

# Fiscal Year ended October 31, 2003

## Summary of Company Financial Statements

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  
 (URL <http://www.kanamoto.co.jp>)  
 Representative **Kanchu Kanamoto** President  
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Date of Report to the Board of Directors December 11, 2003  
 Interim Dividend System The Company has an interim dividend system  
 Regular General Meeting of the Shareholders January 28, 2003  
 Has the Company adopted a Unit Stock System? Yes (One unit equals 1,000 shares)

### 1. Operating Results for the Fiscal year ended October 31, 2003

(November 1, 2002–October 31, 2003)

#### (1) Operating Results (Numbers less than one million yen have been rounded down)

	Revenues		Operating Income		Ordinary Income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended October 31, 2003	60,494	- 0.2	2,350	4.2	2,447	- 1.2
Fiscal year ended October 31, 2002	60,606	- 5.7	2,255	- 18.6	2,477	- 24.8

	Net Income		Net Income per Share of Common Stock	Net Income per Share of Common Stock Fully Diluted	Return on Shareholders' Equity	Return on Total Assets	Ordinary Income Margin
	Millions of yen	%	Yen	Yen	%	%	%
Fiscal year ended October 31, 2002	953	( - 15.9 )	31.30	28.30	3.0	2.7	4.1
Fiscal year ended October 31, 2002	1,134	( 118.7 )	37.49	28.85	3.6	2.5	4.1

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

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

Fiscal Year ended October 31, 2002 30,250,808 shares

2. Are there any changes in accounting method? No

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

#### (2) Dividends

	Annual Dividend per Share of Common Stock			Total Dividends (Annual)	Dividend Payout Ratio	Dividends as a Percentage of Shareholders' Equity
	Yen	Yen	Yen			
Fiscal year ended October 31, 2003	18.00	9.00	9.00	537	57.5	1.7
Fiscal year ended October 31, 2002	18.00	9.00	9.00	544	48.0	1.7

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### (3) 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	87,627	32,004	36.5	1,071.50
Fiscal year ended October 31, 2002	96,717	31,356	32.4	1,036.63

- (Notes) 1. Number of shares issued and outstanding at fiscal year  
Fiscal Year ended October 31, 2003 29,868,824 shares  
Fiscal Year ended October 31, 2002 30,248,756 shares
2. Number of shares of treasury stock at end of period  
Fiscal year ended April 30, 2003 384,417 shares  
Fiscal year ended October 31, 2002 4,485 shares

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

(November 1, 2003 - October 31, 2004)

	Revenues	Ordinary Income	Net Income	Annual Dividend per Share of Common Stock		
				Interim	Year-end	
	Millions of yen	Millions of yen	Millions of yen	Yen	Yen	Yen
Interim period	29,060	810	350	9.00	-----	-----
Full year	61,000	2,170	790	-----	9.00	18.00

Reference: Projected net income per share of common stock (Full year) ¥22.10

(Note) 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.

## VIII Company Financial Statements

### 1. Comparative Balance Sheets

(Unit: Thousands of yen)

Category	Period	Prior Fiscal Year (As of October 31, 2002)		Current Fiscal Year (As of October 31, 2003)		Change from prior year
		Amount	Percent	Amount	Percent	Amount
(Assets)		¥ thousands	%	¥ thousands	%	¥ thousands
Current Assets						
Cash and deposits		14,578,410		11,346,085		- 3,232,325
Notes receivable, trade		10,422,798		10,148,086		- 274,711
Accounts receivable, trade		11,796,391		11,159,099		- 637,292
Negotiable securities		75,075		39,192		- 35,883
Merchandise inventory		347,504		321,595		- 25,909
Construction equipment		2,466,271		1,958,064		- 508,207
Supplies		51,223		54,419		3,195
Prepaid expenses		242,097		227,240		- 14,857
Tax receivables		56,109		-		- 56,109
Deferred tax assets		151,957		227,744		75,786
Other current assets		133,976		174,548		40,571
Allowance for doubtful accounts		- 462,026		- 490,153		- 28,127
Total Current Assets		39,859,790	41.2	35,165,921	40.1	- 4,693,869
Fixed Assets						
(1) Tangible Fixed Assets						
Rental equipment		16,609,158		12,932,042		- 3,677,116
Buildings		6,082,853		5,825,344		- 257,509
Structures		1,373,252		1,200,747		- 172,504
Machinery and equipment		1,062,271		960,715		- 101,556
Vehicles and delivery equipment		2,033		3,567		1,534
Tools, furnishings and fixtures		188,522		436,799		248,276
Land		24,227,409		24,381,774		154,364
Construction in progress		104,184		1,892		- 102,291
Total Tangible Fixed Assets		49,649,685	51.3	45,742,882	52.2	- 3,906,803
(2) Intangible Fixed Assets						
Total Intangible Fixed Assets		93,358	0.1	97,367	0.1	4,008
(3) Investments and Other						
Investment securities		3,467,694		3,391,710		- 75,983
Stock of affiliated companies		805,435		1,025,082		219,646
Advances		144,875		111,569		- 33,305
Long-term prepaid expenses		134,839		66,758		- 68,080
Insurance reserve		132,086		98,411		- 33,675
Deferred tax assets		1,727,149		1,453,438		- 273,710
Other		1,275,329		1,243,979		- 31,350
Allowance for doubtful accounts		- 572,830		- 540,255		32,574
Reserve for investment losses		-		- 229,402		- 229,402
Total Investments and Other Assets		7,114,579	7.4	6,621,291	7.6	- 493,288
Total Fixed Assets		56,857,624	58.8	52,461,541	59.9	- 4,396,082
Total Assets		96,717,414	100.0	87,627,462	100.0	- 9,089,951

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(Unit: Thousands of yen)

Category	Period	Prior Fiscal Year (As of October 31, 2002)		Current Fiscal Year (As of October 31, 2003)		Change from prior year
		Amount	Percent	Amount	Percent	Amount
(Liabilities)		¥ thousands	%	¥ thousands	%	¥ thousands
Current Liabilities						
Notes payable, trade		8,091,133		7,387,353		- 703,779
Accounts payable, trade		2,856,865		3,048,841		191,976
Short-term bank loans		8,289,000		9,576,000		1,287,000
Corporate bonds to be redeemed within one year		5,277,692		-		- 5,277,692
Convertible bonds to be redeemed within one year		4,164,000		-		- 4,164,000
Accounts payable, other		7,887,580		5,785,173		- 2,102,407
Corporate taxes payable		-		644,977		644,977
Consumption and other taxes payable		338,870		174,665		- 164,204
Accrued expenses		214,920		230,977		16,056
Accrued bonuses to employees		519,580		428,739		- 90,841
Equipment notes payable		289,066		362,936		73,870
Other current liabilities		122,361		117,093		- 5,267
Total Current Liabilities		38,051,070	39.4	27,756,758	31.7	- 10,294,311
Long-term Liabilities						
Long-term bank loans		16,858,000		20,592,000		3,734,000
Long-term accrued expenses		8,614,241		5,321,023		- 3,293,217
Retirement allowance to directors and auditors		177,723		176,210		- 1,513
Accrued employees retirement benefits		1,659,509		1,776,890		117,381
Accrued employees retirement benefits		27,309,473	28.2	27,866,123	31.8	556,650
Total Liabilities		65,360,543	67.6	55,622,882	63.5	- 9,737,661
(Shareholders' Equity)						
Common stock		8,596,737	8.9	-	-	- 8,596,737
Additional paid-in capital		9,720,343	10.0	-	-	- 9,720,343
Legal earned surplus		1,372,487	1.4	-	-	- 1,372,487
Retained earnings						
(1) Voluntary reserves						
General reserve		10,350,000		-	-	- 10,350,000
(2) Unappropriated retained earnings		1,427,837		-	-	- 1,427,837
Total retained earnings		11,777,837	12.2	-	-	- 11,777,837
Valuation difference on other negotiable securities		- 108,448	- 0.1	-	-	108,448
Treasury stock		- 2,086	- 0.0	-	-	2,086
Shareholders' Equity		31,356,871	32.4	-	-	- 31,356,871

(Unit: Thousands of yen)

Category	Period	Prior Fiscal Year (As of October 31, 2002)		Current Fiscal Year (As of October 31, 2003)		Change from prior year
		Amount	Percent	Amount	Percent	Amount
		¥ thousands	%	¥ thousands	%	¥ thousands
Common stock		-	-	8,596,737	9.8	8,596,737
Capital surplus						
Additional paid-in capital		-		9,720,343		9,720,343
Total capital surplus		-	-	9,720,343	11.1	9,720,343
Earned surplus						
Legal earned surplus		-		1,375,287		1,375,287
General reserve		-		10,981,684		10,981,684
Unappropriated retained earnings		-		1,140,402		1,140,402
Total earned surplus		-	-	13,497,374	15.4	13,497,374
Valuation difference on other negotiable securities		-	-	367,442	0.4	367,442
Treasury stock		-	-	- 177,318	- 0.2	- 177,318
Total Shareholders' Equity		-	-	32,004,580	36.5	32,004,580
Total Liabilities and Shareholders' Equity		96,717,414	100.0	87,627,462	100.0	- 9,089,951

## 2. Comparative Statements of Income

(Unit: Thousands of yen)

Category	Period	Prior Fiscal Year (As of October 31, 2002)		Current Fiscal Year (As of October 31, 2003)		Change from prior year
		Amount	Percent	Amount	Percent	Amount
		¥ thousands	%	¥ thousands	%	¥ thousands
Operating revenues		60,606,901	100.0	60,494,281	100.0	- 112,619
Cost of revenues		46,456,572	76.7	46,694,601	77.2	238,028
Gross profit		14,150,328	23.3	13,799,680	22.8	- 350,647
Selling, general and administrative expenses		11,894,836	19.6	11,449,012	18.9	- 445,823
Operating income		2,255,491	3.7	2,350,667	3.9	95,175
Non-operating revenues		825,116	1.4	609,144	1.0	- 215,972
Interest and dividends		55,887		81,474		25,586
Gain on sale of investment securities		157,293		134,900		- 22,392
Rents received		150,222		153,875		3,653
Insurance benefits received		38,354		23,148		- 15,205
Cash bonus received		168,536		18,733		- 149,802
Gain on redemption of straight bonds		46,450		890		- 45,560
Other		208,372		196,121		- 12,250
Non-operating expenses		603,011	1.0	512,783	0.8	- 90,227
Interest expense		334,493		348,875		14,382
Bond interest expense		111,986		23,947		- 88,038
Other		156,531		139,960		- 16,571
Ordinary income		2,477,597	4.1	2,447,028	4.1	- 30,568
Extraordinary profits		413,449	0.7	49,952	0.1	- 363,497
Gain on disposal of fixes assets		14,266		365		- 13,900



Reimbursement of accrued employees retirement benefit	395,091		-		- 395,091
Other	4,092		49,586		45,494
Extraordinary losses	838,356	1.4	640,169	1.1	- 198,186
Loss on sale or disposal fixed assets	197,038		86,447		- 110,590
Valuation loss on investment securities	232,561		259,639		27,078
Loss on sale of investment securities	70,085		-		- 70,085
Loss on advance provided to affiliate	100,000		-		- 100,000
Loss of redemption of convertible bonds	96,085		-		- 96,085
Transfer to reserve for investment losses	-		229,402		229,402
Other	142,585		64,679		- 77,906
Income before taxes and adjustments	2,052,690	3.4	1,856,811	3.1	- 195,879
Corporate, local and business taxes	829,703	1.4	1,031,595	1.7	201,892
Adjustment for corporate and other taxes	88,834	0.1	- 128,717	- 0.2	- 217,551
Net income	1,134,153	1.9	953,933	1.6	- 180,219
Profit carry-forward from prior period	565,944		588,999		23,054
Cash dividends	272,259		268,978		- 3,280
Loss on cancellation of affiliated company stock related to merger	-		- 133,551		- 133,551
Unappropriated retained earnings	1,427,837		1,140,402		- 287,435

### 3. Comparative Appropriation of Retained Earnings

(Unit: Thousands of yen)

Category	Period	Prior Fiscal Year General Meeting of the Shareholders approval date (January 28, 2003)	Current Fiscal Year (proposed) General Meeting of the Shareholders approval date (January 27, 2004)	Change from prior year
		¥ thousands	¥ thousands	¥ thousands
Unappropriated retained earnings		1,427,837	1,140,402	- 287,435
To be appropriated as follows				
Amount of appropriated retained earnings		838,838	582,919	- 255,919
(Note) Cash dividends		272,238 (¥9 per share)	268,819 (¥9 per share)	- 3,419
Directors bonuses		16,600	14,100	- 2,500
(Auditors bonuses)		(1,700)	(1,700)	( - )
Voluntary reserve				
General reserve		550,000	300,000	- 250,000
Net income carried forward to the next period		588,999	557,483	- 31,515

(Notes) 1. The Company paid an interim dividend of ¥268,978 (¥9 per share) on July 22, 2003.

2. The shareholder dividend is calculated excluding 384,417 shares of treasury stock.

**4. Notes to the financial statements  
(Significant accounting policies)**

Item	Period Prior fiscal year From November 1, 2001 To October 31, 2002	Current fiscal year From November 1, 2002 To October 31, 2003
1. Valuation standards and valuation methods for negotiable securities	<p>Common stock of subsidiaries and affiliated companies The Company has adopted the cost method based upon the moving average method</p> <p>Other negotiable securities Negotiable securities with a market on a securities exchange The Company has adopted the market value method (the full amount of the valuation difference is charged to equity using the direct transfer to capital method, with the disposal cost determined by the moving average method) based on the market price on the fiscal year closing date or similar prices</p> <p>Other negotiable securities The Company has adopted the cost method based upon the moving average method</p>	<p>Common stock of subsidiaries and affiliated companies Same as at left</p> <p>Other negotiable securities Same as at left</p>
2. Appraisal standards and appraisal method for construction equipment	<p>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</p> <p>(Supplemental information) The Company formerly used 7 years as the depreciable life for floor plate and steel plate. In consideration of the period over which such products can be used physically and economically, however, based upon their physical condition and customers' intentions to rent, respectively, beginning in the interim period under review the Company changed the durable life of such products to 10 years based upon a projection of the period for their possible use. As a result, during the fiscal year under review depreciation expense was ¥209,320,000 lower, and gross profit, operating income, ordinary income and income before taxes and adjustments were ¥209,320,000 higher, respectively, compared to what they otherwise would have been had the accounting standards used in previous periods been applied.</p>	<p>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</p>

<p>3. Appraisal standards and appraisal method for merchandise inventories and supplies</p>	<p>(1) Merchandise inventories and supplies  Merchandise inventory  Lower of cost or market based on the last-in, first-out method</p> <p>(2) Supplies  The Latest purchase cost method</p>	<p>(1) Merchandise inventories  Same as at left</p> <p>(2) Supplies  Same as at left</p>
<p>4. Depreciation method for fixed assets</p>	<p>(1) Tangible fixed assets  The Company has adopted the declining-balance method. Buildings on land that is leased under a fixed-term land lease agreement, however, are depreciated using the straight-line method using the remaining period of the fixed-term lease as the depreciable life and zero residual value.  The depreciable lives mainly used by the Company are as follows.  Rental assets 5-10 years  Buildings 31-34 years</p> <p>(Supplemental information)  The Company formerly used 7 years as the depreciable life for temporary rental structures. In consideration of the period over which such products can be used physically and economically, however, based upon improved product quality and customers' intentions to rent, respectively, beginning in the fiscal year under review the Company changed the durable life of such products to 10 years based upon a projection of the period for their possible use.  As a result, during the fiscal year under review depreciation expense was ¥232,276,000 lower, and gross profit, operating income, ordinary income and income before taxes and adjustments were ¥232,276,000 higher, respectively, compared to what they otherwise would have been had the accounting standards used in previous periods been applied.</p>	<p>(1) Tangible fixed assets  The Company has adopted the declining-balance method. Buildings on land that is leased under a fixed-term land lease agreement, however, are depreciated using the straight-line method using the remaining period of the fixed-term lease as the depreciable life and zero residual value.  The depreciable lives mainly used by the Company are as follows.  Rental assets 5-10 years  Buildings 31-34 years</p>
	<p>(2) Intangible fixed assets  Software for use within the Company is depreciated using the straight-line method based on the assumed useful life for internal use (5 years).</p> <p>(3) Long-term prepaid expenses  The Company has adopted straight-line depreciation.</p>	<p>(2) Intangible fixed assets  Same as at left</p> <p>(3) Long-term prepaid expenses  Same as at left</p>



<p>5. Accounting standards for allowances and reserves</p>	<p>(1) Allowance for doubtful accounts To provide for losses on doubtful accounts such as accounts receivable, the Company charges to income an amount based on actual loss experience for normal accounts, plus an amount for projected unrecoverable amounts based on assessments of individual accounts.</p> <p>(2) Accrued bonuses to employees To fully provide for expenditures of bonuses the Company will pay to employees, an amount is appropriated to the reserve during the fiscal year based upon a salary estimate amount.</p> <p>(3) Accrued employees retirement benefits The Company provides for accrued employees retirement benefits based upon the projected amounts of the liability for accrued employees retirement benefits and the value of pension assets at the end of the fiscal year. At the end of each fiscal year, the Company appropriates an amount to the reserve to provide for the liability recognized during the period. Past years' service liabilities are fully written off in the year incurred.  The difference based on an actuarial calculation is charged to income beginning in the fiscal year following the year in which incurred, with the amounts allocated proportionately using the straight-line method, based on a specified number of years (10 years) that is less than the average remaining period of employment for employees at the time the difference arises.</p> <p>(4) Retirement allowances to directors and auditors The Company provides for retirement allowances to directors and auditors based upon pertinent rules and appropriated to the account at the end of the fiscal year proportionately based upon length of service.</p>	<p>(1) Allowance for doubtful accounts Same as at left</p> <p>(2) Accrued bonuses to employees Same as at left</p> <p>(3) Accrued employees retirement benefits Same as at left</p> <p>(4) Retirement allowances to directors and auditors Same as at left</p>
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		<p>(5) Reserve for investment losses</p> <p>The Company provides for losses from the decline in real prices of assets such as the stock of subsidiary companies that are subject to asset impairment accounting by applying internally established standards that take into consideration subsidiary company operating result and asset quality.</p>
Lease transactions	<p>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.</p>	<p>Same as at left</p>
Hedge transactions	<p>(1) Hedge transactions</p> <p>The Company accounts for hedge transactions using allocations based on accounting standards for foreign currency-denominated transactions, and special rule accounting based on accounting standards for financial products.</p> <p>(2) Hedge methods and hedged transactions</p> <p>The Company uses currency swaps and forward transactions in order to avoid the currency fluctuation risk related to the Company's foreign currency-denominated straight bonds and liabilities for import payments. The Company also uses interest swaps to avoid interest rate fluctuation risk related to interest on bank borrowing.</p> <p>(3) Hedging policies</p> <p>The Company's use of derivative transactions is limited to hedging risk within the scope of the Company's assets and liabilities subject to market fluctuation risk.</p>	<p>(1) Hedge transactions</p> <p>Same as at left</p> <p>(2) Hedge methods and hedged transactions</p> <p>Same as at left</p> <p>(3) Hedging policies</p> <p>Same as at left</p>
	<p>(4) Method for evaluating the effectiveness of hedges</p> <p>The Company does not evaluate the effectiveness of its hedge transactions because it can assume that its currency swap transactions and forward transactions will completely offset market fluctuations or changes in cash flow from the time hedge begins until it is terminated. In addition, the Company's interest swap transactions fulfill the requirements for special rule accounting, and the Company has elected to use this in place of an evaluation of effectiveness.</p>	<p>(4) Method for evaluating the effectiveness of hedges</p> <p>Same as at left</p>

<p>8. Other significant matters for preparation of the fiscal year financial statements</p>	<p>(1) Accounting treatment of consumption tax</p> <p>Consumption tax is taken out of all Statement of Income items and Balance Sheet items, except mainly for receivables and payables.</p> <p>The suspense accounts for consumption tax receipts and consumption tax payable are included in "other current liabilities" because the financial importance is minimal after the amounts are offset.</p>	<p>(1) Accounting treatment of consumption tax</p> <p>Same as at left</p> <p>(2) Accounting standards for treasury stock and reversal of legal reserves</p> <p>Beginning in the fiscal year under review, Kanamoto will apply the Accounting Standard for Treasury Stock and Reversal of Legal Reserves (Corporate Accounting Standard No. 1), which will be applied in Japan to financial statements from the fiscal year that begins after April 1, 2002.</p> <p>The effect of this change on the Company's income statement for the fiscal year under review is not material.</p> <p>Based on amendment of the provisions concerning financial statements, the shareholders' equity section of the Comparative Balance Sheets and the Comparative Appropriation of Retained Earned have been prepared using the amended balance sheet provisions.</p> <p>(3) Per share information</p> <p>Beginning in the fiscal year under review, Kanamoto will apply 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), which will be applied in Japan to financial statements from the fiscal year that begins after April 1, 2002. The effect of this change is described in the "Note Concerning Information Per Share."</p>
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**(Changes in Accounting Treatment)**

Item \ Period	Prior fiscal year (From November 1, 2001 To October 31, 2002)	Current 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	<p>In prior years the Company accounted for revenue from insurance benefits as insurance benefits in non-operating revenues whenever it suffered damages to rental assets and equipment utilized under leases as the result of an accident, and accounted for the asset book value as a loss on abandonment of fixed assets in extraordinary losses and the lease equipment contract cancellation charge as a miscellaneous loss in non-operating expenses, respectively. Beginning in the fiscal year under review, the Company changed its accounting treatment to account for insurance benefits as operating revenues and account for the rental asset book value and lease equipment contract cancellation charge as cost of revenues from operations.</p> <p>The Company made this change because the Company seeks to recover the full amount of capital invested in the equipment rental business through rental charges as equipment is leased and the insurance benefits received following an accident can also be considered as recovery of invested capital, and because the amount of revenue from insurance benefits has been increasing.</p> <p>As a result of this change, 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 fiscal year income before taxes and adjustments.</p>	

<p>2. Change in accounting treatment for revenue and expenses for employee housing rents</p>	<p>In prior years, the Company accounted for payments of employee housing rents in selling, general and administrative expenses, and accounted for the employee-paid portion of such expenses in non-operating revenues. Beginning in the fiscal year under review, the Company changed its accounting method to exclude the employee portion of employee housing rent expense from selling and administrative expenses.</p> <p>The Company adopted this change in order to disclose the actual amount of the Company's housing rental burden, because the materiality of the amounts in question has been increasing as the Company increases the number of its employees.</p> <p>As a result of this change, 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 fiscal year income before taxes and adjustments.</p>	
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**(Change in disclosure method)**

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

**Notes to the Financial Statements**  
**(Notes to the Balance Sheets)**

Category \ Period	Prior Fiscal Year (As of October 31, 2002)	Current Fiscal Year (As of October 31, 2003)
1. Total accumulated depreciation for tangible fixed assets	¥42,840,623,000	¥41,201,008,000
2. Guarantees	Joint and several guarantees of employee bank loans ¥22,334,000 Guarantee of debt for long-term bank loan to affiliated company. (Active Power Co., Ltd.) (Mizuho Bank, Ltd.) ¥350,000,000	Joint and several guarantees of employee bank loans ¥20,902,000 Guarantee of debt for long-term bank loan to affiliated company. (Active Power Co., Ltd.) (Mizuho Bank, Ltd.) ¥269,500,000
3. Common stock	Shares issued Common stock 66,000,000 shares Number of shares outstanding Common stock 30,253,241 shares	Shares issued Common stock 66,000,000 shares Number of shares outstanding Common stock 30,253,241 shares
4. Treasury stock	Common stock 4,485 shares	Common stock 384,417 shares
5. Reduction to book value Amounts for assets acquired for which accumulated book values were reduced by government subsidies		
Machinery and equipment	5,044,000	5,044,000
Land	3,569,000	3,569,000
Total	8,613,000	8,613,000

**(Notes to the Statements of Income)**

Category \ Period	Prior Fiscal Year (From November 1, 2001 to October 31, 2002)	Current Fiscal Year (From November 1, 2002 to October 31, 2003)
1. Reimbursement of accrued employees retirement benefit	Decrease in liability for retirement benefits as a result of raising the age at which the welfare pension system will begin paying pension annuities from April 2002.	
2. Loss on sale or retirement of fixed assets	(Loss on sale of fixed assets) Buildings 17,492,000 Machinery and equipment 243,000 Other 123,000 (Loss on retirement of fixed assets) Rental equipment 22,174,000 Buildings 18,858,000 Structures 13,751,000 Machinery and equipment 104,118,000 Tools, furnishings and fixtures 11,346,000 Other 8,929,000	(Loss on sale of fixed assets) Buildings 172,000 Telephone subscription rights 243,000 (Loss on retirement of fixed assets) Rental equipment 17,957,000 Buildings 13,407,000 Structures 31,529,000 Machinery and equipment 2,827,000 Tools, furnishings and fixtures 79,000 Construction materials 20,349,000

**(Notes for leasing transactions)**

Prior Fiscal Year (From November 1, 2001 to October 31, 2002)				Current 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) Amounts corresponding to lease property acquisition price, accumulated depreciation and outstanding balances at the end of the fiscal year				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			
	Acquisition price (¥'000)	Accumulated depreciation (¥'000)	Outstanding balance (¥'000)		Acquisition price (¥'000)	Accumulated depreciation (¥'000)	Outstanding balance (¥'000)
Rental assets	24,072,116	7,532,570	16,539,546	Rental assets	27,425,528	7,096,970	20,328,557
Other assets	562,620	339,044	223,576	Other assets	458,792	193,647	265,145
Total	24,634,737	7,871,615	16,763,122	Total	27,884,320	7,290,617	20,593,703
(2) Outstanding balance of future lease payments at the end of the fiscal year				(2) Outstanding balance of future lease payments at the end of the fiscal year			
	Within one year	4,258,886,000			Within one year	4,689,094,000	
	After one year	12,899,776,000			After one year	16,064,070,000	
	Total	17,158,662,000			Total	20,753,164,000	
(3) Amount of lease payments, depreciation expense and interest expense				(3) Amount of lease payments, depreciation expense and interest expense			
	Lease payments	3,838,017,000			Lease payments	5,279,347,000	
	Depreciation expense	3,272,184,000			Depreciation expense	4,720,895,000	
	Interest expense	333,786,000			Interest expense	656,827,000	
(4) Accounting method for amount equivalent to depreciation expense				(4) Accounting method for amount equivalent to depreciation expense			
Straight-line depreciation using the lease term as the depreciable life and zero residual value.				Same as at left			
(5) Accounting method for amount equivalent to interest expense				(5) Accounting method for amount equivalent to interest expense			
Interest method using the difference between total lease payments and the acquisition price of the lease property, allocated to each year.				Same as at left			
2. Operating leases				2. Operating leases			
	Future lease payments				Future lease payments		
	Within one year	1,543,331,000			Within one year	1,789,778,000	
	After one year	2,642,701,000			After one year	3,238,604,000	
	Total	4,186,032,000			Total	5,028,382,000	

**(Negotiable securities)**

The notes concerning the market price of negotiable securities included in the prior consolidated accounting fiscal year financial statements and negotiable securities included in the current consolidated accounting fiscal year financial statements (excluding the stock of subsidiary companies and affiliated companies that has a market price) are part of the notes to the financial statements for the consolidated balance sheets. For the prior consolidated accounting fiscal year (as of October 31, 2002) and the current consolidated accounting fiscal year (as of October 31, 2003), the stock of the Company's subsidiary companies and affiliated companies did not have a market price.

**(Notes related to tax effect accounting)**

Prior Fiscal Year (From November 1, 2001 to October 31, 2002)	Current Fiscal Year (From November 1, 2002 to October 31, 2003)
<p>1. Major factors creating deferred tax assets and deferred tax liabilities</p> <p>Deferred tax assets</p> <p>Amount in excess of limit for inclusion 223,215,000</p> <p>Disallowance of deferred business taxes -</p> <p>Excess accrued employees retirement benefit 692,015,000</p> <p>Amount in excess of limit for retirement benefit 74,110,000</p> <p>Amount in excess of limit for accrued bonuses to employees 144,443,000</p> <p>Disallowance of excess depreciation 387,404,000</p> <p>Other 280,350,000</p> <p>Total deferred tax assets <u>1,801,537,000</u></p> <p>Deferred tax liability</p> <p>Valuation difference on negotiable securities 77,569,000</p> <p>Net deferred tax assets <u>1,879,106,000</u></p> <p>Disclosure classifications:</p> <p>Current assets 151,957,000</p> <p>Property and equipment 1,727,149,000</p>	<p>1. Major factors creating deferred tax assets and deferred tax liabilities</p> <p>Deferred tax assets</p> <p>Amount in excess of limit for inclusion 236,877,000</p> <p>Disallowance of deferred business taxes 51,852,000</p> <p>Excess accrued employees retirement benefit 728,951,000</p> <p>Amount in excess of limit for retirement benefit -</p> <p>Amount in excess of limit for accrued bonuses to employees 143,466,000</p> <p>Disallowance of excess depreciation 404,014,000</p> <p>Disallowance of reserve for investment losses 92,678,000</p> <p>Other 272,413,000</p> <p>Total deferred tax assets <u>1,930,255,000</u></p> <p>Deferred tax liability</p> <p>Valuation difference on negotiable securities 249,072,000</p> <p>Net deferred tax assets <u>1,681,183,000</u></p> <p>Disclosure classifications:</p> <p>Current assets 227,744,000</p> <p>Property and equipment 1,453,438,000</p>
<p>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.</p> <p>Statutory corporate tax rate 41.7%</p> <p>( Adjustment )</p> <p>Local tax equalization 3.8%</p> <p>Items not included permanently in losses such as expense account 1.1%</p> <p>Other - 1.9%</p> <p>Burden ratio for corporate and other taxes after application of tax effect accounting <u>44.7%</u></p>	<p>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.</p> <p>Statutory corporate tax rate 41.7%</p> <p>( Adjustment )</p> <p>Local tax equalization 4.3%</p> <p>Items not included permanently in losses such as expense account 1.4%</p> <p>Effect of change in statutory corporate tax rate 1.4%</p> <p>Other - 0.2%</p> <p>Burden ratio for corporate and other taxes after application of tax effect accounting <u>48.6%</u></p>



3. The statutory corporate tax rate used in the calculation of deferred tax assets and deferred tax liabilities for the 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 ¥18,006,000, and the adjustment for corporate and other taxes and the valuation difference for other negotiable securities increased by ¥26,020,000 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.

**(Per share information)**

Category	Period	Prior Fiscal Year (From November 1, 2001 to October 31, 2002)	Current Fiscal Year (From November 1, 2002 to October 31, 2003)
Net assets per share		¥1,036.63	¥1,071.50
Net income per share of common stock		¥37.49	¥31.30
Net income per share of common stock after adjustment for potential ordinary shares		¥28.85	¥28.30
			(Supplemental information) Beginning in the fiscal year under review, Kanamoto will apply 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). Furthermore, for information purposes per share information was calculated by applying the accounting standard and the implementation guidance to the operating results for the prior fiscal year and is shown below. (Prior fiscal year) Net assets per share ¥1,036.63 Net income per share ¥36.94 Net income per share on a fully diluted basis ¥28.44

Note: The basis for calculating net income per share and net income per share on a fully diluted basis is provided below.

Category \ Period	Prior Fiscal Year (From November 1, 2001 to October 31, 2002)	Current Fiscal Year (From November 1, 2002 to October 31, 2003)
Net income per share		
Fiscal year net income	-	953,933
Amount not attributable to major shareholders	-	14,100
Fiscal year net income related to common stock	-	939,833
Average number of shares outstanding during the fiscal year	-	30,030,383
Net income per share on a fully diluted basis		
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 common stock not included in the calculation of net income per share on a fully diluted basis because it will not have a dilution effect	-	Common stock subscription rights based on the provisions of Article 280-19 of the old Commercial Code (Stock Options)

## IX Changes to directors and auditors

### 1. Changes to representative directors

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

### 2. Changes to other directors and auditors

Candidates for new appointments as directors

Director Tetsuo Kanamoto (Current position Corporate Officer General Manager, Construction Equipment Rental Division Kinki & Chubu Region)

Director Hitoshi Narita (Current position Corporate Officer General Manager, Management Planning Division and General Manager, Secretarial Office)

Candidates for new appointments as auditors

Auditor (Standing Corporate Auditor)

Shinroku Sawada (Current position Director and Senior Corporate Officer Manager in Charge of Management Planning)

Auditor (Corporate Auditor)

Akio Hashimoto (Current position Attorney-at-law and President, Hashimoto and Okawa Godo Law Offices)

Retiring directors

Director Taichu Kanamoto (Current position Chairman of the Board)

Director Shinroku Sawada (Current position Director and Senior Corporate Officer Manager in Charge of Management Planning)

Retiring auditors

Auditor (Corporate Auditor)

Norizumi Tsuda

Akio Hashimoto and Shinroku Sawada, the candidates for new appointments as auditors, are outside corporate auditors in accordance with Article 18 paragraph 1 of The Law for Special Exceptions to the Commercial Code Concerning Audits, etc. of Joint Stock Corporations.