Fiscal Year ended October 31, 2004

Accounting Bulletin (Consolidated)

December 13, 2004

Listed Company Name **Kanamoto Company, Ltd.**

Company Code Number **9678**

Listing Exchanges **Tokyo Stock Exchange, Sapporo Stock Exchange**

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Date of Report to the Board of Directors December 13, 2004

SEC Accounting Standards The Company has not adopted SEC accounting standards

1. Consolidated Operating Results for the Fiscal Year ended October 31, 2004

(November 1, 2003– October 31, 2004)

(1) Consolidated Operating Results

(Numbers less than one million yen have been rounded down)

	Revenues		Operating Income		Ordinary Income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended October 31, 2004	61,336	(−3.7)	1,878	(−18.6)	1,749	(−23.2)
Fiscal year ended October 31, 2003	63,686	(−2.4)	2,307	(0.9)	2,279	(− 4.3)

	Net Income		Net Income per Share of Common Stock	Net income per Share on a Fully Diluted Basis	Return on Shareholders' Equity	Return on Total Assets	Ordinary Income Margin
	Millions of yen	%	Yen	Yen	%	%	%
Fiscal year ended October 31, 2004	1,097	(20.1)	36.50	—	3.4	2.0	2.9
Fiscal year ended October 31, 2003	913	(−24.4)	29.96	27.11	2.9	2.4	3.6

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

Fiscal Year ended October 31, 2004 —

Fiscal Year ended October 31, 2003 —

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

Fiscal Year ended October 31, 2004 30,030,383 shares

Fiscal Year ended October 31, 2003 30,235,808 shares

3. Are there any changes in accounting method? No

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

(2) Consolidated Financial Position

	Total Assets	Shareholders' Equity	Shareholders' Equity Ratio	Shareholders' Equity per Share
	Millions of yen	Millions of yen	%	Yen
Fiscal year ended October 31, 2004	89,323	32,745	36.7	1,096.42
Fiscal year ended October 31, 2003	89,010	31,907	35.8	1,068.25

(Note) Number of shares (consolidated) issued and outstanding at the end of the fiscal year:

Fiscal Year ended October 31, 2004 29,859,442shares

Fiscal Year ended October 31, 2003 29,868,824 shares

(3) Consolidated Cash Flows

	Cash Flow from Operating Activities	Cash Flow from Investing Activities	Cash Flow from Financing Activities	Balance of Cash and Equivalents at End of Period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal year ended October 31, 2004	6,230	−1,535	− 4,923	11,734
Fiscal year ended October 31, 2003	10,359	− 107	−13,764	11,920

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

Number of consolidated subsidiaries: 5

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

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

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

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

2. Projected Consolidated Operating Results for the Fiscal Year Ending October 31, 2005

(November 1, 2004 - October 31, 2005)

	Revenues	Operating Income	Ordinary Income	Net Income
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Interim period	32,250	1,440	1,280	650
Full year	63,400	2,130	1,790	740

Reference: Projected net income per share of common stock (Full year) ¥24.78

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

I Current Conditions of the Company's Group

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

〔 Businesses related to the Construction Equipment Rental Division 〕

Daiichi Kikai Co., Ltd. (a consolidated subsidiary company) and **Kanki Corporation** (which became a consolidated subsidiary company in October 2004), are engaged in the rental and sale of construction equipment and machines used for construction. These two subsidiary companies operate in designated marketing areas and borrow rental equipment assets from the Company as needed in order to meet customer demand. **Kanamoto Shikoku Co., Ltd.**, a subsidiary company that also engaged in this business, was merged into Kanamoto in April 2004.

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

In addition to the above companies, **Kanatech Co., Ltd.** (a consolidated subsidiary company) develops, manufactures and sells modular housing units for temporary use. **Kanki Maintenance Co., Ltd.** (a non-consolidated subsidiary company), a subsidiary of **Kanki Corporation**, is engaged primarily in repair of construction equipment. During the consolidated fiscal year under review, Kanamoto sold all of its shares of **Polyshield Services Co., Ltd.**, which had been a non-consolidated subsidiary company, and no longer has an investment relationship with that firm.

〔 Businesses related to the Steel Sales Division 〕

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

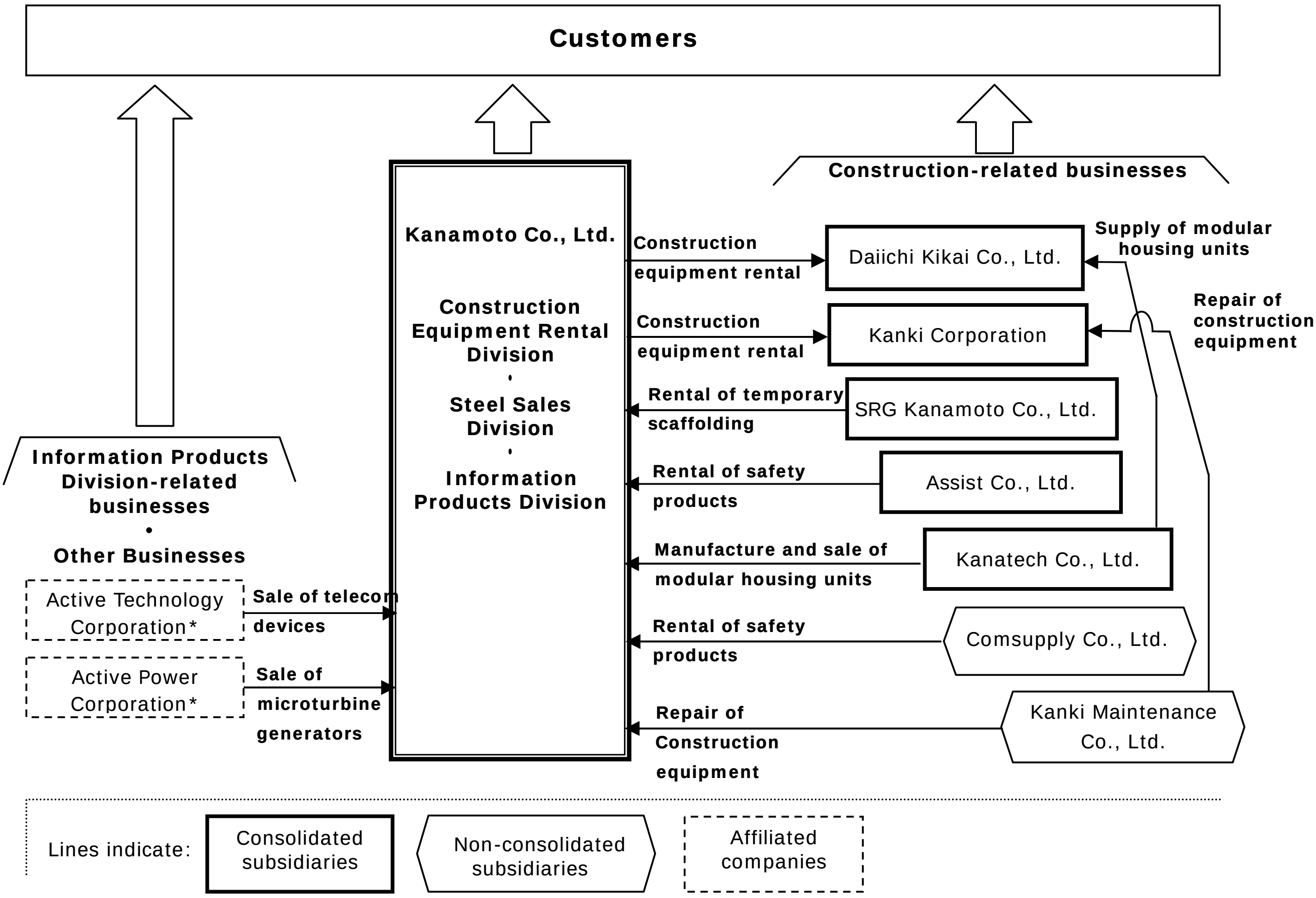
〔 Businesses related to the Information Products Division and Other Businesses 〕

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

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

【Relationship of the Operating Businesses】

(Note) An asterisk indicates an affiliated company to which equity method is not applied



II Management Policies

1. Basic policies concerning business management

Kanamoto and the Kanamoto Company group believe maximizing earnings on a sustainable basis, by taking maximum advantage of the rental business knowledge and experience accumulated over many years to provide services that fully satisfy the expectations and needs of construction rental equipment users, is the best way to contribute to goals of our shareholders and group stakeholders and truly contribute to society. This is the reason the Company has always made the centerpiece of its action agenda the concept “constantly seek innovation and strive to energize the business” and focused on comprehending changes in the business environment, never becoming complacent about its present condition and consistently managing its business to conform to current market conditions.
By pursuing “maximization of income and minimization of expenses” as its starting point, Kanamoto is seeking to achieve this objective today through measures to build a powerful marketing organization where customers are always Number One and realize low-cost operations based on “Metamorphose,” the Company’s long-range management plan.

2. Basic policies concerning distribution of earnings

Although Kanamoto takes into consideration its earnings level, payout ratio, and financial position from a medium to long-term perspective when determining its earnings distribution policy, the Company places its primary emphasis on expanding shareholders’ long-term overall investment return and ensuring a stable return of earnings.
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.
To provide for a flexible capital policy in the future, Kanamoto has established a system for making purchases of treasury stock.
The consolidated fiscal year ended on October 31, 2004 marked the 40th anniversary of Kanamoto’s founding and a turning point for the Company. To celebrate this milestone, the Company plans an annual shareholder dividend at the end of the consolidated fiscal year under review of ¥10 per share, by adding a commemorative dividend of ¥1 per share to its regular dividend of ¥9 per share (subject to a resolution of the Regular General Meeting of the Shareholders to be held in January 2005). As a result, the dividend for the full year including the interim dividend will be ¥19 per share.

3. 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. In light of the position of Kanamoto’s stock in the current market, however, the Company has no plans at this time to reduce the size of its investment unit.
Nevertheless, Kanamoto recognizes that reducing the size of its stock investment unit is one effective measure to stimulate trading of the Company’s shares, and will maintain a flexible outlook with due consideration to improving the liquidity of its stock. At the present time, however, substantial confusion has arisen from revisions to Japan’s stock certificate custody system as a transition is made to a securities deposit and transfer system for stock certificates held personally by individual investors. Kanamoto will continue to study this issue while monitoring the introduction of the system for dematerialization of stock certificates.
The Company currently also has no plans to execute a stock split.

4. Management indicators established as objectives

Because the Company believes sustainable growth and development enables it to contribute to the benefit of its stakeholders, 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 its primary business of construction equipment rental creates a substantial capital investment burden, and the profit or loss of its operations should be evaluated over a period of several years.

For the new long-range management plan “Metamorphose” in particular, which Kanamoto launched during the consolidated fiscal year ended on October 31, 2004, Kanamoto revised the numerical targets for the consolidated fiscal years ending in October 2006 and October 2008 as shown below, to reflect the addition of Kanki Corporation as a new consolidated subsidiary company. No changes have been made to the targets for EBITDA+, which the Company has set as its ultimate indicator to increase profits and serves as the source of future earnings.

(Millions of yen, except net income per share)

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

5. Medium to long-term corporate management strategy

Under its new long-range management plan "Metamorphose" (Five-Year Plan), which it began in the business period under review (consolidated fiscal year ended October 31, 2004), Kanamoto will implement improvements to its business organization to shift the management focus from revenue growth to improving gross margins.

Kanamoto will seek to reinvigorate the Company and create a stronger Kanamoto Group by the end of the fiscal year ending in October 2008, to ensure the Company is better equipped to survive in the face of a changing business environment.

During the consolidated fiscal year under review, which was the first year of its new long-term management plan, Kanamoto closed, merged or downsized branch offices that had completed their mission and continued to build a powerful marketing organization where customers are always Number One. At the same time the Company strengthened its branches in the Tokyo metropolitan area, which offers the largest potential market. The Company also achieved cost reduction results that surpassed its initial objective, by cutting costs such as personnel expense, equipment repair expense and transport expense. For new rental asset introductions, Kanamoto placed priority on augmenting its line-up of highly profitable small-scale construction equipment. Because multiple disaster relief work projects during the busy season resulted in a jump in demand for such equipment, Kanamoto exceeded its initial objective and introduced the volume of equipment typical for a normal year.

To attain its targets for Metamorphose during the remaining four periods of the plan, the Company has set the following objectives.

a) Earnings-focused management

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

b) Execute a bold scrap and build program

Currently, Hokkaido accounts for 40.1% of Kanamoto's total revenues by region, with Honshu accounting for the remaining 59.9%. Kanamoto will further pursue the shift in sales towards Honshu, and implement a flexible branch office location strategy that will increase the percentage of revenues accounted for by Honshu to 65-70%. In addition to taking bolder measures to close and scale back the number of unprofitable branches in particular, the Company will concentrate on establishing branches mainly in the Tokyo metropolitan area.

Kanamoto's focus will be on controlling the capital investment per branch to the extent possible, and growing through development of low-cost branches equipped with a smaller product line-up.

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

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

d) Pursue Kanamoto's alliance strategy

The Kanamoto Group and its alliance firms currently are active in many regions, from Hokkaido to Okinawa. 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 anticipates the business environment during the consolidated fiscal year ending October 2005, the second year of its new long-range management plan, to remain difficult. By pursuing the objectives mentioned above, however, the Company will boost industry recognition of Kanamoto as the leading company in the construction equipment rental business. By continuing efforts to improve and strengthen its financial position, Kanamoto will seek to create a firm that is evaluated positively by the market, through measures such as its debt rating and dividend policy.

6. Issues to be addressed by the Company

Because of the cutback in public works as a result of government measures to restore sound fiscal administration, total construction investment has fallen sharply over the past several years. Difficult conditions continue particularly in areas that traditionally had relied heavily on public works construction. The construction equipment rental industry reflects this situation, as competition continues to grow, slashed rental unit prices remain at unprecedented low levels with only a few exceptions, and profit margins at construction equipment rental companies remain under pressure.
Given this severe environment, the Kanamoto Group had sought to compensate for the decline in its operating margin by maintaining revenues through growth of its business base, while seeking to shrink its balance sheet when investing in plant and equipment by means such as quickly adopting support for equipment leases.
In addition to these efforts, during the consolidated fiscal year under review (business period ended October 2004) Kanamoto also began its new long-range management plan "Metamorphose" with the goal of maintaining earnings. The issues facing Kanamoto and the measures the Company will take are described below.

(1) Enhance marketing capabilities and customer strategies

As the leading firm in the construction equipment rental industry, Kanamoto strives to accurately understand users' needs and generate a profit as it develops its customer-first rental business with an emphasis on the highest levels of quality satisfaction. Kanamoto also works to develop the construction equipment rental market and promote a healthy industry. The Company will also take steps to increase the range of new customers in addition to its traditional customers, which are mainly in civil engineering works and construction, by diversifying the types of products handled.

(2) Emphasize group management

Kanamoto's consolidated subsidiaries are still in a growth phase. To increase operating results at these companies, Kanamoto will strengthen its cooperation from a business and asset management standpoint, including seconding the necessary individuals from Kanamoto, and seek further growth in earnings as a group.

(3) Strengthen alliances

Kanamoto will build its alliance group in areas where the Company has not yet opened branches, and implement efforts to create mini-alliances in areas where Kanamoto branches already exist. Kanamoto fundamentally plans to strengthen this approach through alliances, but also considers techniques such as business transfers and M&A, as demonstrated by its agreements with Nakano Motors Co., Ltd. (currently Kanamoto's Engaru branch) and Kanaya Lease Co., Ltd. (currently Kanamoto's Tokyo Metropolitan Area High Level Equipment Branch) during the consolidated fiscal year under review, to be an effective approach.

(4) Reinforce financial strategy

Kanamoto continues to search for more effective, cheaper financing alternatives, while taking into account its equipment plans for purchases or other equipment procurement. The Company will focus on enhancing funds procurement flexibility through effective use of its commitment facility, and on improving capital efficiency by liquidating bill receivables.

Kanamoto's policy is to actively utilize various methods and techniques to lighten its asset and liability balance.

(5) Cost reductions in every operation

During the consolidated fiscal year under review, Kanamoto pursued low-cost operations that produced substantial positive results. The Company will continue this effort during the next consolidated fiscal year and thereafter. In particular, the Company will pursue further cost reductions for asset maintenance based on a fundamental policy of extending the life of its rental assets. Kanamoto will also aim at cutting wasteful expenses and boosting operating income, by thoroughly implementing low-cost operations for all expenses including transport and purchasing.

Furthermore, Kanamoto will seek to enhance its corporate brand by extending its knowledge management system and maintenance standardization system, which effectively utilize an online system linking all branches.

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

a) Basic approach concerning corporate governance

Kanamoto recognizes that fostering and strengthening the trust earned from shareholders, customers, cooperating companies, local communities, and employees and their families is closely linked to the Company's stable development. In addition to strengthening its in-house management system for corporate governance, the Company works to maintain and improve management transparency and fairness and to develop activities that will ensure timely disclosure and establish an information feedback system for management.

b) Status of corporate governance measures

Kanamoto Company's Board of Directors is composed of nine directors, including two outside directors. As the highest decision-making body concerning execution and supervision of the Company's business strategies and business plans, the board meets regularly and at other times when appropriate based on provisions governing the Board of Directors, and acts to respond quickly to the Company's continually evolving business conditions.

Kanamoto has also adopted the auditor system. The Audit Committee is composed of four auditors (including two outside auditors), who participate in all meetings of the Board of Directors to monitor the directors' execution of the Company's activities and perform their audit functions in an environment that enables them to share proper opinions, such as exchanging information with managers, on a daily basis.

In January 2001, Kanamoto introduced a corporate officer system to clarify responsibility for execution of the Company's businesses. Kanamoto also consolidated its organizational framework, to improve the communication function for top-down notification of management policies and other instructions and provide a system for keeping employees well informed about the Company's policies. The Company is making every effort to prepare precise business strategies that conform to the market environment and execute comprehensive management controls at each business division and each affiliated company.

In addition to expanding the authority of the auditors' office, strengthening its internal audit system, and preparing ethics guidelines and establishing a Compliance Committee that includes outside committee members, the Company has taken steps to strengthen observance of laws and ethics regulations.

III Operating Results and Financial Position

(1) Operating results

a) 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 Tokyo Metropolitan Area High Level Equipment Branch and Shin-Kiba Branch, which were established in June and specialize in the rental of vehicles for high-level work, rose by 3.8% year-on-year, and 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%.

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 Tokyo Metropolitan Area High Level 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. 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

(Million 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%

b) 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 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 Projected Consolidated Operating Results

(Million 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%

(2) Financial position

For the consolidated fiscal year under review, income before taxes and adjustments increased but funds used for expenditures such as payments of corporate, local and business taxes increased, depreciation and amortization expense declined and accounts receivable increased. As a result, **cash flow from operating activities** was down 39.9% from the prior consolidated fiscal year, to ¥6,230 million.

Cash flow used for investing activities increased ¥1,428 million from the prior consolidated fiscal year to ¥1,535 million yen, primarily reflecting an increase in funds used for the purchase of tangible fixed assets.

Cash flow used for financing activities decreased ¥8,841 million year-on-year to ¥4,923 million. This was mainly because the Company did not have any funds used for the redemption of straight bonds or convertible bonds.

As a result of the above, the balance of cash and the cash equivalents at the end of the consolidated fiscal year under review was ¥11,734 million, ¥186 million (1.6%) less than at the end of the prior consolidated fiscal year.

〔 Cash flow indicator trends for the Kanamoto group 〕

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

	Fiscal Year Ended October 2002	Fiscal Year Ended October 2003	Fiscal Year Ended October 2004
Shareholders' equity ratio (%)	31.5	35.8	36.7
Shareholders' equity ratio on a market capitalization basis (%)	14.4	17.7	18.1
Years to repay debt	4.7	4.0	6.3
Interest coverage ratio (times)	14.2	17.2	13.4

(Note)

Shareholders' equity ratio: Shareholders' equity / Total assets

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

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

Interest coverage ratio: Operating cash flow / Interest payments

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

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

*Cash flow from operating activities shown on the Consolidated Statements of Cash Flows is used as operating cash flow.

Interest-bearing liabilities include all liabilities on which the Company pays interest that are accounted for on the Consolidated Balance Sheets.

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

〔 Fiscal Year ending October 31, 2005 Projected Cash Flows 〕

Cash flow from operating activities is projected to decrease compared to the consolidated fiscal year under review because of a decrease in accounts receivable (liquidation of notes and accounts receivable).

Cash flow used for investing activities is projected to increase compared with the level of the prior consolidated fiscal year under review because of a decrease in funds used for the purchase of tangible fixed assets.

Cash flow used for financing activities is projected to decrease compared with the consolidated fiscal year under review because the Company will decrease the amount of funds provided by long-term bank loans.

As a result, the balance of cash and cash equivalents at the term of the next consolidated fiscal year is projected to increase compared to the balance at the end of the consolidated fiscal year under review.

IV Consolidated Financial Statements

1. Consolidated Balance Sheets

(Unit: Thousands of yen)

Category \ Period	Prior Consolidated Accounting Fiscal Year (As of October 31, 2003)		Current Consolidated Accounting Fiscal Year (As of October 31, 2004)		Change from prior year
	Amount	Percent	Amount	Percent	
(Assets)		%		%	
Current Assets					
Cash and deposits	11,928,637		11,742,173		−186,463
Notes and accounts receivable, trade	21,411,919		23,480,548		2,068,629
Negotiable securities	39,192		−		−39,192
Inventory	854,296		703,059		−151,236
Construction equipment	1,958,064		1,905,762		−52,301
Deferred tax assets	261,196		252,069		−9,127
Other current assets	436,585		429,435		−7,150
Allowance for doubtful accounts	−488,842		−730,669		−241,826
Total Current Assets	36,401,049	40.9	37,782,380	42.3	1,381,330
Fixed Assets					
Tangible Fixed Assets					
Rental equipment	13,301,236		10,309,578		−2,991,657
Buildings and structures	7,187,496		7,011,800		−175,696
Machinery, equipment, vehicles and delivery equipment	989,031		907,542		−81,489
Land	24,637,537		26,112,181		1,474,644
Construction in progress	1,892		2,793		901
Other assets	437,874		361,109		−76,765
Total Tangible Fixed Assets	46,555,069	52.3	44,705,006	50.1	−1,850,063
Intangible Fixed Assets					
Other assets	−		559,067		559,067
Total Intangible Fixed Assets	102,748		262,569		159,821
Fixed Assets	102,748	0.1	821,637	0.9	718,888
Investment and Other Assets					
Investment securities	3,572,156		3,938,162		366,006
Deferred tax assets	1,383,397		911,019		−472,377
Other	1,559,460		2,826,514		1,267,054
Allowance for doubtful accounts	−563,757		−1,660,994		−1,097,237
Total Investments and Other Assets	5,951,255	6.7	6,014,701	6.7	63,445
Total Fixed Assets	52,609,073	59.1	51,541,344	57.7	−1,067,728
Total Assets	89,010,122	100.0	89,323,725	100.0	313,602

(Unit: Thousands of yen)

Category \ Period	Prior Consolidated Accounting Fiscal Year (As of October 31, 2003)		Current Consolidated Accounting Fiscal Year (As of October 31, 2004)		Change from prior year
	Amount	Percent	Amount	Percent	
(Liabilities)					
Current Liabilities					
Notes and accounts payable, trade	11,048,285		13,405,603		2,357,317
Short-term bank loans	713,358		676,639		−36,718
Long-term bank loans due within one year	9,672,816		10,935,496		1,262,680
Corporate taxes payable	648,231		368,813		−279,417
Accrued bonuses to employees	442,868		480,597		37,728
Accounts payable, other	5,819,386		4,129,127		−1,690,259
Other current liabilities	568,574		623,001		54,427
Total Current Liabilities	28,913,520	32.5	30,619,278	34.3	1,705,757
Long-term Liabilities					
Long-term bank loans	20,734,299		21,952,103		1,217,804
Accrued employees retirement benefits	1,777,314		1,228,829		−548,485
Retirement allowances to directors and auditors	197,093		96,281		−100,811
Long-term accrued expenses	5,333,619		2,496,910		−2,836,708
Consolidation adjustment account	14,630		−		−14,630
Other	61,076		125,226		64,150
Total Long-term Liabilities	28,118,033	31.6	25,899,351	29.0	−2,218,681
Total Liabilities	57,031,554	64.1	56,518,630	63.3	−512,924
(Minority Interests)					
Minority Interests	71,303	0.1	59,245	0.0	−12,057
(Shareholders' Equity)					
Common stock	8,596,737	9.7	8,596,737	9.6	−
Additional paid-in capital	9,720,343	10.9	9,720,343	10.9	−
Consolidated retained earnings	13,400,060	15.0	13,913,568	15.6	513,508
Valuation difference on other investment securities	367,442	0.4	697,675	0.8	330,233
Treasury stock	−177,318	−0.2	−182,475	−0.2	−5,157
Total Shareholders' Equity	31,907,265	35.8	32,745,849	36.7	838,583
Total Liabilities, Minority Interest and Shareholders' Equity	89,010,122	100.0	89,323,725	100.0	313,602

2. Consolidated Statements of Income

(Unit: Thousands of yen)

Category / Period	Prior Consolidated Accounting Fiscal Year (From November 1, 2002 To October 31, 2003)		Current Consolidated Accounting Fiscal Year (From November 1, 2003 To October 31, 2004)		Change from prior year
	Amount	Percent	Amount	Percent	
Revenues from operations					
Rental revenues	40,724,552		39,759,242		−965,309
Sales	22,961,732		21,577,015		−1,384,716
Total revenues from operations	63,686,284	100.0	61,336,258	100.0	−2,350,026
Cost of revenues from operations					
Cost of rental revenues	30,928,308		29,998,533		−929,775
Cost of goods sold	17,970,191		17,018,896		−951,294
Total cost of revenues	48,898,499	76.8	47,017,429	76.6	−1,881,070
Gross profit	14,787,785	23.2	14,318,828	23.4	−468,956
Selling, general and administrative expenses	12,480,119	19.6	12,440,160	20.3	−39,959
Operating income	2,307,665	3.6	1,878,668	3.1	−428,997
Non-operating revenues					
Interest revenue	2,552		2,781		229
Dividend income	79,711		68,308		−11,403
Gain on sale of investment securities	134,900		47,261		−87,638
Amortization of consolidation adjustment account	—		5,845		5,845
Insurance benefits	23,148		28,850		5,702
Rents received	86,490		113,474		26,984
Cash bonus received	18,733		1,283		−17,450
Other	182,479		170,632		−11,846
Total non-operating revenues	528,016	0.8	438,438	0.7	−89,577
Non-operating expenses					
Interest expense	398,080		347,660		−50,419
Other	158,298		219,738		61,440
Total non-operating expenses	556,378	0.8	567,399	0.9	11,020
Ordinary income	2,279,303	3.6	1,749,707	2.9	−529,595
Extraordinary profits					
Gain on sale or retirement of fixed assets	365		8,334		7,968
Valuation gain on investment enterprise partnership	23,408		5,130		−18,278
Gain on return of entrusted portion of corporate Employee Welfare Pension Fund	—		606,420		606,420
Other	13,162		342		−12,820
Total extraordinary profits	36,936	0.1	620,226	1.0	583,290

(Unit: Thousands of yen)

Category / Period	Prior Consolidated Accounting Fiscal Year (From November 1, 2002 To October 31, 2003)		Current Consolidated Accounting Fiscal Year (From November 1, 2003 To October 31, 2004)		Change from prior year
	Amount	Percent	Amount	Percent	
Extraordinary losses		%		%	
Loss on sale or retirement of fixed assets	88,863		97,824		8,961
Valuation loss on investment securities	259,639		42,544		−217,094
Other	92,420		17,415		−75,004
Total extraordinary losses	440,922	0.7	157,785	0.3	−283,137
Income before taxes and adjustments	1,875,316	3.0	2,212,149	3.6	336,832
Corporate, local and business taxes	1,036,152	1.6	839,083	1.4	−197,069
Adjustment for corporate and other taxes	−55,071	−0.0	256,687	0.4	311,758
Minority interest in income or loss	−19,640	0.0	18,939	−0.0	38,579
Net income	913,875	1.4	1,097,439	1.8	183,564

3. Statements of Consolidated Retained Earnings

(Unit: Thousands of yen)

Category / Period	Prior Consolidated Accounting Fiscal Year (From November 1, 2002 to October 31, 2003)		Current Consolidated Accounting Fiscal Year (From November 1, 2003 to October 31, 2004)		Change from prior year
	Amount		Amount		
(Capital Surplus)					
Balance of capital surplus at the beginning of the period		9,720,343		9,720,343	—
Balance of capital surplus at the end of the period		9,720,343		9,720,343	—
(Earned Surplus)					
Balance of earned surplus at the beginning of the period		13,044,002		13,400,060	356,057
Increase in earned surplus					
Net income for the period	913,875	913,875	1,097,439	1,097,439	183,564
Decrease in earned surplus					
Dividends	541,217		537,604		
Directors and auditors' bonuses	16,600		14,100		
Decrease in earned surplus from merger of non-consolidated subsidiary	—	557,817	32,226	583,931	26,113
Balance of earned surplus at the end of the period		13,400,060		13,913,568	513,508

4. Consolidated Statements of Cash Flows

(Unit: Thousands of yen)

Category / Period	Prior Consolidated Accounting Fiscal Year (From November 1, 2002 to October 31, 2003) Amount	Current Consolidated Accounting Fiscal Year (From November 1, 2003 to October 31, 2004) Amount	Change from prior year
Cash flow from operating activities			
Income before taxes and adjustments	1,875,316	2,212,149	336,832
Depreciation and amortization expense	6,650,660	5,294,745	−1,355,915
Amortization of consolidation adjustment account	61,057	−5,845	−66,902
Gain on sale or retirement of fixed assets	−365	−8,334	−7,968
Loss on sale or retirement of fixed assets	88,863	97,824	8,961
Installment purchases of assets for small-value rentals	113,174	12,475	−100,699
Reclassification of cost of sales associated with disposal of construction equipment	18,306	22,224	3,918
Reclassification of cost of sales associated with disposal of rental assets	1,779,039	1,482,068	−296,970
Expenditures for acquisition of rental assets	−906,554	−1,278,248	−371,693
Valuation loss on investment securities	259,639	42,544	−217,094
Gain on sale of investment securities	−134,900	−47,261	87,638
Gain on redemption of corporate bonds by purchase	−890	−	890
Increase (decrease) in allowance for doubtful accounts	−22,216	152,945	175,161
Decrease in accrued bonuses to employees	−98,310	6,692	105,003
Increase (decrease) in accrued employees retirement benefits	101,589	−548,485	−650,074
Increase (decrease) in retirement allowances to directors and auditors	449	−101,749	−102,199
Interest revenue and dividend income	−82,263	−71,090	11,173
Interest expense on installment purchases of rental assets	181,612	111,954	−69,658
Interest expense	398,080	347,660	−50,419
Increase (decrease) in accounts receivable, trade	1,708,497	−944,131	−2,652,628
(Increase) decrease in inventory assets	−44,829	204,823	249,652
Increase (decrease) in accounts payable, trade	−916,993	1,071,687	1,988,681
Increase in accounts payable, other	206,893	239,627	32,733
Directors and auditors' bonuses paid	−16,600	−14,100	2,500
Other, net	74,043	−538,148	−612,192
Subtotal	11,293,299	7,742,029	−3,551,270
Interest and dividends received	82,263	71,090	−11,173
Interest expense	−600,912	−463,881	137,030
Payment of corporate and other taxes	−415,364	−1,119,008	−703,643
Cash flow from operating activities	10,359,286	6,230,229	−4,129,056

(Unit: Thousands of yen)

Category / Period	Prior Consolidated Accounting Fiscal Year (From November 1, 2002 to October 31, 2003)	Current Consolidated Accounting Fiscal Year (From November 1, 2003 to October 31, 2004)	Change from prior year
	Amount	Amount	
Cash flow from investing activities			
Disbursements for investments in term deposits	−5,000	−1	4,998
Revenue from redemption of term deposits	1,218	−	−1,218
Funds used for the purchase of tangible fixed assets	−638,435	−1,899,402	−1,260,966
Funds provided from the sale of tangible fixed assets	11,331	15,555	4,224
Funds used for the purchase of intangible fixed assets	−23,145	−182,859	−159,714
Funds used for the purchase of investment securities	−1,361,608	−1,044,472	317,136
Funds provided from sale of investment securities	1,988,385	1,332,729	−655,655
Funds used for purchase of investments	−14,220	−10	14,210
Funds used for purchase of subsidiary company stock	−108,551	−27,875	80,675
Funds provided from purchase of subsidiary company stock following change in scope of consolidation	−	319,306	319,306
Other	42,998	−48,581	−91,580
Cash flow from investing activities	−107,027	−1,535,610	−1,428,582
Cash flow from financing activities			
Decrease in short-term bank loans	−192,095	−36,718	155,377
Funds provided by long-term bank loans	15,000,000	11,930,000	−3,070,000
Funds used to repay long-term bank loans	−10,379,073	−10,709,516	−330,442
Funds used for redemption of straight bonds by purchase	−65,110	−	65,110
Funds used for redemption of straight bonds	−5,277,692	−	5,277,692
Funds used for redemption of convertible bonds	−4,098,000	−	4,098,000
Funds used for repayment of installment obligations	−8,076,438	−5,564,061	2,512,376
Funds used for the purchase of treasury stock	−165,258	−5,157	160,101
Payment of dividends to parent company	−541,217	−537,604	3,612
Funds provided from the issue of stock to minority shareholders	30,000	−	−30,000
Other	−	−150	−150
Cash flow from financing activities	−13,764,886	−4,923,208	8,841,677
Increase (decrease) in cash and equivalents	−3,512,627	−228,589	3,284,037
Balance of cash and equivalents at beginning of period	15,433,247	11,920,620	−3,512,627
Increase in cash and equivalents accompanying merger with non-consolidated subsidiary	−	42,124	42,124
Balance of cash and equivalents at end of the period	11,920,620	11,734,154	−186,465

5. Significant Accounting Policies for the Consolidated Financial Statements

	Prior Consolidated Fiscal Year (From November 1, 2002 to October 31, 2003)	Current Consolidated Fiscal Year (From November 1, 2003 to October 31, 2004)
1. Companies included in the consolidation	(1) Number of consolidated companies: 4 Consolidated company name: Assist Co., Ltd. SRG Kanamoto Co., Ltd. Kanatech Co., Ltd. Daiichi Kikai Co., Ltd. Providence Brewery Co., Ltd., a consolidated subsidiary during the prior consolidated accounting fiscal year, was liquidated in April 2003. Providence Brewery's financial results have been eliminated from the Consolidated Statements of Income and the Consolidated Statements of Cash Flows, and the company has been removed from the scope of consolidation. Taniguchi Co., Ltd., a consolidated subsidiary during the prior consolidated accounting fiscal year, merged with Kanamoto Co., Ltd. on August 1, 2003. Taniguchi's financial results have been eliminated from the Consolidated Statements of Income and the Consolidated Statements of Cash Flows, and the company has been removed from the scope of consolidation. (2) Main non-consolidated subsidiaries Non-consolidated subsidiary company name Polyshield Services Co., Ltd. Kanamoto Shikoku Co., Ltd. (Reason for exclusion from consolidation) The size of the non-consolidated subsidiaries is small and their net assets, sales and fiscal year profit or loss (amount corresponding to equity) and retained earnings (amount corresponding to equity) are small in size and do not have a material effect on the consolidated financial statements.	(1) Number of consolidated companies: 5 Consolidated company name: Assist Co., Ltd. SRG Kanamoto Co., Ltd. Kanatech Co., Ltd. Daiichi Kikai Co., Ltd. Kanki Corporation Kanki Corporation is 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. (2) Main non-consolidated subsidiaries Non-consolidated subsidiary company name Comsupply Co., Ltd. Kanki Maintenance Co., Ltd. (Reason for exclusion from consolidation) The size of the non-consolidated subsidiaries is small and their net assets, sales and fiscal year profit or loss (amount corresponding to equity) and retained earnings (amount corresponding to equity) are small in size and do not have a material effect on the consolidated financial statements.
2. Matters pertaining to application of equity method accounting	Two unconsolidated subsidiaries and two affiliated companies (Active Technology Corporation and Active Power Corporation) have been omitted from items to which equity method accounting is applied because their respective effect on consolidated net income or loss and consolidated capital surplus is immaterial and none of the companies is important to the company's overall operations.	Two unconsolidated subsidiaries (Comsupply Co., Ltd. and Kanki Maintenance Co., Ltd.) and two affiliated companies (Active Technology Corporation and Active Power Corporation) have been omitted from items to which equity method accounting is applied because their respective effect on consolidated net income or loss (Amount corresponding to minority interest) and consolidated capital surplus (Amount corresponding to minority interest) is immaterial and none of the companies is important to the company's overall operations.

3. Matters pertaining to the fiscal year closing date for consolidated subsidiaries	The fiscal year-end for all of the consolidated subsidiary companies is August 31. When preparing the consolidated financial statements the Company used the subsidiaries' financial statements as of August 31, adjusted for significant transactions that occurred between the subsidiaries' fiscal year-end and the consolidation date that have a material effect on the consolidated financial results.	The fiscal year closing date for all of the consolidated subsidiaries except Kanki Corporation is August 31. When preparing the consolidated financial statements the Company used the subsidiaries' financial statements as of August 31, adjusted for significant transactions that occurred between the subsidiaries' fiscal year-end and the consolidation date that have a material effect on the consolidated financial results.
4. Accounting principles and standards used for normal accounting treatment (1) Appraisal standards and appraisal methods for principal assets	a. Negotiable securities Other negotiable securities Securities with a market price The Company has adopted the market value method (the full amount of the valuation difference is charged to equity using the direct transfer to capital method, with the disposal cost determined by the moving average method) based on the market price on the consolidated accounting fiscal year closing date or similar prices Securities without market prices The Company has adopted the cost method, cost being determined by the moving average method b. Construction equipment Amount after deduction of depreciation expense calculated according to the declining-balance method from the original prices, by separate fiscal year of purchase c. Merchandise inventories and supplies (i) Merchandise inventories Lower of cost or market based on the Last-in, First-out method (ii) Supplies The Latest Purchase Cost method	a. Negotiable securities Other negotiable securities Securities with a market price Same as at left Securities without market prices Same as at left b. Construction equipment Same as at left c. Merchandise inventories and supplies (i) Merchandise inventories Same as at left (ii) Supplies Same as at left
(2) Depreciation methods for principal depreciable assets	a. Tangible fixed assets The Company has adopted the declining-balance method. Buildings on land that is leased under a fixed-term land lease agreement, however, are depreciated using the straight-line method using the remaining period of the fixed-term lease as the depreciable life and zero residual value. For certain consolidated subsidiaries, the Company has adopted the straight-line method for buildings and structures acquired on or after April 1, 2000 but excluding fixtures and equipment. The depreciable lives mainly used by the Company are as follows. Rental assets 5-10 years Buildings 31-34 years	a. Tangible fixed assets Same as at left

	b. Intangible fixed assets Software for use within the Company is depreciated using the straight-line method based on the assumed useful life for internal use (5 years)	b. Intangible fixed assets Same as at left
(3) Accounting standards for principal allowances and reserves	a. Reserve for doubtful accounts To provide for losses on doubtful accounts such as accounts receivable, the Company charges to income an amount based on actual loss experience for normal accounts, plus an amount for projected unrecoverable amounts based on assessments of individual accounts.	a. Reserve for doubtful accounts Same as at left
	b. Accrued bonuses to employees To fully provide for expenditures of bonuses the Company will pay to employees, an amount is appropriated to the reserve during the year based upon a salary estimate amount	b. Accrued bonuses to employees Same as at left
	c. Accrued employees retirement benefit The Company provides for employees' accrued retirement benefits based upon the projected amounts of the liability for accrued employees retirement benefits and the value of pension assets at the end of the consolidated accounting fiscal year. At the end of each consolidated accounting fiscal year, the Company appropriates an amount to the reserve to provide for the liability recognized during the period. Past years' service liabilities are fully amortized in the year incurred. The difference based on an actuarial calculation is charged to income beginning in the consolidated accounting fiscal year following the year in which incurred, with the amounts allocated proportionately using the straight-line method, based on a specified number of years (10 years) that is less than the average remaining period of employment for employees at the time the difference arises.	c. Accrued employees retirement benefit Same as at left

		(Supplemental information) On January 1, 2004 the Company received approval from the Minister of Health, Labour and Welfare for exemption from the obligation to make future payments for the entrusted portion of the Employee Welfare Pension Fund, accompanying enforcement of the Defined Benefit Corporate Pension Law. The Company has adopted the interim measures prescribed in Paragraph 47-2 of the Business Guidelines Concerning Retirement Benefit Accounting (Interim Report) concerning return of the entrusted portion of the corporate Employee Welfare Pension Fund (Japanese Institute of Certified Public Accountants, Accounting System Committee Report No. 13), and on the day authorization was received the Company accounted for the retirement benefit liability related to the entrusted portion and the pension assets equivalent to the return amount as being extinguished. The Company accounted for the affects on earnings accompanying this treatment at the end of the consolidated fiscal accounting year under review by booking extraordinary income of ¥606,420,000. The returned equivalent amount (minimum actuarial liability) measured as of the end of the consolidated accounting fiscal year under review was ¥1,296,434,000.
	d. Retirement allowances to directors and auditors The Company provides for retirement allowances to directors and auditors based upon pertinent rules and appropriated to the account proportionately at the end of the consolidated fiscal year based upon length of service.	d. Retirement allowances to directors and auditors Same as at left
(4) Lease transactions	For finance lease transactions except for leases that transfer ownership of the property to the lessee, rent expenses are charged to income as payments are made.	Same as at left
(5) Hedge accounting for principal hedging methods	a. Hedge transactions The Company accounts for hedge transactions using allocations based on accounting standards for foreign currency-denominated transactions, and special rule accounting based on accounting standards for financial products.	a. Hedge transactions Same as at left

	b. Hedge methods and hedged transactions The Company uses currency swaps and forward transactions in order to avoid the currency fluctuation risk related to the Company's foreign currency-denominated straight bonds and liabilities for import payments. The Company also uses interest swaps to avoid interest rate fluctuation risk related to interest on bank borrowing.	b. Hedge methods and hedged transactions Same as at left
	c. Hedging policies The Company's use of derivative transactions is limited to hedging risk within the scope of the Company's assets and liabilities subject to market fluctuation risk.	c. Hedging policies Same as at left
	d. Method for evaluating the effectiveness of hedges The Company does not evaluate the effectiveness of its hedge transactions because it can assume that its currency swap transactions and forward transactions will completely offset market fluctuations or changes in cash flow from the time hedge begins until it is terminated. In addition, the Company's interest swap transactions fulfill the requirements for special rule accounting, and the Company has elected to use this in place of an evaluation of effectiveness.	d. Method for evaluating the effectiveness of hedges Same as at left
(6) Other material matters pertaining to preparation of the consolidated financial statements	a. Accounting treatment of consumption tax Accounting treatment of consumption tax Consumption tax is taken out of all Statement of Income items and Balance Sheet items, except mainly for receivables and payables.	a. Accounting treatment of consumption tax Same as at left
	b. Accounting standards for treasury stock and reversal of legal reserves Beginning in the consolidated accounting fiscal year under review, the Company has adopted the Accounting Standard for Treasury Stock and Reversal of Legal Reserves (Corporate Accounting Standard No. 1), which will be applied in Japan to consolidated financial statements from the consolidated accounting fiscal year that begins after April 1, 2002. The effect of this change on the Company's income statement for the consolidated accounting fiscal year under review is not material. Based on amendment of the provisions concerning consolidated financial statements, the shareholders' equity section of the Consolidated Balance Sheets and the Statement of Consolidated Retained Earned have been prepared using the amended consolidated balance sheet provisions.	――――――

	c. Per share information Beginning in the consolidated fiscal year under review, the Company has adopted the Accounting Standard for Earnings Per Share (Corporate Accounting Standard No. 2) and the Implementation and the Implementation Guidance for Accounting Standard for Earnings per Share (Corporate Accounting Standards Implementation Guidance No. 4), which will be applied in Japan to consolidated financial statements from the consolidated accounting fiscal year that begins after April 1, 2002. The effect of this change is described in the Note Concerning Information Per Share.	―――――――
5. Valuation of consolidated subsidiary assets and liabilities	The Company has adopted the market value appraisal method for the evaluation of assets and liabilities of consolidated subsidiaries.	Same as at left
6. Amortization of the consolidation adjustment account	The remainder is transferred to the consolidation account and amortized over five years using level amortization, expect for extremely small amounts that are written off completely in the year in which they occur.	Same as at left
7. Appropriation of retained earnings	The Statement of Consolidated Retained Earnings is created based upon the appropriation of net income decided upon by the Company during the consolidated accounting fiscal year.	Same as at left
8. Items included in cash and equivalents on the Consolidated Statement of Cash Flows	Funds included in cash (cash and cash equivalents) on the Consolidated Statement of Cash Flows include cash on hand, deposits that can be withdrawn on demand and highly liquid short-term investments that mature within three months of the date of acquisition and which can be easily converted into cash and that have minimal risk of a change in price.	Same as at left

6. Notes to the Financial Statements
(Notes to the Consolidated Balance Sheets)

Prior Consolidated Fiscal Year (As of October 31, 2003)		Current Consolidated Fiscal Year (As of October 31, 2004)	
1. Total accumulated depreciation for tangible fixed assets	42,361,092,000	1. Total accumulated depreciation for tangible fixed assets	41,979,902,000
2. Discount on notes receivable, trade	—	2. Discount on notes receivable, trade	456,467,000
3. Balance of notes receivable-trade endorsed	56,508,000	3. Balance of notes receivable-trade endorsed	45,618,000
4. ——————		4. Notes and bills maturing at the end of the consolidated fiscal year Notes and bills maturing on the last day of the consolidated fiscal year are settled and processed on the note and bill clearing date. Because the last day of the Company's consolidated accounting fiscal year was a financial institution holiday, notes and bills maturing on the final day of the following accounting fiscal year are included in the consolidated accounting fiscal year-end balance.	
		Notes receivable	766,154,000
		Bills receivable	1,059,945,000
5. Common stock Total number of shares issued (common stock)	30,253,241 shares	5. Common stock Total number of shares issued (common stock)	30,253,241 shares
6. Treasury stock Number of shares of treasury stock held by the Company (common stock)	384,417 shares	6. Treasury stock Number of shares of treasury stock held by the Company (common stock)	393,799 shares
7. Items pertaining to non-consolidated subsidiaries and affiliated companies are as follows		7. Items pertaining to non-consolidated subsidiaries and affiliated companies are as follows.	
Investment securities (stocks)	163,646,000	Investment securities (stocks)	60,000,000
8. Assets offered as collateral security		8. ——————————	
Buildings and structures	35,100,000		
Land	197,434,000		
Total	232,534,000		
The assets shown above have been pledged as collateral for ¥170,000,000 of short-term bank loans, ¥65,316,000 of long-term bank loans due within one year and ¥70,000,000 of long-term bank loans.			
9. Guarantees		9. Guarantees	
Joint and several guarantees of employee bank loans (Bank of Tokyo-Mitsubishi, others)	20,902,000	Joint and several guarantees of employee bank loans (Bank of Tokyo-Mitsubishi, others)	25,669,000
Guarantee of debt for long-term bank loan to affiliated company (Active Power Co., Ltd.) (Mizuho Bank, Ltd.)	269,500,000	Guarantee of debt for long-term bank loan to affiliated company (Active Power Co., Ltd.) (Mizuho Bank, Ltd.)	269,500,000
Total	290,402,000	Total	295,169,000

(Notes to the Consolidated Statements of Income)

Prior Consolidated Fiscal Year (From November 1, 2002 to October 31, 2003)		Current Consolidated Fiscal Year (From November 1, 2003 to October 31, 2004)	
1. Major expense categories and amounts included in selling, general and administrative expenses		1. Major expense categories and amounts included in selling, general and administrative expenses	
Employee salaries and wages	4,801,138,000	Employee salaries and wages	4,703,521,000
Depreciation expense	925,979,000	Depreciation expense	888,113,000
Rents	1,435,256,000	Rents	1,453,865,000
Transfer to allowance for doubtful accounts	332,086,000	Transfer to allowance for doubtful accounts	331,332,000
Transfer to accrued bonuses to employees	440,369,000	Transfer to accrued bonuses to employees	442,825,000
Employees retirement benefit expense	544,652,000	Employees retirement benefit expense	427,675,000
Transfer to retirement allowances to directors and auditors	1,962,000	Transfer to retirement allowances to directors and auditors	10,396,000
Amortization of consolidation adjustment account	61,057,000	Amortization of consolidation adjustment account	—,000
2. Gain on sale or retirement of fixed assets		2. Gain on sale or retirement of fixed assets	
Land	324,000	Land	8,310,000
Machinery, equipment and delivery equipment	41,000	Machinery, equipment and delivery equipment	24,000
Total	365,000	Total	8,334,000
3. Loss on sale or retirement of fixed assets.		3. Loss on sale or retirement of fixed assets.	
(Loss on sale of fixed assets)		(Loss on sale of fixed assets)	
Buildings and structures	172,000	Machinery, equipment and delivery equipment	83,000
Telephone subscription rights	2,195,000	Land	309,000
(Loss on retirement of fixed assets)		(Loss on retirement of fixed assets)	
Rental equipment	18,215,000	Rental equipment	20,915,000
Buildings and structures	44,936,000	Buildings and structures	69,482,000
Machinery, equipment and delivery equipment	2,913,000	Machinery, equipment and delivery equipment	5,895,000
Other	20,429,000	Other	1,138,000
Total	88,863,000	Total	97,824,000

(Notes to the Consolidated Statements of Cash Flows)

<table>
<tr><th>Prior Consolidated Fiscal Year
(From November 1, 2002
to October 31, 2003)</th><th>Current Consolidated Fiscal Year
(From November 1, 2003
to October 31, 2004)</th></tr>
<tr><td>1. Relationships between fiscal year-end balance for cash and equivalents and amounts for items shown on the consolidated accounting fiscal year balance sheet

Cash and equivalents 11,928,637,000
Term deposits with a maturity longer than 3 months −8,017,000
Items considered to be cash and equivalents 11,920,620,000</td><td>1. Relationships between fiscal year-end balance for cash and equivalents and amounts for items shown on the consolidated accounting fiscal year balance sheet

Cash and equivalents 11,742,173,000
Term deposits with a maturity longer than 3 months −8,019,000
Items considered to be cash and equivalents 11,734,154,000</td></tr>
<tr><td>2. ―――</td><td>2. Assets and liabilities of companies that became newly consolidated companies as the result of purchases of their stock.
The details of assets and liabilities and their relationship to the stock purchase amount and expenditures (net amount) for stock purchases at the start of consolidation for newly consolidated companies as the result of purchase of stock are as follows.

Kanki Corporation
Current assets 1,591,473,000
Fixed assets 760,065,000
Current liabilities −1,602,439,000
Long-term liabilities −1,232,023,000
Consolidation adjustment 570,824,000
Kanki Corporation purchase price 87,900,000
Kanki Corporation cash and cash equivalents −407,206,000
Net: Amount expended to acquire Kanki Corporation −319,306,000</td></tr>
<tr><td>3. Details of major non-cash transactions
The amount of assets and liabilities related to installment transactions that are newly accounted for during this consolidated accounting fiscal year is ¥2,548,392,000 respectively.</td><td>3. Details of major non-cash transactions
The amount of assets and liabilities related to installment transactions that are newly accounted for during this consolidated accounting fiscal year is ¥763,664,000 respectively.</td></tr>
</table>

(Business Segment Information)

1. Segment Information by Type of Business

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

(Unit: Thousands of yen)

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

(Notes) 1. Method of business classification

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

2. Principal products, by business

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

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

Consolidated fiscal year under review (From November 1, 2003 to October 31, 2004)

(Unit: Thousands of yen)

	Construction equipment rental business	Steel sales business	Information products business and other businesses	Total	Eliminations or entire company	Consolidated
I. Revenues and operating income						
Revenues						
(1) Sales to outside customers	54,823,199	6,058,708	454,349	61,336,258	—	61,336,258
(2) Sales or transfers between related segments	—	—	—	—	—	—
Total	54,823,199	6,058,708	454,349	61,336,258	—	61,336,258
Operating expenses	53,142,297	6,013,546	454,178	59,610,022	-152,432	59,457,590
Operating income	1,680,902	45,161	171	1,726,235	152,432	1,878,668
II. Assets, depreciation expense and capital disbursements						
Assets	63,774,468	3,323,411	1,024,692	68,122,572	21,201,152	89,323,725
Depreciation expense	5,060,057	4,899	9,106	5,074,064	220,681	5,294,745
Capital disbursements	2,609,293	2,219	269	2,611,782	1,798,989	4,410,771

(Notes) 1. Method of business classification

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

2. Principal products, by business

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

3. The total amount for assets that were eliminated or included in the categories for all companies was ¥21,201,152,000 and represents primarily idle working capital (cash, deposits and negotiable securities) long-term investment funds (investment securities) and assets used in administrative departments at the parent company.

2. Segment information by location

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

3. Foreign sales

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

(Notes for Leasing Transactions)

Prior Consolidated Fiscal Year (From November 1, 2002 to October 31, 2003)

1. Finance lease transactions except for leases that transfer ownership of the property to the lessee.
   (1) Amounts corresponding to lease property acquisition price, accumulated depreciation and outstanding balances at the end of the consolidated fiscal year accounting period.

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

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

Within one year	4,927,999,000
After one year	16,287,547,000
Total	21,215,546,000

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

Lease payments	5,625,507,000
Depreciation expense	5,034,577,000
Interest expense	687,650,000

   (4) Accounting method for amount equivalent to depreciation expense
   Straight-line depreciation using the lease term as the depreciable life and zero residual value.
   (5) Accounting method for amount equivalent to interest expense
   Interest method using the difference between total lease payments and the acquisition price of the lease property, allocated to each year.

2. Operating leases
   Future lease payments

Within one year	1,793,079,000
After one year	3,238,604,000
Total	5,031,683,000

Current Consolidated Fiscal Year (From November 1, 2003 to October 31, 2004)

1. Finance lease transactions except for leases that transfer ownership of the property to the lessee.
   (1) Amounts corresponding to lease property acquisition price, accumulated depreciation and outstanding balances at the end of the consolidated fiscal year accounting period.

	Acquisition price (¥'000)	Accumulated depreciation (¥'000)	Outstanding balance (¥'000)
Rental assets	32,088,419	10,492,130	21,596,289
Other assets	435,397	228,409	206,988
Total	32,523,817	10,720,539	21,803,278

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

Within one year	5,450,340,000
After one year	15,748,713,000
Total	21,199,054,000

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

Lease payments	6,015,002,000
Depreciation expense	5,633,557,000
Interest expense	777,925,000

   (4) Accounting method for amount equivalent to depreciation expense
   Same as at left
   (5) Accounting method for amount equivalent to interest expense
   Same as at left

2. Operating leases
   Future lease payments

Within one year	1,869,826,000
After one year	3,603,704,000
Total	5,473,531,000

(Transactions with Affiliated Companies)

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

Directors and major shareholders, etc.

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

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

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

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

Current consolidated accounting fiscal year (From November 1, 2003 to October 31, 2004)

The Company had no material items to report.

(Notes Related to Tax Effect Accounting)

Prior Consolidated Fiscal Year (From November 1, 2002 to October 31, 2003)		Current Consolidated Fiscal Year (From November 1, 2003 to October 31, 2004)	
1. Principal items accounted for as deferred tax assets and deferred tax liabilities		1. Principal items accounted for as deferred tax assets and deferred tax liabilities	
Deferred tax assets		Deferred tax assets	
Amount in excess of limit for inclusion	242,551,000	Amount in excess of limit for inclusion	556,404,000
Disallowance of deferred business taxes	51,852,000	Disallowance of deferred business taxes	24,011,000
Excess accrued employees retirement benefit	729,123,000	Excess accrued employees retirement benefit	495,646,000
Amount in excess of limit for retirement benefit	79,625,000	Amount in excess of limit for retirement benefit	38,804,000
Amount in excess of limit for accrued bonuses to employees	146,397,000	Amount in excess of limit for accrued bonuses to employees	191,844,000
Disallowance of excess depreciation	414,445,000	Disallowance of excess depreciation	368,263,000
Amount of loss carried forward	154,478,000	Amount of loss carried forward	1,240,912,000
Other	220,060,000	Other	329,388,000
Deferred tax asset subtotal	2,038,534,000	Deferred tax asset subtotal	3,245,275,000
Valuation reserve	-144,868,000	Valuation reserve	-1,608,037,000
Total deferred tax assets	1,893,666,000	Total deferred tax assets	1,637,238,000
Deferred tax liability		Deferred tax liability	
Valuation difference on other negotiable securities	249,072,000	Valuation difference on other negotiable securities	474,149,000
Total deferred tax liability	249,072,000	Total deferred tax liability	474,149,000
Net amount of deferred tax assets	1,644,594,000	Net amount of deferred tax assets	1,163,088,000
Disclosure item: Current assets	261,196,000	Disclosure item: Current assets	252,069,000
Fixed assets	1,383,397,000	Fixed assets	911,019,000
2. Causes of principal differences between the statutory tax rate and burden ratio for corporate and other taxes following application of tax effect accounting by major category.		2. Causes of principal differences between the statutory tax rate and burden ratio for corporate and other taxes following application of tax effect accounting by major category.	
Statutory corporate tax rate	41.7%	Statutory corporate tax rate	41.7%
(Adjustment)		(Adjustment)	
Local tax equalization	4.5%	Local tax equalization	4.1%
Items not included permanently in losses such as expense account	1.4%	Items not included permanently in losses such as expense account	1.4%
Consolidated subsidiary losses	2.6%	Consolidated subsidiary losses	3.3%
Valuation loss on investment in consolidated companies	1.3%	Valuation loss on investment in consolidated companies	0.2%
Other	0.8%	Other	-1.2%
Burden ratio for corporate and other taxes after application of tax effect accounting	52.3%	Burden ratio for corporate and other taxes after application of tax effect accounting	49.5%

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

(Notes related to negotiable securities)

Negotiable securities

1. Other negotiable securities with market prices

(Unit: Thousands of yen)

	Type	Prior consolidated accounting fiscal year (As of October 31, 2003)			Current consolidated accounting fiscal year (As of October 31, 2004)		
		Acquisition price	Amount reported on the consolidated balance sheet	Valuation profit or loss	Acquisition price	Amount reported on the consolidated balance sheet	Valuation profit or loss
Negotiable securities whose balance on the consolidated balance sheet exceeds the acquisition price	(1) Stock	1,129,925	1,845,514	715,589	1,129,650	2,351,587	1,221,936
	(2) Bonds						
	a. Governmen	—	—	—	—	—	—
	b. Corporate bonds	—	—	—	—	—	—
	c. Other	—	—	—	—	—	—
	(3) Other negotiable securities	—	—	—	29,970	44,013	14,043
	Subtotal	1,129,925	1,845,514	715,589	1,159,620	2,395,600	1,235,979
Negotiable securities whose balance on the consolidated balance sheet is less than the acquisition price	(1) Stock	146,306	123,543	-22,762	140,412	119,330	-21,082
	(2) Bonds						
	a. Governmen	—	—	—	—	—	—
	b. Corporate bonds	56,945	55,093	-1,852	—	—	—
	c. Other	—	—	—	—	—	—
	(3) Other negotiable securities	1,114,308	1,039,849	-74,459	968,278	924,350	-43,928
	Subtotal	1,317,560	1,218,485	-99,074	1,108,690	1,043,680	-65,010
Total		2,447,485	3,064,000	616,514	2,268,311	3,439,280	1,170,969

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

(Unit: Thousands of yen)

Prior Consolidated Fiscal Year (From November 1, 2002 to October 31, 2003)			Current Consolidated Fiscal Year (From November 1, 2003 to October 31, 2004)		
Selling amount	Total gain on sale	Total loss on sale	Selling amount	Total gain on sale	Total loss on sale
1,924,477	152,482	17,581	1,186,260	66,049	18,787

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

(Unit: Thousands of yen)

Type	Prior consolidated accounting fiscal year (As of October 31, 2003)	Current consolidated accounting fiscal year (As of October 31, 2004)
	Amount shown on the consolidated balance sheet	Amount shown on the consolidated balance sheet
Other negotiable securities		
Unlisted stocks (excluding over-the-counter stocks)	383,700	361,189
Unlisted foreign bonds	—	—
Corporate bonds with warrants for new stock	—	—

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

(Unit: Thousands of yen)

Type	Prior consolidated accounting fiscal year (As of October 31, 2003)				Current consolidated accounting fiscal year (As of October 31, 2004)			
	Within one year	After one year and within five years	After five years within ten years	After ten years	Within one year	After one year and within five years	After five years within ten years	After ten years
1. Bonds								
a. Government bonds	–	–	–	–	–	–	–	–
b. Corporate bonds	23,368	31,725	–	–	–	–	–	–
c. Other	–	–	–	–	–	–	–	–
2. Other securities	15,824	–	894,330	38,172	–	–	924,350	44,013
Total	39,192	31,725	894,330	38,172	–	–	924,350	44,013

(Notes related to Derivative Transactions)

1. Notes related to transaction conditions

Prior Consolidated Fiscal Year (From November 1, 2002 to October 31, 2003)	Current Consolidated Fiscal Year (From November 1, 2003 to October 31, 2004)
a. Contents and purpose of derivative transactions The Kanamoto Group uses forward exchange agreements and currency swap transactions for specified foreign currency-denominated assets and liabilities to avoid the risk of future exchange rates fluctuations in currency markets related to its foreign currency-denominated assets and liabilities. The Company also uses interest swaps to limit within a specific range the affect any future increase in market interest rates will have on payments of interest on the Company's floating rate loans. The Company accounts for derivative transactions using hedge accounting principles. Hedge accounting methods The Company accounts for hedge transactions using allocations based on accounting standards for foreign currency-denominated transactions, and special rule accounting based on accounting standards for financial products. Hedge methods and hedged transactions Hedge methods Currency swaps, forward exchange agreements and interest swaps Hedged transactions Foreign currency-denominated straight bonds, import payment liabilities and loans Hedging policy The Company's use of derivative transactions is limited hedging risk within the scope of the Company's assets and liabilities subject to market fluctuation risk. Method for evaluating the effectiveness of hedges The Company does not evaluate the effectiveness of its hedge transactions because it can assume its currency swap transactions and forward transactions will completely offset market fluctuations or changes in cash flow from the time the hedge begins until it is terminated. In addition, the Company's interest swap transactions fulfill the requirements for special rule accounting, and the Company has elected to use this in place of an evaluation of effectiveness.	a. Contents and purpose of derivative transactions Same as at left
b. Transaction matching policy The Kanamoto Group has adopted a policy of using derivative transactions only to avoid the risks to its assets and liabilities exposed to market fluctuation risk. The Company's policy is to not use derivative transactions to earn short-term trading gains or for speculative purposes.	b. Transaction matching policy Same as at left

c. Transaction-related risks Derivative transactions present market risk related to fluctuations in the market prices of the commodity subject to the transactions and credit risk related to non-performances of the agreements by customers. The foreign currency-related forward agreements used by the Kanamoto Group present risk from currency market fluctuations, and the interest swaps used by the Kanamoto Group present risk from changes in market interest rates. The Company believes it faces minimal credit risk because the counterparties to the Kanamoto Group's derivative transactions are always domestic banks or securities firms with excellent creditworthiness.	c. Transaction-related risks Same as at left
d. Transaction risk management system The Company's basic policy concerning derivative transactions is determined by the Board of Directors, and the manager responsible for finance section in the Accounting Division executes and manages the transactions based on internal management guidelines. The chief financial officer reports on the Company's financial affairs, including all derivative transactions, at the regular meetings of the Board of Directors.	d. Transaction risk management system Same as at left
e. Supplemental explanation of matters related to transaction market prices Forward agreements and currency swap transactions accounted for on the Company's financial statements through conversion of the relevant foreign currency-denominated money claims and money liabilities by being appropriated to foreign currency-denominated claims or liabilities or other accounts at the end of the consolidated fiscal year are excluded from transactions for which market prices are disclosed.	e. Supplemental explanation of matters related to transaction market prices Same as at left

2. Notes related to transaction market prices etc.

Prior consolidated accounting fiscal year (As of October 31, 2003)

The Company had no material items to report.

Current consolidated accounting fiscal year (As of October 31, 2004)

The Company had no material items to report.

(Notes related to accrued employees retirement benefit)

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

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

On January 1, 2004 the Company received approval from the Minister of Health, Labour and Welfare for exemption from the obligation to make future payments for the entrusted portion of the Employee Welfare Pension Fund

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

(Unit: Thousands of yen)

	Prior Consolidated Accounting Fiscal Year (As of October 31, 2003)	Current Consolidated Accounting Fiscal Year (As of October 31, 2004)
(1) Liability for accrued employees retirement benefit	-6,204,505	-4,698,071
(2) Pension assets	3,385,495	2,504,295
(3) Liability for unreserved accrued employees retirement benefit (1) ＋(2)	-2,819,009	-2,193,776
(4) Unamortized amount of the one-time valuation difference for change in accounting standards	—	—
(5) Unrecognized actuarial differences	1,041,695	964,947
(6) Unrecognized past years' service obligation (reduction in liability)	—	—
(7) Net liability shown on the consolidated balance sheet (3)＋(4)＋(5)＋(6)	-1,777,314	-1,228,829
(8) Prepaid pension expense	—	—
(9) Accrued employees retirement benefit (7)－(8)	-1,777,314	-1,228,829

(Note) 1. The Company's consolidated companies have adopted the simple method for calculating the accrued employees' retirement benefit.

2. The Company has adopted the interim measures prescribed in Paragraph 47-2 of the Business Guidelines Concerning Retirement Benefit Accounting (Interim Report) concerning return of the entrusted portion of the corporate Employee Welfare Pension Fund (Japanese Institute of Certified Public Accountants, Accounting System Committee Report No. 13), and on the day authorization was received the Company accounted for the retirement benefit liability related to the entrusted portion and the pension assets equivalent to the return amount as being extinguished. The returned equivalent amount (minimum actuarial liability) measured as of the end of the consolidated accounting fiscal year under review was ¥1,296,434,000.

3. Details of accrued employees retirement benefit expense

(Unit: Yen thousands)

	Prior Consolidated Accounting Fiscal Year (From November 1, 2002 to October 31, 2003)	Current Consolidated Accounting Fiscal Year (From November 1, 2003 to October 31, 2004)
(1) Service costs	412,493	328,382
(2) Interest costs	159,633	107,677
(3) Expected return on plan investments （reduction）	116,437	89,914
(4) Write-off of past years' service liability expense	—	—
(5) Write-off of expense for actuarial based difference	79,858	81,473
(6) Amount of one-time valuation difference for change in accounting standards charged as an expense	—	—
(7) Employees retirement benefit expense	535,547	427,618
(8) Gain on return of entrusted portion of corporate Employee Welfare Pension Fund	—	606,420
TOTAL	535,547	178,802

Note: The employees retirement benefit expenses at consolidated subsidiary companies that have adopted the simple method are included in service costs.

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

	Prior Consolidated Accounting Fiscal Year (As of October 31, 2002)	Current Consolidated Accounting Fiscal Year (As of October 31, 2003)
(1) Discount rate	2.50%	2.00%
(2) Expected rate of return on plan investments	4.00%	4.00%
(3) Method of allocating projected benefits to periods of service	Service period fixed benefit basis	Service period fixed benefit basis
(4) Amortization period of past years' service liability	—	—
(5) Amortization period for actuarial differences	10 years beginning from the next consolidated accounting fiscal year	10 years beginning from the next consolidated accounting fiscal year
(6) Number of years for amortization of one-time valuation difference for change in accounting standards	—	—

(Per share information)

Period / Category	Prior Consolidated Accounting Fiscal Year (From November 1, 2002 To October 31, 2003)	Current Consolidated Accounting Fiscal Year (From November 1, 2003 To October 31, 2004)
Net assets per share	¥1,068.25	¥1,096.42
Net income per share of common stock	¥29.96	¥36.50
Net income per share of common stock after adjustment for potential ordinary shares	¥27.11	—
	(Supplemental information) Beginning in the consolidated fiscal year, the Company has adopted the Accounting Standard for Earnings Per Share (Corporate Accounting Standard No. 2) and the Implementation Guidance for Accounting Standard for Earnings per Share (Corporate Accounting Standards Implementation Guidance No. 4). The earnings per share when the accounting standard and the implementation guidance are applied to the prior consolidated fiscal year are as follows. (Prior consolidated fiscal year) Net assets per share ¥1,033.04 Net income per share of common stock ¥39.43 Net income per share of common stock after adjustment for potential ordinary shares ¥30.33	The Company has not reported net income per share of common stock after adjustment for potential ordinary shares because it does not have any potential shares that would have a dilution effect.

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

Category / Period	Prior Consolidated Accounting Fiscal Year (From November 1, 2002 To October 31, 2003)	Current Consolidated Accounting Fiscal Year (From November 1, 2003 To October 31, 2004)
Net income per share of common stock		
Net income (¥,000)	913,875	1,097,439
Amount not attributed to common stock shareholders (¥ '000)	14,100	7,300
Net income related to common stock (¥ '000)	899,775	1,090,139
Average number of outstanding shares during the fiscal year	30,030,383	29,865,301
Net income per share of common stock after adjustment for potential ordinary shares		
Fiscal year net income adjustment	13,961	—
(Interest expense [Tax equivalent deduction amount])	(13,961)	—
Change in number of shares of common stock (shares)	3,677,771	—
(Convertible bonds)	(3,677,771)	—
Summary of latent stock not included in the calculation of interim period (fiscal year) earnings per share on a fully diluted basis because it does not have a dilution effect	Warrants based on the provisions of Article 280-19 of the old Commercial Code (incentive stock options)	Same as at left

(Material events after the close of the consolidated fiscal year)

The Company had no material items to report.