3. Management indicators established as objectives

Because of the need for the Company to maintain a large quantity of assets, Kanamoto has always emphasized ROI (return on investment) and cash flow, and seeks growth in EBITDA (earnings before interest, taxes, depreciation and amortization) to meet its primary objective of establishing a solid management foundation.

For the new long-range management plan Kanamoto will launch in the fiscal year ending in October 2004, the Company will seek to attain the following numerical objectives after three years (fiscal year ending October 2006) and five years (fiscal year ending October 2008).

(Millions of yen, except net income per share)

		Fiscal Year ending October 2006 (After three years)	Fiscal Year ending October 2008 (After five years)
Consolidated operating results	Revenues	60,400	63,340
	Ordinary income	3,350	5,370
	Net income per share	57 yen	93 yen
Non-consolidated operating results (Kanamoto Company)	Revenues	58,000	60,600
	Ordinary income	3,160	5,070
	EBITDA	18,029	19,553

3. Medium to long-term corporate management strategy

Kanamoto has now completed the first two years of its "Kanamoto Survival Plan," the three-year medium-term management plan the Company has been executing since the fiscal year ended October 2002 (38th Business Period), and is currently in the final year of the plan. During these two years, Kanamoto has reduced and improved the total cost of revenues and its selling, general and administrative expenses, and heightened every employee's sense of the challenges facing the Company. As a result, the Company was able to achieve operating results that exceeded its initial targets.

Because of its primary focus on cost reduction strategies and reform of internal systems, however, the survival plan possesses inherent limits as a profit expansion program.
Kanamoto has therefore positioned the fiscal year ending in October 2004 (40th Business Period), the final year of the "Kanamoto Survival Plan," as the first year in the Company's new management plan. "Metamorphosis" is a long-range, five-year plan, through which Kanamoto will launch efforts to reinvigorate the Company and create a stronger Kanamoto that is well-equipped to survive in the face of a changed business environment, by the end of the fiscal year ending in October 2008.

In the new long-range management plan, Kanamoto will focus on enhancing the operating systems in the Construction Equipment Rental Division, which is the core business of Kanamoto and the Kanamoto group. To accomplish this plan we have established the following objectives.

a) Earnings-focused management

Kanamoto will shift its focus from the revenues-first approach utilized in the past and emphasize gross profit. Moreover, because the Company has already completed the replacement of its rental assets with the latest emissions-controlled models designed to reduce pollution, during the plan period the Company will limit the introduction of new rental assets and work to reduce the amount of depreciation and amortization expense, which reduces operating income. The Company will continue to aggressively introduce small-scale construction equipment and inexpensive rental assets, however, which boast high profit margins.

b) Execute a bold scrap and build program

Currently, Hokkaido accounts for 41% of Kanamoto's total revenues by region, with Honshu accounting for the remaining 59%. Kanamoto will further pursue the shift in sales towards Honshu, and implement a flexible branch office location strategy that will increase the percentage of revenues accounted for by Honshu to 65%. In addition to taking bolder measures to close and scale back the number of unprofitable branches in particular, the Company will concentrate on establishing lightly-equipped branches centered particularly in the Tokyo metropolitan area.

c) Build a powerful marketing organization where customers are always Number One

By taking maximum advantage of its information systems, Kanamoto will implement marketing programs to thoroughly fulfill user needs, including new models and new construction methods, and capture regional construction projects. The Company will continue to reconfigure its asset composition to best suit the regional characteristics of each branch office, independently and autonomously of the others, to create a position in which Kanamoto's presence is indispensable for its customers' operations.

d) Pursue Kanamoto's alliance strategy

Kanamoto is presently developing its approach of building a Kanamoto alliance group, which the Company has developed in western Japan and used to produce tangible results in market share growth in the corresponding region. The Company will introduce the technique in other marketing areas as well. By using this approach Kanamoto has strengthened corporate cooperation as the Kanamoto group, regardless of whether its partners are consolidated or non-consolidated companies, and improved synergistic effects.
Although the Kanamoto group reaches from Hokkaido to Okinawa when all of the alliance firms are included, each business base is united organically to form a unified entity capable of providing the same quality of products and services throughout Japan.

Even though business conditions will be extremely difficult during the initial two-year period of the new long-range management plan, by pursuing the objectives mentioned above Kanamoto will earn industry recognition as the leading company in the construction equipment rental business. By continuing efforts to improve and strengthen its financial position, Kanamoto will seek to create a firm that is evaluated positively by the market, through measures such as its debt rating and dividend policy.

4. Issues to be addressed by the Company

Under the financial restoration policy proclaimed by the Koizumi Cabinet, controls on public works expenditures are being slowly implemented. This policy is projected to remain unchanged as long as there are no large changes in the economy. At the same time, however, there are also limits on the low volume of private sector construction projects, which are concentrated in major metropolitan areas. Overall, there is little expectation for an immediate increase in construction demand.

Moreover, the construction equipment rental industry also faces headwinds that grow more intense with each passing day, as the volume of public works decreases. In addition to sharp unit price declines that are larger than anticipated, operating margins at both large and small construction equipment rental companies continue to shrink each year as building contractors demand large discounts. The severity of competition among firms makes new investment difficult for independent operators and small and medium-sized firms, and the industry faces an extremely tough business environment.

On the other hand, despite being confronted with this severe business environment, there are some positive signs for the construction equipment rental industry as well.

One such bright spot is the shift to construction equipment rentals, which is continuing steadily as construction firms strive to reduce their asset balances. Indicators of this trend include the use of rentals by construction firms to meet their equipment needs, which recently rose to 55.6%. This reliance on rentals is growing particularly at subcontractors working with large general construction firms, where the percentage of all equipment used at construction sites that is rented increased 2.0% points to 44.0%. Even for construction investment, where the general trend is downwards, there are some models and sectors for which unit price declines are comparatively small.

Kanamoto has already completed its transition to equipment designed in particular to be more environmentally friendly. By taking steps to reduce equipment exhaust emissions with an asset enhancement program based on aggressive introduction of new automobiles, the Company has created a full equipment lineup.

As a result, Kanamoto does not face a need for large-scale capital investment during the next few years. By utilizing its state-of-the-art rental construction equipment to the maximum extent, and cooperating closely with the companies and alliance partners in the Kanamoto group that are developing businesses in various regions, Kanamoto can direct its full attention to expanding the volume of orders received and focus on increasing earnings.

The Kanamoto group is a combination of firms that boast strong relationships with sectors such as temporary housing materials, furniture, fixtures and security equipment and specialized housing units, which supplement the Company's principal business of construction equipment rentals. Because the prompt, flexible utilization of these relationships will be the key to differentiation from other companies, Kanamoto will concentrate on further strengthening cooperation among Kanamoto group firms, steadily increasing synergistic effects and zealously working to create a knowledge management system and equipment maintenance standardization system that effectively utilizes the online network linking all of the Company's branches.

5. Basic approach concerning corporate governance and status of corporate governance measures

Kanamoto introduced a corporate officer system in January 2001 to clarify responsibility for execution of the Company's businesses. Kanamoto has also consolidated its organizational framework, which will improve the communication function for top-down notification of instructions such as management policies, and provide a system for keeping every employee well informed about the Company's policies.
In conjunction with this change the Company partially revamped its organizational structure. By establishing a separate Management Planning Division and restructuring the Business Coordination Headquarters, Kanamoto is making every effort to prepare exact business strategies that conform to the market environment and, in line with this effort, execute comprehensive management controls at each business division and each affiliated company.

In addition, by preparing ethics guidelines and establishing a Compliance Committee that includes outside committee members, the Company has taken steps to strengthen observance of laws and ethics regulations.

Kanamoto has also established a Rewards and Penalties Committee to propose separate rewards and demerits, a New Branch Committee to examine large-scale capital investment proposals related to opening new branch proposals and offices, a Proposal Study Committee to investigate employee proposals, determine if they are feasible to execute and propose commendations for such ideas, a Personnel Examination Committee to investigate changes in the promotions and work group system, an Operating Results Committee to propose performance-based compensation and draft commendations for branches demonstrating excellent achievement, and a Public Relations Planning Committee to closely review the contents of corporate announcements. By establishing these various committees, Kanamoto continues to promote in-house awareness concerning corporate governance.

III Operating Results and Financial Position

(1) Operating results

a) Summary of consolidated fiscal year operating results

During the consolidated fiscal year under review, business sentiment in some sectors of Japan's economy showed a positive outlook. In particular, operating results recovered substantially in major manufacturing industries that had previously completed excess capacity adjustments. On the other hand, in industries such as construction and services where industry reorganization has not progressed very far, the deflationary economy continued to play itself out. At the small and medium-sized enterprises that comprise the vast majority of the economy in particular, a situation colored by a sense of economic stagnation continued. Personal consumption as well remains sluggish, affected by the delay in recovery of the business environment and worries about the future that are manifest in questions about employment and pension issues.

In the construction industry, which is Kanamoto's main customer, there was no early order boost from government orders for public works. With healthy private sector demand also concentrated in only the major metropolitan areas, a tough environment prevailed throughout Japan. A synopsis for each of Kanamoto's business sectors is provided below.

Construction-related business

With the decline in public works, construction equipment rental prices remained at rock bottom levels. The business environment surrounding the industry remained severe. Customers made more forceful requests for discounts, encouraged by excessive competition among firms.

Given the decline in government orders for public works during fiscal 2003, plus other influences such as nationwide local elections and a House of Representatives election, construction equipment rental demand throughout the fiscal year suffered from a lack of upward momentum. Particularly in regions where the volume of public works orders was small, the circumstances that swept over and engulfed the construction equipment rental industry, which was already gasping from a wave of price competition as firms sought to maintain sales, showed no positive signs of easing.

In its Construction Equipment Rental Division, Kanamoto continued its efforts from the prior fiscal year as it sought to thoroughly implement low-cost operations. During the consolidated fiscal year under review the Company undertook efforts to reduce transportation charges and review maintenance costs, areas that received less attention in the past. Management also worked to maintain profits through measures such as shifting rental assets to models less susceptible to unit price reductions.

During the consolidated fiscal year under review, Kanamoto opened two branches and closed two branches in the Hokkaido territory, closed one branch in the Tohoku territory, added three new branches in the Kanto-Shinetsu territory and opened two new branches in the Kinki-Chubu territory. Altogether the branch network grew by a net addition of four branches (seven opened, three closed). This included two newly established branches in the Hokkaido district in Otaru and Yoichi, which were added when the Company merged with Taniguchi Co., Ltd. in August 2003.

By region, the downward trend in public works construction in both Hokkaido and the Tohoku territory was undeniable. Nevertheless, the Company made a strong effort and kept the decline in construction equipment rental revenues by region to 2.4% and 0.5%, respectively, by focusing on even small-scale construction works with the intent of not losing any orders. Rental revenues in the Kanto-Shinetsu territory rose by 4.1% compared to the prior fiscal year, reflecting the results of new branches opened in Tokyo and the surrounding areas, while rental revenues in the Kinki-Chubu territory jumped 15.3% as the result of Kanamoto's alliance efforts. During the consolidated fiscal year under review, the percentage of total rental revenues accounted for by Hokkaido and Honshu were 41.3% and 58.7%, respectively, and the results from Kanamoto's effort to shift business to the Tokyo metropolitan area are becoming steadily apparent. As a result of these changes, revenues from construction equipment rentals increased by 1.3% year-on-year.

With regard to the division's sales revenues, on the other hand, revenues from overseas sales of used construction equipment grew by 9.2%. Domestic sales rose by 2.4%, reflecting the results of a campaign the Company initiated to sell used temporary unit housing. As a result, total sales revenues increased by 5.8% compared to the prior consolidated fiscal year.

Operating income recovered and grew by 4.2%. This reflected efforts to shrink both total cost of revenues from operations and selling, general and administrative expenses by managing a low-cost operation, and the success of the Company's effort to achieve a more balanced depreciation expense burden by emphasizing leases as the means for introducing construction rental assets.

The conditions for consolidated subsidiaries in the Company's construction-related businesses were as follows.
In August 2003, Kanamoto merged with Taniguchi Co., Ltd., with Kanamoto being the surviving entity. Assist Co., Ltd., which handles products that are less affected by falling prices, increased revenue by only 1.7% but substantially expanded fiscal year net income, which rose by 203.3%. SRG Kanamoto Co., Ltd. began to reap the benefits of opening a branch in Sapporo, as sales grew by 19.7% compared to the prior consolidated fiscal year, and although the company still had a deficit for the fiscal year, it reduced the size of the net loss by 37.3%. Kanatech Co., Ltd. faced a difficult challenge, as fiscal year sales fell 44.7% because of a sharp drop in demand both inside and outside of the Kanamoto group, especially in the number of orders from Kanamoto, which resulted in a full-year net loss. Daiichi Machine Industries Co., Ltd. saw its revenues shrink 8.9% compared to the prior consolidated fiscal year, under the influence of declining public works construction. By amortizing past years' costs during the prior fiscal year, however, the Company was able to increase fiscal year net income by 392.4%.

As a result of the above activities, consolidated revenues from construction-related businesses decreased 0.3% year-on-year to ¥56,395 million, and operating income rose 4.6% compared to the prior consolidated fiscal year to ¥2,205 million.

Steel sales-related business

The Steel Sales Division focused its efforts on increasing sales centered on the Sapporo metropolitan area, where demand was expected to be strong, with the retail business also taking pains to increase sales. Efforts to stimulate demand were less successful than expected, however. Added to this was the Company's effort to strengthen internal credit controls. As a result, sales fell by 14.3% compared to the prior consolidated fiscal year to ¥6,373 million, and the operating loss decreased by 110.8% to ¥5 million yen.

Information Products Business and Other Businesses

Because demand shifted away from expensive engineering workstations to low-priced PC workstations, Kanamoto's Information Products Business Division saw its rental revenue shrink by 17.4% compared to the prior consolidated fiscal year. Equipment sales also fell, declining 32.4% as sales of wireless LAN modules for factory use came to an end and development and mass production of new model modules was delayed. For the division as a whole, revenues decreased 26.5%.

As a result of the above activities, revenues for the Company's Information Products Business and Other Businesses shrank 27.1% from the prior consolidated fiscal year level to ¥916 million, and operating income declined 467.1% year-on-year to ¥24 million yen.
In other businesses, as previously reported in March 2003 the Company liquidated Providence Brewery Co., Ltd.

Fiscal Year ended October 31, 2003 Consolidated Operating Results

(Million yen; % change from prior year)

	Revenues		Operating Income		Ordinary Income		Net Income	
Consolidated Fiscal Year under review	63,686	–2.4%	2,307	0.9%	2,279	–4.3%	913	–24.4%
Prior consolidated Fiscal Year	65,251	–3.1%	2,287	–20.4%	2,381	–26.9%	1,209	155.8%

b) Outlook for the next consolidated fiscal year (Business Period ending October 2004)

Expenditures for public works during fiscal 2003 have already been executed, and the organization of a supplementary budget to be used as an employment measure is being debated. Nevertheless, the central government has a full plate of various domestic and international issues that need to be resolved. Given present circumstances, it is difficult to anticipate any substantial changes in the government's current economic policy, whose overall tone is one of fiscal spending restraint, for the next fiscal year and after. The severity of the business environment surrounding the construction equipment rental industry is expected to continue under the influence of factors such as the trend towards reducing public works expenditures and the lack of a strong recovery trend in private sector construction and capital investment. Under these circumstances, Kanamoto will execute bold, active measures based on "Metamorphosis," the Company's new long-range management plan, to create a corporate business structure and financial position that will enable Kanamoto to respond fully to this tough business environment.

In a capital-intensive business such as construction equipment rentals, a company will incur a depreciation expense burden each year corresponding to the volume of rental assets owned. On the other hand, the rental business also has characteristics that enable a rental company to earn gains on the sale of its used assets after generating a steady stream of earning through rental of the assets over a sufficient period of time.

Over the past few years, Kanamoto made an effort to differentiate itself from other companies by aggressively carrying out a program to update and reinforce its rental assets on an accelerated schedule. This included an antipollution program targeting areas such as emissions control. During this period a trend to restrict new asset introductions was generally very strong throughout the construction equipment rental industry.

As a result, the majority of Kanamoto's asset lineup consists of construction equipment models with state-of-the-art pollution control equipment. Because it will not be necessary for the Company to replace its new equipment for the next several years, Kanamoto will not face any large capital investment burden for equipment rental assets.

In its new long-range management plan, Kanamoto has not planned any large asset introductions for the immediate future. Because used construction equipment disposals will also be limited, the Company will be able to utilize its rental assets to provide a basis for rental operations over a greater number of years than traditionally was possible.

As a result, the sale and disposal of used construction equipment that has contributed to earnings to-date will be limited in the early stages of the Company's new long-range management plan. Moreover, to form sound industry business practices, a temporary decline in revenue is projected based on the policy of responding to non-payment of user service fees with a firm business stance and optimization of rental fees. Based on these transitional factors resulting from the severe business environment and implementation of the Company's new long-range management plan, Kanamoto has established a strict business plan for revenues and income for the fiscal year ending October 2004.

By steadily following the individual measures and strategies outlined in "Metamorphosis," its new long-range management plan, however, the Company projects substantial improvement in its earnings level by the final fiscal year of the plan.

Fiscal Year ending October 31, 2004 Projected Consolidated Operating Results

(Million yen; % change from prior year)

	Revenues		Operating Income		Ordinary Income		Net Income	
Interim period	29,970	–8.0%	1,020	–46.5%	920	–48.8%	420	–46.2%
Full year	59,590	–6.4%	1,630	–29.3%	1,450	–36.4%	580	–36.5%

(2) Financial position

For the consolidated fiscal year under review, **cash flow from operating activities** was down 2.7% from the prior consolidated fiscal year, to ¥10,359 million. The amount paid for corporate and other taxes decreased sharply, but cash flow declined because of the drop in income before taxes and adjustments and lower depreciation and amortization expense.

Cash flow from investing activities was ¥107 million. This was ¥335 million (75.8%) less than in the prior consolidated fiscal year, and mainly reflected a large decrease in funds used for the purchase of investment securities.

Cash flow used for financing activities increased by 27.9% to ¥13,764 million. The increase was mainly because of increases in funds used for redemption of straight bonds and funds used for redemption of convertible bonds.

As a result of the above, the balance of cash and the cash equivalents at the end of the consolidated fiscal year under review was ¥11,921 million yen, ¥3,512 million (22.8%) less than at the end of the prior consolidated fiscal year.

Cash flow indicator trends for the Kanamoto group

The cash flow indicator trends for the Kanamoto group are provided below.

	Fiscal Year Ended October 2001	Fiscal Year Ended October 2002	Fiscal Year Ended October 2003
Shareholders' equity ratio (%)	28.9	31.5	35.8
Shareholders' equity ratio on a market capitalization basis (%)	15.0	14.4	17.7
Years to repay debt	4.5	4.7	4.0
Interest coverage ratio (times)	14.8	14.2	17.2

(Note)

Shareholders' equity ratio: Shareholders' equity / Total assets

Shareholders' equity ratio on a market capitalization basis: Shareholders' equity on a market capitalization basis / Total assets

Years to repay debt: Interest-bearing liabilities / Operating cash flow

Interest coverage ratio: Operating cash flow / Interest payments

*All indicators are calculated using financial values on a consolidated basis.

*Total market capitalization is calculated by multiplying the closing share price at the end of the term by the number of shares outstanding (after deducting treasury stock) at the end of the term.

*Cash flow from operating activities shown on the Consolidated Statements of Cash Flows is used as operating cash flow. Interest-bearing liabilities include all liabilities on which the Company pays interest that are accounted for on the Consolidated Balance Sheets.

The amounts shown as interest expense on the Consolidated Statements of Cash Flows are used as interest payments.

Fiscal Year ending October 31, 2004 Projected Cash Flows

Cash flow from operating activities is projected to decrease compared to the consolidated fiscal year under review because of lower revenues and earnings and a decrease in the amount of depreciation and amortization expense.

Cash flow from investing activities is projected to remain nearly unchanged from the level of the consolidated fiscal year under review because the Company does not project any large changes in expenditures.

Cash flow used for financing activities is projected to decrease compared with the consolidated fiscal year under review because the Company will not redeem straight bonds or convertible bonds.

As a result, the balance of cash and cash equivalents at the term of the next consolidated fiscal year is projected to remain at nearly the same level as the balance at the end of the consolidated fiscal year under review.

III Consolidated Financial Statements

1. Consolidated Balance Sheets

(Unit: Thousands of yen)

Category \ Period	Prior consolidated accounting fiscal year (As of October 31, 2002)		Current consolidated accounting fiscal year (As of October 31, 2003)		Change from prior year
	Amount	Percent	Amount	Percent	
(Assets)	¥ thousands	%	¥ thousands	%	¥ thousands
Current Assets					
Cash and deposits	15,437,482		11,928,637		−3,508,845
Notes and accounts receivable, trade	23,120,417		21,411,919		−1,708,497
Negotiable securities	75,075		39,192		−35,883
Inventory	809,466		854,296		44,829
Construction equipment	2,466,271		1,958,064		−508,207
Corporate and other taxes receivable	56,109		−		−56,109
Deferred tax assets	167,379		261,196		93,817
Other current assets	437,337		436,585		−751
Allowance for doubtful accounts	−494,633		−488,842		5,790
Total Current Assets	42,074,906	42.4	36,401,049	40.9	−5,673,856
Fixed Assets					
Tangible Fixed Assets					
Rental equipment	16,896,190		13,301,236		−3,594,954
Buildings and structures	7,685,672		7,187,496		−498,175
Machinery, equipment, vehicles and delivery equipment	1,087,738		989,031		−98,706
Land	24,600,974		24,637,537		36,562
Construction in progress	108,792		1,892		−106,900
Other assets	189,559		437,874		248,314
Total Tangible Fixed Assets	50,568,929	50.9	46,555,069	52.3	−4,013,860
Intangible Fixed Assets					
Other assets	100,727		102,748		2,021
Total Intangible Fixed Assets	100,727	0.1	102,748	0.1	2,021

(Unit: Thousands of yen)

Category \ Period	Prior consolidated accounting fiscal year (As of October 31, 2002)		Current consolidated accounting fiscal year (As of October 31, 2003)		Change from prior year
	Amount	Percent	Amount	Percent	
Investment and Other Assets	¥ thousands	%	¥ thousands	%	¥ thousands
Investment securities	3,682,356		3,572,156		−110,200
Deferred tax assets	1,748,980		1,383,397		−365,582
Other	1,717,732		1,559,460		−158,272
Allowance for doubtful accounts	−580,183		−563,757		16,425
Total Investments and Other Assets	6,568,886	6.6	5,951,255	6.7	−617,630
Total Fixed Assets	57,238,543	57.6	52,609,073	59.1	−4,629,469
Total Assets	99,313,449	100.0	89,010,122	100.0	−10,303,326
(Liabilities)					
Current Liabilities					
Notes and accounts payable, trade	11,965,279		11,048,285		−916,993
Short-term bank loans	905,454		713,358		−192,095
Long-term bank loans due within one year	8,484,358		9,672,816		1,188,457
Corporate bonds to be redeemed within one year	5,277,692		−		−5,277,692
Convertible bonds to be redeemed within one year	4,164,000		−		−4,164,000
Corporate taxes payable	19,309		648,231		628,921
Accrued bonuses to employees	541,179		442,868		−98,310
Accounts payable, other	7,909,341		5,819,386		−2,089,955
Other current liabilities	753,119		568,574		−184,545
Total Current Liabilities	40,019,734	40.3	28,913,520	32.5	−11,106,213
Long-term Liabilities					
Long-term bank loans	17,301,830		20,734,299		3,432,468
Accrued employees retirement benefits	1,675,725		1,777,314		101,589
Retirement allowances to directors and auditors	196,643		197,093		449
Long-term accrued expenses	8,636,876		5,333,619		−3,303,256
Consolidation adjustment account	25,493		14,630		−10,862
Other	118,996		61,076		−57,920
Total Long-term Liabilities	27,955,564	28.1	28,118,033	31.6	162,468
Total Liabilities	67,975,299	68.4	57,031,554	64.1	−10,943,745
(Minority Interests)					
Minority Interests	97,574	0.1	71,303	0.1	−26,271

(Unit: Thousands of yen)

Category \ Period	Prior consolidated accounting fiscal year (As of October 31, 2002)		Current consolidated accounting fiscal year (As of October 31, 2003)		Change from prior year
	Amount	Percent	Amount	Percent	
(Shareholders' Equity)	¥ thousands	%	¥ thousands	%	¥ thousands
Common stock	8,596,737	8.7	—	—	−8,596,737
Additional paid-in capital	9,720,343	9.8	—	—	−9,720,343
Consolidated retained earnings	13,044,002	13.1	—	—	−13,044,002
Valuation difference on other investment securities	−108,448	−0.1	—	—	108,448
Treasury stock	−2,086	−0.0	—	—	2,086
Parent company stock held by subsidiaries	−9,973	−0.0	—	—	9,973
Total Shareholders' Equity	31,240,575	31.5	—	—	−31,240,575
Common stock	—	—	8,596,737	9.7	8,596,737
Additional paid-in capital	—	—	9,720,343	10.9	9,720,343
Earned surplus	—	—	13,400,060	15.0	13,400,060
Valuation difference on other negotiable securities	—	—	367,442	0.4	367,442
Treasury stock	—	—	−177,318	−0.2	−177,318
Total Shareholders' Equity	—	—	31,907,265	35.8	31,907,265
Total Liabilities, Minority Interest and Shareholders' Equity	99,313,449	100.0	89,010,122	100.0	−10,303,326

2. Consolidated Statements of Income

(Unit: Thousands of yen)

Category \ Period	Prior consolidated accounting fiscal year (From November 1, 2001 to October 31, 2002)		Current consolidated accounting fiscal year (From November 1, 2002 to October 31, 2003)		Change from prior year
	Amount	Percent	Amount	Percent	
Revenues from operations	¥ thousands	%	¥ thousands	%	¥ thousands
Rental revenues	40,560,882		40,724,552		163,670
Sales	24,690,988		22,961,732		−1,729,256
Total revenues from operations	65,251,870	100.0	63,686,284	100.0	−1,565,586
Cost of revenues from operations					
Cost of rental revenues	30,630,540		30,928,308		297,767
Cost of goods sold	19,376,376		17,970,191		−1,406,185
Total cost of revenues	50,006,917	76.6	48,898,499	76.8	−1,108,417
Gross profit	15,244,953	23.4	14,787,785	23.2	−457,168
Selling, general and administrative expenses	12,957,410	19.9	12,480,119	19.6	−477,290
Operating income	2,287,543	3.5	2,307,665	3.6	20,122
Non-operating revenues					
Interest revenue	10,089		2,552		−7,537
Dividend income	45,627		79,711		34,084
Gain on sale of investment securities	157,293		134,900		−22,392
Insurance benefits	38,354		23,148		−15,205
Rents received	95,177		86,490		−8,687
Cash bonus received	168,536		18,733		−149,802
Amortization of consolidation adjustment account	6,237		−		−6,237
Other	233,103		182,479		−50,623
Total non-operating revenues	754,419	1.1	528,016	0.8	−226,403
Non-operating expenses					
Interest expense	475,129		398,080		−77,048
Other	185,605		158,298		−27,307
Total non-operating expenses	660,735	1.0	556,378	0.8	−104,356
Ordinary income	2,381,227	3.6	2,279,303	3.6	−101,924
Extraordinary profits					
Gain on sale or retirement of fixed assets	14,266		365		−13,900
Reimbursement of accrued employees retirement benefit	395,091		−		−395,091
Other	11,101		36,570		25,469
Total extraordinary profits	420,459	0.6	36,936	0.1	−383,522

(Unit: Thousands of yen)

Category \ Period	Prior consolidated accounting fiscal year (From November 1, 2001 to October 31, 2002)		Current consolidated accounting fiscal year (From November 1, 2002 to October 31, 2003)		Change from prior year
	Amount	Percent	Amount	Percent	
Extraordinary losses	¥ thousands	%	¥ thousands	%	¥ thousands
Loss on sale or retirement of fixed assets			88,863		−110,493
Valuation loss on investment securities	240,765		259,639		18,874
Loss on sale of investment securities	70,085		−		−70,085
Loss on redemption of convertible bonds	96,085		−		−96,085
Other	67,585		92,420		24,834
Total extraordinary losses	673,878	1.0	440,922	0.7	−232,955
Income before taxes and adjustments	2,127,807	3.2	1,875,316	3.0	−252,491
Corporate, local and business taxes	864,430	1.3	1,036,152	1.6	171,721
Adjustment for corporate and other taxes	59,397	0.1	−55,071	−0.0	−114,468
Minority interest loss	5,252	0.0	19,640	0.0	14,387
Net income	1,209,231	1.8	913,875	1.4	−295,356

3. Statements of Consolidated Retained Earnings

(Unit: Thousands of yen)

Category / Period	Prior consolidated accounting fiscal year (From November 1, 2001 to October 31, 2002) Amount		Current consolidated accounting fiscal year (From November 1, 2002 to October 31, 2003) Amount		Change from prior year
	¥ thousands	%	¥ thousands	%	¥ thousands
Balance of consolidated retained earnings at the beginning of the period		12,395,900		—	—12,395,900
Reduction in consolidated retained earnings					
Dividends	544,529		—		
Directors and auditors 'bonuses	16,600	561,129	—	—	—561,129
Net income for the period		1,209,231		—	—1,209,231
Balance of consolidated retained earnings at the end of the period		13,044,002		—	—13,044,002
(Capital Surplus)					
Balance of capital surplus at the beginning of the period		—		9,720,343	9,720,343
Balance of capital surplus at the end of the interim period		—		9,720,343	9,720,343
(Earned Surplus)					
Balance of earned surplus at the beginning of the period		—		13,044,002	13,044,002
Increase in earned surplus					
Net income for the period	—	—	913,875	913,875	913,875
Decrease in earned surplus					
Dividends	—		541,217		
Directors and auditors 'bonuses	—	—	16,600	557,817	557,817
Balance of earned surplus at the end of the period		—		13,400,060	13,400,060

4. Consolidated Statements of Cash Flows

(Unit: Thousands of yen)

Category / Period	Prior consolidated accounting fiscal year (From November 1, 2001 to October 31, 2002) Amount	Current consolidated accounting fiscal year (From November 1, 2002 to October 31, 2003) Amount	Change from prior year
Cash flow from operating activities	¥ thousands	¥ thousands	¥ thousands
Income before taxes and adjustments	2,127,807	1,875,316	−252,491
Depreciation and amortization expense	8,119,889	6,650,660	−1,469,228
Amortization of consolidation adjustment account	−6,237	61,057	67,295
Gain on sale or retirement of fixed assets	−14,266	−365	13,900
Loss on sale or retirement of fixed assets	199,356	88,863	−110,493
Installment purchases of assets for small-value rentals	265,647	113,174	−152,473
Reclassification of cost of sales associated with disposal of construction equipment	35,359	18,306	−17,053
Reclassification of cost of sales associated with disposal of rental assets	1,504,216	1,779,039	274,822
Expenditures for acquisition of rental assets	−1,251,943	−906,554	345,388
Valuation loss on investment securities	240,765	259,639	18,874
Gain on sale of investment securities	−157,293	−134,900	22,392
Loss on sale of investment securities	70,085	−	−70,085
Gain on redemption of corporate bonds by purchase	−46,450	−890	45,560
Loss on redemption of convertible bonds	96,085	−	−96,085
Increase (decrease) in allowance for doubtful accounts	300,631	−22,216	−322,847
Decrease in accrued bonuses to employees	−53,509	−98,310	−44,801
Increase (decrease) in accrued employees retirement benefits	−333,035	101,589	434,625
Increase (decrease) in retirement allowances to directors and auditors	−85,782	449	86,232
Interest revenue and dividend income	−55,717	−82,263	−26,546
Interest expense on installment purchases of rental assets	271,236	181,612	−89,623
Interest expense	475,129	398,080	−77,048
Decrease in accounts receivable, trade	2,985,326	1,708,497	−1,276,828
(Increase) decrease in inventory assets	336,554	−44,829	−381,384
Increase (decrease) in accounts payable, trade	−1,104,285	−916,993	187,291
Increase in accounts payable, other	107,073	206,893	99,820
Directors and auditors ’bonuses paid	−16,600	−16,600	−
Other, net	−563,520	74,043	637,564
Subtotal	13,446,523	11,293,299	−2,153,224
Interest and dividends received	55,717	82,263	26,546
Interest expense	−747,992	−600,912	147,080
Payment of corporate and other taxes	−2,108,470	−415,364	1,693,106
Cash flow from operating activities	10,645,777	10,359,286	−286,491

(Unit: Thousands of yen)

Category \ Period	Prior consolidated accounting fiscal year (From November 1, 2001 to October 31, 2002)	Current consolidated accounting fiscal year (From November 1,2002 to October 31, 2003)	Change from prior year
	Amount	Amount	
Cash flow from investing activities	¥ thousands	¥ thousands	¥ thousands
Disbursements for investments in term deposits	−207,190	−5,000	202,189
Revenue from redemption of term deposits	645,131	1,218	−643,913
Funds used for the purchase of tangible fixed assets	−398,195	−638,435	−240,240
Funds provided from the sale of tangible fixed assets	112,805	11,331	−101,474
Funds used for the purchase of intangible fixed assets	−26,294	−23,145	3,149
Funds used for the purchase of investment securities	−2,645,631	−1,361,608	1,284,023
Funds provided from sale of investment securities	2,243,014	1,988,385	−254,628
Funds used for purchase of investments	−16,129	−14,220	1,909
Funds used for purchase of subsidiary company stock following change in scope of consolidation	−114,274	−	114,274
Funds used for purchase of subsidiary company stock	−	−108,551	−108,551
Other	−35,512	42,998	78,510
Cash flow from investing activities	−442,276	−107,027	335,249
Cash flow from financing activities			
Decrease in short-term bank loans	160,001	−192,095	−352,097
Funds provided by long-term bank loans	13,670,000	15,000,000	1,330,000
Funds used to repay long-term bank loans	−10,538,637	−10,379,073	159,563
Funds used for redemption of straight bonds by purchase	−1,576,550	−65,110	1,511,440
Funds used for redemption of straight bonds	−	−5,277,692	−5,277,692
Funds used for redemption of convertible bonds	−3,590,085	−4,098,000	−507,915
Funds used for repayment of installment obligations	−8,348,209	−8,076,438	271,771
Funds used for the purchase of treasury stock	−1,548	−165,258	−163,709
Payment of dividends to parent company	−544,529	−541,217	3,312
Funds provided from the issue of stock to minority shareholders	8,000	30,000	22,000
Cash flow used for financing activities	−10,761,559	−13,764,886	−3,003,327
Increase (decrease) in cash and equivalents	−558,058	−3,512,627	−2,954,569
Balance of cash and equivalents at beginning of period	15,991,306	15,433,247	−558,058
Balance of cash and equivalents at end of the period	15,433,247	11,920,620	−3,512,627

5. Significant Accounting Policies for the Consolidated Financial Statements

	Prior Consolidated Fiscal Year (From November 1, 2001 to October 31, 2002)	Current Consolidated Fiscal Year (From November 1, 2002 to October 31, 2003)
1. Companies included in the consolidation	(1) Number of consolidated companies: 6 Consolidated company name: Taniguchi Co., Ltd. Assist Co., Ltd. SRG Kanamoto Co., Ltd. Kanatech Co., Ltd. Providence Brewery Co., Ltd. Daiichi Machine Industries Co., Ltd. (2) Main non-consolidated subsidiaries Non-consolidated subsidiary company name Polyshield Services Co., Ltd. Kanamoto Shikoku Co., Ltd. (Reason for exclusion from consolidation) The size of the non-consolidated subsidiaries is small and their net assets, sales and fiscal year profit or loss (amount corresponding to equity) and retained earnings (amount corresponding to) are small in size and do not have a material effect on the consolidated financial statements	(1) Number of consolidated companies: 4 Consolidated company name: Assist Co., Ltd. SRG Kanamoto Co., Ltd. Kanatech Co., Ltd. Daiichi Machine Industries Co., Ltd. Providence Brewery Co., Ltd., a consolidated subsidiary during the prior consolidated accounting fiscal year, was liquidated in April 2003. Providence Brewery's financial results have been eliminated from the Consolidated Statements of Income and the Consolidated Statements of Cash Flows, and the company has been removed from the scope of consolidation. Taniguchi Co., Ltd., a consolidated subsidiary during the prior consolidated accounting fiscal year, merged with Kanamoto Co., Ltd. on August 1, 2003. Taniguchi's financial results have been eliminated from the Consolidated Statements of Income and the Consolidated Statements of Cash Flows, and the company has been removed from the scope of consolidation. (2) Main non-consolidated subsidiaries Non-consolidated subsidiary company name Polyshield Services Co., Ltd. Kanamoto Shikoku Co., Ltd. (Reason for exclusion from consolidation) The size of the non-consolidated subsidiaries is small and their net assets, sales and fiscal year profit or loss (amount corresponding to equity) and retained earnings (amount corresponding to) are small in size and do not have a material effect on the consolidated financial statements
2. Matters pertaining to application of equity method accounting	Two unconsolidated subsidiaries and two affiliated companies (Active Technology Corporation and Active Power Corporation) have been omitted from items to which equity method accounting is applied because their respective effect on consolidated net income or loss and consolidated capital surplus is immaterial and none of the companies is important to the company's overall operations.	Same as at left

3. Matters pertaining to the fiscal year closing date for consolidated subsidiaries	The fiscal year-end for all of the consolidated subsidiary companies is August 31. When preparing the consolidated financial statements the Company used the subsidiaries' financial statements as of August 31, adjusted for significant transactions that occurred between the subsidiaries' fiscal year-end and the consolidation date that have a material effect on the consolidated financial results	Same as at left
4. Accounting principles and standards used for normal accounting treatment (1) Appraisal standards and appraisal methods for principal assets	a. Negotiable securities Other negotiable securities Securities with a market price The Company has adopted the market value method (the full amount of the valuation difference is charged to equity using the direct transfer to capital method, with the disposal cost determined by the moving average method) based on the market price on the consolidated accounting fiscal year closing date or similar prices Securities without market prices The Company has adopted the cost method, cost being determined by the moving average method b. Construction equipment Amount after deduction of depreciation expense calculated according to the declining-balance method from the original prices, by separate fiscal year of purchase (Supplemental information) The Company formerly used 7 years as the depreciable life for floor plate and steel plate. In consideration of the period over which such products can be used physically and economically, however, based upon their physical condition and customers' intentions to rent, respectively, beginning in the consolidated accounting fiscal year under review the Company changed the durable life of such products to 10 years based upon a projection of the period for their possible use. As a result, during the consolidated accounting fiscal year under review, depreciation expense was ¥209,320,000 lower, and gross profit, operating income, ordinary income and income before taxes and adjustments were ¥209,320,000 higher, respectively, compared to what they otherwise would have been had the accounting standards used in previous periods been applied. The effect of this change on information by business segment is described in the relevant section of this report.	a. Negotiable securities Other negotiable securities Securities with a market price Same as at left Securities without market prices Same as at left b. Construction equipment Same as at left

	c. Merchandise inventories and supplies (i) Merchandise inventories Lower of cost or market based on the Last-in, First-out method (ii) Supplies The Latest Purchase Cost method	c. Merchandise inventories and supplies (i) Merchandise inventories Same as at left (ii) Supplies Same as at left
(2) Depreciation methods for principal depreciable assets	a. Tangible fixed assets The Company has adopted the declining-balance method. Buildings on land that is leased under a fixed-term land lease agreement, however, are depreciated using the straight-line method using the remaining period of the fixed-term lease as the depreciable life and zero residual value. For certain consolidated subsidiaries, the Company has adopted the straight-line method for buildings and structures acquired on or after April 1, 2000 but excluding fixtures and equipment. The depreciable lives mainly used by the Company are as follows. Rental assets 5-10 years Buildings 31-34 years (Supplemental information) The Company formerly used 7 years as the depreciable life for temporary rental structures. In consideration of the period over which such products can be used physically and economically, however, based upon improved product quality and customers' intentions to rent, respectively, beginning in the consolidated accounting fiscal year under review the Company changed the durable life of such products to 10 years based upon a projection of the period for their possible use. As a result, during the consolidated accounting fiscal year under review depreciation expense was ¥232,276,000 lower, and gross profit, operating income, ordinary income and income before taxes and adjustments were ¥232,276,000 higher, respectively, compared to what they otherwise would have been had the accounting standards used in previous periods been applied. The effect of this change on information by business segment is described in the relevant section of this report. b. Intangible fixed assets Software for use within the Company is depreciated using the straight-line method based on the assumed useful life for internal use (5 years)	a. Tangible fixed assets Same as at left b. Intangible fixed assets Same as at left
(3) Accounting standards for principal allowances and reserves	a. Reserve for doubtful accounts To provide for losses on doubtful accounts such as accounts receivable, the Company charges to income an amount based on actual loss experience for normal accounts, plus an amount for projected unrecoverable amounts based on assessments of individual accounts.	a. Reserve for doubtful accounts Same as at left

	b. Accrued bonuses to employees To fully provide for expenditures of bonuses the Company will pay to employees, an amount is appropriated to the reserve during the year based upon a salary estimate amount c. Accrued employees retirement benefit The Company provides for employees' accrued retirement benefits based upon the projected amounts of the liability for accrued employees retirement benefits and the value of pension assets at the end of the consolidated accounting fiscal year. At the end of each consolidated accounting fiscal year, the Company appropriates an amount to the reserve to provide for the liability recognized during the period. Past years' service liabilities are fully amortized in the year incurred. The difference based on an actuarial calculation is charged to income beginning in the consolidated accounting fiscal year following the year in which incurred, with the amounts allocated proportionately using the straight-line method, based on a specified number of years (10 years) that is less than the average remaining period of employment for employees at the time the difference arises. 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 at the end of the consolidated fiscal year based upon length of service.	b. Accrued bonuses to employees Same as at left c. Accrued employees retirement benefit Same as at left d. Retirement allowances to directors and auditors Same as at left
(4) Lease transactions	For finance lease transactions except for leases that transfer ownership of the property to the lessee, rent expenses are charged to income as payments are made.	Same as at left
(5) Hedge accounting for principal hedging methods	a. Hedge transactions The Company accounts for hedge transactions using allocations based on accounting standards for foreign currency-denominated transactions, and special rule accounting based on accounting standards for financial products. 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.	a. Hedge transactions Same as at left b. Hedge methods and hedged transactions Same as at left

	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.	c. Hedging policies Same as at left d. Method for evaluating the effectiveness of hedges Same as at left
(6) Accounting treatment of consumption tax	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
(7) Accounting standards for treasury stock and reversal of legal reserves	―――――――	Beginning in the consolidated accounting fiscal year under review, the Company has adopted the Accounting Standard for Treasury Stock and Reversal of Legal Reserves (Corporate Accounting Standard No. 1), which will be applied in Japan to consolidated financial statements from the consolidated accounting fiscal year that begins after April 1, 2002. The effect of this change on the Company's income statement for the consolidated accounting fiscal year under review is not material. Based on amendment of the provisions concerning consolidated financial statements, the shareholders' equity section of the Consolidated Balance Sheets and the Statement of Consolidated Retained Earned have been prepared using the amended consolidated balance sheet provisions.
(8) Per share information	―――――――	Beginning in the consolidated fiscal year under review, the Company has adopted the Accounting Standard for Earnings Per Share (Corporate Accounting Standard No. 2) and the Implementation and the Implementation Guidance for Accounting Standard for Earnings per Share (Corporate Accounting Standards Implementation Guidance No. 4). which will be applied in Japan to consolidated financial statements from the consolidated accounting fiscal year that begins after April 1, 2002. The effect of this change is described in the Note Concerning Information Per Share.

5. Valuation of consolidated subsidiary assets and liabilities	The company has adopted the market value appraisal method for the evaluation of assets and liabilities of consolidated subsidiaries.	Same as at left
6. Amortization of the consolidation adjustment account	As a general rule, the Company's offsetting eliminations of the parent company's investment account and the subsidiaries' capital accounts are based on the date of investment rule. The portion of the excess of cost over underlying net assets at the date of investment resulting from the offset elimination for which the cause is not known is transferred to the appropriate account. The remainder is transferred to the consolidation account is amortized over five years using level amortization, expect for extremely small amounts that are written off completely in the year in which they occur.	Same as at left
7. Appropriation of retained earnings	The Statement of Consolidated Retained Earnings is created based upon the appropriation of net income decided upon by the Company during the consolidated accounting fiscal year.	Same as at left
8. Items included in cash and equivalents on the Consolidated Statement of Cash Flows	Funds included in cash (cash and cash equivalents) on the Consolidated Statement of Cash Flows include cash on hand, deposits that can be withdrawn on demand and highly liquid short-term investments that mature within three months of the date of acquisition and which can be easily converted into cash and that have minimal risk of a change in price.	Same as at left

(Changes in accounting treatment)

	Prior Consolidated Fiscal Year (From November 1, 2001 to October 31, 2002)	Current Consolidated Fiscal Year (From November 1, 2002 to October 31, 2003)
1. Change in revenue and expense classifications when accounting for accidents involving equipment under lease contract	In prior years the Company accounted for revenue from insurance benefits as insurance benefits in non-operating revenues whenever it suffered damages to rental assets and equipment utilized under leases as the result of an accident, and accounted for the asset book value as a loss on abandonment of fixed assets in extraordinary losses and the lease equipment contract cancellation charge as a miscellaneous loss in non-operating expenses, respectively. Beginning in the fiscal year under review, the Company changed its accounting treatment to account for insurance benefits as operating revenues and account for the rental asset book value and lease equipment contract cancellation charge as cost of revenues from operations. The Company made this change because the Company seeks to recover the full amount of capital invested in the equipment rental business through rental charges as equipment is leased and the insurance benefits received following an accident can also be considered as recovery of invested capital, and because the amount of revenue from insurance benefits has been increasing. As a result, operating revenue increased by ¥204,754,000, gross profit and operating income increased by ¥75,843,000, respectively, 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. The effect of this change on information by business segment is described in the relevant section of this report.	―――――――

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

(Change in Disclosure Method)

Prior Consolidated Fiscal Year (From November 1, 2001 to October 31, 2002)	Current Consolidated Fiscal Year (From November 1, 2002 to October 31, 2003)
The amount of "cash bonus received" that was included in other non-operating income in prior consolidated accounting fiscal years has increased and now accounts for more than ten percent of non-operating income. Accordingly, the Company reclassified this item into a separate reporting category. The amount of the "cash bonus received" in the prior consolidated accounting fiscal year was ¥86,487,000.	―――――

6. Notes to the Financial Statements

(Notes to the Consolidated Balance Sheets)

Prior Consolidated Fiscal Year (As of October 31, 2002)		Current Consolidated Fiscal Year (As of October 31, 2003)	
1.Total accumulated depreciation for tangible fixed assets	44,097,260,000	1.Total accumulated depreciation for tangible fixed assets	42,361,092,000
2.Discount on notes receivable, trade	84,562,000	2.Discount on notes receivable, trade	—
3. Balance of notes receivable-trade endorsed	178,242,000	3.Balance of notes receivable-trade endorsed	56,508,000
4.Common stock		4.Common stock	
Total number of shares issued (common stock)	30,253,241 shares	Total number of shares issued (common stock)	30,253,241 shares
5.Treasury stock		5.Treasury stock	
Number of shares of treasury stock held by the Company (common stock)	4,485 shares	Number of shares of treasury stock held by the Company (common stock)	384,417 shares
Number of shares of treasury stock held by consolidated companies (common stock)	15,000 shares		
6. Items pertaining to non-consolidated subsidiaries and affiliated companies are as follows.		6. Items pertaining to non-consolidated subsidiaries and affiliated companies are as follows	
Investment securities (stocks)	199,000,000	Investment securities (stocks)	163,646,000
7. Assets offered as collateral security		7. Assets offered as collateral security	
Buildings and structures	37,554,000	Buildings and structures	35,100,000
Land	197,434,000	Land	197,434,000
Total	234,988,000	Total	232,534,000
The assets shown above have been pledged as collateral for ¥223,400,000 of short-term bank loans, ¥118,120,000 of long-term bank loans due within one year and ¥226,580,000 of long-term bank loans.		The assets shown above have been pledged as collateral for ¥170,000,000 of short-term bank loans, ¥65,316,000 of long-term bank loans due within one year and ¥70,000,000 of long-term bank loans.	
8. Guarantees		8. Guarantees	
Joint and several guarantees of employee bank loans (Bank of Tokyo-Mitsubishi, others)	22,334,000	Joint and several guarantees of employee bank loans (Bank of Tokyo-Mitsubishi, others)	20,902,000
Guarantee of debt for long-term bank loan to affiliated company (Active Power Co., Ltd.) (Mizuho Bank, Ltd.)	350,000,000	Guarantee of debt for long-term bank loan to affiliated company (Active Power Co., Ltd.) (Mizuho Bank, Ltd.)	269,500,000
Total	372,334,000	Total	290,402,000

(Notes to the Consolidated Statements of Income)

Prior Consolidated Fiscal Year (From November 1, 2001 to October 31, 2002)		Current Consolidated Fiscal Year (From November 1, 2002 to October 31, 2003)	
1. Major expense categories and amounts included in selling, general and administrative expenses		1. Major expense categories and amounts included in selling, general and administrative expenses	
Employee salaries and wages	4,846,212,000	Employee salaries and wages	4,801,138,000
Depreciation expense	1,021,701,000	Depreciation expense	925,979,000
Rents	1,397,906,000	Rents	1,435,256,000
Transfer to allowance for doubtful accounts	549,086,000	Transfer to allowance for doubtful accounts	332,086,000
Employees retirement benefit expense	503,711,000	Transfer to accrued bonuses to employees	440,369,000
Transfer to accrued bonuses to employees	539,350,000	Employees retirement benefit expense	544,652,000
Transfer to retirement allowances to directors and auditors	22,016,000	Transfer to retirement allowances to directors and auditors	1,962,000
		Amortization of consolidation adjustment account	61,057,000
2. Gain on sale or retirement of fixed assets		2. Gain on sale or retirement of fixed assets	
Machinery, equipment and delivery equipment	8,546,000	Land	324,000
Land	5,639,000	Machinery, equipment and delivery equipment	41,000
Buildings and structures	81,000	Total	365,000
Total	14,266,000		
3. 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.		3. ―――――	
4. Loss on sale or retirement of fixed assets.		4. Loss on sale or retirement of fixed assets.	
(Loss on sale of fixed assets)		(Loss on sale of fixed assets)	
Buildings and structures	17,583,000	Buildings and structures	172,000
Land	306,000	Telephone subscription rights	2,195,000
Other	275,000		
(Loss on retirement of fixed assets)		(Loss on retirement of fixed assets)	
Rental equipment	23,021,000	Rental equipment	18,215,000
Buildings and structures	33,637,000	Buildings and structures	44,936,000
Machinery, equipment and delivery equipment	104,212,000	Machinery, equipment and delivery equipment	2,913,000
Other	20,319,000	Other	20,429,000
Total	199,356,000	Total	88,863,000

(Notes to the Consolidated Statements of Cash Flows)

<table>
<tr><th>Prior Consolidated Fiscal Year
(From November 1, 2001
to October 31, 2002)</th><th>Current Consolidated Fiscal Year
(From November 1, 2002
to October 31, 2003)</th></tr>
<tr><td>1. Relationships between fiscal year ending balance for cash and equivalents and amounts for items shown on the fiscal year consolidated balance sheet

Cash and equivalents 15,437,482,000
Term deposits with a maturity longer than 3 months −4,234,000
Items considered to be cash and equivalents 15,433,247,000</td><td>1. Relationships between fiscal year ending balance for cash and equivalents and amounts for items shown on the fiscal year consolidated balance sheet

Cash and equivalents 11,928,637,000
Term deposits with a maturity longer than 3 months −8,017,000
Items considered to be cash and equivalents −11,920,620,000</td></tr>
<tr><td>2. Assets and liabilities of companies that became newly consolidated companies as the result of purchases of their stock.
The details of assets and liabilities and their relationship to the stock purchase amount and expenditures (net amount) for stock purchases at the start of consolidation for newly consolidated companies as the result of purchase of stock are as follows.
Daiichi Machine Industries Co., Ltd.
Current assets 939,031,000
Fixed assets 805,543,000
Current liabilities –990,508,000
Long-term liabilities –380,626,000
Consolidation adjustment –31,866,000
Minority interest –65,352,000
Daiichi Machine Industries purchase price 276,222,000
Daiichi Machine Industries cash and cash equivalents –161,948,000
Net: Amount expended to acquire Daiichi Machine Industries 114,274,000</td><td>2. ―――――</td></tr>
<tr><td>3. Details of major non-cash transactions
The amount of assets and liabilities related to installment transactions that are newly accounted for during this consolidated accounting fiscal year is ¥3,637,011,000 respectively.</td><td>3. Details of major non-cash transactions
The amount of assets and liabilities related to installment transaction that is newly accounted for during this consolidated accounting fiscal year is ¥2,548,392,000 respectively.</td></tr>
</table>

(Notes for leasing transactions)

Prior Consolidated Fiscal Year (From November 1, 2001 to October 31, 2002)	Current Consolidated Fiscal Year (From November 1, 2002 to October 31, 2003)
1. Finance lease transactions except for leases that transfer ownership of the property to the lessee.	1. Finance lease transactions except for leases that transfer ownership of the property to the lessee.
(1) Amounts corresponding to lease property acquisition price, accumulated depreciation and outstanding balances at the end of the fiscal year accounting period.	(1) Amounts corresponding to lease property acquisition price, accumulated depreciation and outstanding balances at the end of the fiscal year accounting period.

Prior Consolidated Fiscal Year:

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

Current Consolidated Fiscal Year:

	Acquisition price (¥000)	Accumulated depreciation (¥000)	Outstanding balance (¥000)
Rental assets	28,088,694	7,343,977	20,744,717
Other assets	555,869	255,092	300,777
Total	28,644,564	7,599,069	21,045,494

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

	Prior Consolidated Fiscal Year	Current Consolidated Fiscal Year
Within one year	4,662,895,000	4,927,999,000
After one year	13,357,075,000	16,287,547,000
Total	18,019,970,000	21,215,546,000

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

	Prior Consolidated Fiscal Year	Current Consolidated Fiscal Year
Lease payments	4,343,353,000	5,625,507,000
Depreciation expense	3,732,378,000	5,034,577,000
Interest expense	384,087,000	687,650,000

Prior Consolidated Fiscal Year	Current Consolidated Fiscal Year
(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 to each year.	(5) Accounting method for amount equivalent to interest expense Same as at left

2. Operating leases

Future lease payments

	Prior Consolidated Fiscal Year	Current Consolidated Fiscal Year
Within one year	1,543,331,000	1,793,079,000
After one year	2,642,701,000	3,238,604,000
Total	4,186,032,000	5,031,683,000

(Notes related to negotiable securities)

Negotiable securities

1. Other negotiable securities with market prices

	Type	Prior consolidated accounting fiscal year (As of October 31, 2002)			Current consolidated accounting fiscal year (As of October 31,2003)		
		Acquisition price (¥ 000)	Amount reported on the consolidated balance sheet (¥ 000)	Valuation profit or loss (¥ 000)	Acquisition price (¥ 000)	Amount reported on the consolidated balance sheet (¥ 000)	Valuation profit or loss (¥ 000)
Negotiable securities whose balance on the consolidated balance sheet exceeds the acquisition price	(1) Stock	872,890	1,276,349	403,459	1,129,925	1,845,514	715,589
	(2) Bonds						
	a. Government bonds	—	—	—	—	—	—
	b. Corporate bonds	—	—	—	—	—	—
	c. Other	—	—	—	—	—	—
	(3) Other negotiable securities	—	—	—	—	—	—
	Subtotal	872,890	1,276,349	403,459	1,129,925	1,845,514	715,589
Negotiable securities whose balance on the consolidated balance sheet is less than the acquisition price	(1) Stock	1,143,040	782,536	−360,503	146,306	123,543	−22,762
	(2) Bonds						
	a. Government bonds	—	—	—	—	—	—
	b. Corporate bonds	141,005	136,959	−4,046	56,945	55,093	−1,852
	c. Other	—	—	—	—	—	—
	(3) Other negotiable securities	1,214,013	989,085	−224,928	1,114,308	1,039,849	−74,459
	Subtotal	2,498,059	1,908,581	−589,477	1,317,560	1,218,485	−99,074
Total		3,370,949	3,184,931	−186,017	2,447,485	3,064,000	616,514

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

(Unit: Yen thousands)

Prior Consolidated Fiscal Year (From November 1, 2001 to October 31, 2002)			Current Consolidated Fiscal Year (From November 1, 2002 to October 31, 2003)		
Selling amount	Total gain on sale	Total loss on sale	Selling amount	Total gain on sale	Total loss on sale
	158,559	71,351	1,924,477	152,482	17,581

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

(Unit: Yen thousands)

Type	Prior consolidated accounting fiscal year (As of October 31, 2002)	Current consolidated accounting fiscal year (As of October 31, 2003)
	Amount shown on the consolidated balance sheet	Amount shown on the consolidated balance sheet
Other negotiable securities		
Unlisted stocks (excluding over-the-counter stocks)	373,500	383,700
Unlisted foreign bonds	—	—
Corporate bonds with warrants for new stock	—	—

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

(Unit: Yen thousands)

Type	Prior consolidated accounting fiscal year (As of October 31, 2002)				Current consolidated accounting fiscal year (As of October 31, 2003)			
	Within one year	After one year and within five years	After five years within ten years	After ten years	Within one year	After one year and within five years	After five years within ten years	After ten years
1. Bonds								
a. Government bonds	—	—	—	—	—	—	—	—
b. Corporate bonds	75,075	61,884	—	—	23,368	31,725	—	—
c. Other	—	—	—	—	—	—	—	—
2. Other securities	—	11,738	776,815	27,159	15,824	—	894,330	38,172
Total	75,075	73,622	776,815	27,159	39,192	31,725	894,330	38,172

(Notes related to accrued employees retirement benefit)

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

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

2. Details of the Company's liability for accrued employees retirement benefit

(Unit: Yen thousands)

	Prior consolidated accounting fiscal year (As of October 31, 2002)	Current consolidated accounting fiscal year (As of October 31, 2003)
(1) Liability for accrued employees retirement benefit	−5,409,447	−6,204,505
(2) Pension assets	2,983,066	3,385,495
(3) Liability for unreserved accrued employees retirement benefit (1) +(2)	−2,426,381	−2,819,009
(4) Unamortized amount of the one-time valuation difference for change in accounting standards	—	—
(5) Unrecognized actuarial differences	750,657	1,041,695
(6) Unrecognized past years' service obligation (reduction in liability)	—	—
(7) Net liability shown on the consolidated balance sheet (3)+(4)+(5)+(6)	−1,675,725	−1,777,314
(8) Prepaid pension expense	—	—
(9) Accrued employees retirement benefit (7)−(8)	−1,675,725	−1,777,314

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

3. Details of accrued employees retirement benefit expense

(Unit: Yen thousands)

	Prior consolidated accounting fiscal year (From November 1, 2001 to October 31, 2002)	Current consolidated accounting fiscal year (From November 1, 2002 to October 31, 2003)
Retirement benefit expense	99,006	535,547
(1) Service costs	413,255	412,069
(2) Interest costs	143,049	159,633
(3) Expected return on plan investments (reduction)	110,125	116,437
(4) Write-off of past years' service liability expense	−395,091	—
(5) Write-off of expense for actuarial based difference	47,918	79,858
(6) Amount of one-time valuation difference for change in accounting standards charged as an expense	—	—

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

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

	Prior consolidated accounting fiscal year (As of October 31, 2002)	Current consolidated accounting fiscal year (As of October 31, 2003)
(1) Discount rate	3.00%	2.50%
(2) Expected rate of return on plan investments	4.00%	4.00%
(3) Method of allocating projected benefits to periods of service	Service period fixed benefit basis	Service period fixed benefit basis
(4) Amortization period of past years' service liability	1 year	—
(5) Amortization period for actuarial differences	10 years beginning from the next consolidated accounting fiscal year	10 years beginning from the next consolidated accounting fiscal year
(6) Number of years for amortization of one-time valuation difference for change in accounting standards	—	—

(Notes related to tax effect accounting)

Prior Consolidated Fiscal Year (From November 1, 2001 to October 31, 2002)		Current Consolidated Fiscal Year (From November 1, 2002 to October 31, 2003)	
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	223,215,000	Amount in excess of limit for inclusion	242,551,000
Disallowance of deferred business taxes	500,000	Disallowance of deferred business taxes	51,852,000
Excess accrued employees retirement benefit	696,487,000	Excess accrued employees retirement benefit	729,123,000
Amount in excess of limit for retirement benefit	81,980,000	Amount in excess of limit for retirement benefit	79,625,000
Amount in excess of limit for accrued bonuses to employees	149,778,000	Amount in excess of limit for accrued bonuses to employees	146,397,000
Disallowance of excess depreciation	388,081,000	Disallowance of excess depreciation	414,445,000
Amount of loss carried forward	176,365,000	Amount of loss carried forward	154,478,000
Other	298,748,000	Other	220,060,000
Deferred tax asset subtotal	2,015,155,000	Deferred tax asset subtotal	2,038,534,000
Valuation reserve	−176,365,000	Valuation reserve	−144,868,000
Total deferred tax assets	1,838,790,000	Total deferred tax assets	1,893,666,000
Deferred tax liability		Deferred tax liability	
Valuation difference on negotiable securities	77,569,000	Valuation difference on negotiable securities	249,072,000
Total deferred tax liability	77,569,000	Total deferred tax liability	249,072,000
Net deferred tax assets	1,916,359,000	Net deferred tax assets	1,644,594,000
2. Causes of principal differences between the statutory tax rate and burden ratio for corporate and other taxes following application of tax effect accounting by major category.		2. Causes of principal differences between the statutory tax rate and burden ratio for corporate and other taxes following application of tax effect accounting by major category.	
Statutory corporate tax rate	41.7%	Statutory corporate tax rate	41.7%
(Adjustment)		(Adjustment)	
Local tax equalization	3.9%	Local tax equalization	4.5%
Items not included permanently in losses such as expense account	1.1%	Items not included permanently in losses such as expense account	1.4%
Consolidated subsidiary losses	1.2%	Consolidated subsidiary losses	2.6%
Valuation loss on investment in consolidated companies	−3.4%	Reduction adjustment to deferred tax assets at end of the fiscal year due to change in the tax rate	1.3%
Other	−1.1%	Other	0.8%
Burden ratio for corporate and other taxes after application of tax effect accounting	43.4%	Burden ratio for corporate and other taxes after application of tax effect accounting	52.3%

	3. The statutory corporate tax rate used in the calculation of deferred tax assets and deferred tax liabilities for the consolidated accounting fiscal year under review was changed from 41.7% in the prior fiscal year to 40.4% with the promulgation of the Law to Partially Amend the Local Tax Law (Law No. 9 of 2003) on March 31, 2003 (However, the amendment is expected to be annulled after November 1, 2004). As a result, the total amount of deferred tax assets (the amount after deducting deferred tax liabilities) decreased by ¥23,594,000, and the adjustment for corporate and other taxes and the valuation difference for other negotiable securities increased by ¥31,608,000 and ¥8,014,000, respectively, compared to what they otherwise would have been had the statutory corporate tax rate used in previous periods been applied.

IV Business Segment Information

1. Segment Information by Type of Business

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

(Unit: Yen thousands)

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

(Notes) 1. Method of business classification

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

2. Principal products, by business

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

3. The total amount for assets that were eliminated or included in the categories for all companies was ¥23,442,328 and represents primarily idle working capital (cash, deposits and negotiable securities) long-term investment funds (investment securities) and assets used in administrative departments at the parent company.

4. As described in "(4) Accounting principles and standards used for normal accounting treatment," beginning in the prior consolidated fiscal year the Company changed the depreciable life it uses for floor plate and steel plate from 7 years to 10 years. As a result of this change, operating expenses for construction-related businesses decreased by ¥209,320,000 and operating income increased by the same amount, respectively, for the consolidated fiscal year compared to what they otherwise would have been had the accounting standards used in prior consolidated fiscal year been applied.

During the prior consolidated fiscal year, the Company similarly changed the durable life for temporary rental structures from 7 years to 10 years. As a result of this change, operating expenses for construction-related businesses decreased by ¥232,276,000 and operating income increased by the same amount, respectively, for the prior consolidated fiscal year, compared to what they otherwise would have been had the accounting standards used in prior consolidated fiscal year been applied.

As described in "Changes in Accounting Treatment," 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 prior consolidated fiscal year, the Company will recognize revenue received from insurance benefits as operating revenues rather than insurance benefits, and the rental asset book value and the lease equipment contract cancellation charge will be recognized as cost of revenues rather than as a loss on abandonment of fixed assets and miscellaneous loss, respectively. As a result of this change, revenue increased by ¥204,754,000, operating expenses for construction-related businesses increased by

¥128,910,000 and operating income increased by ¥75,843,000, respectively, for the prior consolidated fiscal year, compared to what they otherwise would have been had the accounting standards used in prior consolidated fiscal year been applied.

During the prior consolidated fiscal year, the Company changed its accounting method to exclude the employee-paid portion of employee housing rent expense from rental housing fees. As a result of this change, operating expenses for construction-related businesses decreased by ¥160,393,000, operating expenses for the steel sales-related business decreased by ¥3,532,000 and operating expenses for the information products business and other businesses decreased by ¥1,306,000, 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 prior consolidated fiscal year been applied

Consolidated fiscal year under review (From November 1, 2002 to October 31, 2003)

(Unit: Yen thousands)

	Construction equipment rental business	Steel sales business	Information products business and other businesses	Total	Eliminations or entire company	Consolidated
I. Revenues and operating income						
Revenues						
(1) Sales to outside customers	56,395,818	6,373,971	916,494	63,686,284	—	63,686,284
(2) Sales or transfers between related segments	—	—	—	—	—	—
Total	56,395,818	6,373,971	916,494	63,686,284	—	63,686,284
Operating expenses	54,190,370	6,379,114	891,738	61,461,223	−82,603	61,378,619
Operating income	2,205,447	−5,142	24,755	2,225,061	82,603	2,307,665
II. Assets, depreciation expense and capital disbursements						
Assets	65,282,946	2,775,383	1,066,994	69,125,324	19,884,798	89,010,122
Depreciation expense	6,471,681	5,339	10,290	6,487,311	163,349	6,650,660
Capital disbursements	3,842,592	66,476	13,197	3,922,266	477,971	4,400,238

(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
Information products and other businesses	Computers and peripheral devices, telecommunications-related equipment, microturbine generators

3. The total amount for assets that were eliminated or included in the categories for all companies was ¥19,884,798,000 and represents primarily idle working capital (cash, deposits and negotiable securities) long-term investment funds (investment securities) and assets used in administrative departments at the parent company.

2. Segment information by location

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

3. Foreign sales

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

V Notes related to Derivative Transactions

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

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

Current consolidated fiscal year (From November 1, 2002 to October 31, 2003)

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

VI Transactions with Affiliated Companies

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

The Company had no material items to report.

Current consolidated accounting fiscal year (From November 1, 2002 to October 31, 2003)

Directors and major shareholders, etc.

Category	Name	Address	Capital	Business or occupation	Ownership percentage of voting rights, etc.
Director	Taichu Kanamoto	Shibuya-ku, Tokyo	—	Chairman, Kanamoto Co., Ltd.	Direct 5.0%

Related matters		Details of transaction	Transaction amount	Item	FY-end balance
Concurrent Director post, etc.	Business relationship				
-	-	Land purchase	¥5,678,000	-	-

(Note) Transaction terms and conditions or policy for deciding transaction terms and conditions

The land purchase price was determined based on the appraised price and the terms of payment were lump-sum payment in cash.

(Per share information)

Category \ Period	Prior consolidated accounting fiscal year (As of October 31, 2002)	Current consolidated accounting fiscal year (As of October 31, 2003)
Net assets per share	¥1,033.30	¥1,068.25
Net income per share of common stock	¥39.99	¥29.96
Net income per share of common stock after adjustment for potential ordinary shares	¥30.76	¥27.11
		(Supplemental information) Beginning in the consolidated fiscal year, the company has adopted the Accounting Standard for Earnings Per Share (Corporate Accounting Standard No. 2) and the Implementation Guidance for Accounting Standard for Earnings per Share (Corporate Accounting Standards Implementation Guidance No. 4). The earnings per share when the accounting standard and the implementation guidance are applied to the prior consolidated fiscal year are as follows. (Prior consolidated fiscal year) Net assets per share ¥1,033.04 Net income per share of common stock ¥39.43 Net income per share of common stock after adjustment for potential ordinary shares ¥30.33

(Note) The basis for calculating consolidated fiscal year earnings per share is as follows.

Period / Category	Prior consolidated accounting fiscal year (As of October 31,2002)	Current consolidated accounting fiscal year (As of October 31,2003)
Net income per share of common stock		
Net income (¥,000)	—	913,875
Amount not attributed to common stock shareholders (¥ 000)	—	14,100
Net income related to common stock (¥ 000)	—	899,775
Average number of outstanding shares during the fiscal year	—	30,030,383
Net income per share of common stock after adjustment for potential ordinary shares		
Fiscal year net income adjustment	—	13,961
(Interest expense [Tax equivalent deduction amount])	—	(13,961)
Change in number of shares of common stock (shares)	—	3,677,771
(Convertible bonds)	—	(3,677,771)
Summary of latent stock not included in the calculation of interim period (fiscal year) earnings per share on a fully diluted basis because it does not have a dilution effect	—	New stock warrants (stock options) based on the provisions of Article 280-19 of the old Commercial Code