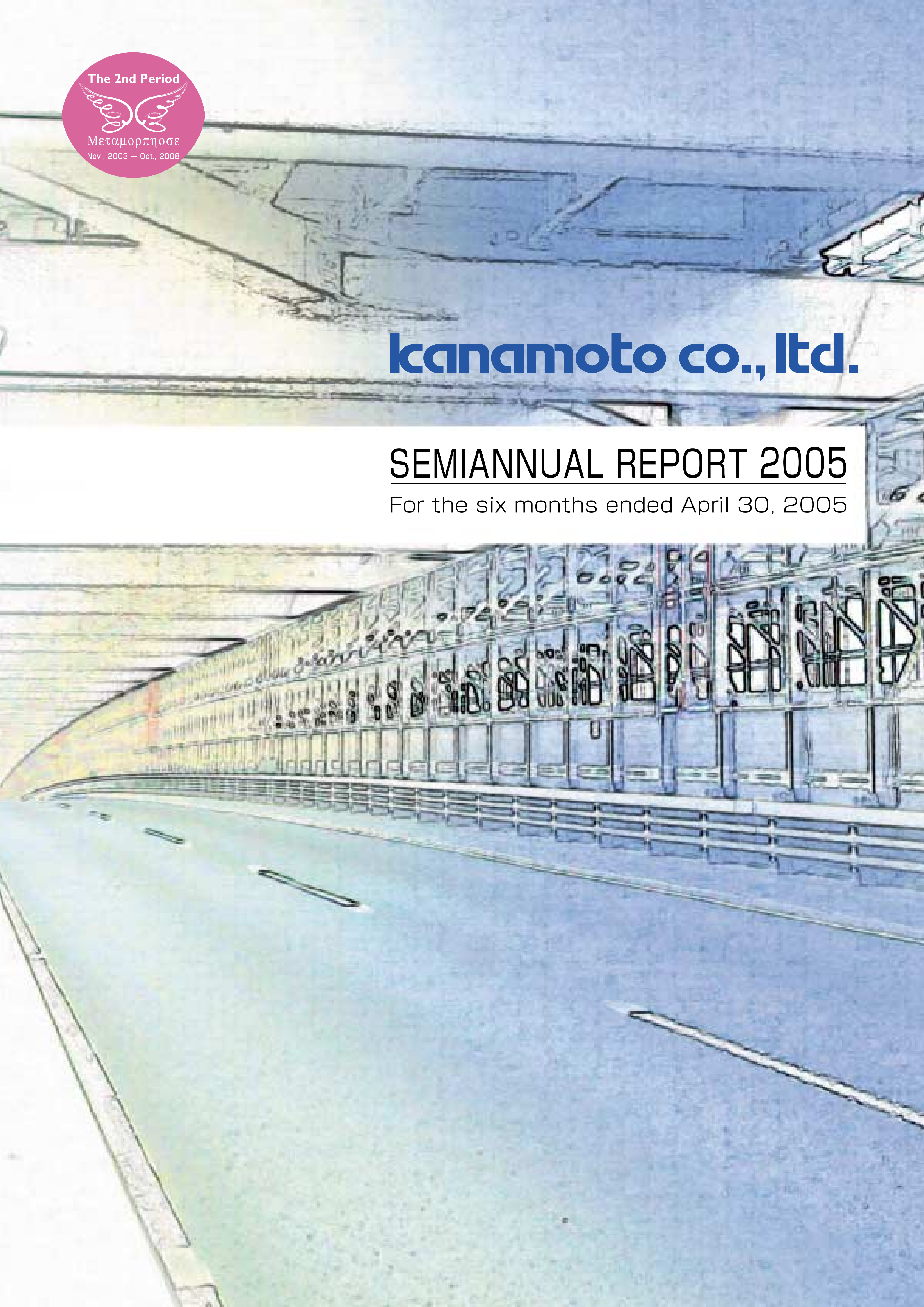


The 2nd Period
Μεταμορπηοσε
Nov., 2003 — Oct., 2008

kanamoto co., ltd.

SEMIANNUAL REPORT 2005

For the six months ended April 30, 2005

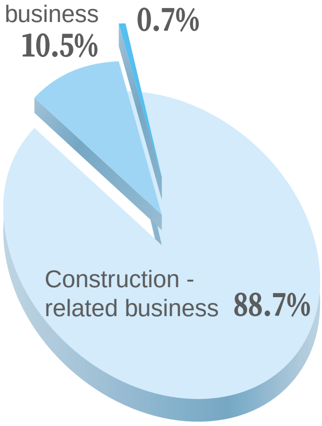
Semiannual Report 2005

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.

Kanamoto at a Glance



Construction – related business

In Kanamoto's main business in the construction equipment rental business, market conditions improved steadily in regions where Tokyo, Osaka and Nagoya are the key market areas, which enjoy extensive private sector capital investment, thanks to a recovery in private demand. In regions that depend heavily on public works, however, demand other than disaster recovery work decreased markedly and the business environment remained severe. In the construction-related businesses of the entire Kanamoto Group, for the consolidated fiscal year interim period under review, consolidated revenues increased 5.6% from the same period of the prior consolidated fiscal year to ¥29,849 million, but operating income fell 22.1% year-on-year to ¥1,177 million.

Steel Sales – related business

Supported by raw materials prices and strong exports since last year, the Steel Sales Division maintained sales prices at a high level. The division's business was also boosted by successful participation in large-scale projects in Hokkaido and strong results from the handling of new materials. As a result, revenues increased 25.0% year-on-year to ¥3,062 million, and operating profit and loss changed from a loss in the same period of the prior consolidated fiscal year to positive operating income of ¥23 million.

Information Products – related business and Other Business

Although rental rates remained low, rental revenues for the Information Products Division rose 9.7% from the same period of the prior consolidated fiscal year.
As a result of the above, revenues for the entire division were off 10.6% from the same period of the prior consolidated fiscal year to ¥215 million, and operating income was flat at ¥10 million.

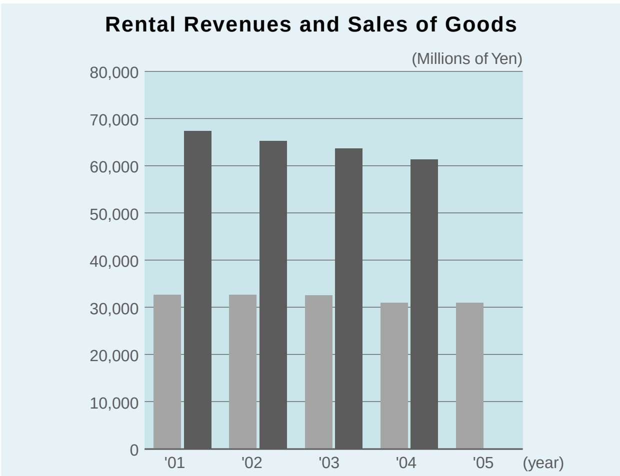
CONTENTS

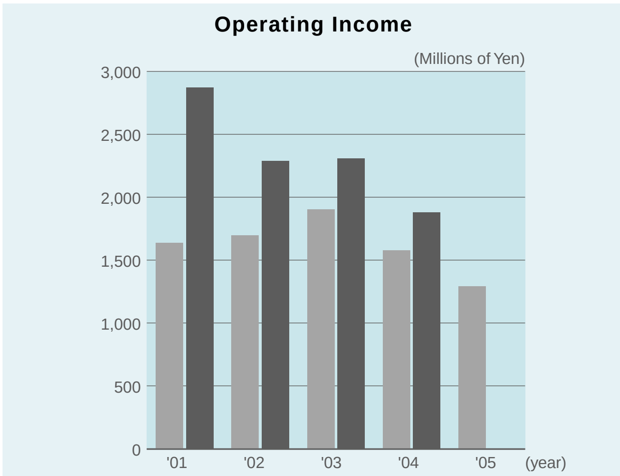
Financial Highlights (Consolidated)

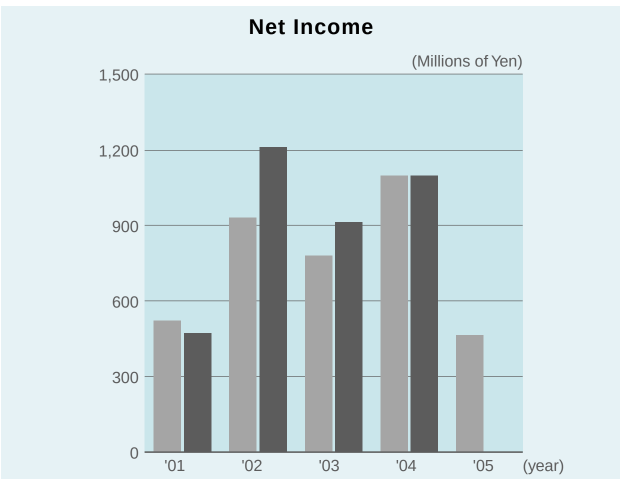
	Millions of yen			Thousands of U.S. dollars
	April 30, 2004	October 31, 2004	April 30, 2005	April 30, 2005
Rental revenues and sales of goods	¥ 30,956	¥ 61,336	¥ 33,127	**$ 311,488**
Operating income	1,579	1,879	1,291	**12,142**
Net income	1,098	1,097	464	**4,360**
Total shareholders' equity	32,964	32,746	33,091	**311,150**
Total assets	87,605	89,324	85,511	**804,050**
	yen			U.S. dollars
Per share of common stock				
Net income	¥ 36.75	¥ 36.50	¥ 15.53	**$ 0.15**
Cash dividends	9.00	19.00	9.00	**-**

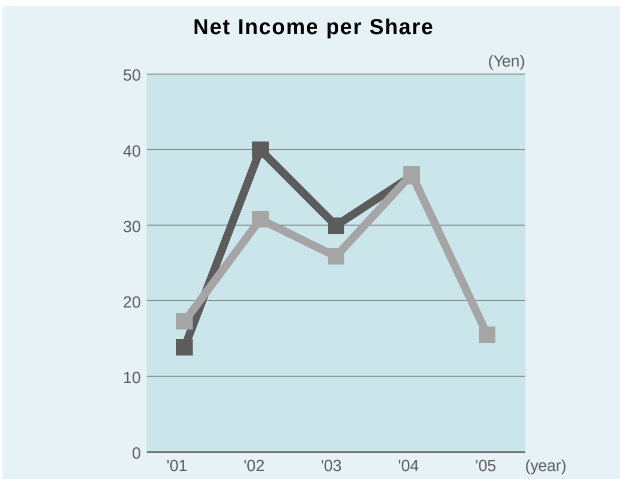
Note : U.S. dollar amounts have been translated from yen for convenience only, at the rate of ¥106.35=US$1, the approximate exchange rate on April 30, 2005.

=6 months ended April 30 =12 months ended October 31









□Revision of operating results outlook (Business Period ending October 2005)

Significant concerns remain that Japan's economic recovery might still be disrupted at points largely susceptible to the external environment. In the construction equipment rental business in particular, which is Kanamoto's principal business, the cutbacks in public works in many regions including Hokkaido is more severe than anticipated, despite the fact the Company initially made strong reductions in local construction demand in its initial projections. These conditions are expected to continue during the second half of the consolidated fiscal year.

Because the majority of the Company's earnings are concentrated in the first six months of the fiscal year, which overlaps the construction industry's busy period, based on its review of earnings conditions during the consolidated fiscal year interim period under review, local economic conditions and market trends, the Company revised the operating results outlook for the Business Period ending October 2005 (fiscal year ending October 2005 (November 1, 2004 - October 31, 2005)), on June 10, 2005, as shown below.

□Fiscal year ending October 2005　Revision of projected operating results (Consolidated)

(November 1, 2004 - October 31, 2005)

(Millions of yen)

	Revenue	Operating Income	Ordinary income	Net income
Prior projection (A)	63,400	2,130	1,790	740
Revised projection (B)	63,500	1,220	980	280
Increase (decrease) (B – A)	100	-910	-810	-460
Rate of change (%)	0.2	-42.7	-45.3	-62.2
Prior fiscal year results (fiscal year ended October 2004)	61,336	1,878	1,749	1,097

□Fiscal year ending October 2005　Revision of projected operating results (Non-Consolidated)

(November 1, 2004 - October 31, 2005)

(Millions of yen)

	Revenue	Operating Income	Ordinary income	Net income
Prior projection (A)	57,050	1,960	1,890	900
Revised projection (B)	56,920	1,320	1,340	350
Increase (decrease) (B – A)	-130	-640	-550	-550
Rate of change (%)	-0.2	-32.7	-29.1	-61.1
Prior fiscal year results (fiscal year ended October 2004)	59,274	1,842	1,827	1,187

□Reasons for revision

Rental revenues are forecast to fall below the Company's initial plan target because of the circumstances discussed above. Because product sales will remain comparatively robust, however, the Company believes it can anticipate similar results in the second half of the consolidated fiscal year and revenues are forecast to be nearly unchanged from plan.

Nevertheless, with regard to operating income and ordinary income, gross margin is expected to exceed last year's results, but the Company forecasts selling, general and administrative expenses to exceed its initial plan because of the effect of rental revenues falling below plan, the burden for the pro forma standard tax introduced during the current fiscal year and other factors. Finally, from the standpoint of conservative accounting, the Company plans to book reserves for valuation losses on loans to subsidiary companies and affiliated companies and equities, and this will affect net income. Based on these factors, the Company decided to revise its initial outlook substantially in a more conservative direction.

The Company also decided to revise its consolidated operating results because Kanki Corporation and Kanatech Co., Ltd. experienced earnings declines that were larger than projected in the initial plan. At Kanki Corporation, however, operating results are expected to improve in the next fiscal year, because the decrease in earnings was the result of a temporary cost burden resulting from an increase in rental assets and small-sum assets that will contribute to Kanki's business restructuring, and at Kanatech Co., Ltd. the replacement of that company's temporary housing units had been planned.

□Outlook for the next consolidated fiscal year

In the Construction Equipment Rental Division, Kanamoto will seek to strengthen its organization in every business territory and work to maintain earnings. The Company will focus on enhancing its bases to aggressively participate in the numerous large-scale, private sector-related construction projects in regions such as the Tokyo metropolitan area and the Kanto region, where construction equipment rental demand is strong. In the Tohoku, Tokai and Kinki territories, revenues have increased compared with the prior consolidated fiscal year, and the Company believes these conditions will continue. In the Hokkaido territory, where the environment is severe, the Company will reassign personnel, merge and consolidate bases and continue efforts to maintain the level of earnings in light of the vital importance of this region as Kanamoto's base of operations. With regard to the establishment of new bases, the Company is studying the creation of about four bases in the Tokyo metropolitan area during the one-year period until the spring of 2006.

A large-scale, public works-related supplementary budget totaling ¥1,238,400 million has been appropriated for disaster relief works, and Kanamoto is already responding vigorously to such work in regions with disaster relief work, such as Fukui Prefecture. Kanamoto has decided to locate an earthquake disaster reaction office in Ojiya City in Niigata Prefecture, because full-scale restoration construction following the Niigata Chuetsu Earthquake will begin during the second half of the current business period. The Company will respond to asset allocations in disaster recovery areas through flexible inter-branch transfers of assets stored at existing branches.

In its Steel Sales business, the Company will bolster sales of new materials for expansion and rehabilitation of existing facilities because it detects a slowdown in the upward trend in the steel materials market, and because steel demand in Hokkaido is supported by private sector demand. In the Information Products business, Kanamoto will concentrate on rentals of Sun Microsystems products, which are a specialized market, and on increasing the number of customers outside of Tokyo in Sendai, Osaka and Nagoya, based on its expectation that the economic recovery and large-scale rental projects will continue.

Although the environment surrounding Kanamoto will remain challenging, the Kanamoto Group is united and will move forward to accomplish its long-range management plan.

□Management indicators established as objectives

Kanamoto has always emphasized ROI (return on investment) and cash flow, and seeks growth in EBITDA+ (earnings before interest, taxes, depreciation and amortization) to meet its primary objective of establishing a solid management foundation. Kanamoto adopted these indicators because in its primary business of construction equipment rental, the Company faces a substantial capital investment burden and the profit or loss of its operations should be evaluated over a period of several years.

The following table shows the initial objectives set in the Company's long-term management plan "Metamorphose" (November 2003 to October 2008). This plan seeks to increase earnings while maintaining the EBITDA+ that will become the source of future profits. Although the Company has revised its full-year operating results outlook for the current consolidated fiscal year to project a decrease in earnings, this partially reflects temporary profit-reducing factors. Moreover, in light of its progress in achieving results from its long-range management plan measures, the Company has not revised its numerical targets for the consolidated fiscal year ending October 2006, which will be the turning point under "Metamorphose," or for the consolidated fiscal year ending October 2008, the final year of the plan.

(Millions of yen, except net income per share)

		Fiscal Year ending October 2006	Fiscal Year ending October 2008
Consolidated operating results	Revenues	64,440	67,250
	Ordinary income	3,360	5,420
	Net income per share (yen)	58	96
Non-consolidated operating results (Kanamoto Company)	Revenues	58,000	60,600
	Ordinary income	3,160	5,070
	EBITDA+	18,029	19,553

EBITDA+ = Operating income + Depriciation expense + Other depriciation and amotization 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

□Basic policies concerning business management

Kanamoto and the Kanamoto Company group believe achieving sustainable growth and development of the group's firms will enable the group to contribute to the benefits of its stakeholders (its shareholders, customers, business partners, local communities, and employees and their families). This is the reason the Company has made the centerpiece of its action agenda the concept "constantly seek innovation and strive to energize the business," while viewing customer satisfaction as the basis of its business and focusing on adapting to changes in its management environment to the extent possible.
By taking maximum advantage of the rental business knowledge and experience accumulated over many years, and increasing earnings by providing highly functional services, Kanamoto believes it can satisfy the expectations and trust of its shareholders and group stakeholders, and truly contribute to society as a firm.

□Basic policies concerning distribution of earnings

The Company places its primary emphasis on expanding shareholders' long-term overall investment return, while simultaneously regarding the maintenance of a stable return of earnings as the basis of its earnings distribution policy. Kanamoto's policy is to achieve a stable return of earnings to the extent possible, based on estimates of future earnings including its outlook for operating results.
At the same time, the Company utilizes its internal reserves by allocating funds for the introduction of rental equipment assets that will serve as the source of future earnings, thereby contributing substantially to the Company's continuity.
To provide for future changes in its capital policy, Kanamoto has established a flexible system for making purchases of treasury stock.

□Policy concerning reduction of the Company's investment unit

One important issue for Kanamoto from the standpoint of capital policy is increasing the number of individual shareholders and improving the liquidity of the Company's stock. The Company recognizes that reducing the size of its stock investment unit is one effective measure to stimulate trading of the Company's shares. Nevertheless, given the position of Kanamoto's stock in the current market, the Company judges present conditions do not require an immediate reduction in the size of the stock investment unit. Management will maintain a flexible stance by continuing to review an increase in the liquidity of the stock, and study this issue while monitoring the authorities' revision of Japan's stock certificate custody system and introduction of the system for dematerialization of stock certificates. The Company currently also has no plans to execute a stock split.

□Medium to long-term corporate management strategy

As discussed above, the numerical targets for the Company's long-range management plan "Metamorphose" (Five-Year Plan from November 2003 to October 2008) reflect a plan in which operating results will be under substantial pressure during the first two fiscal years after the plan's launch.
The Company will continue to pursue the optimization of operating assets begun in the prior consolidated fiscal year (i.e., seek to create a highly profitable asset portfolio while controlling new asset introductions and reducing depreciation and amortization expense). By creating a corporate structure and the business capabilities capable of responding fully to this tough management environment, and using its product line-up featuring state-of-the-art equipment not available from any other company to the maximum advantage, the Company will shift to earnings-focused management and maintain profitability, while seeking to avoid competition through its alliances with superior local firms in selected regions.

With regard to net revenues by region, the Company will focus on the development of low-cost branches equipped with a smaller product line-up in the Tokyo metropolitan area, with the goal of stabilizing the percentage of net revenues in the Honshu territory at about 70% of total revenues, while continuing to maintain its market share in the Hokkaido territory.
The Kanamoto Group and its alliance firms currently are active in many regions, from Hokkaido to Okinawa. In regions where its market share is low, the group will continue to build a marketing organization where customers are Number One, while working to ensure market share and improve equipment utilization rates through tie-ups with local construction equipment rental firms. The Company will seek to strengthen cooperation among these firms as the Kanamoto Group, and increase the synergistic effects from this approach, by seeking additional high-quality alliance members.
The Company seeks to create a strong Kanamoto that is evaluated positively by the market as the leading company in the construction equipment rental business, while simultaneously achieving the business objectives described above, and is focused on invigorating the Kanamoto Group so it is capable of prevailing in today's changing business environment.

□Issues to be addressed by the Company

Because of the sharp decrease in total construction investment, the construction industry continues to face a challenging management environment. The negative impact has been severe particularly in areas that traditionally had relied heavily on public works construction, reflecting the crisis in local government finances.
Because of this environment, demand for the construction equipment rental industry as a whole has been declining. On the other hand, however, reliance on construction equipment rentals is expected to rise as firms increasingly turn to rentals for equipment used at construction sites.
Nevertheless, under current market conditions, construction equipment rental firms are scrambling for a share of a shrinking pie, price competition is unabated and the number of rental days per rental asset continues to fall, and the Company is unable to take maximum advantage of the overwhelming dominance of Kanamoto's asset portfolio.
The remarkable drop in equipment rental fees faced by the industry today and the concomitant decrease in earnings has also resulted in a substantial slump in profitability, and is the single greatest issue shaking the foundation of the construction equipment rental business. Currently both the construction equipment rental industry and construction equipment manufacturers are struggling to improve this situation, and as the leading company in the industry Kanamoto also is taking corrective measures.

Moreover, in recent years accidents injurious to individuals and property caused by construction equipment and vehicles during rental have occurred with alarming frequency, and the trend in incidents of theft of rental construction equipment from job sites has been climbing. While the Company has always offered the Kanamoto comprehensive compensation system from the standpoint of customer convenience, we have implemented additional enhancements to this system and will begin offering this service as a new Kanamoto comprehensive compensation system from June 2005. We anticipate broader use of this new compensation system will help reduce costs Kanamoto has incurred in the past, including rental construction equipment maintenance and repair costs and compensation for time away from work due to injury. In addition, given its present circumstances, the Company must accelerate the pace of its advance into the Tokyo metropolitan area, and further improving the capabilities of Kanamoto's mid-level employees will be indispensable for this effort. The Company therefore made changes to its personnel system during the consolidated fiscal year interim period under review, and revised its employee training system, and also has been implementing special training programs for mid-level employees since last year.

Recently natural disasters have occurred as frequently as accidents. During the past year alone a total of 19 typhoons, including those that approached Japan, left wide swathes of damage in various locations throughout Japan, and ten typhoons moved inland with full force, the largest number on record. Japan also suffered from numerous volcanic eruptions and earthquakes.

Through its construction equipment rental business, the Kanamoto Group is working even today to assist with disaster recovery in the various stricken areas, and is working to strengthen its group organization to enable it to respond to requests for assistance anywhere in Japan, whenever and wherever disaster strikes. Following the Niigata Chuetsu Earthquake, the Kanamoto group contributed materials and offered items such as temporary housing units, temporary toilet facilities and heating equipment immediately after the earthquake occurred, and put priority on loans of equipment for lifeline restoration works. Based on this past disaster relief experience, Kanamoto will work to create a disaster recovery support organization in cooperation with other companies in the construction equipment rental industry, construction firms and local municipal governments, based on the principle of humanitarian assistance first.

□Associated and consolidated companies of the Kanamoto Group

	Construction Equipment Rental	Rental of temporary products	Rental of safety products	Modular housing units, others
Consolidated subsidiaries	Daiich Kikai Co., Ltd. Kanki Corporation	SRG Kanamoto Co., Ltd.	Assist Co., Ltd.	Kanatech Co., Ltd.
Non-consolidated subsidiaries			Comsupply Co., Ltd.	Kanki Maintenance Co., Ltd.
Alliance companies	Kyushu Kensan Group Machida Kikou Co., Ltd.			Active Technology Corp. Active Power Corp.

Operating results

□Summary of consolidated fiscal year interim period operating results

Despite numerous factors still affecting the external environment, during the consolidated fiscal year interim period under review there were visible signs of a recovery centered on manufacturing. The shift to improving economic circumstances in the Tokyo metropolitan area and surrounding regions continued. Other regions, however, were less fortunate in benefiting from these positive changes. Overall, conditions remained unchanged despite improving business sentiment, and the gap between the Tokyo metropolitan area and other regions in terms of both local economic circumstances and personal consumption were actualized further.

Conditions were similar in the construction industry, which is a major customer for Kanamoto's services. The difference between the Tokyo metropolitan area, where public works and private sector capital investment are linked and produce a synergistic effect, and other regions where this effect is less pronounced, was thrown into sharp relief as the tough management environment continued.

□Construction-related business

In Kanamoto's main business in the construction equipment rental business, market conditions improved steadily in regions where Tokyo, Osaka and Nagoya are the key market areas, which enjoy extensive private sector capital investment, thanks to a recovery in private demand. In regions that depend heavily on public works, however, demand other than disaster recovery work decreased markedly and the business environment remained severe. In the construction-related businesses of the entire Kanamoto Group, for the consolidated fiscal year interim period under review, consolidated revenues increased 5.6% from the same period of the prior consolidated fiscal year to ¥29,849 million, but operating income fell 22.1% year-on-year to ¥1,177 million.

For the Company's Construction Equipment Rental Division on a standalone basis, rental revenues increased 1.8% compared with the same period of the prior consolidated fiscal year to ¥20,259 million, while sales dropped 44.5% year-on-year to ¥5,543 million. This drop reflected reductions in used equipment sales as provided in the Company's initial plan. As a result, total revenues for the Construction Equipment Rental Division were ¥25,802 million, down 4.6% from the same period of the prior consolidated fiscal year.

By region, the Company's rental revenues decreased 6.1% in the Hokkaido territory, where disaster relief work ended and public works and large-scale construction are limited. In the Tohoku territory, the Company achieved growth in specialized areas, such as machines for ground improvement, and revenues increased 2.2% year-on-year. On the other hand, revenues grew steadily in both the Kanto-Shinetsu territory and the Kinki-Chubu territory, which include major metropolitan areas, as the result of new sales branches opened by the Company. Revenues increased 11.5% year-on-year in the Kanto territory and 11.4% in the Kinki-Chubu territory, which offset the drop in revenues in the Hokkaido territory. As a result of these changes, the percentage of total rental revenues accounted for by Hokkaido and Honshu plus other regions were 33.4% are 66.6%, respectively, as the Company further shifted its focus to Honshu.
Recovery works in parts of the Kinki-Chubu territory were brisk in the wake of natural disasters last year that were designated serious disasters. Following the Niigata Chuetsu Earthquake, the Company received orders related to temporary housing units for restoration construction, and full-scale restoration works will be carried out in the second half of the Company's current fiscal year.

During the consolidated fiscal year interim period under review, Kanamoto increased the total number of branches by four to 144 branches. Only one location was closed, the Asahikawa South Equipment Center in Asahikawa, Hokkaido. Thus one branch was closed in the Hokkaido territory, while four branches were added in the Tohoku territory and one branch was added in the Kanto-Shinetsu territory. No branches were opened or closed in the Kinki-Chubu territory.

Turning to the operations of its consolidated subsidiaries, Daiichi Kikai Co., Ltd., which manages a construction equipment rental business in Kyushu, achieved a 19.9% increase in revenues compared with the same period of the prior consolidated fiscal year, thanks to strong sales of used temporary housing units, but operating income fell 20.4% year-on-year under pressure from capital investment for additions to rental equipment. This resulted in revenue growth and a decline in earnings.
SRG Kanamoto Co., Ltd. saw its revenues decrease by 6.8% from the same period of the prior consolidated fiscal year under the influence of a drop in construction work, but improved its operating profit and loss by 5.9% year-on-year by reducing its cost of revenues from operations. Assist Co., Ltd. was affected by cutbacks in public works, and was unable to increase revenues from rentals of safety equipment, its main products, and saw its revenues shrink 8.7% from the same period of the prior consolidated fiscal year. Operating income also fell year-on-year by 13.7%.
Kanki Corporation, which became a new consolidated subsidiary in the prior consolidated fiscal year, was subject to a change in accounting accompanying the change in that company's accounting period. Although revenues increased 19.0% compared to the initial plan value, the company booked an operating loss resulting from an increase in small-sum assets

because of the renewal of rental equipment assets and its response to disaster relief works.
Kanatech Co., Ltd., which provides unique manufacturing services within the group, saw its revenues grow 4.4% year-on-year, but posted an operating loss because of higher manufacturing costs resulting from a jump in materials costs. Consolidation expenses resulting from the consolidation of profitable branches were also a factor.

□Steel Sales-related business

Supported by raw materials prices and strong exports since last year, the Steel Sales Division maintained sales prices at a high level. The division's business was also boosted by successful participation in large-scale projects in Hokkaido and strong results from the handling of new materials (the KT Roof System, a highly durable insulated and waterproof roofing system). As a result, revenues increased 25.0% year-on-year to ¥3,062 million, and operating profit and loss changed from a loss in the same period of the prior consolidated fiscal year to positive operating income of ¥23 million.

□Information Products-related business and Other Businesses

Although rental rates remained low, rental revenues for the Information Products Division rose 9.7% from the same period of the prior consolidated fiscal year. This reflected growth in personal computer demand with the economic recovery in the Tokyo metropolitan area, and an increase in the number of large projects increased after the start of the Company's fiscal year. Revenues from sales, on the other hand, dropped 69.0% year-on-year because there were no new products to replace LAN products, the division's core product, and product sales fell.
As a result of the above, revenues for the entire division were off 10.6% from the same period of the prior consolidated fiscal year to ¥215 million, and operating income was flat at ¥10 million.

□Fiscal Year ending October 31, 2004 Interim Consolidated Operating Results

(Million yen; % change from prior year)

	Revenue		Operating Income		Ordinary income		Net income	
Consolidated FY interim period	33,126	7.0	1,291	-18.2	1,185	-22.4	463	-57.8
Prior FY interim period	30,955	-5.0	1,578	-17.1	1,527	-15.0	1,097	40.6

□Topics

Finance-related

■ Kanamoto entered a commitment facility agreement to achieve stable, flexible capital funding. Since November 2000, the Company has maintained the facility for five consecutive years. A syndicate formed by 14 banks, with The Bank of Tokyo-Mitsubishi, Ltd. as lead manager, provides the current facility.

■ To improve capital efficiency and reduce interest-bearing debt, during the current period the Company established a liquidation scheme for small-sum diversified bill receivables, to be implemented in cooperation with The Bank of Tokyo-Mitsubishi, Ltd. and The Mitsubishi Trust and Banking Corp. The Company has liquidated bill receivables totaling 12 billion yen through this scheme.

■ Kanamoto participated in the forum commemorating the tenth anniversary of the establishment of the Japan Association for Individual Investors, a specified non-profit organization, as a supporting member. The Company aired a video interview with Kanamoto's president, and also set up a campaign booth where company representatives conducted PR activities for investors.

Operations-related

■ To expand revenues from equipment sales, the Company conducted sales campaigns again this year in various regions, beginning with the Hokkaido and Tohoku territories. In addition to construction companies, the main users of Kanamoto's rental construction equipment, many other potential buyers including home owners visited the sales sites. As a result, net sales rose and the Company successfully increased awareness of the Kanamoto brand.

■ The Company began offering the new Kanamoto comprehensive compensation system in June, which features additional enhancements to the system has always provided. The enhanced system quickly received a favorable reception. Kanamoto projects compensation system revenues will expand to 1.5 times the current level by FY2007. The future goal for this program is to assist normalization of the construction equipment rental system.

Sales Environment

■ Although the volume of public works in Japan is decreasing, following the Chuetsu Earthquake in Niigata Prefecture and other natural disasters the government is pursuing disaster recovery work, and also has decided on construction of a new Shinkansen line and upgrades to the expressway network. Portions of these projects have already been started, and a multiplier effect can be noted in local economies. Kanamoto will establish sales branches to enable the Company to support such large-scale projects.

ASSETS

	Millions of yen			Thousands of U.S. dollars (Note)
	April 30, 2004 (Unaudited)	October 31, 2004	April 30, 2005 (Unaudited)	April 30, 2005 (Unaudited)
Current assets:				
Cash and cash equivalents	¥ 15,142	¥ 11,734	**¥ 18,831**	**$ 177,067**
Notes and accounts receivable, trade	19,551	23,481	**12,706**	**119,471**
Short - term investments	27	-	**-**	**-**
Inventories	1,043	703	**575**	**5,408**
Deferred income taxes	284	252	**372**	**3,495**
Other current assets	2,419	2,343	**2,345**	**22,055**
Less: Allowance for doubtful accounts	(561)	(731)	**(680)**	**(6,398)**
Total current assets	37,905	37,782	**34,149**	**321,098**
Property and equipment:				
Rental equipment	38,318	39,161	**38,797**	**364,803**
Building and structures	15,309	16,039	**16,031**	**150,737**
Machinery and equipment	5,190	5,370	**5,430**	**51,060**
Less: Accumulated depreciation	(39,597)	(41,980)	**(41,862)**	**(393,625)**
	19,220	18,590	**18,396**	**172,975**
Land	24,651	26,112	**26,062**	**245,062**
Construction in progress	11	3	**96**	**900**
Total property and equipment	43,882	44,705	**44,554**	**418,937**
Investments and other assets:				
Investment securities	3,822	3,938	**4,318**	**40,608**
Deferred income taxes	917	911	**750**	**7,049**
Other assets	1,697	3,648	**2,929**	**27,542**
Less: Allowance for doubtful accounts	(618)	(1,661)	**(1,189)**	**(11,184)**
Total investments and other assets	5,818	6,836	**6,808**	**64,015**
Total assets	¥ 87,605	¥ 89,323	**¥ 85,511**	**$ 804,050**

Note : U.S. dollar amounts have been translated from yen for convenience only, at the rate of ¥106.35=US$1, the approximate exchange rate on April 30, 2005.

Preparation of Financial Stafements and Depriciation and Amortization Expense

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.

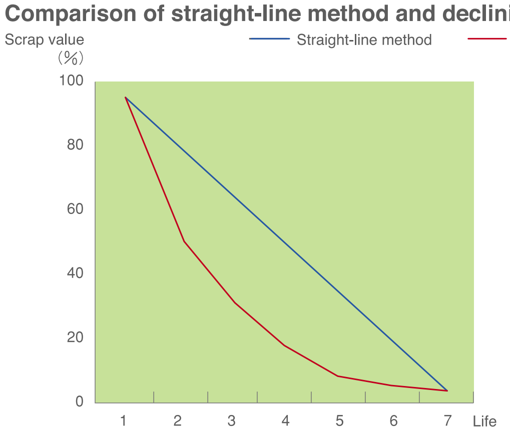
2. Kanamoto uses a variety of techniques when introducing rental assets. In addition to purchasing assets by installments, the Company also use finance leases (including operating leases) , which are an off-balance sheet item (details are provided in the notes to the accounting statements).

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.

LIABILITIES AND SHAREHOLDERS' EQUITY

	Millions of yen			Thousands of U.S. dollars (Note)
	April 30, 2004 (Unaudited)	October 31, 2004	April 30, 2005 (Unaudited)	April 30, 2005 (Unaudited)
Current liabilities:				
Short-term bank loans	¥ 935	¥ 677	**¥ 656**	**$ 6,168**
Current portion of long-term debt	14,794	14,262	**10,497**	**98,707**
Notes and accounts payable, trade	10,540	13,405	**13,040**	**122,613**
Accrued income taxes	682	369	**709**	**6,667**
Accrued bonuses	464	480	**533**	**5,008**
Other current liabilities	1,001	1,426	**3,938**	**37,029**
Total current liabilities	28,416	30,619	**29,373**	**276,192**
Non-current liabilities:				
Long-term debt	24,718	24,275	**19,186**	**180,403**
Accrued pension and severance costs	1,186	1,229	**1,341**	**12,609**
Other liabilities	239	395	**2,430**	**22,854**
Total non-current liabilities	26,143	25,899	**22,957**	**215,866**
Minority interests	82	59	**90**	**842**
Shareholders' equity:				
Common stock	8,597	8,597	**8,597**	**80,834**
Capital surplus	9,720	9,720	**9,720**	**91,400**
Retained earnings	14,182	13,914	**14,071**	**132,312**
Unrealized holding gain on securities	644	698	**887**	**8,334**
Treasury stock	(179)	(182)	**(184)**	**(1,730)**
Total shareholders' equity	32,964	32,746	**33,091**	**311,150**
Total liabilities and shareholders' equity	¥ 87,605	¥ 89,323	**¥ 85,511**	**$ 804,050**

Comparison of straight-line method and declining balance method



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.

	Millions of yen			Thousands of U.S. dollars (Note)
	April 30, 2004 (Unaudited)	October 31, 2004	April 30, 2005 (Unaudited)	April 30, 2005 (Unaudited)
Revenue				
Rentals	¥ 20,832	¥ 39,759	**¥ 22,505**	**$ 211,610**
Sales	10,124	21,577	**10,622**	**99,878**
	30,956	61,336	**33,127**	**311,488**
Cost of revenue				
Rentals	15,241	29,998	**16,332**	**153,568**
Sales	7,830	17,019	**8,565**	**80,535**
	23,071	47,017	**24,897**	**234,103**
Gross profit	7,884	14,319	**8,230**	**77,385**
Selling, general and administrative expenses	6,305	12,440	**6,939**	**65,243**
Operating income	1,579	1,879	**1,291**	**12,142**
Other income (expenses) :				
Interest and dividend income	27	71	**30**	**280**
Interest expenses	(172)	(348)	**(180)**	**(1,694)**
Others, net	608	610	**(99)**	**(931)**
Income before income taxes and minority interests	2,042	2,212	**1,042**	**9,797**
Income taxes :				
Current	644	839	**634**	**5,964**
Deferred	259	257	**(86)**	**(812)**
	903	1,096	**548**	**5,152**
Minority interests in subsidiaries	41	19	**30**	**285**
Net income	¥ 1,098	¥ 1,097	**¥ 464**	**$ 4,360**

	yen			U.S. dollars (Note)
Per share of common stock :	April 30, 2004 (Unaudited)	October 31, 2004	April 30, 2005 (Unaudited)	April 30, 2005 (Unaudited)
Net income				
Basic	¥ 36.75	¥ 36.50	**¥ 15.53**	**$ 0.15**
Diluted	-	-	**-**	**-**

Note : U.S. dollar amounts have been translated from yen for convenience only, at the rate of ¥106.35=US$1, the approximate exchange rate on April 30, 2005.

Consolidated Statements of Cash Flows

	Millions of yen			Thousands of U.S. dollars (Note)
	April 30, 2004 (Unaudited)	October 31, 2004	April 30, 2005 (Unaudited)	April 30, 2005 (Unaudited)
Net cash provided by operating activities	¥ 4,955	¥ 6,230	**¥ 12,740**	**$ 119,791**
Net used in from investing activities	120	(1,536)	**(79)**	**(743)**
Net cash used in financing activities	(1,896)	(4,923)	**(5,564)**	**(52,316)**
Net increase (decrease) in cash and cash equivalents	3,179	(229)	**7,097**	**66,732**
Cash and cash equivalents at beginning of the period	11,921	11,921	**11,734**	**110,335**
Increase due to merger of unconsolidated subsidiary	42	42	**-**	**-**
Cash and cash equivalents at end of the period	¥ 15,142	¥ 11,734	**¥ 18,831**	**$ 177,067**

Segment Information

For the six months ended April 30, 2005	Millions of yen					
	Construction related business	Steel related business	Information and communication related and other business	**Total**	Eliminations and corporate items	Consolidated
Sales						
Outside customers	¥ 29,849	¥ 3,062	¥ 216	**¥ 33,127**	¥ -	¥ 33,127
Intersegment	-	-	-	**-**	-	-
Total	29,849	3,062	216	**33,127**	-	33,127
Operating expenses	28,672	3,038	205	**31,915**	(79)	31,836
Operating profit	¥ 1,177	¥ 24	¥ 11	**¥ 1,212**	¥ 79	¥ 1,291

For the six months ended April 30, 2005	Thousands of U.S.dollars(Note)					
	Construction related business	Steel related business	Information and communication related and other business	**Total**	Eliminations and corporate items	Consolidated
Sales						
Outside customers	$ 280,667	$ 28,791	$ 2,030	**$ 311,488**	$ -	$ 311,488
Intersegment	-	-	-	**-**	-	-
Total	280,667	28,791	2,030	**311,488**	-	311,488
Operating expenses	269,599	28,565	1,927	**300,091**	(745)	299,346
Operating profit	$ 11,068	$ 226	$ 103	**$ 11,397**	$ 745	$ 12,142

Note : U.S. dollar amounts have been translated from yen for convenience only, at the rate of ¥106.35=US$1, the approximate exchange rate on April 30, 2005.

Outstanding Balance of Future Lease Payments (Consolidated)

	Millions of yen			Thousands of U.S. dollars (Note)
	April 30, 2004 (Unaudited)	October 31, 2004	April 30, 2005 (Unaudited)	April 30, 2005 (Unaudited)
Finance leases				
Within one year	¥ 5,850	¥ 5,450	**¥ 5,839**	**$ 54,907**
After one year	17,101	15,749	**17,883**	**168,154**
Total	¥ 22,951	¥ 21,199	**¥ 23,722**	**$ 223,061**
Operating leases				
Within one year	¥ 1,614	¥ 1,870	**¥ 1,793**	**$ 16,863**
After one year	2,266	3,604	**4,064**	**38,212**
Total	¥ 3,881	¥ 5,474	**¥ 5,857**	**$ 55,075**

ASSETS

	Millions of yen			Thousands of U.S. dollars (Note)
	April 30, 2004 (Unaudited)	October 31, 2004	April 30, 2005 (Unaudited)	April 30, 2005 (Unaudited)
Current assets :				
Cash and time deposits	¥ 14,464	¥ 10,911	**¥ 17,733**	**$ 166,741**
Notes receivable, trade	10,821	10,890	**2,318**	**21,794**
Accounts receivable, trade	7,921	11,067	**8,687**	**81,684**
Inventories	531	285	**346**	**3,254**
Other current assets	2,751	2,646	**2,764**	**25,990**
Less : Allowance for doubtful accounts	(570)	(629)	**(574)**	**(5,394)**
Total current assets	35,918	35,170	**31,274**	**294,069**
Property and equipment :				
Rental equipment	37,107	35,620	**35,975**	**338,268**
Buildings	11,185	11,449	**11,424**	**107,419**
Structures	3,806	3,801	**3,814**	**35,859**
Machinery and equipment	5,074	5,104	**5,172**	**48,638**
Less : Accumulated depreciation	(38,413)	(38,291)	**(38,769)**	**(364,546)**
	18,759	17,683	**17,616**	**165,638**
Land	24,382	25,838	**25,788**	**242,487**
Construction in progress	11	3	**96**	**900**
Total property and equipment	43,152	43,524	**43,500**	**409,025**
Investments and other assets :				
Investment and other assets	7,333	7,619	**7,768**	**73,045**
Less : Allowance for doubtful accounts and reserve for investments	(825)	(844)	**(886)**	**(8,338)**
Total investments and other assets	6,508	6,775	**6,882**	**64,707**
Total assets	¥ 85,578	¥ 85,469	**¥ 81,656**	**$ 767,801**

Note : U.S. dollar amounts have been translated from yen for convenience only, at the rate of ¥106.35=US$1, the approximate exchange rate on April 30, 2005.

LIABILITIES AND SHAREHOLDERS' EQUITY

	Millions of yen			Thousands of U.S. dollars (Note)
	April 30, 2004 (Unaudited)	October 31, 2004	April 30, 2005 (Unaudited)	April 30, 2005 (Unaudited)
Current liabilities :				
Current portion of long-term bank loans	¥ 10,356	¥ 10,747	**¥ 10,324**	**$ 97,076**
Notes payable, trade	7,739	8,967	**9,314**	**87,575**
Accounts payable, trade	2,182	2,838	**1,930**	**18,150**
Notes payable, other	93	174	**232**	**2,181**
Accounts payable, other	4,716	4,065	**3,249**	**30,554**
Accrued income taxes	637	362	**647**	**6,080**
Accrued bonuses	449	436	**466**	**4,384**
Other current liabilities	554	486	**503**	**4,727**
Total current liabilities	26,726	28,075	**26,665**	**250,727**
Non-current liabilities :				
Long-term bank loans	21,104	20,735	**18,040**	**169,629**
Long-term accounts payable, other	3,532	2,426	**2,126**	**19,990**
Accrued pension and severance costs	1,185	1,227	**1,315**	**12,366**
Other liabilities	73	72	**93**	**877**
Total non-current liabilities	25,894	24,460	**21,574**	**202,862**
Shareholders' equity :				
Common stock :	8,597	8,597	**8,597**	**80,834**
Capital surplus	9,720	9,720	**9,720**	**91,400**
Retained earnings	14,177	14,101	**14,397**	**135,371**
Unrealized holding gain on securities	644	698	**887**	**8,337**
Treasury stock	(179)	(182)	**(184)**	**(1,730)**
Total shareholders' equity	32,958	32,934	**33,417**	**314,212**
Total liabilities and shareholders' equity	¥ 85,578	¥ 85,469	**¥ 81,656**	**$ 767,801**

Non-consolidated Statements of Income

	Millions of yen			Thousands of U.S. dollars (Note)
	April 30, 2004 (Unaudited)	October 31, 2004	April 30, 2005 (Unaudited)	April 30, 2005 (Unaudited)
Revenue				
Rentals	¥ 20,087	¥ 38,830	**¥ 20,455**	**$ 192,339**
Sales	9,639	20,444	**8,625**	**81,101**
	29,726	59,274	**29,080**	**273,440**
Cost of revenue				
Rentals	15,213	30,066	**15,182**	**142,759**
Sales	7,268	15,745	**6,782**	**63,766**
	22,481	45,811	**21,964**	**206,525**
Gross profit	7,245	13,463	**7,116**	**66,915**
Selling, general and administrative expenses	5,903	11,621	**5,946**	**55,916**
Operating income	1,342	1,842	**1,170**	**10,999**
Other income (expenses) :				
Interest and dividend income	30	77	**31**	**289**
Interest expenses	(165)	(332)	**(159)**	**(1,491)**
Others, net	642	656	**45**	**421**
Income before income taxes	1,849	2,243	**1,087**	**10,218**
Income taxes				
Current	598	833	**572**	**5,378**
Deferred	257	223	**(87)**	**(821)**
	855	1,056	**485**	**4,557**
Net income	¥ 994	¥ 1,187	**¥ 602**	**$ 5,661**

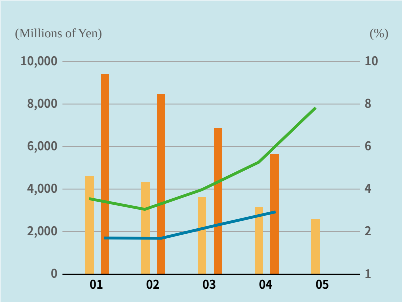
	yen			U.S. dollars (Note)
Per share of common stock :	April 30, 2004 (Unaudited)	October 31, 2004	April 30, 2005 (Unaudited)	April 30, 2005 (Unaudited)
Net income				
Basic	¥ 33.29	¥ 39.50	**¥ 20.16**	**$ 0.19**
Diluted	-	-	**-**	**-**

Outstanding Balance of Future Lease Payments (Non-Consolidated)

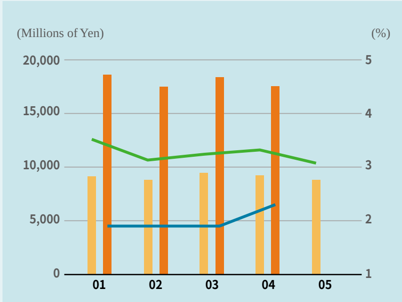
	Millions of yen			Thousands of U.S. dollars (Note)
	April 30, 2004 (Unaudited)	October 31, 2004	April 30, 2005 (Unaudited)	April 30, 2005 (Unaudited)
Finance leases				
Within one year	¥ 5,614	¥ 5,243	**¥ 5,367**	**$ 50,467**
After one year	16,856	15,577	**15,941**	**149,894**
Total	¥ 22,470	¥ 20,820	**¥ 21,308**	**200,361**
Operating leases				
Within one year	¥ 1,601	¥1,813	**1,612**	**15,159**
After one year	2,242	3,434	**3,538**	**33,268**
Total	¥ 3,844	¥ 5,247	**¥ 5,150**	**48,426**

=Annual =Interim =Anticipated =Annual =Interim

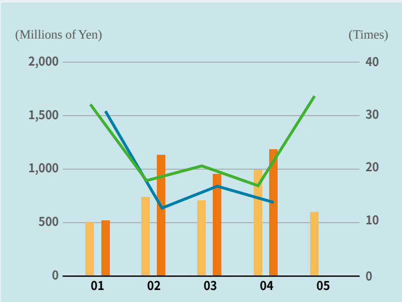
Cash Flow / PCFR



EBITDA+ / EBITDA+Ratio

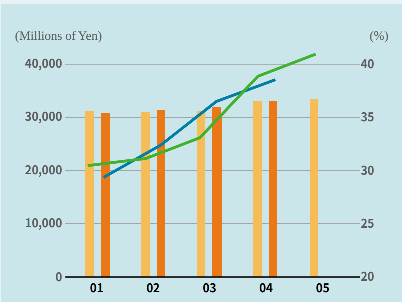


Net Income / PER

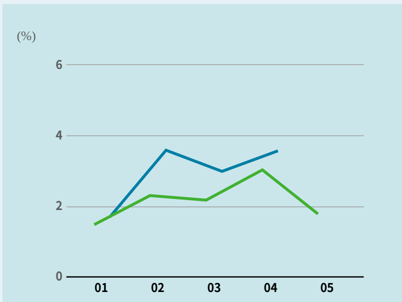


PBR

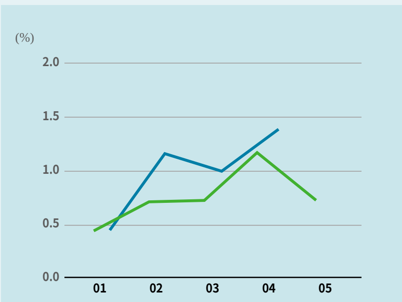
Shareholders' Equity / Shareholders' Equity Ratio



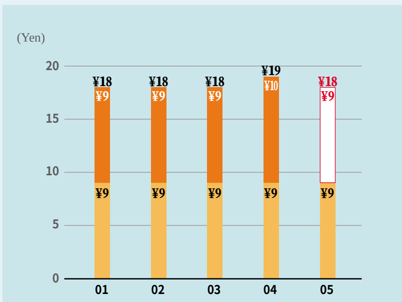
ROE



ROA



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.

Our Growing Branch Network

Construction Equipment Rental Division
Steel Sales Division
Information Products Division
Tool Rental Branch

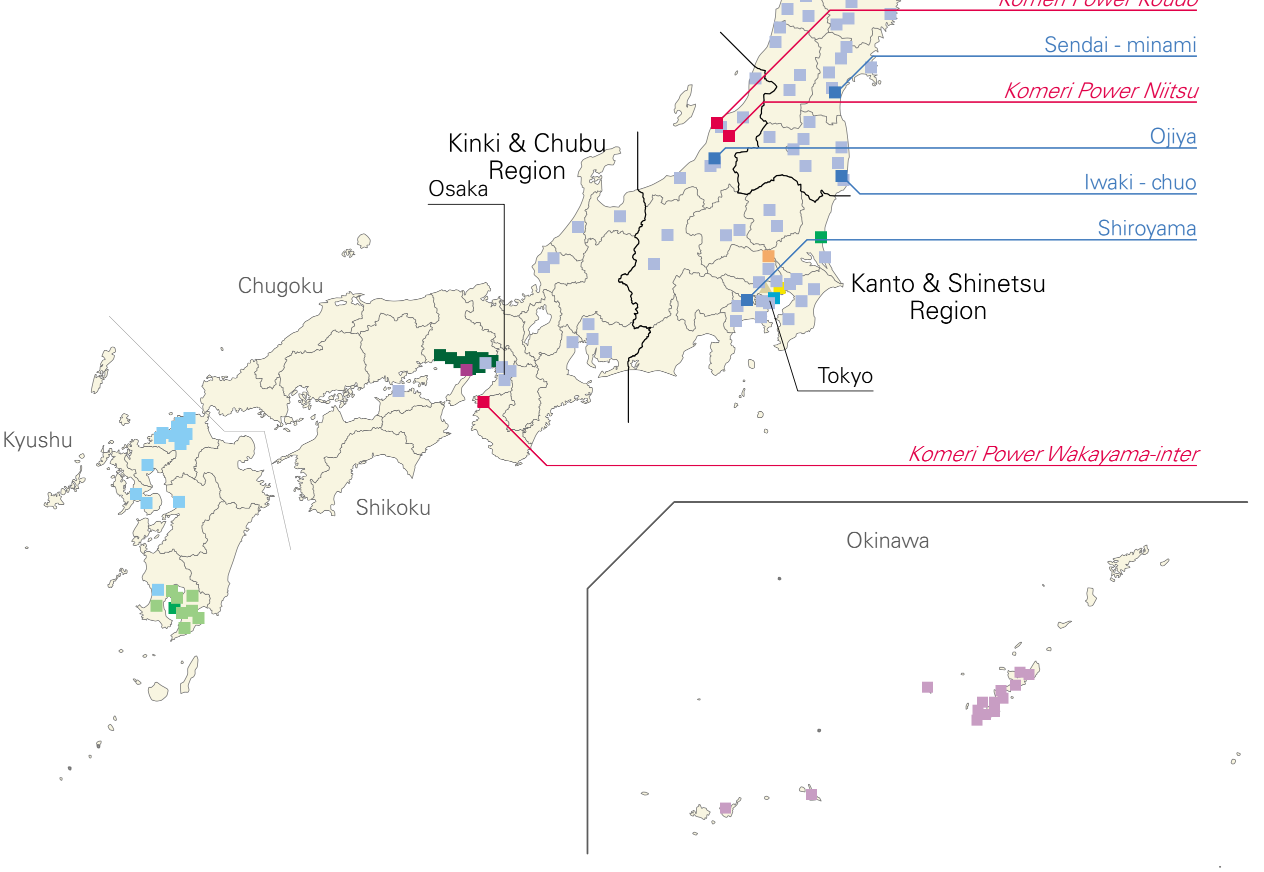
Kanamoto Alliance Group Firms

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 June 30, 2005

	Kanamoto	Consolidated companies	Other companies of alliance group	Total
Hokkaido	56	14	4	74
Tohoku	43	1	—	44
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	146	33	38	217



Kanamoto is putting priority on branch development in Tokyo, Nagoya and Osaka, Japan's three major metropolitan areas, where there is substantial private demand in addition to extensive public works. The Company plans to open four new construction equipment rental sales branches within the 23 wards of Tokyo proper by next spring.

In addition, as described in Topics on page 8, during the first half Kanamoto established seven new branches in order to support disaster relief work and large-scale projects, which are expected to create a large multiplier effect in local economies.The majority of these new branches are small-scale offices with a full line-up of rental construction equipment.

In another effort, Kanamoto is developing its tool rental business with Komeri Co., Ltd. (head office: Niigata Prefecture; listed on the Tokyo Stock Exchange First Section under Security Code 8218), a leading company in Japan's do-it-yourself industry that could be referred to as the Japanese version of The Home Depot, Inc. or Lowe's. In addition to these two sites, the Company opened Kanamoto equipment rental corners at the Komeri

Branch Network As of June 30, 2005

Power Wakayama store in February and the Komeri Power Omagari store in April. Stocked with a wide selection of tools, ranging from tools that can be used by week-end do-it-yourselfers to small-scale construction equipment suitable for use at construction sites, these outlets are helping Kanamoto develop customers such as construction companies, farmers and general consumers who previously have not had a business relationship with Kanamoto.


Yubari Branch


Kanita Branch


Kamikita Branch


Sendai - minami Branch


Iwaki - chuo Branch


Ojiya Branch


Shiroyama Equipment Center


Power Omagari Store


Power Wakayama-inter Store

Shareholders' Information As of June 30, 2005

Company Name
Kanamoto Company, 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 shares

Fiscal Year-end
October 31

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

Number of Employees
1,123
(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
Hokkaido Shinren
The Norinchukin Bank
The Hokkaido Bank
Daishi Bank
Shinkin Central Bank

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

Transfer agent

The Mitsubishi Trust and Banking Corporation, Kanamoto's transfer agent, plans to merge its operations with UFJ Holdings on October 1, 2005. The new trade name planned for the post-merger corporation is Mitsubishi UFJ Trust and Banking Corporation.

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