kanamoto co., ltd.

Annual Report 2004

For the 12 months ended October 31, 2004 kanamoto

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Annual Report 2004

Mission Statement

Over forty years of continually challenging the potential of the construction equipment rental business.
Always striving to achieve the highest level of service.

Kanamoto's growth has been synonymous with the development of Japan's construction equipment rental business. Whether the concern is products, quality assurance, supply channels, or a state-of-the-art business model developed to meet changing times, helping customers rationalize their operations has always been our foremost goal.
With support from over 7,400 customer firms nationwide, Kanamoto will further expand the possibilities for construction equipment rental solutions in the years ahead.

For purposes of this report, the Balance Sheets and Statements of Income were created using financial data prepared according to Japan's Securities Report guidelines.

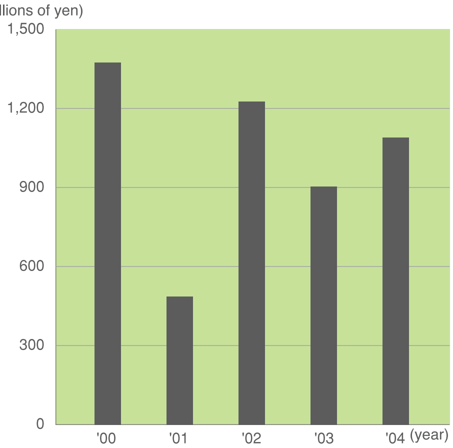
Financial Highlights (Consolidated)

	Millions of yen		Percent change	Thousands of U.S. dollars
	2003	2004	(2003・2004)	2004
Rental revenues and sales of goods	¥ 63,686	¥ 61,336	△3.7	$577,663
Operating income	2,308	1,878	△18.6	17,693
Net income	914	1,097	20.1	10,336
Total shareholders' equity	31,907	32,746	2.6	308,399
Total assets	89,010	89,323	0.4	841,247
	Yen		Percent change	U.S. dollars
Per share of common stock				
Net income	29.96	36.50	21.8	$0.34
Cash dividends	18.00	19.00	5.5	0.18

Note: U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥106.18=US $1,
the approximate exchange rate on October 31, 2004.

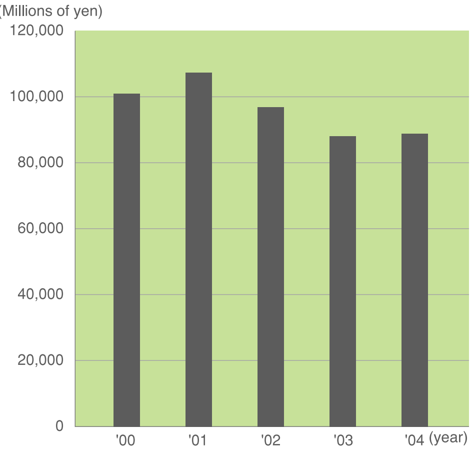
Net Income

(Millions of yen)



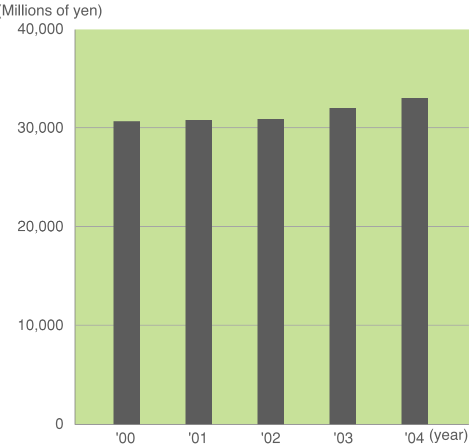
Total Assets

(Millions of yen)



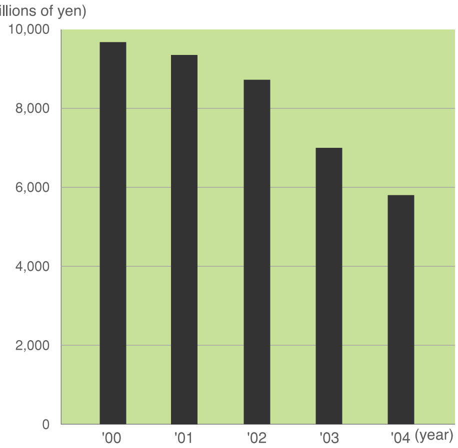
Total Shareholders' Equity

(Millions of yen)



Cash Flow

(Millions of yen)



The energy to reach new heights, the drive to deliver greater satisfaction, the will to innovate. These are the qualities you'll find behind Kanamoto's vitality.

Thank you for your continuing support of Kanamoto Co., Ltd.
The year 2004 marked the 40th anniversary of Kanamoto's founding and a turning point for the Company. From its beginning in the sale of steel and steel products, through its expansion as the pioneer of Japan's construction equipment rental industry, to the successful listing of its stock on the Sapporo Stock Exchange in 1991 and on the Second Section of the Tokyo Stock Exchange in 1996 and the elevation of its shares to the First Section of the TSE in 1998, the Company has accomplished its growth into today's Kanamoto through the enthusiastic support of all of its stakeholders.
As you are well aware, during the past several years Japan's entire construction industry has been faced with a challenging environment, because of the reduced level of total construction investment accompanying cutbacks in public works. The construction equipment rental industry in which Kanamoto conducts its core business has been affected as well, and the market remains in a state of weak demand.

In October 2004 we completed the first year of Kanamoto's five-year business plan "Metamorphose," the Company's program to address every stakeholder's long-term expectations and ensure Kanamoto survives this severe business environment. Although the results were not necessarily perfect, we were able to achieve a corresponding level of success.
The main elements of Year Two of "Metamorphose," which we began recently, are as follows.
Our first objective is to increase the usable life of our rental assets. Specifically we will take steps to extend the average life cycle, from the time we introduce an asset until its sale as used equipment, by two to three years beyond the former typical period. This will enable us to decrease the annual depreciation burden and improve our profit margin.
Our second objective is to increase our return on investment, or ROI. Given that Kanamoto requires a substantial amount of annual capital investment, and the time required in the rental business to recover investments in construction equipment, it is critically important that we improve our ROI because this indicator highlights the level of earnings our invested capital is able to generate.
Therefore we will pursue a shift in our rental equipment portfolio toward assets with high

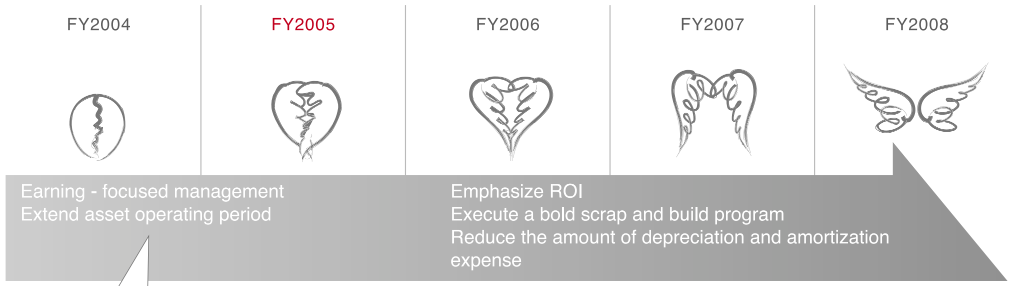
Kanchu Kanamoto President and Chief Executive Officer

K. Kanamoto

profit margins, and seek to improve profit margins throughout the entire company, by diligently seeking to improve the ROI for each separate asset.
Our third objective is thorough cost reductions, with no areas considered off limits. We will apply strict profitability controls for all of the Company's main cost items, with the goal of profitability improvement.
Our fourth objective is the continuation of our branch renewal program. We will downsize, consolidate or shut down unprofitable branches aggressively, and allocate the management resources obtained from this effort to newly opened branches in Japan's three major metropolitan areas or other regions. By increasing net sales in Honshu while maintaining our top share of the market in Hokkaido, we project Kanamoto ultimately will be able to increase the percentage of its total net sales generated in Honshu to approximately 70%.

By successfully completing "Metamorphose," Kanamoto will accomplish its transformation into a more profitable entity and move towards meeting the demands of its customers, its shareholders and all of the Company's other stakeholders.
We look forward to continuing to receive your increased support and guidance over the coming year.

□ Concept of the five-year management plan "Metamorphose"



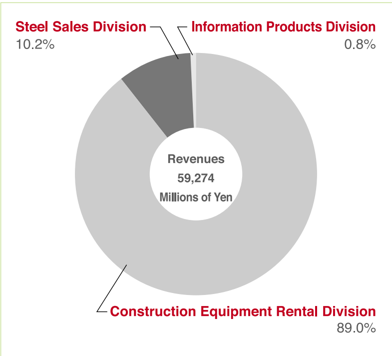
Kanamoto's ultimate target

Industry recognition of Kanamoto as the leading company in the construction equipment rental business

Investor recognition of Kanamoto as a stock with continually high dividends to hold for the long term.

Kanamoto's Board Members

Three divisions, continually pursuing optimal services suited to today's expectations.



A full product line-up with more than 130,000 pieces of rental machinery and equipment

Fiscal 2004 operating results (Millions of Yen)

Rental revenues	38,471
Sales revenues	14,289
Division total	52,760

The construction equipment rental business is Kanamoto's core business. Kanamoto maintains a full lineup of every item required at a construction work site, from temporary construction materials and temporary housing units to hand tools, in addition to construction equipment, in order to meet a wide range of user needs.

Construction equipment rental business

A full product lineup and rapid response to customers

Kanamoto owns approximately 460 different models and 130,000 rental items. No other firm can match this extensive, high-quality product lineup. When an order for equipment is received, the Company can immediately check the equipment situation at all of its branches using its online network. This enables Kanamoto to quickly confirm operating conditions and maintenance status, and respond promptly and accurately to each customer's needs.

Superb maintenance technology and a complete repair system

To keep its products operating at maximum efficiency, Kanamoto has equipped every branch office with a repair center, where our full-time maintenance staff of 400 technicians provides equipment maintenance. The number of personnel holding equipment repair qualifications has increased to approximately 1,600 individuals, and each technician has an average of four different repair skill qualifications. We also offer Kanamoto's comprehensive compensation system, which enables customers to use their rental equipment with peace of mind. At Kanamoto, we do what it takes to protect our customers from the risk of unforeseen emergencies.

A branch office network that covers Japan

The Kanamoto Group's branch office network covers Japan. By constructing an organization to supply rental equipment from any of the group's firms, Kanamoto has earned a reputation for excellence with its customers. In the future, Kanamoto will aggressively promote alliances with leading local companies and devote its energies to providing users with greater convenience and even more efficient service.

As a trusted business partner

An extensive line of rental items, advanced maintenance technology, a branch network reaching throughout Japan and a complete repair system. Kanamoto's professionals combine each of these benefits to offer customers top-notch service. At Kanamoto, we don't merely respond to an order, we seek to become our customers' best business partner by providing the latest products, most advanced construction methods, and information honed from our knowledge and experience, all from the user's point of view.

Product storage warehouse at the Muroran Office

☐ **Fiscal 2004 operating results** (Millions of Yen)

Division total	6,058

Steel products sales business

Kanamoto's steel products sales business handles sales of various construction materials for engineering and construction works, including steel H-beams and formed reinforcing bars. As a distributor with strong local ties in Hokkaido, Kanamoto has won the hard-earned trust of its customers. Currently Kanamoto is expanding its steel products sales into new business areas. This includes focusing on Hokkaido's leading fabricators, shifting its base of operations to the Sapporo area where the strongest private-sector construction demand can be anticipated, and aggressively handling new commercial materials for construction use.

Steel materials are an indispensable and vital component for building the infrastructure that supports our daily lives. Kanamoto will continue to offer the most appropriate materials for its customers and their local communities.

Information products business

From workstations to PC servers and other system development support devices, Kanamoto's information products business provides rentals and sale of computer-related equipment.

In the IT industry, where technological improvements are being made at a bewildering pace, Kanamoto has achieved an excellent track record by providing rental services that are well adapted to customers' needs.

Recommending products that fit customers' applications and proposing network solutions, all with the competitive edge provided by a broad range of rental choices perfectly matched to today's trends - that's the mission of Kanamoto's information products business.

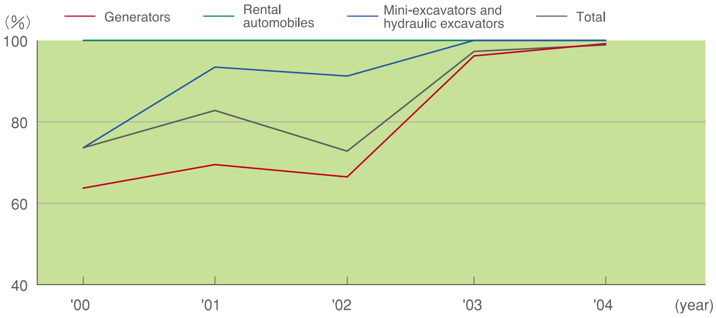
Kanamoto handles a broad range of the most advanced information products from Sun Microsystems, Inc. and other companies.

☐ **Fiscal 2004 operating results** (Millions of Yen)

Rental revenues	362
Sales revenues	92
Division total	454

Kanamoto's branding strategy is a step ahead of the trend

Percentage of equipment introduced that meets anti-pollution standards



Ultra quiet generator

Kanamoto's rental vehicles clear exhaust emissions regulations

Product lineup expansion is an absolutely essential condition for supporting users' needs. At Kanamoto, we continually strive to improve customer satisfaction with a first-class selection of products and the highest quality service. We will continue to support every user and customer company throughout Japan and seek to achieve even greater rental solutions in the years ahead.

A selection of state-of-the-art rental assets with an emphasis on environmental protection

Today's trend towards greater environmental protection is global. One measure in particular that has attracted attention is tougher exhaust emissions regulations. These regulations are being applied to construction equipment as well as automobiles, and their provisions put the responsibility for compliance not only on manufacturers but on users as well.

To fulfill our social responsibility towards the global environment, at Kanamoto we have systematically implemented upgrades to our rental assets that have placed us at the head of the industry. As a result, roughly 98% of the Company's assets already comply with regulations on emissions, noise and other forms of pollution. Of course we always pursue customer convenience, but practicing environmental management is also an important mission expected of Kanamoto.

Extending brand power with a branch network reaching every corner of Japan

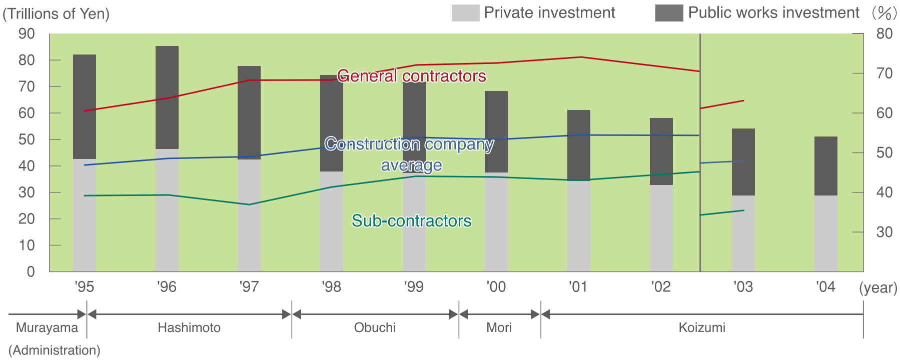
From Hokkaido to Okinawa, the "Kanamoto alliance group" is a business alliance network that reaches every corner of Japan. This group works aggressively to promote alliances (business tie-ups) with equipment rental firms in various regions, and continually seeks to enhance rental equipment usability.

Through a combination of Kanamoto's selection of state-of-the-art rental assets plus local equipment rental firms that are well-informed about business needs in their area, Kanamoto is working to increase the level of awareness of the Kanamoto brand.

State-of-the-art hydraulic excavator and aerial work platform

Construction equipment rental industry trends and Kanamoto's positioning

Change in construction investment in Japan and reliance on construction equipment rentals



Based on a survey by the Ministry of Land, Infrastructyure and Transport and the Japan Civil Engineering Constractors' Association, Inc.

※ The percentages for reliance on construction equipment rentals declined in 2002 because equipment models for which firms rely primarily on rentals, such as vehicles for high-level work, fans and electric generators, were added to the survey in that year.

The construction equipment rental business has established a strong reputation with both firms and individual users by offering excellent convenience and economy. According to a study by the Ministry of Economy,Trade and Industry (2003), the construction equipment rental industry now accounts for 57.8% of Japan's domestic market for construction equipment. Kanamoto is keenly aware of customers' expectations towards this expanding market, and works incessantly to meet customers' needs.

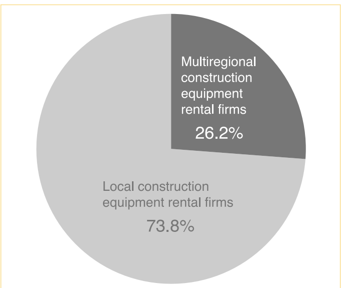
Construction equipment rental demand as a management rationalization solution

For several years following the collapse of the economic bubble, construction investment in Japan was maintained at a high level of approximately 80 trillion yen with the government's support. Since 1997, construction investment has fallen sharply to a much lower level because of a freeze on private investment and a reduction in public works spending. This change has put tremendous pressure on the construction industry to rationalize its management, and every company is making an all-out effort to reduce debt and shrink assets. As part of this effort, more companies are making the shift from direct ownership to construction equipment rentals as a means to procure construction equipment. Reliance on the use of rentals by construction firms to meet their equipment needs continues to maintain an upward trend, rising to 48.1% fiscal 2003. As a solution enabling companies to slash equipment procurement costs, eliminate the need for investment in storage and repair facilities, and reduce maintenance and other running costs, the role of construction equipment rentals will continue to grow.

Development of the construction equipment rental industry as restructuring continues

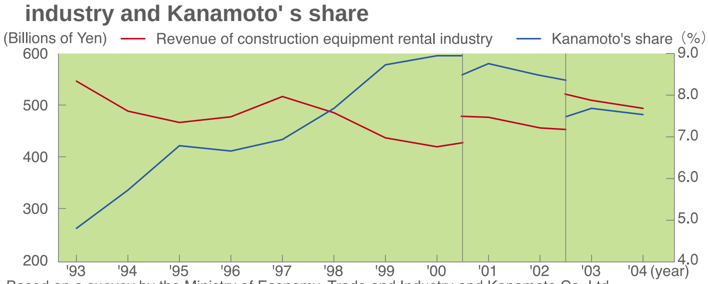
According to information published by the Ministry of Economy, Trade and Industry, the size of Japan's construction equipment rental industry market in fiscal 2003 was roughly ¥935.6 billion, equivalent to approximately 1.7% of total construction investment. The market is fragmented, consisting of approximately 2,000 companies broadly classified into multi-regional equipment rental companies such as Kanamoto, local equipment rental companies developing operations in specific regions, and manufacturer-related rental firms that have entered the business in recent years. With the overwhelming number of firms being local equipment rental companies, further industry restructuring is anticipated as competition within the industry heats up because of the drop in rental unit prices in recent years, and as firms that cannot replace their assets with new equipment are weeded out. According to a survey by a construction equipment rental industry newspaper, Kanamoto was Number One in the construction equipment rental company revenue rankings, and large, multi-regional rental companies held the top four of the Top Ten positions for fiscal 2001, the latest year for which data is available. This markedly illustrates the sharp distinction between the industry's leading companies and local equipment rental firms.

Composition of construction equipment rental industry revenues



Based on a survey by the Japan Construction Equipment Lease Business Association.

Changes in the revenue of construction equipment rental industry and Kanamoto' s share



Based on a suevey by the Ministry of Economy, Trade and Industry and Kanamoto Co.,Ltd.

※The scope of firms included in the survey was expanded in 2000 and 2002, which resulted in a relative decline in Kanamoto's share compared with the results of each prior survey.

Asset operations that generate future earnings

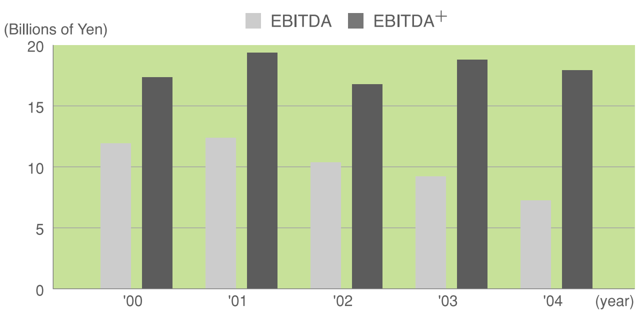
Completion of product lineup update enables Kanamoto to improve earnings capability

Based on its social mission to utilize environmental management practices, Kanamoto was ahead of other companies in actively replacing rental and company assets with low-emissions equipment. As a result, today Kanamoto has differentiated itself sharply from other industry firms that have yet to replace their assets, and boasts a state-of-the-art product lineup that already meets pollution control regulations. This policy enables Kanamoto to achieve asset management that ensures strong annual earnings. Kanamoto's principal business of construction equipment rentals is based on a business model of ensuring sufficient annual earnings through asset rentals, plus earning a profit on the sale of used equipment. Maximization of "rental revenues plus profit on used equipment sales" (lifetime recovery) and appropriate asset control are therefore absolutely indispensable. Because Kanamoto will not need to replace or update most large assets over the next several years, from the standpoint of asset operations we'll be able to extend our asset rental operating period. This means we'll be able to increase our lifetime recovery and improve our earnings picture.

Source of earnings – Emphasis on EBITDA$^+$

At Kanamoto, we've aimed at increasing EBITDA (earnings income before interest, taxes, depreciation and amortization) in the broad sense, while continually emphasizing improvement to our ROI (return on investment) and capital investment within the scope of cash flow from operating activities. Unlike product sales, the equipment rental business generates a depreciation and amortization expense burden corresponding to the volume of assets owned. On the other hand, however, this creates a cycle that generates earnings from adequate periodic income through rentals, plus a profit from the disposal of used equipment. In other words, today's depreciation burden is the source of tomorrow's profit when assets are sold. This is the reason Kanamoto focuses on EBITDA as its most important management indicator. Because we also frequently utilize finance leases when introducing assets and have numerous small-scale assets with a value of less than ¥20 billion Kanamoto has adopted a measure referred to as EBITDA$^+$ that adds finance lease fee payments, small-sum assets, and installment purchase fees to EBITDA as ordinarily calculated. For the past several years, Kanamoto's EBITDA$^+$ has been stable at a high level.

Change in EBITDA$^+$



EBITDA$^+$ = Operating income + Depreciation expense + Other depreciation and amortization expense+ Low-price rental assets, and others

EBITDA$^+$ is an indicator used only for the construction equipment rental business and excludes steel products and information products

Expanding current market dominance and solidifying Kanamoto's position as the leading company

Kanamoto has adopted a web-based open system built on a UNIX platform for its mission-critical systems

Information systems introduced

1978	Burroughs TK70 introduced
1981	Start of "Online Net Plan" Fujitsu M130 introduced
1985	Completed online network for all branches Fujitsu M340R introduced
1988	Fujitsu M340 introduced
1990	Fujitsu FM/G introduced
1991	Fujitsu M770 introduced
1996	Fujitsu GS8400 introduced
1998	Information system operations started
2004	Legacy migration executed

Information systems to support its rental business, plus a financial strategy that contributes to maximization of corporate value. Taken together they create one core competence that differentiates Kanamoto from its competitors. Kanamoto continually aims for dramatic strides forward and challenges the possibilities.

Kanamoto has built an advanced online network

When it constructed an on-line network in 1985 to connect all of the Company's offices, Kanamoto was years ahead of its competitors. Since then, Kanamoto's information systems have always utilized the latest systems, and played a key role in understanding customer needs in response to local characteristics and maintaining an asset portfolio that provides the optimum revenue and earnings balance.

During 2004, the Company executed a legacy migration for mission-critical systems and accomplished a full conversion to open systems. As a result, all internal operations, from rental asset management to receipt processing, were converted to the Company's web. Kanamoto is now able to achieve even quicker response to its customers and more efficiency operations.

Financial strategy sets Kanamoto apart from competitors

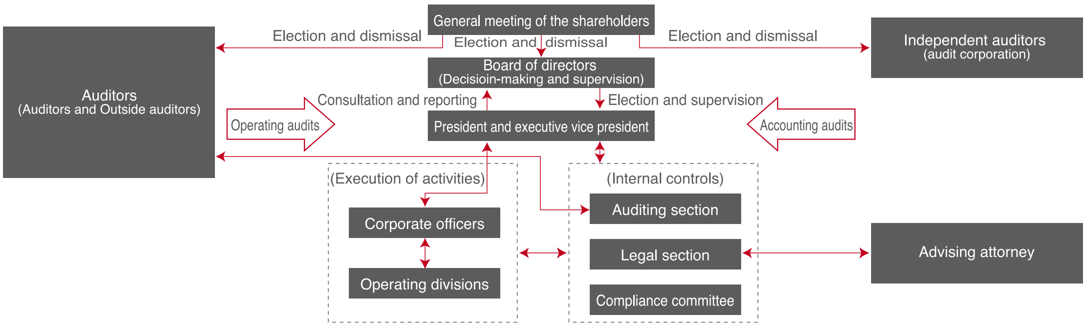
In addition to building a strategic information system by placing all operations online, Kanamoto has always readily adopted financial alternatives, such as a commitment facility and liquidation of bill receivables, that make excellent use of the latest financial theories. Whether it's reducing the size of its balance sheet or increasing capital efficiency, Kanamoto continually seeks to revise and improve its financial position from a perspective of optimal capital structure and cash flow.

To meet the wishes of its stakeholders, Kanamoto will continue to seek maximization of its corporate value.

By using a web-based open system, Kanamoto can even operate its equipment database with GIS (Geographic Information System). This enables the Company to locate a piece of rental construction equipment from a personal computer terminal.

Seeking to further improve trust and corporate value.

Kanamoto's corporate governance organization



Enhanced corporate governance – Increasing management transparency

Working to maintain and improve management transparency and fairness, and pursuing maximization of corporate value while building a relationship of trust with every stakeholder – this is the fundamental policy behind Kanamoto's corporate governance.
As the highest decision-making organization for execution and supervision of the Company's business strategies and business plans, Kanamoto's Board of Directors plays the key role for management decision-making and supervision. In addition, since 2001 when it introduced a corporate officer system, Kanamoto has been working to increase management transparency and accelerate decision-making by clarifying management's supervisory responsibilities and execution authority.
For management audits, Kanamoto has adopted the auditor system. In addition to creating a system by which the Board of Directors and the Company's auditors receive reports from the corporate officers when necessary on all important matters affecting Company management and operating results, to ensure cooperation with its auditors the Company has established an Auditing Section under the direct control of the Company president as an internal audit system.

Thorough compliance – Internal training organization enhancements and a new compliance helpline

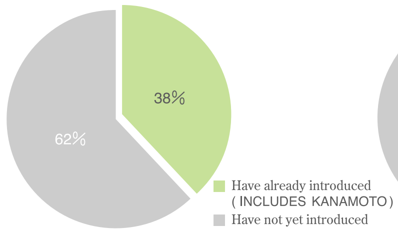
Together with preparing a handbook to explain its corporate philosophy and outline all of the Company's employee conduct standards, and ensuring employees are thoroughly acquainted with its contents, Kanamoto has enacted corporate ethics rules and created a system centered on a Compliance Committee, which includes committee members from outside the company, to ensure compliance with the law and its ethics rules. The Compliance Committee fills the role of monitoring, guiding and advising the entire Company to ensure the compliance system operates appropriately, by receiving vital information such as violations of the law and improper conduct and conveying this promptly to management. For important legal matters, the Company has set up a Legal Section reporting directly to the company president, and adopted a system for the president to receive advice from its corporate attorneys at the appropriate times and implement a response.

Communications with society – Valuing IR activities

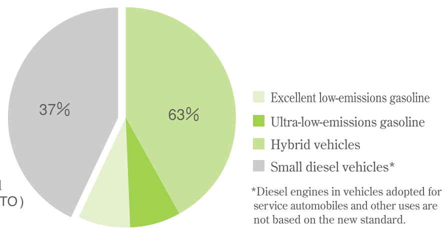
Kanamoto values the disclosure of information and communication with its shareholders and investors. From the standpoint of fairness and transparency, the Company has created an environment in which anyone can easily access company information, by actively using its company website as a tool.
To disclose corporate financial information, during the fiscal year ended in October 2004 Kanamoto begin releasing its financial statements and operating results on a quarterly basis. In addition, after closing its interim period and fiscal year accounts, each June and December the Company conducts settlement of accounts briefings for institutional investors and analysts, and publicly releases the video and distribution materials on its website. Moreover, through its efforts to ensure full and timely information disclosure by means such as Kanamoto Examiner, a quarterly publication for shareholders, and its English-language annual report for foreign investors, Kanamoto strives for full accountability to its shareholders and investors.

A diversified approach to creation of a "sustainable society"

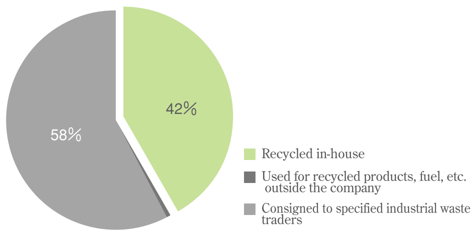
☐ **Percentage of firms in Japan that have introduced low-fuel consumption,low-emissions automobiles**
(non-manufacturing industries)



☐ **Percentage of low-fuel consumption, low-emissions vehicles introduced at Kanamoto**



☐ **Breakdown of waste motor oil disposal at Kanamoto**



Information risk management – Proper control of personal data

Even though most of the Company's business with other firms is in the construction equipment rental business, in the course of its operations Kanamoto handles a large quantity of personal data. In addition to establishing a Privacy Policy to protect personal information, and providing appropriate controls on all personal data, Kanamoto has established a thorough system to address and respond to any situation in which such information has leaked outside the Company.

As just one example, for Internet security Kanamoto utilizes the SSL (Secure Socket Layer) cryptographic technology adopted by credit card companies for information received from users of Kanamoto's website, and works to strengthen such measures when necessary through improvements to enhance security and other steps.

Kanamoto introduces low-fuel consumption, low-emissions automobiles for Company vehicles

According to the results of a mass media research firm survey concerning the level of environmental management at listed firms and leading companies, among 350 companies (number of valid responses) including Kanamoto in non-manufacturing industries, 134 firms have introduced use of low-fuel consumption, low-emissions automobiles. Kanamoto was ahead of other companies when it adopted the Toyota Prius, a hybrid automobile, as its company vehicle in 1998. The Company currently uses 200 of these models for its business.Kanamoto is also aggressively introducing other low-emissions vehicles, and as of 2004 approximately 63% of the Company's vehicles are environmentally friendly low-fuel consumption, low-emissions vehicles.

Rental equipment updated using reduced-emissions equipment

Rentals allow our customer firms to use construction equipment owned by Kanamoto on a shared basis. Such rentals provide a service for effectively utilizing the earth's valuable energy resources, while enabling each user firm to shrink its capital investment. So the construction equipment rental business is, so to speak, one answer to the world's environmental problems.Nevertheless, even if they make a substantial effort to utilize rentals, customer firms will not be able to achieve their environmental management goals if rental equipment does not meet antipollution standards. Currently, over 98% of the construction equipment Kanamoto owns consists of state-of-the-art models that already meet today's tough antipollution requirements. In the years ahead, Kanamoto will help its customers achieve their environmental management plans by offering a full lineup of the latest construction equipment.

Disposal of waste motor oil

Kanamoto recycles about 40% of the waste motor oil collected at the Company's maintenance shops as winter heating fuel, using smokeless waste oil stoves that breakdown dioxin and other contaminants. In addition, the remaining approximately 60% of such recovered waste oil is sold to government-licensed recyclers for proper disposal. As a result, all waste oil resources are disposed of properly.

These measures not only help Kanamoto minimize air pollution, they have also reduced the Company's costs for disposal of waste motor oil and new heating fuel and have achieved more effective resource use.

Putting humanitarian assistance first-responding to pleas from every disaster area

2004 was an unprecedented year of frequent large-scale natural disasters. The Kanamoto Group is offering its full cooperation for restoration of stricken areas. Helping the victims of disaster by taking maximum advantage of Kanamoto's experience gained from participation in numerous disaster recovery efforts.

Kanamoto construction equipment being used for restoration work on the JR Jouetsu Shinkansen Line Horinouchi Tunnel (Niigata Prefecture)

Site of riverbank collapse caused by Typhoon No. 23 (Kagawa Prefecture)

Typhoons, volcanic eruptions, earthquakes. In a year unlike any in recent memory, Japan was struck by frequent natural disasters in 2004 that left large swaths of destruction in every affected region. Kanamoto expresses its heartfelt sympathy and condolences to every victim and individual concerned.

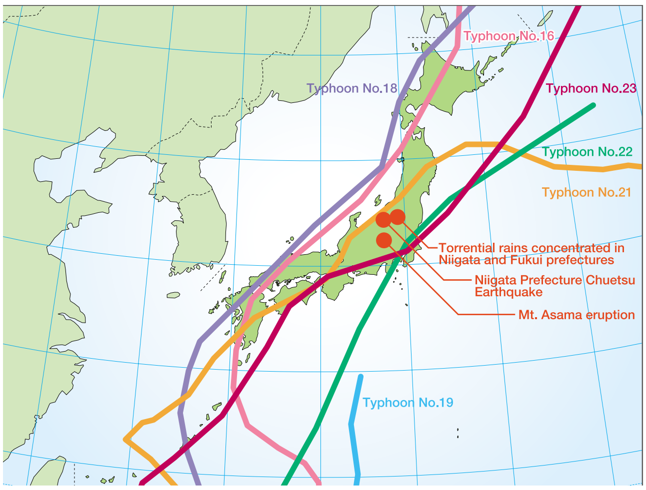
Together with wreaking undreamt-of damage to various regions throughout the country, the successive typhoons that swept across Japan brought into sharp relief the fragility of Japan's infrastructure, which had been considered more or less complete. Even now, ongoing restoration works are being carried out in the regions where damage was extensive. Immediately after these disasters, the Kanamoto Group responded to requests for help by focusing heavily on providing assistance such as heavy equipment, vehicles and electric generators to each stricken area.

Following the Niigata Prefecture Chuetsu Earthquake as well, Kanamoto responded by immediately setting up a task force in the local area, moving modular housing units, portable toilet facilities and construction equipment to be used for restoration works to branch offices in the prefecture and making these available for disaster assistance. Kanamoto also is making contributions of donated goods, such as heating equipment and items people need for their daily lives.

The central government established a supplementary budget of ¥1,361.8 billion as recovery expenditures for this string of disasters, of which ¥1,238.5 billion has been allocated as a supplemental public work budget for costs to restore infrastructure such as damaged roads and embankments. As full-scale restoration work is begun in each region, the demand for construction equipment is expected to be highly localized for some period of time. By accurately deploying its ample construction equipment rental assets, and establishing a comprehensive support organization, the Kanamoto Group is putting its online network to excellent use and responding without delay to the outpouring of requests for assistance from the various regions.

In the future, an unforeseen emergency could occur at any time. Kanamoto will continue to make optimal use of the experience it has accumulated over the years, and the entire Kanamoto Group will further study measures that will enable each group company to respond promptly as a construction equipment procurement expert.

□ Main natural disasters in 2004



Our Growing Branch Network

Construction Equipment Rental Division
Steel Sales Division
Information Products Division

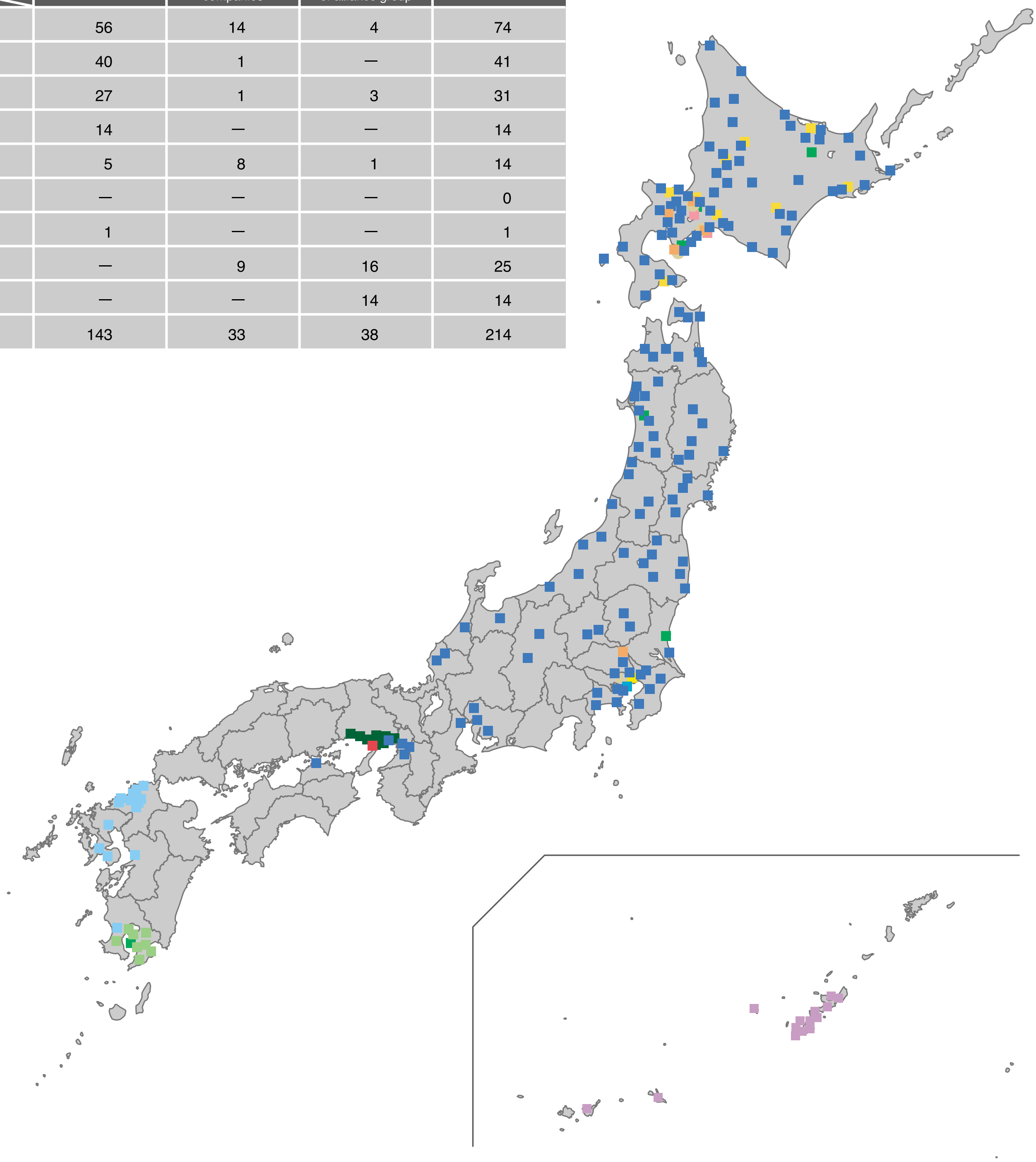
Kanamoto Alliance Group Firms

Assist Co., Ltd.
SRG Kanamoto Co., Ltd.
Kanatech Co., Ltd.
Kyushu Kensan Group
Daiichi Machine Industries Co., Ltd.
Machida Kikou Co., Ltd.
Comsupply Co., Ltd.
Kanki Corporation
Active Power Corporation
Active Technology Corporation
Kanki Maintainance Corporation

Kanamoto and the group companies' operating branches

As of March 30, 2005

	Kanamoto	Consolidated companies	Other companies of alliance group	Total
Hokkaido	56	14	4	74
Tohoku	40	1	—	41
Kanto	27	1	3	31
Chubu	14	—	—	14
Kinki	5	8	1	14
Chugoku	—	—	—	0
Shikoku	1	—	—	1
Kyushu	—	9	16	25
Okinawa	—	—	14	14
Total	143	33	38	214



Sales and service network expanded again in 2004. The Kanamoto Group continues to challenge itself.

During 2004 as well, Kanamoto pursued collaboration with leading local firms in different regions and created an organization that enables more customers to benefit from the services of the Kanamoto Group.

Shinkiba Branch・Shutoken Aerial Equipment Branch (Tokyo/Shutoken Block)

Shutoken Aerial Equipment Branch equipment yard (Tokyo/Shutoken Block)

Continually establishing new footholds based on cooperation with leading local firms

In June 2004, Kanamoto established the Tokyo Metropolitan Area Aerial Equipment Branch and Shin-Kiba Branch, plus a large-scale equipment yard and maintenance facility, in Koto City, Tokyo. The Company's goal is to increase awareness of the Kanamoto brand and expand Kanamoto's share of the Tokyo area market, where construction equipment rental demand is strong.

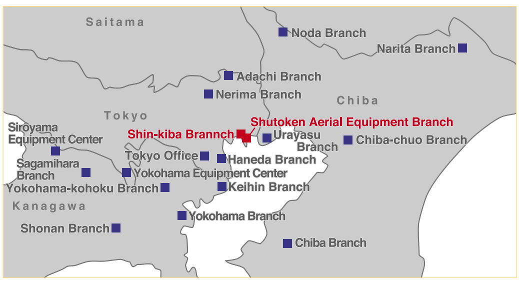
As its name indicates, the Tokyo Metropolitan Area Aerial Equipment Branch rents construction equipment for high level work, and supports large-scale construction projects in the heart of the Tokyo metro area as Kanamoto's centralized base specializing in equipment for high level work. As the Company's core branch in the Tokyo metropolitan area, on the other hand, the Shin-Kiba Branch focuses on business development aimed at participation in large-scale construction works in conjunction with port and harbor engineering projects and urban redevelopment. Kanamoto's goal is to achieve synergistic effects, by having both branches complement one another in responding to a variety of customer needs.

The Company is strengthening cooperation with leading local firms in Hokkaido as well, and established the Engaru Branch (Engaru, Monbetsu-gun, Hokkaido) in June 2004.

In other efforts, Kanamoto also is pushing ahead with its branch replacement and renewal program, to position branches effectively in the Company's existing business areas and create an organization to provide services closely aligned with local customers' needs.

Engaru Branch (Hokkaido/Hokumo Block)

Kanamoto branches in Tokyo metropolitan area



Kanki Corporation head office

Yukio Sato, Kanki Corpora -tion's new president, describes his aspirations for the company at a special meeting of the entire company

Kanki Corporation, Hyogo Prefecture's top construction equipment rental firm in terms of market share, becomes a Kanamoto subsidiary

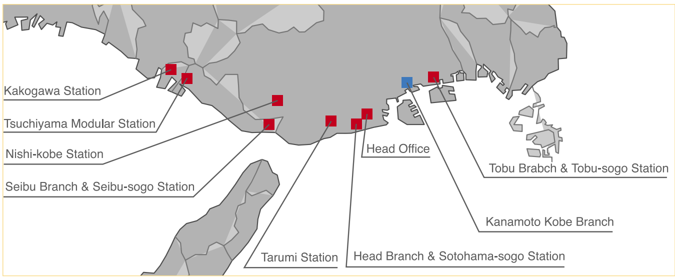
Kanki Corporation (Head office: Kobe, Hyogo Prefecture) manages a comprehensive equipment rental business through its network of eight branches in Hyogo Prefecture. For over 40 years, Kanki Corporation has maintained its leading position within Hyogo Prefecture in the face of intense competition, based on operations firmly rooted in the local area and the company's sincere approach to business.

Over the course of several years, Kanki Corporation and Kanamoto have built a strong partnership. In September 2004, Kanamoto decided to make Kanki Corporation a consolidated subsidiary to further develop this cooperative relationship.
Kanki Corporation has earned a high level of trust in its core market in Hyogo Prefecture, and boasts the unshakable strength of the Kanki Corporation brand. By combining this with Kanamoto's state-of-the-art, first-class rental equipment and the industry's most powerful online network, together the two companies have created a system that is not limited to the market in Hyogo Prefecture and is capable of growing by advancing into undeveloped areas in western Japan.

In order to offer the services of the Kanamoto Group to customers throughout Japan in the future, Kanamoto will seek to expand aggressively, not only through development of its own branch offices but also by building an alliance group with local firms in every region of Japan, using a mixture of collaboration, alliances and M&A.

New and former presidents of Kanki Corporation and Kanamoto president Kanchu Kanamoto inspecting a branch. Former president Ninichiro Kirizuki is at the left of the photograph and Yukio Sato, Kanki Corporation's new president, is on the right

☐ Kanki branches in Hyogo Prefecture



Kanamoto offers advanced construction equipment rental services throughout Japan, based on the integrated capabilities of the Kanamoto group network.

The Kanamoto alliance group is comprised of the parent company, five consolidated subsidiaries and two non-consolidated subsidiaries, two affiliated companies and two alliance partners. By combining Kanamoto's overwhelming inventory of rental assets with the management capabilities of strong local rental companies, Kanamoto provides high-quality service perfectly suited to regional characteristics.

Construction - related businesses

Consolidated subsidiaries

■ Assist Co., Ltd. (9 branches)

Engaged in the rental of safety products such as signals or signs for the construction industry.

■ SRG Kanamoto Co., Ltd. (2 branches)

A joint venture between Kanamoto and SRG Takamiya Co., Ltd. that provides rentals of temporary scaffolding.

■ Kanatech Co., Ltd. (6 branches)

Designs, manufactures and sells modular housing units for construction use.

■ Daiichi Machine Industries Co., Ltd. (8 Branches)

Construction equipment rental company headquartered in Kagoshima Prefecture.

■ Kanki Corporation (8 branches)

Construction equipment rental company headquartered in Hyogo Prefecture.

Information products - related businesses and other businesses

Affiliated companies

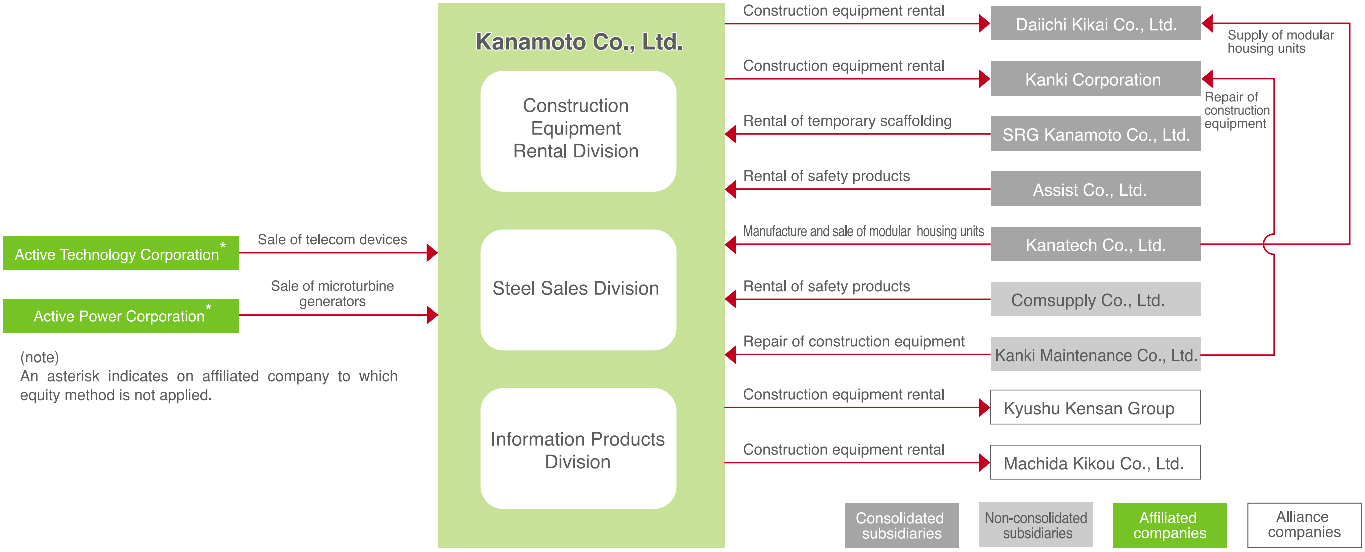
■ Active Technology Corporation (1 branch)

Sells telecommunications - related equipment such as wireless LAN devices.

■ Active Power Corporation (1 branch)

Sells microturbine generators manufactured by Capstone Corporation, a U.S. company, and supplies these products to Kanamoto, among others.

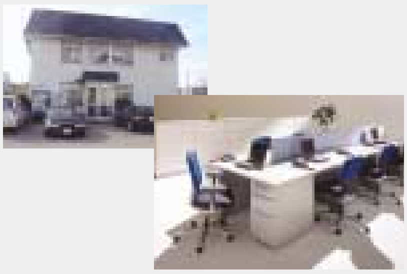
Alliance & Associates



(note)
An asterisk indicates on affiliated company to which equity method is not applied.

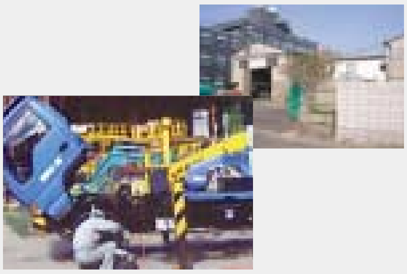
Construction - related businesses

Non-consolidated subsidiaries



Comsupply Co., Ltd. (5 branches)

Engaged in the rental of safety products for the construction industry.



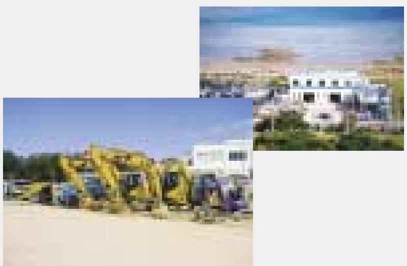
Kanki Maintenance Co., Ltd. (1 branch)

Repair of construction equipment.

Alliance companies

Kyushu Kensan Group
(16 branches, 4 group companies)

Construction equipment rental company headquartered in Fukuoka Prefecture.

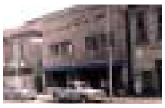


Machida Kikou Co., Ltd. (14 branches)

Construction equipment rental company headquartered in Okinawa Prefecture.

1964

Oct Kanamoto Shoten Co., Ltd. established (Reorganization in Muroran, Hokkaido)
Zenchu Kanamoto appointed President and Representative Director


Kanamoto Shoten Co., Ltd


Kanamoto Shoten era banner

1971

Oct Began development of sales branch network (Hokkaido)

1972

Dec Company name changed to Kanamoto Co., Ltd.


Former headquarters building

1979

Sep Advanced into Aomori Prefecture with the first office located outside of Hokkaido

1981

Sep Taichu Kanamoto (Currently honorary chairman) appointed President and Representative Director

1982

Mar Advanced into Akita Prefecture.

Nov Advanced into Iwate Prefecture

Oct Third-party allocation of shares (400 thousand shares; par value 50 yen)

1983

Jul Advanced into Chiba Prefecture

Sep Launched Computer and Peripheral Equipment Division as the company's third operating division (Tomakomai, Hokkaido)

1985

Feb Advanced into Gunma Prefecture

Jul Advanced into Miyagi Prefecture

Nov Completed on-line computer system network linking all branches


Calculation Section computer room in 1985

1986

Jul Advanced into Kanagawa Prefecture

1987

Jul Advanced into Fukushima Prefecture

Nov Start of "Act '90" medium-term management plan

1988

Dec Advanced into Tochigi Prefecture

1989

Jun Branches located in nearly all regions of Hokkaido

Sep Advanced into Niigata Prefecture

1990

Nov Start of "New Act" medium-term management plan

1991

Jun Advanced into Yamagata Prefecture

Jul Advanced into Saitama Prefecture

Oct Completed Information Products Division Ofuna Technocenter

Jun Listed on the Sapporo Stock Exchange


Sapporo Stock Exchange on the day Kanamoto listed its stock

Jun Completed 1:1.2 stock split
Paid an annual dividend of ¥12, including a dividend of ¥4.5 to commemorate the Company's stock listing

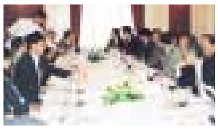
1992

Oct Completed 1:1.1 stock split
Increased dividend by ¥2.5 per share and paid annual dividend of ¥10

1993

Dec Advanced into Nagano Prefecture

Aug Issued Swiss franc-denominated warrants (SFr60 million)


Signing ceremony for Swiss franc-denominated warrants

Oct Completed 1:1.5 stock split, paid annual dividend of ¥10

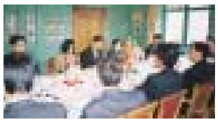
Nov Start of "Challenging '96" medium-term management plan

1994

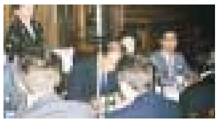
Jan Advanced into Aichi Prefecture

Jul Advanced into Osaka Prefecture

Apl Increased capital through public offering (2 million shares)
Began conducting overseas IR briefings


Overseas IR briefing

Jul Issued Swiss franc-denominated convertible bonds (SFr100 million)


Signing ceremony for convertible bonds

Oct Completed 1:1.3 stock split
Paid annual dividend of ¥10

1995

Apl Advanced into Toyama Prefecture

Oct Advanced into Fukui Prefecture

Aug Designated as a loan transaction stock for the Sapporo Stock Exchange

Oct Completed 1:1.1 stock split
Increased annual dividend by ¥2 to ¥12

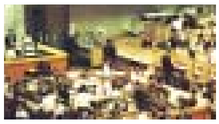
1996

May Advanced into Ishikawa Prefecture

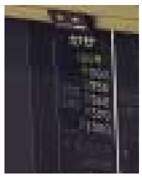
Oct Advanced into Ibaraki Prefecture

Dec Advanced into Mie Prefecture

Mar Increased capital through public offering (2 million shares)
Listed on the Second Section of the Tokyo Stock Exchange


Tokyo Stock Exchange on the day Kanamoto listed its stock


Kanamoto received Mercury Plaque from the Tokyo Stock Exchange


Kanamoto's stock began trading as a new brand

Jun Relocated head office functions in Sapporo, Chuo Ward
Conversion of first unsecured convertible bonds (¥10 billion)


New headquarters building

Oct Completed 1:1.1 stock split
Increased annual dividend by ¥2 to ¥14

Nov Start of "Plan Jupiter" medium-term management plan

1997

Apr Designated as a stock for margin trading on the Tokyo Stock Exchange

Oct Increased annual dividend by ¥2 to ¥16

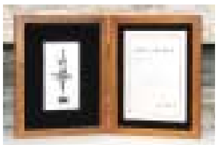
Nov Issued Eurodollar-denominated straight corporate bonds (US$42 million)

1998

Jun Kanchu Kanamoto appointed President and Representative Director

Jan Introduced stock option program

Apr Stock elevated to the First Section of the Tokyo Stock Exchange



Notification of elevation of Kanamoto's stock to the First Section of the Tokyo Stock Exchange

Celebration of Kanamoto's designation as a First Section stock

Sep Honored by the Tokyo Stock Exchange with the Commendation Award for Listed Companies, for more than five consecutive years of annual dividend increases following listing on the Exchange

Oct Increased ordinary annual dividend by ¥2 to ¥18

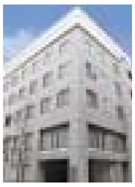
1999

Aug Established SRG Kanamoto Co., Ltd.

SRG Kanamoto Tomakomai Center

Jul Beer restaurant Providence opened

Nov Construction completed on the Kanamoto Hamamatsucho K Building (Tokyo)



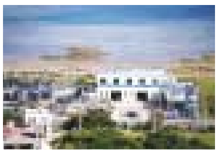
Tokyo operation division

Oct Commemorative per-share dividend of ¥1 to commemorate 35th year anniversary, paying total annual dividend of ¥19

Nov Issued ¥5 billion denominated zero-coupon bond (Switzerland)

2000

Mar Concluded an alliance with Machida Kikou Co., Ltd.



Machida Kikou Co., Ltd

Oct Transferred temporary housing production business to Kanatech Co., Ltd.

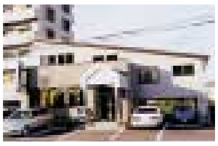
Kanatech Co., Ltd.

Jan Implemented second stock option program

Oct Paid annual ordinary dividend of ¥18 per share

Nov Established commitment facility (first in Hokkaido)

Dec Concluded an alliance with Kyushu Kensan Co., Ltd



Kyushu Kensan Co., Ltd.

2001

Jun Established Kanamoto Shikoku Co., Ltd.

Kanamoto Shikoku Co., Ltd.

Nov Opened Hassamu Megastation
Converted Daiichi Machine Industries Co., Ltd. into a subsidiary

Daiichi Machine Industries Co., Ltd.

Jan Introduced corporate officer system

Nov Start of "Kanamoto Survival Plan" medium-term management plan
Established second commitment facility

2002

Feb Established sales office in Tokyo

Nov Advanced to Hyogo Prefecture

Jun Concluded syndicated loan (7 billion yen)

Nov Established third commitment facility

2003

Aug Merged with Taniguchi Co., Ltd.

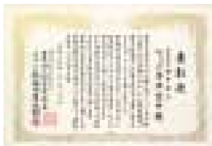
Headquarter office of Taniguchi Co.,Ltd. (currently the Otaru Branch)

Nov Converted Daiichi Machine Industries Co., Ltd. into a wholly-owned subsidiary

Nov Start of "Metamorphose" long-range management plan
Established fourth commitment facility

Dec Kanamoto honored with the IR Excellent Firm Award from the Japan Association for Individual Investors (JAII) (fourth company to receive the award)

Award presentation ceremony



Kanamoto received the IR Excellent Firm Award from the Japan Association for Individual Investors

2004

Jan Converted Kanamoto Shikoku Co., Ltd. into a wholly-owned subsidiary.

May Received the operating rights to the construction equipment rental business of Kanaya Lease

Jul Succeeded to the construction eqip-ment rental business of Nakano Motors.

Sep Converted Kanki Corporation into a subsidiary

Kanki Corporation

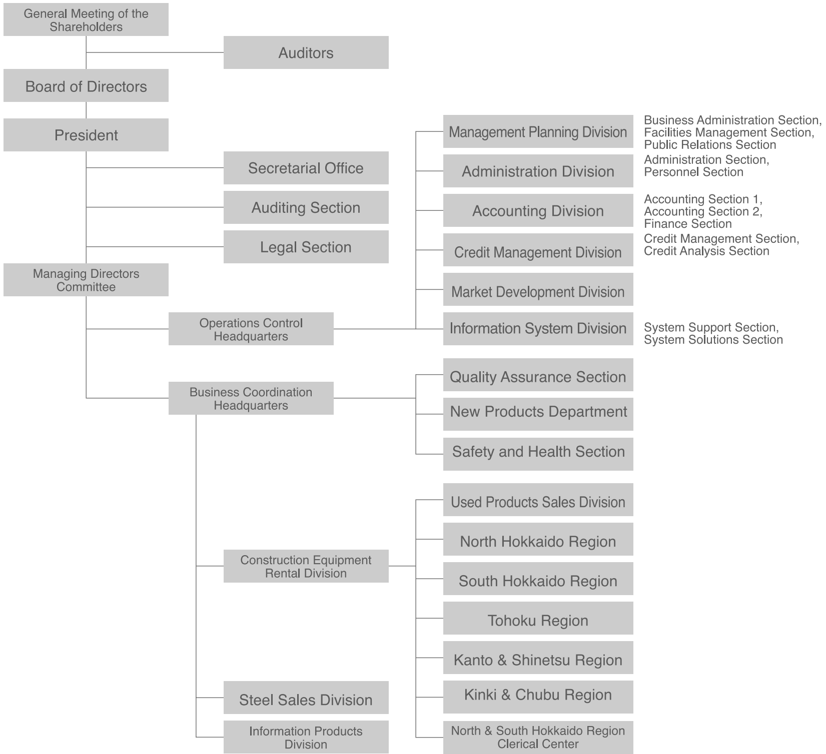
Oct Kanamoto concluded an alliance with Tsuruga Kenki Lease Co., Ltd.

Oct Executed ¥12.0 billion liquidation scheme for bill receivables

Nov Established fifth commitment facility

(January 31 2005)

Organization Chart



Corporate Data

Company Name
kanamoto co., ltd.

Head Office
1-19, Odori Higashi 3-chome Chuo-ku, Sapporo, Hokkaido 060-0041 Japan

Established
October 28, 1964

Capitalization
¥8.6 billion (Paid-in capital)

Listing Exchanges
Tokyo Stock Exchange, First Section
Sapporo Stock Exchange

Stock Code
9678

Common Shares Issued and Outstanding
30,253,000

Fiscal Year-end
October 31

Revenues
¥59,274 million
(Fiscal year ended October 2004)

Number of Employees
1,121
(Excluding directors and temporary or part-time workers)

Principal Businesses
Rental of construction equipment
Sale of steel products
Rental of engineering workstations and computer peripherals.

Primary Lenders
The Bank of Tokyo-Mitsubishi
The Mitsubishi Trust and Banking Corporation
Mizuho Corporate Bank
Sumitomo Mitsui Banking Corporation
North Pacific Bank
The Norinchukin Bank
Hokkaido Shinren
The Hokkaido Bank
Daishi Bank
Shinkin Central Bank


Headquarters Buillding (Sapporo, Hokkaido)


Tokyo Operating Division

Principal Shareholders

ORIX Corporation
Taichu Kanamoto
Saburo Kanamoto
The Master Trust Bank of Japan, Ltd.
Komatsu Ltd.
Kanamoto Capital Company
Tokio Marine & Nichido Fire Insurance Co., Ltd.
North Pacific Bank, Ltd.
The Hokkaido Bank, Ltd.
Denyo Co., Ltd.

Financial Section

November 1, 2003 - October 31, 2004

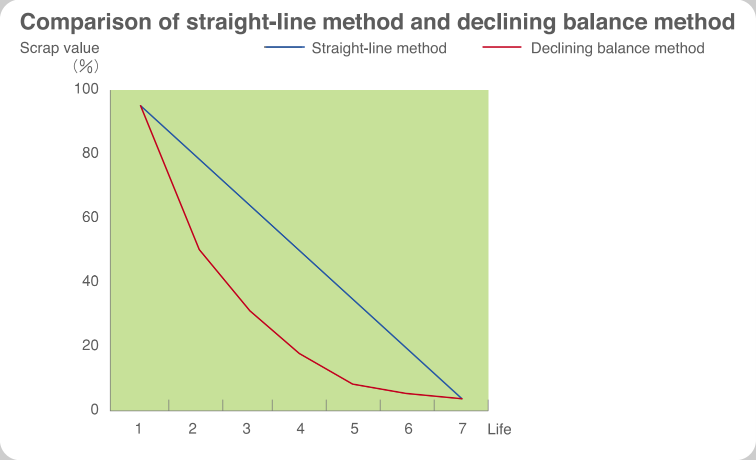
Notes 1

For purposes of this report, the Balance Sheets and Statements of Income were created using financial data prepared according to Japan's Securities Report Guidelines.

Note 2

Kanamoto uses a variety of techniques when introducing rental assets. In addition to purchasing assets by installments, the Company also finance leases (including operating leases) are an off-balance sheet item (details are provided in the notes to the accounting statements).
Accordingly, please refer to the balance sheets (description page **) and the Supplemental Information (details of tangible fixed assets published on page**) concerning the amount of rental assets introduced in the fiscal year under review, and to the balance sheets (description page**) and the note on finance leases (including operating leases) in the notes to the balance sheets (description page**) concerning depreciation and amortization expense.

Kanamoto has adopted the declining balance method for depreciation and amortization expense. As shown, this results in a situation where paper gains are easily produced if assets can be used over long periods of time because the depreciation and amortization expense is large for the first year, then grows smaller in later years. The difference in depreciation according to the declining balance method and the straight-line method is shown in the diagram.



Under Japan's current accounting system, large variances between actual asset values and book values can occur in asset value assessments. One reason is the fact durable lives are stipulated by the Tax Code. For assets handled by Kanamoto in particular, implementing planned rental assets introductions suitable to the size of its business and keeping balance sheet depreciation and amortization expense uniform are extremely difficult because the durable lives established by law are different for each equipment model.
Accordingly, to achieve results more closely approximating the market-value accounting concept, Kanamoto also introduces assets by utilizing both operating leases and finance leases in an effort to equalize depreciation and amortization expense.

Operating results

Summary of consolidated fiscal year operating results

During the consolidated fiscal year under review, Japan's economy exhibited a positive trend in business sentiment during the first half of the year centered on healthy export industries. During the second half, however, foreign demand slumped and a mood of stagnation spread under the influence of a sudden jump in crude oil prices and other factors. Nevertheless, the sense of a manufacturing-centered economic recovery spurred by so-called special Chinese demand for products such as iron and steel (a sharp rise in steel materials) and marine transportation was generally felt throughout the year.

In the construction industry, which is a major customer for Kanamoto's services, there were a number of large-scale projects in the Tokyo metropolitan area accompanied by private demand, and overall there was a sense that conditions had reached bottom. Public works expenditures, however, decreased for the second consecutive year, and the severe nationwide environment affecting construction equipment rentals overall was unchanged.

Construction-related business

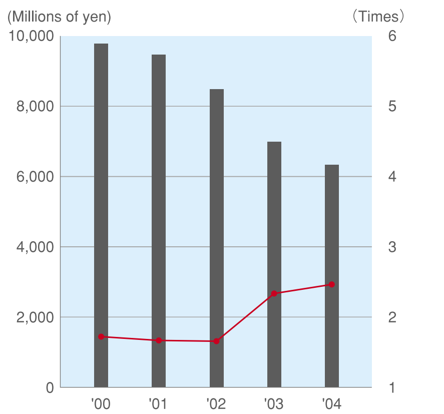
Following a comparatively robust first half in the consolidated fiscal year under review, which included the construction industry's busy season, construction equipment rental demand turned down during the second half and weakened under the influence of cutbacks in local public works. Although confronted with a tough business environment, for the consolidated fiscal year under review the Kanamoto Group achieved consolidated revenues of ¥54,823 million in its construction-related businesses, a decrease of 2.8% compared to the prior consolidated fiscal year, and operating income ¥1,680 million, a 23.8% decrease year-on-year, as the result of detailed cost reductions, management improvements, and marketing efforts.

By the Company's relevant business segments, total revenues for the Construction Equipment Rental Division edged down 0.8% compared to the prior consolidated fiscal year, to ¥52,761 million. Rental revenues decreased 1.9% year-on-year to ¥38,471 million, and sales increased by 2.3% compared to the prior consolidated fiscal year to ¥14,289 million. Given the amount of total construction declined 3.6% from the level of the prior consolidated fiscal year, Kanamoto was able to achieve results that were nearly unchanged from the prior consolidated fiscal year. The main reason was synergistic results among factors such as (1) healthy demand overall for vehicle rentals on which the Company focused and intensified its marketing efforts during the fiscal year, (2) rentals of system support equipment (high-speed reactive electric power controllers and flicker control equipment and other equipment requiring special expertise, (3) steady growth in rentals of general-purpose equipment such as hand tools and small equipment and (4) a partial recovery of rental rates for certain models.

By region, rental revenues decreased 4.6% in Hokkaido and fell 4.1% in Tohoku from the prior consolidated fiscal year levels, despite the fact orders for restoration works following disasters last year in both Hokkaido and the Tohoku territory were brisk during the first half of the consolidated fiscal year. Revenues were affected by a prolonged construction equipment rental slow period from May, coupled with delays in construction caused by typhoons that battered Japan repeatedly during the summer. In the Kanto Shinetsu territory, rentals of construction equipment for urban use by the Shutoken Aerial Equipment Branch and Shin-Kiba Branch, which were established in June

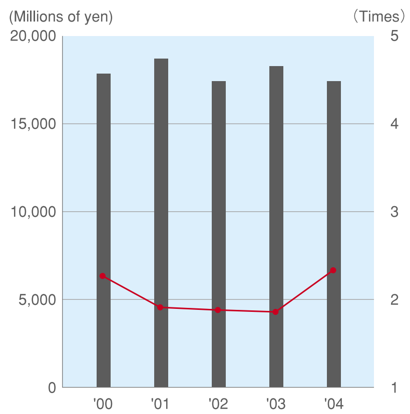
Cash Flow
PCFR

CF = Net income + Depreciation expense - (Cash dividends + Bonuses to directors and auditors)
PCFR =Total market capitalization / CF = Stock Price / Cash flow per share of common stock



EBITDA+
EBITDA+ Ratio

EBITDA+ =Operating income + Depreciation expense + Other depreciation and amortization expense+ Low-price rental assets, and others
EBITDA+ is an indicator used only for the construction equipment rental business and excludes steel products and information products



and specialize in the rental of vehicles for high-level work, rose by 3.8% year-on-year. In the Kinki-Chubu territory as well, rental revenues increased 3.9% over the same period of the prior consolidated fiscal year as the result of construction for the Aichi Expo and Chubu International Airport and an increase in related private sector demand. As a result, the percentage of total rental revenues accounted for by Hokkaido and Honshu were 40.1% and 59.9%, respectively.

Construction equipment sales by the Construction Equipment Rental Division increased because of higher sales of equipment consigned from other companies and steady domestic sales of items such as used modular housing units and parts.

During the consolidated fiscal year under review, Kanamoto opened one new branch and closed four branches in the Hokkaido territory, added one new branch and closed one branch in the Tohoku territory, opened two new branches and closed one branch in the Kanto-Shinetsu territory and added one new branch and closed one branch in the Kinki-Chubu territory.

The total number of branches decreased by one to 139 branches. The three new branches, including one branch each the Hokkaido territory, Kanto-Shinetsu territory and Kinki-Chubu territory, were the Engaru Branch taken over from Nakano Motors Co., Ltd. in June 2004, the Shutoken Aerial Equipment Branch, which Kanamoto succeeded to in June 2004 when it took over the business of Kanaya Lease Co., Ltd., and the Takamatsu Branch taken over by Kanamoto when it absorbed and merged with Kanamoto Shikoku Co., Ltd. in April 2004.

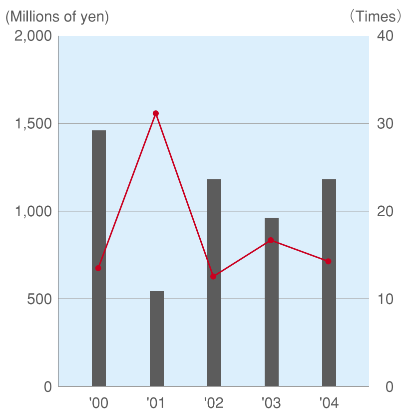
Turning to the operations of its consolidated subsidiaries, Daiichi Kikai Co., Ltd. enjoyed a favorable environment for construction orders and increased revenues 15.2% from the prior consolidated fiscal year level. Operating income declined 61.5% year-on-year as a result of an increased cost burden for new branch start-up costs. SRG Kanamoto Co., Ltd. increased its revenues 26.4% over the prior consolidated fiscal year, but saw its operating loss deteriorate and increase 99.0% year-on-year from the burden for depreciation on newly purchased components. At Assist Co., Ltd. operating income improved substantially, despite a 1.5% decrease in revenues year-on-year, as revenues stagnated during the second half of the fiscal year, and operating income expanded 371.0% compared with the prior consolidated fiscal year as the company improved its gross profit margin for the second year in a row. Kanatech Co., Ltd. saw its revenues slip 33.1% compared to the prior consolidated fiscal year because of a large decrease in orders both from within and outside the Kanamoto group, but did manage some improvement as it reduced its operating loss by 20% through efforts to control costs. Kanki Corporation was included in the scope of consolidation beginning in the consolidated fiscal year under review following the acquisition of its stock by Kanamoto in October 2004.

Only the company's balance sheet has been consolidated, however, because the acquisition was considered to occur at Kanamoto's consolidated fiscal year-end.

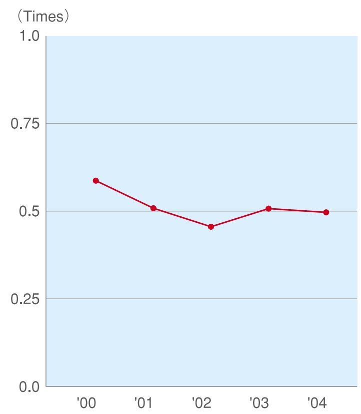
Steel Sales-related business

The prices of steel materials jumped sharply for the first time in 17 years since the bubble economy years, as the market was invigorated and demand rose even in Hokkaido because of strong demand in China. Revenues at the Steel Sales Division declined 4.9% year-on-year to ¥6,058 million, however, because the division did not accept every potential order as the Company sought to restrain receivables growth.

Net Income
PER
PER = Total market capitalization at end of period / Net Income



PBR
PBR = ROE × PER



Operating income improved by ¥50 million compared to the prior consolidated fiscal year.

Information Products-related business and Other Businesses

From workstations to low-priced personal computer servers, the Information Products Division increased both the number of machines rented and the number of accounts (number of borrowers) compared with the prior consolidated fiscal year. Nevertheless, rental revenues fell 11.5% year-on-year because of lower rental rates. Revenue from sales also plunged, decreasing 81.2% from the prior consolidated fiscal year level, as new product development was delayed. Revenues for the division as a whole were reduced by half, decreasing by 50.4% year-on-year. As a result, revenues from information products related business and other businesses shrank 50.4% from the prior consolidated fiscal year to ¥454 million, and operating income was only ¥170,000.

Fiscal Year ended October 31, 2004 Consolidated Operating Results

(Millions of yen; % change from prior year)

	Revenues		Operating Income		Ordinary Income		Net Income	
Consolidated Fiscal Year Under Review	61,336	-3.7%	1,878	-18.6%	1,749	-23.2%	1,097	20.1%
Prior Consolidated Fiscal Year	63.686	-2.4%	2,307	0.9%	2,279	-4.3%	913	-24.4%

Outlook for the next consolidated fiscal year (Business Period ending October 2005)

Japan's leading financial institutions have nearly disposed of their non-performing loans according to schedule, and prospects for Japan's economy have also brightened. There remain concerns the economic recovery might still be affected substantially by the international environment, however, and there are a number of instability factors. Although progress can be noted in private sector capital investment, for example, this continues to be confined to the largest metropolitan areas, while in local areas there are no major projects other than restoration works in specified disaster areas. Given these circumstances, Kanamoto forecasts the business environment will remain severe. Actual demand in Kanamoto's main business in the construction equipment rental industry as well is expected to be subject to tough conditions throughout the next consolidated fiscal year.

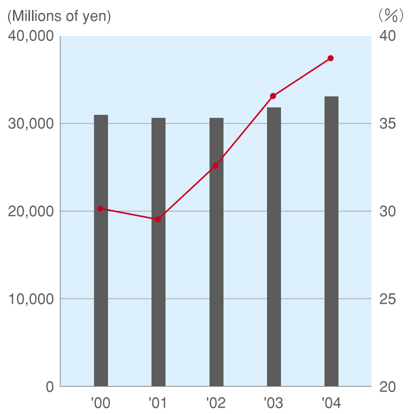
Although the severe environment will continue for Kanamoto, which has branches in many areas, the Company will maintain its market share and continue to improve equipment utilization rates through alliances with local construction equipment rental firms in regions where Kanamoto has a small market share.

The Company will also proceed to develop its customer-first marketing. Although the first half of the Company's consolidated fiscal year (January-April) includes the construction industry's so-called busy period, there is a possibility for general construction to be delayed and

Shareholders' Equity

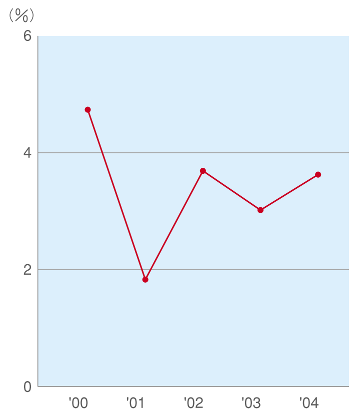
Shareholders' Equity Ratio

Shareholders' Equity Ratio = Shareholders' equity / Total assets



ROE

ROE = Net income / Shareholders' equity = EPS / BPS



for rental equipment orders to be concentrated temporarily in certain months because of disaster relief work to recover from typhoons that devastated Japan during 2004. Kanamoto will take steps to minimize these anticipated problems. Because the second half of the consolidated fiscal year (May-October) is a slow period, Kanamoto will pursue customer development efforts aimed at boosting rental revenues and earnings during these months, particularly in alternative industry sectors.

With regard to Kanamoto's scrap and build policy, the Company will continue to investigate establishing a fourth branch in the Tokyo metropolitan area. Kanamoto currently has no plans to close any branches, but will boldly pursue this option should operating results at any of its branches warrant such action.

The entire Kanamoto Group will seek to maintain earnings, by optimizing asset operations, creating the corporate structure and business capabilities to respond fully to this challenging business environment, taking full advantage of Kanamoto's broad line-up of state-of-the-art equipment unavailable from other rental companies and avoiding competition through alliances with leading local companies in other regions.

Kanamoto is unable to determine at this time the extent of the restoration work that will be necessary following the Niigata-Chuetsu Earthquake. Based on its experience in response to the Hokkaido Nansei-Oki Earthquake and Hanshin-Awaji (Kobe) Earthquake in the past, the Company believes recovery work in this case will be required over an extensive period because of the need, for example, to restore roads in this mountainous area. Other areas where the Kanamoto group operates also suffered extensive damage from typhoons that struck Japan several times during 2004, and disaster recovery works are underway in these areas as well. The Company believes these works will have a positive influence on its operating results, but has not included these items in the projected consolidated operating results released at this time.

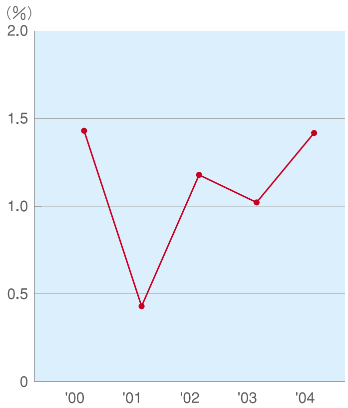
Fiscal Year ending October 31, 2005 Consolidated Operating Results

(Millions of yen; % change from prior year)

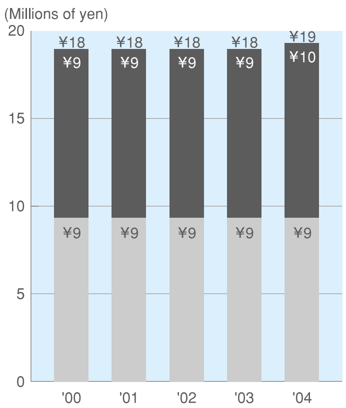
	Revenues		Operating Income		Ordinary Income		Net Income	
Interim Period	32,250	4.2%	1,440	-8.7%	1,280	-16.2%	650	-40.7%
Full Year	63,400	3.4%	2,130	13.4%	1,790	2.3%	740	-32.5%

ROA

ROA = Net income / Total assets



Dividend per Share of Common Stock



The 2004 cash dividend of ¥19 included a one - time commemorative dividend of ¥1 to celebrate the 40th anniversary of the Company's founding.

ASSETS

As of October 31, 2004 and 2003	Millions of yen 2003	Millions of yen 2004	Thousands of U.S. dollars (Note 1) 2004
Current assets:			
Cash and cash equivalents	¥ 11,921	**¥ 11,734**	**$ 110,512**
Short-term investments (Note 3)	47	**0**	**0**
Notes and accounts receivable, trade	21,412	**23,481**	**221,139**
Inventories	854	**703**	**6,621**
Deferred income taxes (Note 8)	261	**252**	**2,374**
Other current assets	2,395	**2,343**	**22,068**
Less: Allowance for doubtful accounts	(489)	**(731)**	**(6,882)**
Total current assets	36,401	**37,782**	**335,832**
Property and equipment:			
Rental equipment (Note 7)	43,790	**39,161**	**368,819**
Building and structures	15,333	**16,039**	**151,056**
Machinery and equipment (Note 7)	5,153	**5,370**	**50,571**
Less: Accumulated depreciation	(42,361)	**(41,980)**	**(395,365)**
	21,915	**18,590**	**175,081**
Land	24,638	**26,112**	**245,924**
Construction in progress	2	**3**	**26**
Total property and equipment	46,555	**44,705**	**421,031**
Investments and other assets:			
Investment securities			
- Unconsolidated subsidiaries and affiliates (Note 3)	164	**60**	**565**
- Others(Note 3)	3,409	**3,878**	**36,524**
Deferred income taxes (Note 8)	1,383	**911**	**8,580**
Other assets	1,662	**3,648**	**34,358**
Less: Allowance for doubtful accounts	(564)	**(1,661)**	**(15,643)**
Total investments and other assets	6,054	**6,836**	**64,384**
Total assets	¥ 89,010	**¥ 89,323**	**$ 841,247**

(Note)

＊For details of Short-terms investments, please refer to page 33-35 (Note 3).

＊For details of Current assets : Deferred income taxes, please refer to page 38 (Note 8).

＊**Under the accounting principles and practices currently applied in Japan, finance leases and operating leases are off balance sheet items. For details of concerning matters related to lease transactions, please refer to page 37 (Note 7).**

＊For details of unconsolidated subsidiaries and affiliates, please refer to page 33-35 (Note 3).

＊For details of others, please refer to page 33-35 (Note 3).

＊For details of Investments and other assets : Deferred income taxes, please refer to page 38 (Note 8).

LIABILITIES AND SHAREHOLDERS' EQUITY

	Millions of yen		Thousands of U.S. dollars (Note 1)
As of October 31, 2004 and 2003	2003	2004	2004
Current liabilities:			
Short-term bank loans (Note 4)	¥ 713	**¥ 677**	**$ 6,373**
Current portion of long-term debt (Note 4)	14,854	**14,262**	**134,317**
Notes and accounts payable, trade	11,048	**13,405**	**126,254**
Accrued income taxes	648	**369**	**3,473**
Accrued bonuses	443	**480**	**4,526**
Other current liabilities	1,208	**1,426**	**13,428**
Total current liabilities	28,914	**30,619**	**288,371**
Non-current liabilities:			
Long-term debt (Note 4)	25,423	**24,275**	**228,621**
Accrued pension and severance costs (Note 5)	1,777	**1,229**	**11,573**
Other liabilities	918	**395**	**3,725**
Total non-current liabilities	28,118	**25,899**	**243,919**
Minority interests	71	**59**	**558**
Contingent liabilities (Note 6)			
Shareholders' equity:			
Common stock:			
Authorized–66,000,000 shares			
Issued–30,253,241 shares	8,597	**8,597**	**80,964**
Capital surplus	9,720	**9,720**	**91,546**
Retained earnings	13,400	**13,914**	**131,038**
Unrealized holding gain on securities (Note 3)	367	**698**	**6,571**
Treasury stock	(177)	**(182)**	**(1,720)**
Total shareholders' equity	31,907	**32,746**	**308,399**
Total liabilities and shareholders' equity	¥ 89,010	**¥ 89,323**	**$ 841,247**

(Note)

＊For details of Short-term bank loans, please refer to page 35 (Note 4).
＊For details of Current portion of long term debt, please refer to page 35 (Note 4).
＊For details of Long-term debt, please refer to page 35 (Note 4).
＊For details of Accrued pension and severance costs, please refer to page 35-36 (Note 5).
＊For details of Contingent liabilities, please refer to page 36 (Note 6).
＊For details of Unrealized holding gain on securities, please refer to page 33-35 (Note 3).

Years Ended October 31, 2004 and 2003	Millions of yen 2003	Millions of yen 2004	Thousands of U.S. dollars (Note 1) 2004
Revenue			
Rentals	¥ 40,724	**¥ 39,759**	**$ 374,451**
Sales	22,962	**21,577**	**203,212**
	63,686	**61,336**	**577,663**
Cost of sales			
Rentals	30,928	**29,998**	**282,526**
Sales	17,970	**17,019**	**160,283**
	48,898	**47,017**	**442,809**
Gross profit	14,788	**14,319**	**134,854**
Selling, general and administrative expenses	12,480	**12,440**	**117,161**
Operating income	2,308	**1,879**	**17,693**
Other income (expenses) :			
Interest and dividend income	82	**71**	**670**
Interest expenses	(398)	**(348)**	**(3,274)**
Others, net	(117)	**610**	**5,745**
Income before income taxes and minority interests	1,875	**2,212**	**20,834**
Income taxes (Note 8) :			
Current	1,036	**839**	**7,903**
Deferred	(55)	**257**	**2,417**
	981	**1,096**	**10,320**
Minority interests in subsidiaries	(20)	**19**	**178**
Net income	¥ 914	**¥ 1,097**	**$ 10,336**

	Yen 2003	Yen 2004	U.S. dollars (Note 1) 2004
Per share of common stock :			
Net income			
Basic	¥ 29.96	**¥ 36.50**	**$ 0.34**
Diluted	27.11	**-**	**-**
Cash dividends applicable to the year	18.00	**19.00**	**0.18**

(Note)

＊For details of Income taxes, please refer to page38 (Note8).

Years Ended October 31, 2004 and 2003	Millions of yen 2003	Millions of yen 2004	Thousands of U.S. dollars (Note 1) 2004
Cash flows from operating activities :			
Net income before income taxes and minority interests	¥ 1,875	**¥ 2,212**	**$ 20,834**
Adjustments for :			
Depreciation expenses	6,651	**5,295**	**49,866**
Loss on disposal or sales of property and equipment	89	**98**	**921**
Write-down of investments in securities	260	**42**	**401**
Gain on sales of investments in securities	(135)	**(47)**	**(445)**
Provision (reversal of provision) for allowance for doubtful accounts	(22)	**153**	**1,440**
Provision (reversal of provision) for accrued pension and severance costs	101	**(548)**	**(5,166)**
Interest and dividend income	(82)	**(71)**	**(669)**
Interest expenses	580	**459**	**4,329**
Decrease (increase) in trade receivable	1,708	**(944)**	**(8,892)**
Decrease (increase) in inventories	(45)	**205**	**1,929**
Increase (decrease) in trade payable	(917)	**1,071**	**10,093**
Other	1,230	**(183)**	**(1,727)**
Subtotal	11,293	**7,742**	**72,914**
Interest and dividend income received	82	**71**	**670**
Interest expenses paid	(601)	**(464)**	**(4,369)**
Income taxes paid	(415)	**(1,119)**	**(10,539)**
Net cash provided by operating activities	10,359	**6,230**	**58,676**
Cash flows from investing activities :			
Payments for purchase of investment securities	(1,362)	**(1,045)**	**(9,837)**
Proceeds from sales of investment securities	1,988	**1,333**	**12,552**
Payments for purchase of property and equipment	(638)	**(1,899)**	**(17,888)**
Other	(95)	**76**	**711**
Net cash used in investing activities	(107)	**(1,536)**	**(14,462)**
Cash flows from financing activities :			
Increase(decrease)in short-term bank loans, net	(192)	**(37)**	**(346)**
Proceeds from long-term debt	15,000	**11,930**	**112,356**
Repayments of long-term debt	(27,896)	**(10,710)**	**(100,862)**
Repayments of lease obligation	-	**(5,564)**	**(52,402)**
Cash dividends paid	(541)	**(537)**	**(5,063)**
Other	(135)	**(5)**	**(50)**
Net cash used in financing activities	(13,764)	**(4,923)**	**(46,367)**
Net increase (decrease) in cash and cash equivalents	(3,512)	**(229)**	**(2,153)**
Cash and cash equivalents at beginning of the year	15,433	**11,921**	**112,268**
Increase due to inclusion in consolidation	-	**42**	**397**
Cash and cash equivalents at end of the year	¥ 11,921	**¥ 11,734**	**$ 110,512**

Years Ended October 31, 2004 and 2003	Thousands of shares of common stock	Millions of yen			
		Common stock	Capital surplus	Retained earnings	Unrealized holding gain on securities
Balance at October 31, 2002	30,253	¥ 8,597	¥ 9,720	¥ 13,044	¥ (108)
Net income				914	
Cash dividends				(541)	
Bonuses to directors and auditors				(17)	
Other					475
Balance at October 31, 2003	30,253	8,597	9,720	13,400	367
Net income				1,097	
Cash dividends				(537)	
Bonuses to directors and auditors				(14)	
Other				(32)	331
Balance at October 31, 2004	30,253	¥ 8,597	¥ 9,720	¥ 13,914	¥ 698

	Thousands of U.S. dollars (Note 1)			
	Common stock	Capital surplus	Retained earnings	Unrealized holding gain on securities
Balance at October 31, 2003	$ 80,964	$ 91,546	$ 126,201	$ 3,460
Net income			10,336	
Cash dividends			(5,063)	
Bonuses to directors and auditors			(133)	
Other			(303)	3,111
Balance at October 31, 2004	$ 80,964	$ 91,546	$ 131,038	$ 6,571

1. Basis of presenting of consolidated financial statements

The consolidated financial statements have been prepared from the accounts maintained by Kanamoto Co., Ltd. (the "Company") and its consolidated subsidiaries in accordance with the provisions set forth in the Commercial Code of Japan and the Securities and Exchange Law of Japan and in conformity with accounting principles and practices generally accepted in Japan, which may differ in some material respects from accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

The notes to the consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

In order to facilitate the understanding of readers outside Japan, certain reclassifications are given to the consolidated financial statements prepared for domestic purposes.

Translations of Japanese yen amounts into U.S. dollars are included solely for the convenience of the reader, using the approximate exchange rate on October 29, 2004, which was ¥106.18 to US$1.00. These translations should not be construed as representations that the Japanese yen amounts have been, or could have been, or could in the future be converted into U.S. dollars at this or any other rate of exchange.

2. Summary of significant accounting policies

(a) Consolidation principles

The consolidated financial statements include the accounts of the Company and significant companies which the Company controls through majority voting right or existence of certain conditions. All significant inter-company transactions and accounts are eliminated.

Investments in unconsolidated subsidiaries and affiliates of which the Company has the ability to excise significant influence over operating and financial policies are stated at cost and equity method is not applied for the valuation of such investments since they are considered immaterial in the aggregate.

(b) Cash and cash equivalents

For the purpose of statements of cash flows, cash and cash equivalents comprise cash in hand, deposits held at call with banks and all highly liquid investments with maturities of three months or less.

(c) Securities

Securities except for investments in unconsolidated subsidiaries and affiliates are classified as trading securities, held-to-maturity securities or other securities. Trading securities are carried at fair value. Held-to-maturity securities are carried at amortized cost. Marketable securities classified as other securities are carried at fair value with unrealized gains and losses reported in a separate component of shareholders' equity, net of taxes. Non-marketable securities classified as other securities are carried at cost. Cost of securities sold is determined by the moving average method.

(d) Inventories

Inventories are stated principally at the lower of cost or market, cost being determined principally by the last-in, first-out method.

(e) Property and equipment

Property and equipment are stated at cost. Depreciation is mainly computed at rates based on the estimated useful lives of assets on the declining-balance method.

The principal estimated useful lives range from 5 to 10 years for rental equipment and from 10 to 34 years for building and structures.

(f) Accrued pension and severance costs

To provide for employees' severance indemnities and pension payments, net periodic pension and severance costs are computed based on the projected benefit obligation and the pension plan assets.

The actuarial assumption adjustment is to be amortized by the straight-line method beginning the following fiscal year over a period of 10 years, which is less than the average remaining years of service of the active participations in the plans.

See Note 5 for the method of the accounting for the separation of the substitutional portion of the benefit obligation from the corporate portion of the benefit obligation under Welfare Pension Fund Plan.

(g) Leases

All leases are accounted for as operating leases. Under Japanese accounting standards for leases, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, while other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the notes to the lessee's financial statements.

(h) Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred taxes and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

(i) Earnings per share

Basic Earnings per Share ("EPS") is computed based on the average number of shares of common stock outstanding for the period. Diluted EPS assumes that outstanding convertible bonds were converted into common stock at the beginning of the period at the current conversion price.

(j) Appropriation of retained earnings

Under the Commercial Code of Japan, the appropriation of retained earnings with respect to a financial period is made by resolution of the shareholders at a general meeting held subsequent to the close of the financial period and the accounts for that period do not, therefore, reflect such appropriations.

3. Short-term investments and investments securities

At October 31, 2004, the Company and its consolidated subsidiaries did not possess any securities classified as trading securities or held-to-maturity securities. Securities classified as other securities are included in "short-term investments" and "investments securities-others" in the consolidated balance sheets.

a) The components of unrealized gain or loss on marketable securities classified as other securities at October 31, 2004 were as follows:

October 31, 2004	Millions of yen Acquisition costs	Millions of yen Carrying value	Millions of yen Unrealized gain (loss)
Unrealized gain:			
Stock	¥ 1,148	¥ 2,373	¥ 1,225
Other	30	44	14
	1,178	2,417	1,239
Unrealized loss:			
Stock	157	135	(22)
Other	968	924	(44)
	1,125	1,059	(66)
Total	¥ 2,303	¥ 3,476	¥ 1,173

October 31, 2004	Thousands of U.S. dollars Acquisition costs	Thousands of U.S. dollars Carrying value	Thousands of U.S. dollars Unrealized gain (loss)
Unrealized gain:			
Stock	$ 10,817	$ 22,351	$ 11,534
Other	282	414	132
	11,099	22,765	11,666
Unrealized loss:			
Stock	1,473	1,270	203
Other	9,119	8,706	413
	10,592	9,976	616
Total	$ 21,691	$ 32,741	$ 11,050

The components of unrealized gain or loss on marketable securities classified as other securities at October 31, 2003 were as follows:

October 31, 2003	Millions of yen Acquisition costs	Millions of yen Carrying value	Millions of yen Unrealized gain (loss)
Unrealized gain:			
Stock	¥ 1,130	¥ 1,846	¥ 716
	1,130	1,846	716
Unrealized loss:			
Stock	146	123	(23)
Debt securities	57	55	(2)
Other	1,114	1,040	(74)
	1,317	1,218	(99)
Total	¥ 2,447	¥ 3,064	¥ 617

Non-marketable securities classified as other securities at October 31, 2004 and 2003 amounted to ¥402 million ($3,784 thousand) and ¥384 million respectively.

b) Sales of securities classified as other securities with aggregate gain and loss were summarized as follows:

	Millions of yen October 31, 2004	Millions of yen October 31, 2003	Thousands of U.S.dollars October 31, 2004
Sales proceeds	¥ 1,186	¥ 1,924	$ 11,172
Aggregate gain	66	152	622
Aggregate loss	19	18	177

c) The redemption schedule for bonds with maturity dates at October 31, 2004 was summarized as follows:

	Millions of yen			
October 31, 2004	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Corporate bonds	¥ -	¥ -	¥ -	¥ -
Other	-	-	924	44
Total	¥ -	¥ -	¥ 924	¥44

	Thousands of U.S. dollars			
October 31, 2004	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Corporate bonds	$ -	$ -	$ -	$ -
Other	-	-	8,706	415
Total	$ -	$ -	$8,706	$ 415

The redemption schedule for bonds with maturity dates at October 31, 2003 was summarized as follows:

	Millions of yen			
October 31, 2003	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Corporate bonds	¥23	¥31	¥ -	¥ -
Other	16	-	894	38
Total	¥39	¥31	¥894	¥ 38

4. Short-term bank loans and long-term debt

The annual average interest rates applicable to short-term bank loans outstanding at October 31, 2004 and 2003 were 1.14%.

	Millions of yen		Thousands of U.S. dollars (Note 1)
Long-term debt at October 31, 2004 and 2003 consisted of the following:	2003	2004	2004
Loans from banks and insurance companies, maturing through 2014 :	¥135	**¥ -**	**$ -**
Secured	30,272	**32,888**	**309,734**
Unsecured	9,870	**5,649**	**53,204**
Obligations under installment purchases, maturing through 2007	40,277	**38,537**	**362,938**
	14,854	**14,262**	**134,317**
Less current portion	¥ 25,423	**¥ 24,275**	**$228,621**

Aggregate annual maturities of long-term debt subsequent to October 31, 2004 are as follows:

Year ending October 31	Millions of yen	Thousands of U.S. dollars
2005	¥ 14,262	$134,317
2006	10,512	99,001
2007	7,422	69,898
2008	3,767	35,474
2009 and thereafter	2,574	24,248
	¥ 38,537	$362,938

5. Accrued pension and severance costs

An employee whose employment is terminated is entitled, in most cases, to pension payments or lump-sum severance indemnities, the amounts of which are determined by reference to the basic rate of pay, length of service and the conditions under which the termination occurs.

The Company has established contributory defined benefit pension plans pursuant to the Welfare Pension Insurance Law of Japan, which cover a portion of the governmental welfare pension program, under which the contributions are made jointly by the Company and their employees, and which include an additional portion representing the substituted non-contributory pension plans. In addition, certain subsidiaries have maintained lump-sum severance indemnity plans.

The projected benefit obligation and funded status including a portion of the governmental welfare program at October 31, 2004 and 2003 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2003	2004	2004
Projected benefit obligation	¥(6,204)	**¥(4,698)**	**$(44,246)**
Plan assets	3,385	**2,504**	**23,585**
Unrecognized actuarial assumption adjustment	1,042	**965**	**9,088**
Accrued pension and severance costs	¥(1,777)	**(1,229)**	**$(11,573)**

In computing projected benefit obligation, several simplified methods are permitted to small companies, and certain subsidiaries have adopted such methods.

The components of net periodic pension and severance costs for the years ended October 31, 2004 and 2003 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2003	2004	2004
Service cost	¥ 412	**¥ 328**	**$ 3,093**
Interest cost	160	**108**	**1,014**
Expected return on plan assets	(116)	**(90)**	**(847)**
Amortization of actuarial losses	80	**82**	**767**
Sub total	536	**428**	**4,027**
Gain on return of the substitutional portion of welfare pension fund plans	-	**(606)**	**(5,711)**
Net periodic pension and severance costs	¥ 536	**¥ (178)**	**$ (1,684)**

The assumptions used were as follows:

Discount rate	2.0%
Expected rate of return on plan assets	4.0%
Method of attributing benefit to periods of service	Straight-line basis
Amortization period for actuarial assumption adjustment	10 years

The substitutional portion of the benefits under the welfare pension fund plans (WPFP) has been included in the amounts shown in the above table.
The Company received approval from the Minister of Health, Labor and Welfare (MHLW) in the year ended October 31, 2004 with respect to its application for exemption from the obligation for benefits related to future employee services under the substitutional portion of the WPFP. In accordance with the transitional provision stipulated in “Practical Guidelines for Accounting for Retirement Benefits” the Company accounted for separation of the substituitional portion of the benefit obligation from the corporate portion of the benefit obligation under their WPFPs as of the dates of approval for their exemption assuming that to the Japanese government of the substitutional portion of the benefit obligation and related pension plan assets had been completed as of those dates. As a result, the Company recognized a gain of ¥606 million ($5,711 thousand) for the year ended October 31, 2004. The pension assets to be transferred were calculated at ¥ 1,296 million ($12,210 thousand) for the company at October 31, 2004.

6. Contingent liabilities

At October 31, 2004, the Company and its consolidated subsidiaries were contingently liable as follows:

	Millions of yen	Thousands of U.S. dollars (Note 1)
	2004	2004
Guarantees of loans	**¥295**	**$2,780**
Trade notes discounted	**456**	**4,299**
Trade notes endorsed	**46**	**430**

7. Leases

Lease payments under finance leases for the years ended October 31, 2004 and 2003 were ¥6,015 million ($56,649 thousand) and ¥5,626 million, respectively.

Pro forma information on leased property such as acquisition costs, accumulated depreciation, obligations under finance leases, depreciations expenses, interest expenses on finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended October 31, 2004 and 2003, was as follows:

	Millions of yen			Thousands of U.S. dollars (Note 1)		
For the year ended October 31, 2004	Rental equipment	Machinery and equipment	**Total**	Rental equipment	Machinery and equipment	**Total**
Acquisition costs	¥32,088	¥435	**¥32,523**	$302,208	$4,101	**$306,309**
Accumulated depreciation	10,492	228	**10,720**	98,815	2,151	**100,966**
Net leased property	¥21,596	¥207	**¥21,803**	$203,393	1,950	**$205,343**

	Millions of yen	Thousands of U.S. dollars (Note 1)
Obligations under finance leases:		
Due within one year	¥ 5,450	$ 51,331
Due after one year	15,749	148,321
Total	¥21,199	$199,652

	Millions of yen		
For the year ended October 31, 2003	Rental equipment	Machinery and equipment	**Total**
Acquisition costs	¥28,089	¥556	**¥28,645**
Accumulated depreciation	7,344	255	**7,599**
Net book value	¥20,745	¥301	**¥21,046**

	Millions of yen
Obligations under finance leases:	
Due within one year	¥ 4,928
Due after one year	16,288
Total	¥21,216

Depreciation expenses and interest expenses, which are not reflected in the consolidated statements of income, computed by the straight-line method and the interest method were ¥5,634 million ($53,047 thousand) and ¥778 million ($7,326 thousand), respectively, for the year ended October 31, 2004 and ¥5,035 million and ¥688 million, respectively, for the year ended October 31, 2003.

The minimum rental commitments under non-cancelable operating leases for the years ended October 31, 2004 and 2003 were as follows:

For the year ended October 31, 2004	Millions of yen	Thousands of U.S. dollars (Note 1)
Due within one year	¥1,870	$17,610
Due after one year	3,604	33,939
Total	¥5,474	$51,549

For the year ended October 31, 2003	Millions of yen
Due within one year	¥1,793
Due after one year	3,239
Total	¥5,032

8. Income taxes

The difference between the statutory tax rate and the effective tax rate for the years ended October 31, 2004 and 2003 was as follows:

	2003	2004
Statutory tax rate	41.7%	**41.7%**
Effect of:		
Net operating losses of subsidiaries	2.6	**3.3**
Expenses not deductible for tax purposes	1.4	**1.4**
Inhabitants tax per capita	4.5	**4.1**
Other	2.1	**(1.0)**
Effective tax rate	52.3%	**49.5%**

The significant components of deferred tax assets and liabilities at October 31, 2004 and 2003 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2003	2004	2004
Deferred tax assets:			
Depreciation expenses	¥ 414	**¥ 368**	**$3,468**
Accrued bonuses for employees	146	**192**	**1,807**
Provisions for doubtful accounts	243	**556**	**5,240**
Accrued pension and severance costs	729	**496**	**4,668**
Net operating loss carry forwards	154	**1,241**	**11,687**
Others	352	**392**	**3,694**
Sub total	2,038	**3,245**	**30,564**
Less valuation allowance	(145)	**(1,608)**	**(15,144)**
Total deferred tax assets	1,893	**1,637**	**15,420**
Deferred tax liabilities:			
Net unrealized again on securities	249	**474**	**4,466**
Net deferred tax assets	¥1,645	**¥1,163**	**$10,954**

9. Supplemental cash flow information

Non-cash investing and financing activities for the years ended October 31, 2004 and 2003 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2003	2004	2004
Non-cash investing and financing activities:			
Additions to obligations under installment purchases	¥2,548	**¥764**	**$7,192**

10. Segment information

Business segment information for the years ended October 31, 2004 and 2003 was as follows:

	Millions of yen					
For the year ended October 31, 2004	Construction related business	Steel related business	Information and communication related and other business	**Total**	Eliminations and corporate items	Consolidated
Sales						
Outside customers	¥54,823	¥6,059	¥454	**¥61,336**	¥ -	¥61,336
Intersegment	-	-	-	**-**	-	-
Total	54,823	6,059	454	**61,336**	-	61,336
Operating expenses	53,412	6,014	454	**59,610**	(152)	59,458
Operating profit	¥ 1,681	¥45	¥ 0	**¥ 1,726**	¥ 152	¥ 1,879
Identifiable assets	¥63,744	¥3,323	¥1,025	**¥68,123**	¥21,201	¥89,324
Depreciation	5,060	5	9	**5,074**	221	5,295
Capital expenditures	2,609	2	-	**2,612**	1,799	4,411

	Thousands of U.S. dollars					
For the year ended October 31, 2004	Construction related business	Steel related business	Information and communication related and other business	**Total**	Eliminations and corporate items	Consolidated
Sales						
Outside customers	$516,323	$57,061	$4,279	**$577,663**	$ -	$577,663
Intersegment	-	-	-	**-**	-	-
Total	516,323	57,061	4,279	**577,663**	-	577,663
Operating expenses	500,492	56,635	4,277	**561,405**	(1,436)	559,970
Operating profit	$ 15,831	$425	$ 2	**$16,258**	$(1,436)	$17,693
Identifiable assets	$600,626	$31,300	$9,651	**$641,576**	$199,672	$841,248
Depreciation	47,655	46	86	**47,787**	2,078	49,866
Capital expenditures	24,580	21	3	**24,598**	16,943	41,541

	Millions of yen					
For the year ended October 31, 2003	Construction related business	Steel related business	Information and communication related and other business	**Total**	Eliminations and corporate items	Consolidated
Sales						
Outside customers	¥56,396	¥6,374	¥916	**¥63,686**	¥ -	¥63,686
Intersegment	-	-	-	**-**	-	-
Total	56,396	6,374	916	**63,686**	-	63,686
Operating expenses	54,190	6,379	892	**61,461**	(83)	61,378
Operating profit	¥2,206	¥(5)	¥ 24	**¥2,225**	¥83	¥ 2,308
Identifiable assets	¥65,283	¥2,775	¥1,067	**¥69,125**	¥19,885	¥89,010
Depreciation	6,472	5	10	**6,487**	163	6,650
Capital expenditures	3,843	66	13	**3,922**	478	4,400

11. Subsequent events

On January 28, 2005, the Company's shareholders approved the payment of a cash dividend of ¥10.00 ($0.09) per one share to shareholders of record at October 31, 2004, or a total payment of ¥299 million ($2,812 thousand).

ASSETS

As of October 31, 2004 and 2003	Millions of yen 2003	Millions of yen 2004	Thousands of U.S. dollars (Note 1) 2004
Current assets :			
Cash and time deposits	¥ 11,346	**¥ 10,911**	**$ 102,763**
Notes receivable, trade	10,148	**10,890**	**102,561**
Accounts receivable, trade	11,159	**11,067**	**104,231**
Inventories	376	**285**	**2,681**
Deferred income taxes (Note 5)	228	**229**	**2,160**
Other current assets	2,399	**2,417**	**22,762**
Less : Allowance for doubtful accounts	(490)	**(629)**	**(5,930)**
Total current assets	35,166	**35,170**	**331,228**
Property and equipment :			
Rental equipment (Note 4)	42,505	**35,620**	**335,464**
Buildings	11,161	**11,449**	**107,828**
Structures	3,855	**3,801**	**35,803**
Machinery and equipment (Note 4)	5,039	**5,104**	**48,072**
Less : Accumulated depreciation	(41,201)	**(38,291)**	**(360,626)**
	21,359	**17,683**	**166,541**
Land	24,382	**25,838**	**243,345**
Construction in progress	2	**3**	**26**
Total property and equipment	45,743	**43,524**	**409,912**
Investments and other assets :			
Investment securities			
- Subsidiaries and affiliates	1,025	**1,037**	**9,768**
- Others	3,392	**3,801**	**35,793**
Deferred income taxes (Note 5)	1,453	**1,005**	**9,465**
Other assets	1,618	**1,776**	**16,729**
Less : Allowance for doubtful accounts and reserve for investments	(770)	**(844)**	**(7,949)**
Total investments and other assets	6,718	**6,775**	**63,806**
Total assets	¥ 87,627	**¥ 85,469**	**$ 804,946**

(Note)

＊For details of Current assets : Deferred income taxes, please refer to page 45 (Note 5).

＊**Under the accounting principles and practices currently applied in Japan, finance leases and operating leases are off balance sheet items. For details of concerning matters related to lease transactions, please refer to page 44 (Note 4).**

＊For details of Investments and other assets : Deferred income taxes, please refer to page 45 (Note 5).

LIABILITIES AND SHAREHOLDERS' EQUITY

As of October 31, 2004 and 2003	Millions of yen 2003	Millions of yen 2004	Thousands of U.S. dollars (Note 1) 2004
Current liabilities :			
Current portion of long-term bank loans	¥ 9,576	**¥ 10,747**	**$ 101,215**
Notes payable, trade	7,387	**8,967**	**84,452**
Accounts payable, trade	3,049	**2,838**	**26,732**
Notes payable, other	363	**174**	**1,639**
Accounts payable, other	5,785	**4,065**	**38,288**
Accrued income taxes	645	**362**	**3,412**
Accrued bonuses	429	**436**	**4,106**
Other current liabilities	523	**486**	**4,576**
Total current liabilities	27,757	**28,075**	**264,420**
Non-current liabilities :			
Long-term bank loans	20,592	**20,735**	**195,282**
Long-term accounts payable, other	5,321	**2,426**	**22,853**
Accrued pension and severance costs	1,777	**1,227**	**11,554**
Other liabilities	176	**72**	**674**
Total non-current liabilities	27,866	**24,460**	**230,363**
Contingent liabilities (Note 3)			
Shareholders' equity :			
Common stock :			
Authorized-66,000,000 shares			
Issued-30,253,241 shares	8,597	**8,597**	**80,964**
Capital surplus	9,720	**9,720**	**91,546**
Retained earnings	13,497	**14,101**	**132,799**
Unrealized holding gain on securities	367	**698**	**6,573**
Treasury stock	(177)	**(182)**	**(1,719)**
Total shareholders' equity	32,004	**32,934**	**310,163**
Total liabilities and shareholders' equity	¥ 87,627	**¥ 85,469**	**$ 804,946**

(Note)

＊For details of Contingent liabilities, please refer to page44(Note3)

Years ended October 31, 2004 and 2003	Millions of yen 2003	Millions of yen 2004	Thousands of U.S. dollars (Note 1) 2004
Revenue			
Rentals	¥ 39,639	**¥ 38,830**	**$ 365,700**
Sales	20,856	**20,444**	**192,544**
	60,495	**59,274**	**558,244**
Cost of sales			
Rentals	30,597	**30,066**	**283,164**
Sales	16,098	**15,745**	**148,286**
	46,695	**45,811**	**431,450**
Gross profit	13,800	**13,463**	**126,794**
Selling, general and administrative expenses	11,449	**11,621**	**109,444**
Operating income	2,351	**1,842**	**17,350**
Other income (expenses) :			
Interest and dividend income	81	**77**	**727**
Interest expenses	(373)	**(332)**	**(3,133)**
Others, net	(202)	**656**	**6,178**
Income before income taxes	1,857	**2,243**	**21,122**
Income taxes (Note 5)			
Current	1,032	**833**	**7,843**
Deferred	(129)	**223**	**2,099**
	903	**1,056**	**9,942**
Net income	¥ 954	**¥ 1,187**	**$ 11,180**

	Yen 2003	Yen 2004	U.S. dollars (Note 1) 2004
Per share of common stock :			
Net income			
Basic	¥ 31.30	**¥ 39.50**	**$ 0.37**
Diluted	28.30	**-**	**-**
Cash dividends applicable to the year	18.00	**19.00**	**0.18**

(Note)

＊For details of Income taxes, please refer to page45 (Note5)

Years ended October 31, 2004 and 2003	Thousands of shares of common stock	Millions of yen			
		Common stock	Capital surplus	Retained earnings	Unrealized holding gain on securities
Balance at October 31, 2002	30,253	¥ 8,597	¥ 9,720	¥ 13,150	¥ (108)
Net income				954	
Cash dividends				(541)	
Bonuses to directors and auditors				(17)	
Other				(49)	475
Balance at October 31, 2003	30,253	8,597	9,720	13,497	367
Net income				1,187	
Cash dividends				(537)	
Bonuses to directors and auditors				(14)	
Other				(32)	331
Balance at October 31, 2004	30,253	¥ 8,597	¥ 9,720	¥ 14,101	¥ 698

	Thousands of U.S. dollars (Note 1)			
	Common stock	Capital surplus	Retained earnings	Unrealized holding gain on securities
Balance at October 31, 2003	$ 80,964	$ 91,546	$ 127,118	$ 3,461
Net income			11,180	
Cash dividends			(5,063)	
Bonuses to directors and auditors			(133)	
Other			(303)	3,112
Balance at October 31, 2004	$ 80,964	$ 91,546	$ 132,799	$ 6,573

1. Basis of presenting of non-consolidated financial statements

The non-consolidated financial statements have been prepared from the accounts maintained by Kanamoto Co., Ltd. (the "Company") in accordance with the provisions set forth in the Commercial Code of Japan and the Securities and Exchange Law of Japan and in conformity with accounting principles and practices generally accepted in Japan, which may differ in some material respects from accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

The notes to the non-consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

In order to facilitate the understanding of readers outside Japan, certain reclassifications are given to the non-consolidated financial statements prepared for domestic purposes.

Translations of Japanese yen amounts into U.S. dollars are included solely for the convenience of the reader, using the approximate exchange rate on October 29, 2004, which was ¥106.18 to US$1.00. These translations should not be construed as representations that the Japanese yen amounts have been, or could have been, or could in the future be converted into U.S. dollars at this or any other rate of exchange.

2. Summary of significant accounting policies

(a) Basis of presentation

The non-consolidated financial statements are prepared on the basis of the same accounting policies as those discussed in Note 2 to the consolidated financial statements except that investments in subsidiaries and affiliates are stated at cost.

3. Contingent liabilities

At October 31, 2004	Millions of yen	Thousands of U.S. dollars
Guarantees of loans	**¥ 1,988**	**$ 18,726**

4. Leases

Lease payments under finance leases for the years ended October 31, 2004 and 2003 were ¥5,721 million ($53,880 thousand) and ¥5,279 million, respectively.

Pro forma information on leased property such as acquisition costs, accumulated depreciation, obligations under finance leases, depreciations expenses, interest expenses on finance leases that do not transfer ownership of the leased property to the lessee on an “as if capitalized” for the years ended October 31, 2004 and 2003, was as follows:

	Millions of yen			Thousands of U.S. dollars		
For the year ended October 31, 2004	Rental equipment	Machinery and equipment	Total	Rental equipment	Machinery and equipment	Total
Acquisition costs	¥ 31,263	¥ 416	¥ 31,679	$ 294,434	$ 3,920	$ 298,354
Accumulated depreciation	10,027	214	10,241	94,430	2,017	96,447
Net book value	¥ 21,236	¥ 202	¥ 21,438	$ 200,004	$ 1,903	$ 201,907

Obligations under finance leases:

	Millions of yen	Thousands of U.S. dollars
Due within one year	**¥ 5,243**	**$ 49,375**
Due after one year	**15,577**	**146,707**
Total	**¥ 20,820**	**$ 196,082**

	Millions of yen		
For the year ended October 31, 2003	Rental equipment	Machinery and equipment	Total
Acquisition costs	¥ 27,425	¥ 459	¥ 27,884
Accumulated depreciation	7,097	194	7,291
Net book value	¥ 20,328	¥ 265	¥ 20,593

Obligations under finance leases:

For the year ended October 31, 2004	Millions of yen
Due within one year	¥4,689
Due after one year	16,064
Total	¥20,753

Depreciation expenses and interest expenses, which are not reflected in the non-consolidated statements of income, computed by the straight-line method and the interest method were ¥5,369 million ($50,570 thousand) and ¥755 million ($7,107 thousand), respectively, for the year ended October 31, 2004 and ¥4,721 million and ¥657 million, respectively, for the year ended October 31, 2003.

The minimum rental commitments under non-cancelable operating leases for the years ended October 31, 2004 and 2003 were as follows:

For the year ended October 31, 2004	Millions of yen	Thousands of U.S. dollars
Due within one year	¥ 1,813	$ 17,076
Due after one year	3,434	32,342
Total	¥ 5,247	$ 49,418

For the year ended October 31, 2003	Millions of yen
Due within one year	¥ 1,790
Due after one year	3,238
Total	¥ 5,028

5. Income taxes

The difference between the statutory tax rate and the effective tax rate for the years ended October 31, 2004 and 2003 was as follows:

	2003	2004
Statutory tax rate	41.7%	**41.7%**
Inhabitants tax per capita	4.3	**3.8**
Expenses not deductible for tax purposes	1.4	**3.4**
Other	1.2	**△1.8**
Effective tax rate	48.6%	**47.1%**

The significant components of deferred income tax assets and liabilities at October 31, 2004 and 2003 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
Years ended October 31, 2004 and 2003	2003	2004	2004
Deferred tax assets:			
Depreciation expenses	¥ 404	**¥ 360**	**$ 3,390**
Accrued bonuses for employees	143	**176**	**1,659**
Provisions for doubtful accounts	237	**260**	**2,448**
Accrued pension and severance costs	729	**496**	**4,668**
Others	417	**415**	**3,915**
Total deferred tax assets	1,930	**1,707**	**16,080**
Deferred tax liabilities			
Unrealized holding gain on securities	249	**473**	**4,455**
Net deferred tax assets	¥ 1,681	**¥ 1,234**	**$ 11,625**

6. Subsequent events

On January 28, 2005, the Company's shareholders approved the payment of a cash dividend of ¥ 10.00 ($0.09) per one share to shareholders of record at October 31, 2004, or a total payment of ¥299 million ($2,812 thousand).

The Audit Committee has received the reports of the audit procedures and results concerning the business performance of the directors during the 40th Business Period from November 1, 2003 through October 31, 2004 from each of the auditors. After discussing the reports we have prepared this Audit Report and report as follows.

1. Scope of audit by the Audit Committee

Each of the auditors attends the meetings of the Board of Directors and other important meetings, receives business reports from the directors and other managers, reads documents concerning matters such as important decisions, and investigates the conditions of the business and financial conditions at the head office and the main branches, and also requests copies of accounting and other documents, explanations of such documents and management reports from the subsidiary companies to the extent considered necessary, in accordance with the policies specified by the Board of Directors and the duties of their office. The auditors also receive the report and explanations of the independent auditors, and carry out the procedures determined to be necessary for matters such as investigation of accounting documents and related documents.

For matters such as transactions between directors and business competitors, transactions between directors and the Company that may be detrimental to the Company's profitability, undocumented uses of profits by the Company, unusual or uncustomary transactions with a shareholder, and purchases and sale of the Company's stock, in addition to the audit procedures indicated above the auditors may request reports from the directors and other managers as they deem necessary and conduct an investigation into the details of the circumstances surrounding the transactions in question.

2. Result of audit

(1) In our opinion, the audit procedures and audit results received from the independent public accounting firm Shin Nihon & Co. are appropriate.

(2) The Business Report fairly represents the condition of the Company in accordance with the laws of Japan and the Articles of Incorporation of the Company.

(3) We have examined the Statement of Proposed Appropriation of Retained Earnings in consideration of the financial condition of the Company and other circumstances surrounding the business, and determined that there are no matters that should be highlighted as a concern.

(4) We have examined the supporting schedules and determined that there are no matters that should be highlighted as a concern.

(5) We have determined that there were no serious occurrences of dishonest or false activity or violations of any laws or the Company's Articles of Incorporation by any of the directors in carrying out the duties and responsibilities of their offices including business activities concerning the subsidiary companies.

Furthermore, we have determined that no director violated the duties and responsibilities of his office concerning matters such as transactions between directors and business competitors, transactions between directors and the Company that may be detrimental to the Company's profitability, undocumented uses of profits by the Company, unusual or uncustomary transactions with a shareholder, and purchases and sale of the Company's stock

December 25, 2004

Audit Committee, Kanamoto Company, Ltd.

(Note) Outside Corporate Auditor Akio Hashimoto and Kiyohiro Tsuji are the outside auditor as stipulated by Article 18, Section 1 of The Law for Special Exceptions to the Commercial Code Concerning Audits, etc. of Joint Stock Corporations.

(As of January 31, 2005)

Directors

Kanchu Kanamoto *
President
CEO

Hidemitsu Washida *
Executive Vice President
Manager in Charge of
Operations Control Headquarters

Yukio Sato
President of
Kanki Corporation

Eichu Kanamoto *
Division Manager,
Administrati on Division
Manager in Charge of CreditManagement
Division & Auditing Section

Nobuhito Utatsu *
Division Manager,
Accounting Division

Tetsuo Kanamoto *
Division Manager,
Construction Equipment

Hitoshi Narita *
Division Manager,
Management
Planning Division
Office Chief,
Secretarial Office

Tadao Saika

Osamu Kawashima

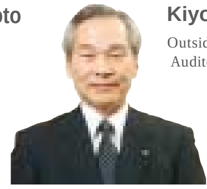
Asterisk indicates directors who hold the additional post of corporate officer.

Auditors

Toshizo Okumura
Standing Corporate
Auditor

Shinroku Sawada
Standing Corporate
Auditor

Akio Hashimoto
Outside Corporate
Auditor



Kiyohiro Tsuji
Outside Corporate
Auditor

Corporate Officers

Hideki Nomiya
Business Coordination
Headquarters
Manager in Charge of
Steel Sales Division

Masakazu Hirata
Deputy Division Manager, Construction
Equipment Rental Division Division
Manager, Used Products Sales Division
Manager, Quality Assurance
Department

Keiichi Kitakata
Division Manager,
Research &
Investment Division

Hiroshi Kumagai
Division Manager,
Information System
Division

Tatsuo Kanamoto*
Regional Manager, Tohoku Region
Construction Equipment
Rental Division

Yuichi Asano
Division Manager, Credit
Management Division
Manager, Auditing Section
Manager, Legal Section

Beginning on April 1, 2005, Tatsuo Kanamoto will be Regional Manager, Hokkaido Region.

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