Fiscal Year ended October 31, 2005

Accounting Bulletin (Consolidated)

December 9, 2005

Listed Company Name **Kanamoto Company, Ltd.**
Company Code Number **9678**
Listing Exchanges **Tokyo Stock Exchange, Sapporo Stock Exchange**
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(URL http://www.kanamoto.co.jp)
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Date of Report to the Board of Directors December 9, 2005
SEC Accounting Standards The Company has not adopted SEC accounting standards

1. Consolidated Operating Results for the Fiscal Year ended October 31, 2005

(November 1, 2004 – October 31, 2005)

(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, 2005	63,975	(4.3)	1,404	(- 25.2)	1,550	(- 11.4)
Fiscal year ended October 31, 2004	61,336	(- 3.7)	1,878	(- 18.6)	1,749	(- 23.2)

	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, 2005	352	(- 67.9)	11.57	—	1.1	1.8	2.4
Fiscal year ended October 31, 2004	1,097	(20.1)	36.50	—	3.4	2.0	2.9

(Note) 1. Investment profit or loss accounted for by the equity method
Fiscal Year ended October 31, 2005 —
Fiscal Year ended October 31, 2004 —
2. Average number of shares (consolidated) outstanding during the fiscal year
Fiscal Year ended October 31, 2005 29,856,334 shares
Fiscal Year ended October 31, 2004 29,865,301 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, 2005	81,977	33,465	40.8	1,120.76
Fiscal year ended October 31, 2004	89,323	32,745	36.7	1,096.42

(Note) Number of shares (consolidated) issued and outstanding at the end of the fiscal year:
Fiscal Year ended October 31, 2005 29,853,076 shares
Fiscal Year ended October 31, 2004 29,859,442 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, 2005	10,219	- 11	- 7,833	14,108
Fiscal year ended October 31, 2004	6,230	- 1,535	- 4,923	11,734

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

2. Projected Consolidated Operating Results for the Fiscal Year Ending October 31, 2006

(November 1, 2005 - October 31, 2006)

	Revenues	Operating Income	Ordinary Income	Net Income
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Interim period	32,560	1,600	1,470	540
Full year	63,210	1,910	1,680	610

Reference: Projected net income per share of common stock (Full year) ¥20.43

*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 and seven subsidiaries. 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 overview of each segment by business of the Kanamoto group, and the position of each company related to that business, is provided below.

(Businesses related to the Construction Equipment Rental Division)

Daiichi Kikai Co., Ltd. (a consolidated subsidiary company) and **Kanki Corporation** (a consolidated subsidiary company), 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.
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.

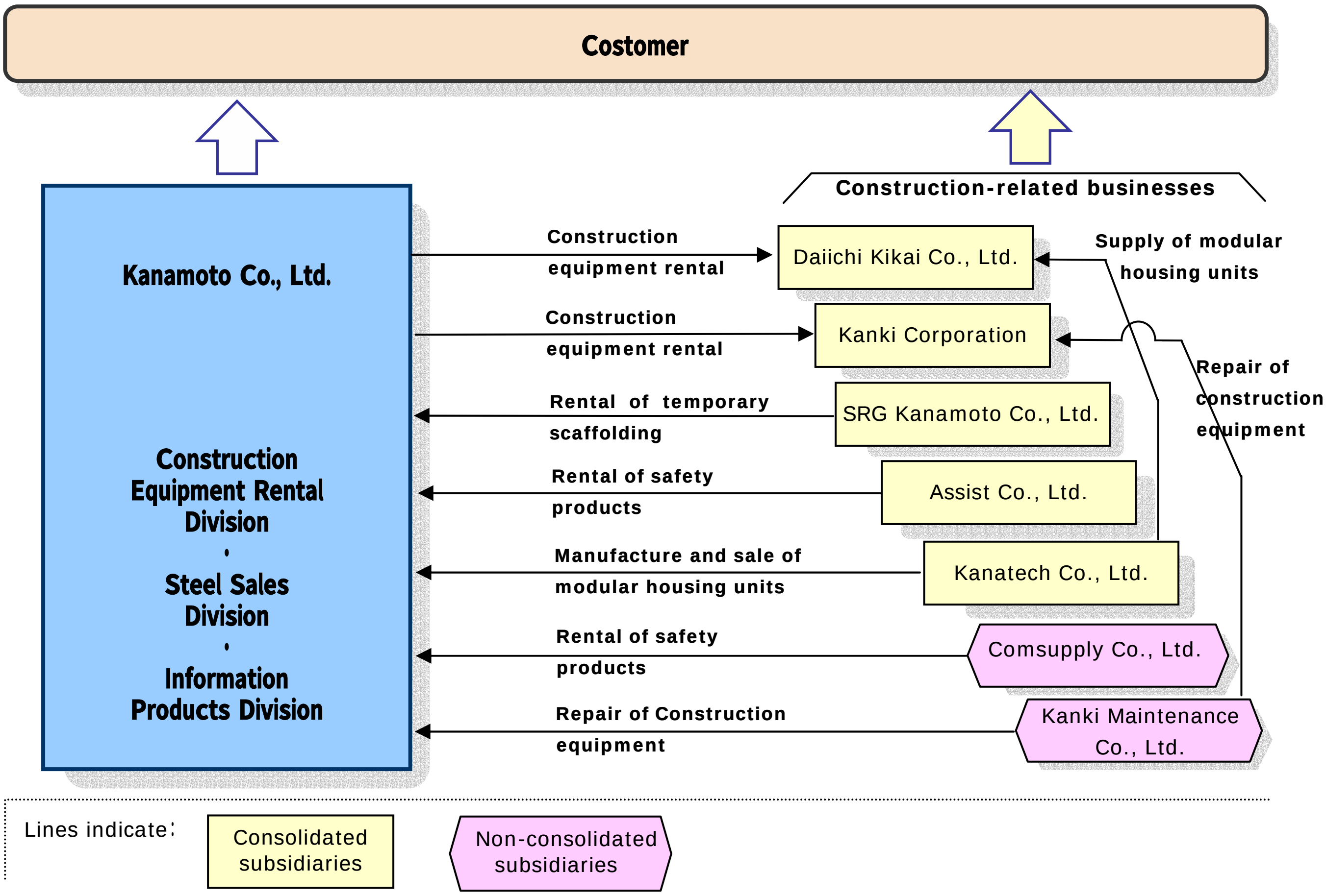
(Businesses related to the Steel Sales Division)

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

(Businesses related to the Information Products Division and Other Businesses)

Kanamoto's Information Products Division is engaged in the rental and sale of computers, including workstations and PC servers, as well as computer peripheral equipment. Active Technology Corporation and Active Power Corporation, two affiliated companies involved in the Company's Other Businesses, are currently restructuring their business operations and have temporarily halted business activities.

〔 Relationship of the Operating Businesses 〕



II Management Policies

1. Basic policies concerning business management

The Kanamoto Company group believes that being able to truly contribute to society, and maximizing earnings on a sustainable basis by providing services that fully satisfy the expectations and needs of construction rental equipment users, is the best way to contribute to goals of its shareholders and group stakeholders.

To achieve this goal, the Company has always made the concept “constantly seek innovation and strive to energize the business” a key component of its action agenda, and has focused on comprehending changes in the business environment, never being 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 the starting point of its *raison d’etre* as a firm, Kanamoto implements measures to create a powerful marketing organization, where customers are always Number One, and realize low-cost operations, to achieve the objectives based on “Metamorphose,” the long-range management plan the Company currently is executing.

2. Basic policies concerning distribution of earnings

As the basis of its earnings distribution policy, Kanamoto takes into consideration its earnings level, payout ratio, and financial position from a medium to long-term perspective. Among the factors it weighs, the Company places its primary emphasis on expanding shareholders’ long-term total investment return and ensuring a stable return of earnings. At the same time, the Company utilizes its internal reserves by allocating funds for capital investment, including the introduction of rental equipment assets that will serve as the source of future earnings.

To flexibly implement its capital policy, Kanamoto has established a system for making purchases of treasury stock.

3. Policy concerning reduction of the Company’s investment unit

From the standpoint of capital policy, one important issue for Kanamoto is broadening the range of investors in order to improve the liquidity of the Company’s stock.

Kanamoto recognizes that reducing the size of its stock investment unit is one effective measure to stimulate market trading of the Company’s shares. Nevertheless, in light of the position of Kanamoto’s stock in the current market, the Company has determined conditions do not warrant an urgent reduction in the size of its investment unit.

In the future, Kanamoto will maintain a flexible outlook, while monitoring the introduction of the system for dematerialization of stock certificates and continuing to give due consideration to improving the liquidity of its stock.

The Company currently also has no plans to execute a stock split.

4. Management indicators established as objectives

The Kanamoto group’s core operations in the construction equipment rental business create a substantial capital investment burden. Moreover, the structure of this business requires a profit and loss outlook extending over several years. Given these considerations, Kanamoto has always emphasized ROI (return on investment) and cash flow, and seeks growth in its EBITDA+ (earnings before interest, taxes, depreciation and amortization). Under its long-term management plan “Metamorphose,” the five-year plan through October 2008 that Kanamoto currently is implementing, the Company is working to maximize asset operations. One measure is to shift the equipment portfolio toward assets with higher profit margins, and limit new rental equipment asset introductions while continuing to slash depreciation and other costs. After completing the first two years of the plan, Kanamoto believes the results of these asset operation measures are becoming steadily apparent.

Nevertheless, from the standpoint of earnings, the Company still is not achieving its plan. Although earning are improving at a steady pace in the Honshu territory, which includes the Tokyo metropolitan area, the environment surrounding the construction industry in other regions is much more severe than initially projected. In Hokkaido particularly, public works are in a slump and competition has intensified. Over the next three years, Kanamoto projects the results from opening new branches in the Tokyo metropolitan area will compensate to a certain extent for the decline in earnings in other local areas. Because it has slightly revised downward its progress under the long-range management plan, however, Kanamoto has established new medium-term plan objectives for the three years beginning from the fiscal year ending October 2006. These objectives are provided below. Although these targets are slightly lower than its initial plan, Kanamoto still projects it will achieve the earnings level for the fiscal year ending October 2010 set in its initial plan.

(Millions of yen, except net income per share)

		Fiscal Year ending October 2006	Fiscal Year ending October 2008
Consolidated operating results	Revenues	63,210	66,170
	Ordinary income	1,680	3,260
	Net income per share	20yen	58yen
Non-consolidated operating results (Kanamoto Company)	Revenues	56,760	59,480
	Ordinary income	1,730	3,270
	EBITDA+	16,800	17,390

5. Medium to long-term corporate management strategy

As explained above, Kanamoto already has completed the first two business periods of “Metamorphose,” its five-year long-term management plan extending through the fiscal year ending October 2008. During this two-year period, Kanamoto made business organization improvements to shift the management focus to gross margins. This included building a powerful marketing organization where customers are always Number One, and thorough reductions of costs such as equipment repair expense and transport expense. Unfortunately, because deterioration of the local business environment has been worse than initially projected, Kanamoto revised its numerical objectives for the remaining three fiscal years of “Metamorphose,” its long-term management plan. For the consolidated fiscal year ending October 2006 as well, the third year of its long-term management plan, Kanamoto expects operating results to be affected by the extremely tough business conditions. By pursuing the following strategies, however, Kanamoto will seek to earn further recognition as Japan’s leading company in the construction equipment rental business. To maintain its “strong Kanamoto” market reputation, the Company also will continue to improve and strengthen its financial position.

a) Earnings-focused management

Kanamoto will shift its focus from a revenues-first approach, and pursue management emphasizing gross profit. In terms of its asset portfolio, the Company has already completed replacement of its large rental assets with the latest emissions-controlled models, designed to reduce pollution, and will continue restricting introductions of new rental assets to the minimum quantity necessary in order to reduce depreciation and amortization expense and other costs. In addition, the Company will maintain its priority on introducing small-scale construction equipment and inexpensive rental assets, which have high profit margins, and seek to improve profit margins by extending rental periods for such assets.

b) Execute a bold scrap and build program

Currently Hokkaido accounts for 37.3% of Kanamoto’s total rental revenues by region, which indicates the shift of revenues towards Honshu is occurring at a pace faster than initially planned. In the Hokkaido territory, Kanamoto is maintaining its market share through reorganization of its branches. In Honshu, Kanamoto is developing branches around the Tokyo metropolitan area, as the core market where demand will remain strong in the future, by utilizing low-cost bases equipped with a smaller equipment line-up, to minimize capital investment requirements as much as possible. The Company also will continue to review unprofitable branches and pursue a bold scrap and build program.

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 and create a position in which Kanamoto's presence is indispensable for its customers' operations. Specifically, Kanamoto is further strengthening its relationships with customers and local communities by means such as Kanamoto's comprehensive compensation system offering improved systems and contents, and agreements with local governments to respond to urgent requests following disasters.

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.
Kanamoto also will further promote business growth at its subsidiaries through full cooperation with each subsidiary's business.

6. Issues to be addressed by the Company

During the past several years, total construction investment in Japan has been fallen sharply. The cutback in public works in particular has been pronounced. Particularly in areas such as Hokkaido that traditionally had relied heavily on public works construction, difficult conditions are continuing.
Nevertheless, despite some differences among regions, the trend in demand towards construction equipment rentals is growing steadily as construction companies restrict their own capital investment in conjunction with the decline in total construction investment.
On the other hand, while the increasingly sharp competition among construction equipment rental companies continues unabated, given the current environment the growth in construction equipment rental demand will not necessarily be linked to improved operating earnings. The issues facing Kanamoto, and the measures the Company will take to address this tough environment, 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.
By diversifying the types of products it handles, Kanamoto also will seek to cultivate a new range of customers, in sectors such as facilities maintenance, landscaping and gardening, and events, in addition to its traditional customers, who are mainly in civil engineering works and construction.

(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 operating, 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 alliance-based approach, but also considers techniques such as business transfers and M&A to be effective alternatives.

(4) Reinforce financial strategy

Kanamoto is taking steps to enhance funds procurement flexibility, while giving consideration to equipment plans including its purchases of rental equipment assets. At the same time, the Company is striving to improve its financial position, by reducing interest-bearing debt as much as possible while improving capital efficiency through the liquidation of bill receivables.

(5) Cost reductions in every operation

Kanamoto's pursuit of low-cost operations has produced substantial positive results. While further large cost reductions may not be possible in the future, Kanamoto will continue to seek greater operating efficiency in future business periods aimed at eliminating wasteful expenses and boosting operating income. The Company also will strive for the proper level of asset maintenance costs, based on a fundamental policy of extending the life of its rental assets.

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

a) Basic approach concerning corporate governance

The Kanamoto group recognizes that the creation of a relationship of trust with its stakeholders is a key management issue for the Company's stable development. In addition to strengthening its in-house corporate governance system, to further increase trust the Company is working to maintain and improve management transparency and fairness, and concentrating on activities that will ensure timely information disclosure and provide an information feedback system.

b) Status of corporate governance measures

Kanamoto Company's Board of Directors is composed of nine directors, including two outside directors. The board fulfills its functions as the highest decision-making body concerning execution and supervision of the Company's business strategies and business plans, and acts to respond quickly to the Company's continually evolving business conditions.

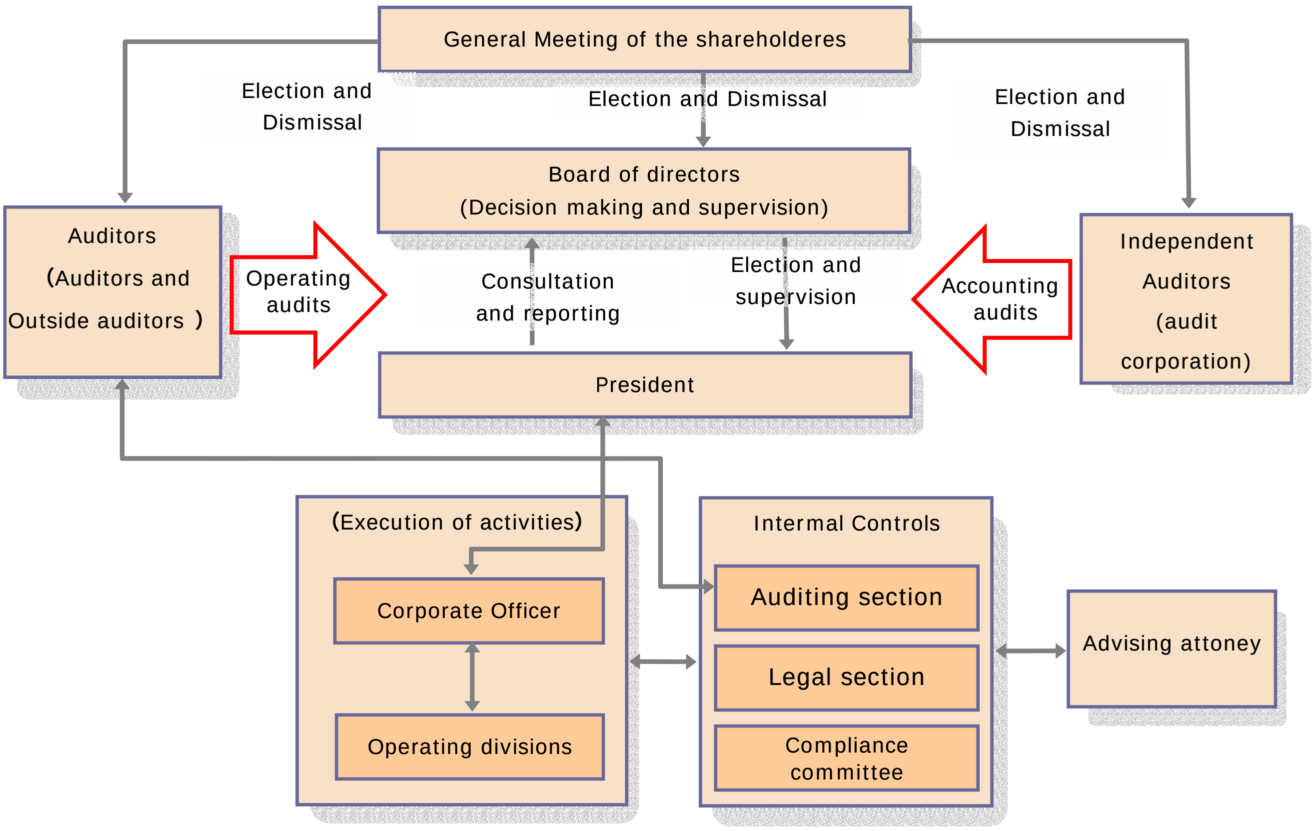
Kanamoto also has adopted the auditor system. The Audit Committee is composed of four auditors (including two outside auditors), and forms an organization to exchange information and opinions with management and the Board of Directors on a daily basis regarding important matters affecting the Company's management and operating results.

To clarify supervisory authority over operations and responsibility for execution of the Company's businesses, Kanamoto also has introduced a corporate officer system. The Company consolidated its organizational framework, to provide a system for keeping employees well informed about Kanamoto's policies, and is making every effort to formulate precise business strategies that conform to the market environment and execute comprehensive management controls at each business division and each affiliated company.

With regard to compliance, Kanamoto has prepared ethics guidelines, established a Compliance Committee that includes outside committee members, and taken steps to strengthen observance of laws and ethics regulations throughout the Company. In addition to gathering information on important matters such as violations of the law and improper conduct, by providing such information to management quickly the Compliance Committee fulfills the role of monitoring, guiding and advising the entire company, and ensures Kanamoto's system for compliance is functioning appropriately.

Kanamoto also has established a new internal management project team, which will further improve financial statement transparency by studying and adjusting the operation of internal controls.

жKanamotot's corporate governance organization



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 was affected by external environmental factors such as the sharp rise in prices for oil and raw materials. Nevertheless, business conditions in major metropolitan areas enjoyed a recovery. Private sector capital investment continued to grow centered on the Tokyo metropolitan area, against the backdrop of strong operating results in export-related industries, such as iron and steel and marine transportation. The benefits of this economic recovery, however, did not extend as far as other regions. As a result, the gap between the Tokyo metropolitan area and other large urban areas compared with other regions, in terms of both the local economy and personal consumption, became even more marked.

A similar trend also was evident in the construction industry, the primary customer of the Kanamoto group. The difference between the Tokyo metropolitan area, where ample public works and private capital investment are closely linked and have produced a synergistic effect, and local regions where public works projects have decreased remarkably, has emerged in stark relief. For the Kanamoto group, which has numerous branches in local areas, the tough business environment continued.

〔 Construction-related business 〕

In Kanamoto's main business in the construction equipment rental industry, demand grew at a comparatively steady pace in the major metropolitan areas where private sector capital investment is strong. In local areas, on the other hand, where cutbacks in the volume of public works has been substantial and private capital investment also was limited, the management environment remained severe.

Confronted with this challenging business environment, for the consolidated fiscal year under review the Kanamoto group achieved consolidated revenues of ¥57,844 million in its construction-related businesses, an increase of 5.5% compared to the prior consolidated fiscal year, and operating income ¥1,203 million, a 28.4% decrease year-on-year.

For this division of the Company on a stand-alone basis, rental revenues rose 1.9% compared to the prior consolidated fiscal year, to ¥39,217 million, and sales decreased 17.0% compared to the prior consolidated fiscal year to ¥11,854 million as a result of strictly limiting sales of used equipment in accordance with the Company's original plan. As a result, total revenues for Kanamoto's Construction Equipment Rental Division were ¥51,072 million, 3.2% lower than in the prior consolidated fiscal year.

By region, rental revenues decreased 5.2% year-on-year in Hokkaido, where public works were sharply lower and the first stage of disaster restoration work begun last year was completed. In the Tohoku territory, rental revenues exceeded the prior year level by 4.6%, despite a marked decline in public works. This was the result of a new branch opened to support large projects such as the Shinkansen and a gas pipeline, prefectural government urban redevelopment projects, and growth in private demand such as apartment building construction. In the Kanto and Shinetsu territory, demand was strong because of numerous large-scale private construction projects and maintenance and repair work in the Kanto region, as well as extraordinary demand because of disaster recovery work in Shinetsu following the Niigata Prefecture Chuetsu Earthquake, resulting in 11.7% higher rental revenues, while in the Kinki-Chubu territory rental revenues rose 6.5% year-on-year, despite concerns of a slowdown in demand following the completion of construction related to the Chubu International Airport and Aichi Expo, because of comparatively strong large-scale building construction and maintenance and repair work as part of redevelopment in Tokai and Osaka and the impact of disaster relief work following last year's typhoon and local torrential rains. As a result, the percentage of total rental revenues accounted for by Hokkaido and Honshu were 37.3% and 62.7%, respectively, as the shift of revenues towards Honshu progressed further.

During the consolidated fiscal year under review, Kanamoto opened one new branch and closed one branch in the Hokkaido territory, added four new branches in the Tohoku territory and opened two new branches in the Kanto-Shinetsu territory. There were no new branches or branches closed in the Kinki-Chubu territory. The total number of branches increased by six to 146 branches.

Turning to the operations of its consolidated subsidiaries, Daiichi Kikai Co., Ltd. enjoyed growth in rental revenues and sales of temporary housing units as a result of opening a new branch, and increased revenues 7.9% from the prior consolidated fiscal year level. The company incurred an operating loss, however, because of its increased cost burden for new branch start-up costs.
SRG Kanamoto Co., Ltd. was unable to increase demand as expected in local cities, even though private construction works in the Sapporo area were steady, and revenues decreased 0.8% year-on-year. The company reduced its operating loss by 22.8%.
At Assist Co., Ltd., both revenues and operating income fell. Revenues declined 5.5% from the prior consolidated fiscal year because the company was unable to increase orders for safety equipment, which were affected by the decline in public works. Operating income was down 5.6% year-on-year.
Beginning from the consolidated fiscal year under review, Kanki Corporation was included within the scope of consolidation for both the balance sheet and statement of income. This company currently is implementing a management restructuring, and although revenues changed nearly according to plan the company booked an operating loss because of a large increase in rental equipment assets.
At Kanatech Co., Ltd., which is the only manufacturing firm in the Kanamoto group, revenues decreased 9.8% from the prior consolidated fiscal year level. The company incurred an operating loss as a result of increased materials procurement expenses in conjunction with new product development, and because it was unable to absorb the affect of higher manufacturing costs resulting from a sharp increase in raw materials costs.

〔 Steel Sales-related business 〕
During the first half of the consolidated fiscal year under review, revenues were supported by inventory levels from the prior year and strong exports, and steady growth in orders that included a new products (highly durable, insulated and waterproof roofing, and the KT roofing system). During the second half, however, selling prices fell sharply with concerns about market inventory levels for steel materials. As a result, revenues declined 5.9% year-on-year to ¥5,699 million, and operating income fell 45.2% compared to the prior consolidated fiscal year to ¥24 million.

〔 Information Products-related business and Other Businesses 〕
As demand for personal computers expanded along with the economic recovery, the Information Products Division increased the number of large volume accounts from the start of the fiscal year and increased rental revenues by 8.6% compared to the prior consolidated fiscal year. On the other hand, revenue from product sales dropped 56.7% year-on-year, as the lack of new core products continued. As a result, revenues for the division as a whole fell 5.2% from the prior consolidated fiscal year to ¥430 million, and operating income shrank to ¥20 million under pressure from cost of revenues and selling, general and administrative expenses.

Fiscal Year ended October 31, 2005 Consolidated Operating Results

(Million yen; % change from prior year)

	Revenues		Operating Income		Ordinary Income		Net Income	
Consolidated Fiscal Year Under Review	63,975	4.3	1,404	-25.2	1,550	-11.4	352	-67.9
Prior Consolidated Fiscal Year	61,336	-3.7	1,878	-18.6	1,749	-23.2	1,097	20.1

b) Outlook for the next consolidated fiscal year (Business Period ending October 2006)

As 2005 drew to a close, factors such as improved operating performance at leading financial institutions and growing private sector capital investment against a backdrop of stronger corporate earnings gave evidence that a sustainable recovery in Japan's economy was underway. On the other hand, the affect of the external environment, including the sharp rise in crude oil and raw materials prices, remained a source of concern. In addition, increases in the general public's financial burden that seem all but certain, such as increases in the consumption tax and other taxes and changes in medical care costs, cast a shadow over personal consumption. As a result, Japan's economic recovery is expected to experience repeated fits and starts as long as it remains susceptible to these instability factors.

In the construction industry, the environment enveloping the industry in local regions presents conditions much more severe than initially anticipated. In the years ahead as well, there is little hope of substantial public works because of stringent local fiscal conditions, and in regions such as Hokkaido, Kanamoto projects the severe management environment to continue.

In the prior fiscal year, demand in the Honshu territory including the Tokyo metropolitan area remained steady, and as a result covered the decline in demand in the Hokkaido territory. Even if the slump in Hokkaido continues, Kanamoto projects it will be able to maintain the corresponding level of demand, during the current fiscal year and beyond, because it expects to establish new branches in the Tokyo metropolitan area and because of the recovery in the Tohoku territory. Nevertheless, because future demand in regions boosted by disaster recovery work is unpredictable, Kanamoto revised the numerical objectives for the next three periods, beginning from the fiscal year ending October 2006 of its long-range management plan. The outlook of next consolidated fiscal year is given below.

Because the results of measures under its long-term management plan "Metamorphose," including adjustments in rental rates for selected territories and equipment, are being demonstrated steadily, the entire Kanamoto group will seek to maintain earnings by pursuing further optimization of asset operations, continuing to create the corporate structure and business capabilities to respond fully to the challenging business environment, taking full advantage of Kanamoto's broad line-up of state-of-the-art equipment, and avoiding competition through alliances with other leading rental companies in selected regions.

Finally, although Kanamoto will be required to apply asset impairment accounting for fixed assets beginning from the next business period, at the present time the Company plans to apply asset impairment write-offs for certain idle assets and lease assets.

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	32,560	-1.7%	1,600	23.9%	1,470	24.1%	540	16.6%
Full year	63,210	-1.2%	1,910	36.0%	1,680	8.4%	610	73.3%

(2) Financial position

Cash flows for the consolidated accounting fiscal year under review are reviewed below.
Cash flow from operating activities increased ¥3,989 million from the prior consolidated fiscal year to ¥10,219 million. This mainly was the result of a decrease in accounts receivable, trade as a result of liquidation of bill receivables.
Cash flow used for investing activities decreased ¥1,524 million from the prior consolidated fiscal year to ¥11 million, primarily reflecting a decrease in funds used for the purchase of tangible fixed assets.
Cash flow used for financing activities increased ¥2,910 million compared with the prior consolidated fiscal year to ¥7,833 million. This mainly reflected a decrease in funds provided by long-term bank loans.

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 ¥14,108 million, ¥2,374 million more 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 2003	Fiscal Year Ended October 2004	Fiscal Year Ended October 2005
Shareholders' equity ratio (%)	35.8	36.7	40.8
Shareholders' equity ratio on a market capitalization basis (%)	17.7	18.1	26.6
Years to repay debt	4.0	6.3	3.3
Interest coverage ratio (times)	17.2	13.4	24.5

(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, 2006 Projected Cash Flows〕
Cash flow from operating activities is projected to same amount as in the consolidated fiscal year under review because there are no factors that will result in large changes.

Cash flow from investing activities is projected to same amount as in the consolidated fiscal year under review because there are no factors that will result in large changes.

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 decrease 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, 2004) Amount	Percent	Current Consolidated Accounting Fiscal Year (As of October 31, 2005) Amount	Percent	Change from prior year
(Assets)					
Current Assets					
Cash and deposits	11,742,173		14,111,882		2,369,708
Notes and accounts receivable, trade	23,480,548		14,329,090		- 9,151,458
Inventory	703,059		538,951		- 164,108
Construction equipment	1,905,762		1,469,376		- 436,385
Deferred tax assets	252,069		318,999		66,929
Other current assets	429,435		873,516		444,081
Allowance for doubtful accounts	- 730,669		- 923,256		- 192,586
Total Current Assets	37,782,380	42.3	30,718,560	37.5	- 7,063,819
Fixed Assets					
Tangible Fixed Assets					
Rental equipment	10,309,578		9,811,304		- 498,274
Buildings and structures	7,011,800		6,501,912		- 509,887
Machinery, equipment, vehicles and delivery	907,542		792,395		- 115,146
Land	26,112,181		26,140,976		28,794
Construction in progress	2,793		—		- 2,793
Other assets	361,109		292,326		- 68,782
Total Tangible Fixed Assets	44,705,006	50.1	43,538,915	53.1	- 1,166,090
Intangible Fixed Assets					
Other assets	559,067		435,655		- 123,411
Total Intangible Fixed Assets	262,569		252,765		- 9,803
Fixed Assets	821,637	0.9	688,421	0.8	- 133,215
Investment and Other Assets					
Investment securities	3,938,162		5,753,056		1,814,894
Deferred tax assets	911,019		302,238		- 608,781
Other	2,826,514		1,754,473		- 1,072,041
Allowance for doubtful accounts	- 1,660,994		- 778,148		882,846
Total Investments and Other Assets	6,014,701	6.7	7,031,620	8.6	1,016,918
Total Fixed Assets	51,541,344	57.7	51,258,957	62.5	- 282,387
Total Assets	89,323,725	100.0	81,977,517	100.0	- 7,346,207

(Unit: Thousands of yen)

Category / Period	Prior Consolidated Accounting Fiscal Year (As of October 31, 2004)		Current Consolidated Accounting Fiscal Year (As of October 31, 2005)		Change from prior year
	Amount	Percent	Amount	Percent	
(Liabilities)					
Current Liabilities					
Notes and accounts payable, trade	13,405,603		10,837,618		- 2,567,984
Short-term bank loans	676,639		577,364		- 99,275
Long-term bank loans due within one year	10,935,496		10,718,496		- 217,000
Corporate taxes payable	368,813		555,570		186,756
Accrued bonuses to employees	480,597		515,796		35,198
Accounts payable, other	4,129,127		2,464,772		- 1,664,354
Other current liabilities	623,001		467,946		- 155,054
Total Current Liabilities	30,619,278	34.3	26,137,564	31.9	- 4,481,714
Long-term Liabilities					
Long-term bank loans	21,952,103		18,643,607		- 3,308,496
Accrued employees retirement benefits	1,228,829		1,525,993		297,163
Retirement allowances to directors and auditors	96,281		110,473		14,191
Long-term accrued expenses	2,496,910		1,968,265		- 528,645
Other	125,226		55,003		- 70,223
Total Long-term Liabilities	25,899,351	29.0	22,303,342	27.2	- 3,596,008
Total Liabilities	56,518,630	63.3	48,440,907	59.1	- 8,077,722
(Minority Interests)					
Minority Interests	59,245	0.0	71,135	0.1	11,889
(Shareholders' Equity)					
Common stock	8,596,737	9.6	8,596,737	10.5	—
Additional paid-in capital	9,720,343	10.9	9,720,343	11.8	—
Consolidated retained earnings	13,913,568	15.6	13,691,585	16.7	- 221,982
Valuation difference on other investment securities	697,675	0.8	1,643,403	2.0	945,727
Treasury stock	- 182,475	- 0.2	- 186,594	- 0.2	- 4,118
Total Shareholders' Equity	32,745,849	36.7	33,465,475	40.8	719,625
Total Liabilities, Minority Interest and Shareholders' Equity	89,323,725	100.0	81,977,517	100.0	- 7,346,207

2. Consolidated Statements of Income

(Unit: Thousands of yen)

Period / Category	Prior Consolidated Accounting Fiscal Year (From November 1, 2003 To October 31, 2004)		Current Consolidated Accounting Fiscal Year (From November 1, 2004 To October 31, 2005)		Change from prior year
	Amount	Percent	Amount	Percent	
Revenues from operations					
Rental revenues	39,759,242		42,985,807		3,226,564
Sales	21,577,015		20,989,405		- 587,609
Total revenues from operations	61,336,258	100.0	63,975,212	100.0	2,638,954
Cost of revenues from operations					
Cost of rental revenues	29,998,533		31,949,570		1,951,037
Cost of goods sold	17,018,896		16,785,504		- 233,391
Total cost of revenues	47,017,429	76.6	48,735,074	76.2	1,717,645
Gross profit	14,318,828	23.4	15,240,137	23.8	921,309
Selling, general and administrative expenses	12,440,160	20.3	13,835,766	21.6	1,395,605
Operating income	1,878,668	3.1	1,404,371	2.2	- 474,296
Non-operating revenues					
Interest revenue	2,781		3,756		974
Dividend income	68,308		57,149		- 11,159
Gain on sale of investment securities	47,261		363,963		316,701
Amortization of consolidation adjustment account	5,845		—		- 5,845
Insurance benefits	28,850		47,709		18,859
Rents received	113,474		94,173		- 19,301
Cash bonus received	1,283		—		- 1,283
Other	170,632		149,796		- 20,836
Total non-operating revenues	438,438	0.7	716,548	1.1	278,109
Non-operating expenses					
Interest expense	347,660		353,256		5,595
Other	219,738		217,449		- 2,288
Total non-operating expenses	567,399	0.9	570,705	0.9	3,306
Ordinary income	1,749,707	2.9	1,550,213	2.4	- 199,493
Extraordinary profits					
Gain on sale or retirement of fixed assets	8,334		57,930		49,595
Valuation gain on investment enterprise partnership	5,130		10,849		5,719
Gain on return of entrusted portion of corporate Employee Welfare Pension Fund	606,420		—		- 606,420
Gain on reversal of allowance for doubtful accounts	—		24,174		24,174
Gain on sale of investment securities	—		26,906		26,906
Other	342		1,164		822
Total extraordinary profits	620,226	1.0	121,025	0.2	- 499,201

(Unit: Thousands of yen)

Category \ Period	Prior Consolidated Accounting Fiscal Year (From November 1, 2003 To October 31, 2004)		Current Consolidated Accounting Fiscal Year (From November 1, 2004 To October 31, 2005)		Change from prior year
	Amount	Percent	Amount	Percent	
Extraordinary losses		%		%	
Loss on sale or retirement of fixed assets	97,824		147,388		49,563
Valuation loss on investment securities	42,544		29,961		- 12,583
Loss on valuation of affiliated company stock	—		55,000		55,000
Transfer to allowance for doubtful accounts for affiliated company stock	—		255,724		255,724
Other	17,415		57,310		39,894
Total extraordinary losses	157,785	0.3	545,383	0.8	387,598
Income before taxes and adjustments	2,212,149	3.6	1,125,855	1.8	- 1,086,293
Corporate, local and business taxes	839,083	1.4	858,422	1.3	19,338
Adjustment for corporate and other taxes	256,687	0.4	- 97,079	- 0.1	- 353,767
Minority interest in income	18,939	- 0.0	11,889	- 0.0	- 7,049
Net income	1,097,439	1.8	352,623	0.6	- 744,816

3. Statements of Consolidated Retained Earnings

(Unit: Thousands of yen)

Category \ Period	Prior Consolidated Accounting Fiscal Year (From November 1, 2003 To October 31, 2004)		Current Consolidated Accounting Fiscal Year (From November 1, 2004 To October 31, 2005)		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		13,400,060		13,913,568	513,508
Increase in earned surplus					
Net income for the period	1,097,439	1,097,439	352,623	352,623	- 744,816
Decrease in earned surplus					
Dividends	537,604		567,305		
Directors and auditors' bonuses	14,100		7,300		
Decrease in earned surplus from merger of non-consolidated subsidiary	32,226	583,931	—	574,605	- 9,325
Balance of earned surplus at the end of the period		13,913,568		13,691,585	- 221,982

4. Consolidated Statements of Cash Flows

(Unit: Thousands of yen)

Category \ Period	Prior Consolidated Accounting Fiscal Year (From November 1, 2003 To October 31, 2004) Amount	Current Consolidated Accounting Fiscal Year (From November 1, 2004 To October 31, 2005) Amount	Change from prior year
Cash flow from operating activities			
Income before taxes and adjustments	2,212,149	1,125,855	- 1,086,293
Depreciation and amortization expense	5,294,745	5,211,105	- 83,640
Amortization of consolidation adjustment account	- 5,845	106,781	112,626
Gain on sale or retirement of fixed assets	- 8,334	- 57,930	- 49,595
Loss on sale or retirement of fixed assets	97,824	147,388	49,563
Installment purchases of assets for small-value rentals	12,475	69,455	56,980
Reclassification of cost of sales associated with disposal of construction equipment	22,224	7,442	- 14,782
Reclassification of cost of sales associated with disposal of rental assets	1,482,068	564,032	- 918,036
Expenditures for acquisition of rental assets	- 1,278,248	- 2,465,393	- 1,187,144
Valuation loss on investment securities	42,544	84,961	42,416
Gain on sale of investment securities	- 47,261	- 363,963	- 316,701
Increase (decrease) in allowance for doubtful accounts	152,945	- 690,259	- 843,205
Increase (decrease) in accrued bonuses to employees	6,692	35,198	28,506
Increase (decrease) in accrued employees retirement benefits	- 548,485	297,163	845,648
Increase (decrease) in retirement allowances to directors and auditors	- 101,749	14,191	115,941
Interest revenue and dividend income	- 71,090	- 60,905	10,184
Interest expense on installment purchases of rental assets	111,954	68,120	- 43,833
Interest expense	347,660	353,256	5,595
Increase (decrease) in accounts receivable, trade	- 944,131	9,151,458	10,095,589
Decrease in inventory assets	204,823	164,108	- 40,714
Increase (decrease) in accounts payable, trade	1,071,687	- 2,567,984	- 3,639,672
Increase (decrease) in accounts payable, other	239,627	- 195,552	- 435,179
Directors and auditors' bonuses paid	- 14,100	- 7,300	6,800
Other, net	- 538,148	256,190	794,339
Subtotal	7,742,029	11,247,422	3,505,392
Interest and dividends received	71,090	60,905	- 10,184
Interest expense	- 463,881	- 417,194	46,686
Payment of corporate and other taxes	- 1,119,008	- 671,665	447,342
Cash flow from operating activities	6,230,229	10,219,467	3,989,237

(Unit: Thousands of yen)

Category \ Period	Prior Consolidated Accounting Fiscal Year (From November 1, 2003 To October 31, 2004)	Current Consolidated Accounting Fiscal Year (From November 1, 2004 To October 31, 2005)	Change from prior year
	Amount	Amount	
Cash flow from investing activities			
Disbursements for investments in term deposits	- 1	—	1
Revenue from redemption of term deposits	—	5,000	5,000
Funds used for the purchase of tangible fixed assets	- 1,899,402	- 484,985	1,414,416
Funds provided from the sale of tangible fixed assets	15,555	314,122	298,566
Funds used for the purchase of intangible fixed assets	- 182,859	- 50,730	132,128
Funds used for the purchase of investment securities	- 1,044,472	- 1,188,707	- 144,235
Funds provided from sale of investment securities	1,332,729	1,386,291	53,561
Funds used for purchase of investments	- 10	—	10
Funds used for purchase of subsidiary company stock	- 27,875	—	27,875
Funds provided from sale of subsidiary company stock	—	2,902	2,902
Funds provided from purchase of subsidiary company stock following change in scope of consolidation	319,306	—	- 319,306
Other	- 48,581	4,741	53,323
Cash flow from investing activities	- 1,535,610	- 11,364	1,524,245
Cash flow from financing activities			
Decrease in short-term bank loans	- 36,718	- 99,275	- 62,556
Funds provided by long-term bank loans	11,930,000	7,900,000	- 4,030,000
Funds used to repay long-term bank loans	- 10,709,516	- 11,425,496	- 715,980
Funds used for repayment of installment obligations	- 5,564,061	- 3,637,197	1,926,864
Funds used for the purchase of treasury stock	- 5,157	- 4,118	1,038
Payment of dividends to parent company	- 537,604	- 567,305	- 29,700
Other	- 150	—	150
Cash flow from financing activities	- 4,923,208	- 7,833,393	- 2,910,184
Increase (decrease) in cash and equivalents	- 228,589	2,374,708	2,603,298
Balance of cash and equivalents at beginning of period	11,920,620	11,734,154	- 186,465
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	11,734,154	14,108,863	2,374,708

5. Significant Accounting Policies for the Consolidated Financial Statements

	Prior Consolidated Accounting Fiscal Year (From November 1, 2003 To October 31, 2004)	Current Consolidated Accounting Fiscal Year (From November 1, 2004 To October 31, 2005)
1. Companies included in the consolidation	(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.	(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 (2) Main non-consolidated subsidiaries Non-consolidated subsidiary company name Same as at left
2. Matters pertaining to application of equity method accounting	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.	Same as at left

3. Matters pertaining to the fiscal year closing date for consolidated subsidiaries	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.	Same as at left
4. Accounting principles and standards used for normal accounting treatment (1) Appraisal standards and appraisal methods for principal assets	a. Negotiable securities Other negotiable securities Securities with a market price The Company has adopted the market value method (the full amount of the valuation difference is charged to equity using the direct transfer to capital method, with the disposal cost determined by the moving average method) based on the market price on the consolidated accounting fiscal year closing date or similar prices Securities without market prices The Company has adopted the cost method, cost being determined by the moving average method b. Construction equipment Amount after deduction of depreciation expense calculated according to the declining-balance method from the original prices, by separate fiscal year of purchase 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 The Company has adopted the straight-line method. Software for use within the Company is depreciated using the straight-line method based on the assumed useful life for internal use (5 years)
(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. c. Hedging policies The Company's use of derivative transactions is limited to hedging risk within the scope of the Company's assets and liabilities subject to market fluctuation risk. d. Method for evaluating the effectiveness of hedges The Company does not evaluate the effectiveness of its hedge transactions because it can assume that its currency swap transactions and forward transactions will completely offset market fluctuations or changes in cash flow from the time 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.	b. Hedge methods and hedged transactions Same as at left c. Hedging policies Same as at left 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
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

Change in Presentation Method

Prior Consolidated Accounting Fiscal Year (From November 1, 2003 To October 31, 2004)	Current Consolidated Accounting Fiscal Year (From November 1, 2004 To October 31, 2005)
――――――	(Consolidated Balance Sheets) Following promulgation of the Law to Partially Amend the Securities and Exchange Law Etc. (Law No. 97 of 2004) on June 9, 2004 and its application on December 1, 2004, and the revision of the Practical Guidelines for Accounting for Financial Instruments (Accounting Committee Report No. 14) on February 15, 2005, the Company changed its reporting method to disclose investments in venture capital investment limited partnerships and similar associations (investments regarded as negotiable securities under Article 2 paragraph 2 of the Securities and Exchange Law) as “investment securities” beginning from the consolidated accounting fiscal year under review. The amount of a such investments included in investment securities for the consolidated accounting fiscal year under review is ¥106,935,000, and the amount of such investments included in “Other” under Investments and Other Assets in the prior consolidated accounting fiscal year was ¥108,080,000. (Consolidated Statements of Income) 1. The Company has reported cash bonus received (¥2,905,000 for the consolidated accounting fiscal year under review), which was reported as a separate category until the prior consolidated accounting fiscal year, in “Other” under non-operating revenues because the amount remains less than 10% of total non-operating revenues. 2. In prior consolidated accounting fiscal years, the Company reported the loss on valuation of affiliated company stock in “Other” under extraordinary losses, but for the consolidated accounting fiscal year under review this item is reported separately because the amount exceeded 10% of the total amount of extraordinary losses. The amount of the loss on valuation of affiliated company stock at the end of the prior consolidated accounting fiscal year was ¥646,000.

Supplemental Information

Prior Consolidated Accounting Fiscal Year (From November 1, 2003 To October 31, 2004)	Current Consolidated Accounting Fiscal Year (From November 1, 2004 To October 31, 2005)
――――――	Following promulgation of the Law to Partially Amend the Local Tax Law (Law No. 9 of 2003) on March 31, 2003 and the introduction of a corporate size-based tax system in the corporate fiscal year beginning after April 1, 2004, the Company will report the added value portion and capital portion of corporate taxes in selling, general and administrative expenses from the consolidated accounting fiscal year under review in accordance with the Practical Solution on Presentation for Corporate Size-Based Portion of Corporate Business Tax on the Income Statement (Accounting Standards Board of Japan, Corporate Accounting Standards Committee Report No. 12 dated February 13, 2004). As a result, selling, general and administrative expenses increased by ¥77,297,000, and operating income, ordinary income and income before taxes and adjustments decreased by ¥77,297,000.

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

Prior Consolidated Accounting Fiscal Year (As of October 31, 2004)	Current Consolidated Accounting Fiscal Year (As of October 31, 2005)
1. Total accumulated depreciation for tangible fixed assets ¥41,979,902,000	1. Total accumulated depreciation for tangible fixed assets ¥42,107,202,000
2. Discount on notes receivable, trade ¥456,467,000	2. Discount on notes receivable, trade ¥373,580,000
3. Balance of notes receivable-trade endorsed ¥45,618,000	3. Balance of notes receivable-trade endorsed —
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) 393,799 shares	6. Treasury stock Number of shares of treasury stock held by the Company (common stock) 400,165 shares
7. Items pertaining to non-consolidated subsidiaries and affiliated companies are as follows. Investment securities (stocks) ¥60,000,000	7. Items pertaining to non-consolidated subsidiaries and affiliated companies are as follows. Investment securities (stocks) ¥5,000,000
8. Guarantees 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 Total ¥295,169,000	8. Guarantees Joint and several guarantees of employee bank loans (Bank of Tokyo-Mitsubishi, others) ¥30,779,000 Total ¥30,779,000
	9. Liquidation of receivables based on receivables transfer facility The Company liquidates receivables based on a receivables transfer facility. Notes receivable, trade ¥5,348,993,000 Liquidated claims bearing a right of recourse to the Company and included in the balance of notes receivable, trade transferred total ¥1,152,352,000.

(Notes to the Consolidated Statements of Income)

<table>
<tr><th>Prior Consolidated Accounting Fiscal Year
(From November 1, 2003
To October 31, 2004)</th><th>Current Consolidated Accounting Fiscal Year
(From November 1, 2004
To October 31, 2005)</th></tr>
<tr><td>1. Major expense categories and amounts included in selling, general and administrative expenses
Employee salaries and wages ¥4,703,521,000
Depreciation expense ¥888,113,000
Rents ¥1,453,865,000
Transfer to allowance for doubtful accounts ¥331,332,000
Transfer to accrued bonuses to employees ¥442,825,000
Employees retirement benefit expense ¥427,675,000
Transfer to retirement allowances to directors and auditors ¥10,396,000
Amortization of consolidation adjustment account —</td><td>1. Major expense categories and amounts included in selling, general and administrative expenses
Employee salaries and wages ¥5,220,900,000
Depreciation expense ¥861,893,000
Rents ¥1,529,712,000
Transfer to allowance for doubtful accounts ¥203,769,000
Transfer to accrued bonuses to employees ¥509,379,000
Employees retirement benefit expense ¥515,384,000
Transfer to retirement allowances to directors and auditors ¥14,191,000
Amortization of consolidation adjustment account ¥106,781,000</td></tr>
<tr><td>2. Gain on sale or retirement of fixed assets
Land ¥8,310,000
Buildings and structures ¥24,000
Total ¥8,334,000</td><td>2. Gain on sale or retirement of fixed assets
Land ¥51,273,000
Buildings and structures ¥3,122,000
Machinery, equipment and delivery equipment ¥3,528,000
Other ¥6,000
Total ¥57,930,000</td></tr>
<tr><td>3. Loss on sale or retirement of fixed assets.
(Loss on sale of fixed assets)
Machinery, equipment and delivery equipment ¥83,000
Land ¥309,000
(Loss on retirement of fixed assets)
Rental equipment ¥20,915,000
Buildings and structures ¥69,482,000
Machinery, equipment and delivery equipment ¥5,895,000
Other ¥1,138,000
Total ¥97,824,000</td><td>3. Loss on sale or retirement of fixed assets.
(Loss on sale of fixed assets)
Buildings and structures ¥58,116,000
Machinery, equipment and delivery equipment ¥605,000
Land ¥1,915,000
Other ¥53,000
(Loss on retirement of fixed assets)
Rental equipment ¥38,767,000
Buildings and structures ¥5,623,000
Machinery, equipment and delivery equipment ¥8,855,000
Other ¥33,449,000
Total ¥147,388,000</td></tr>
</table>

(Notes to the Consolidated Statements of Cash Flows)

<table>
<tr><th>Prior Consolidated Accounting Fiscal Year
(From November 1, 2003
To October 31, 2004)</th><th>Current Consolidated Accounting Fiscal Year
(From November 1, 2004
To October 31, 2005)</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 ¥11,742,173,000
Term deposits with a maturity longer than 3 months ¥−8,019,000
Items considered to be cash and equivalents ¥11,734,154,000

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

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><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 ¥14,111,882,000
Term deposits with a maturity longer than 3 months ¥- 3,018,000
Items considered to be cash and equivalents ¥14,108,863,000

―――――

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 ¥1,538,987,000 respectively.</td></tr>
</table>

(Business Segment Information)

1. Segment Information by Type of Business

Prior consolidated accounting fiscal year (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, microbrewery

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.

Consolidated fiscal year under review (From November 1, 2004 to October 31, 2005)

(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	57,844,580	5,699,737	430,894	63,975,212	—	63,975,212
(2) Sales or transfers between related segments	—	—	—	—	—	—
Total	57,844,580	5,699,737	430,894	63,975,212	—	63,975,212
Operating expenses	56,640,650	5,675,002	410,775	62,726,427	- 155,586	62,570,841
Operating income	1,203,930	24,734	20,119	1,248,784	155,586	1,404,371
II. Assets, depreciation expense and capital disbursements						
Assets	53,991,608	1,660,973	845,254	56,497,836	25,479,681	81,977,517
Depreciation expense	4,975,301	1,797	8,342	4,985,441	225,663	5,211,105
Capital disbursements	4,264,396	57,479	423	4,322,299	345,431	4,667,731

(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
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 ¥25,479,681,000 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 Accounting Fiscal Year (From November 1, 2003 To October 31, 2004)	Current Consolidated Accounting Fiscal Year (From November 1, 2004 To October 31, 2005)
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.	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.

Prior Consolidated Accounting Fiscal Year:

	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

Current Consolidated Accounting Fiscal Year:

	Acquisition price (¥'000)	Accumulated depreciation (¥'000)	Outstanding balance (¥'000)
Rental assets	37,626,285	14,078,793	23,547,492
Other assets	350,675	196,156	154,519
Total	37,976,961	14,274,949	23,702,011

Prior Consolidated Accounting Fiscal Year	Current Consolidated Accounting Fiscal Year
(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	(2) Outstanding balance of future lease payments at the end of the consolidated accounting fiscal year Within one year ¥5,777,918,000 After one year ¥17,311,719,000 Total ¥23,089,637,000
(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	(3) Amount of lease payments, depreciation expense and interest expense Lease payments ¥6,569,358,000 Depreciation expense ¥5,959,692,000 Interest expense ¥772,799,000
(4) Accounting method for amount equivalent to depreciation expense Straight-line depreciation using the lease term as the depreciable life and zero residual value.	(4) Accounting method for amount equivalent to depreciation expense Same as at left
(5) Accounting method for amount equivalent to interest expense Interest method using the difference between total lease payments and the acquisition price of the lease property, allocated to each year.	(5) Accounting method for amount equivalent to interest expense Same as at left
2. Operating leases Future lease payments Within one year ¥1,869,826,000 After one year ¥3,603,704,000 Total ¥5,473,531,000	2. Operating leases Future lease payments Within one year ¥1,664,503,000 After one year ¥3,837,936,000 Total ¥5,502,439,000

(Transactions with Affiliated Companies)

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

The Company had no material items to report.

Current consolidated accounting fiscal year (From November 1, 2004 to October 31, 2005)

The Company had no material items to report.

(Notes Related to Tax Effect Accounting)

Prior Consolidated Accounting Fiscal Year (From November 1, 2003 To October 31, 2004)		Current Consolidated Accounting Fiscal Year (From November 1, 2004 To October 31, 2005)	
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	¥556,404,000	Amount in excess of limit for inclusion	¥321,983,000
Disallowance of deferred business taxes	¥24,011,000	Disallowance of deferred business taxes	¥54,003,000
Excess accrued employees retirement benefit	¥495,646,000	Excess accrued employees retirement benefit	¥606,705,000
Amount in excess of limit for retirement benefit	¥38,804,000	Amount in excess of limit for retirement benefit	¥44,631,000
Amount in excess of limit for accrued bonuses to employees	¥191,844,000	Amount in excess of limit for accrued bonuses to employees	¥208,381,000
Disallowance of excess depreciation	¥368,263,000	Disallowance of excess depreciation	¥319,278,000
Amount of loss carried forward	¥1,240,912,000	Amount of loss carried forward	¥1,340,357,000
Other	¥329,388,000	Other	¥396,028,000
Deferred tax asset subtotal	¥3,245,275,000	Deferred tax asset subtotal	¥3,291,368,000
Valuation reserve	¥- 1,608,037,000	Valuation reserve	¥- 1,558,279,000
Total deferred tax assets	¥1,637,238,000	Total deferred tax assets	¥1,733,089,000
Deferred tax liability		Deferred tax liability	
Valuation difference on other negotiable securities	¥474,149,000	Valuation difference on other negotiable securities	¥1,115,062,000
Total deferred tax liability	¥474,149,000	Total deferred tax liability	¥1,115,062,000
Net amount of deferred tax assets	¥1,163,088,000	Net amount of deferred tax assets	¥618,027,000
Disclosure item: Current assets	¥252,069,000	Disclosure item:	
Fixed assets	¥911,019,000	Current assets - Deferred tax assets	¥318,999,000
		Fixed assets - Deferred tax assets	¥302,238,000
		Fixed assets – Other	¥- 3,209,000
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	40.4%
(Adjustment)		(Adjustment)	
Local tax equalization	4.1%	Local tax equalization	8.1%
Items not included permanently in losses such as expense account	1.4%	Items not included permanently in losses such as expense account	3.0%
Consolidated subsidiary losses	3.3%	Consolidated subsidiary losses	11.9%
Valuation loss on investment in consolidated companies	0.2%	Other	4.2%
Other	-1.2%	Burden ratio for corporate and other taxes after application of tax effect accounting	67.6%
Burden ratio for corporate and other taxes after application of tax effect accounting	49.5%		

(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, 2004)			Current consolidated accounting fiscal year (As of October 31, 2005)		
		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) Stocks	1,148,497	2,373,190	1,224,692	1,544,363	4,347,665	2,803,302
	(2) Bonds						
	a. Government bonds	—	—	—	—	—	—
	b. Corporate bonds	—	—	—	—	—	—
	c. Other	—	—	—	—	—	—
	(3) Other negotiable securities	29,970	44,013	14,043	10,200	10,624	424
	Subtotal	1,178,467	2,417,203	1,238,735	1,554,563	4,358,289	2,803,726
Negotiable securities whose balance on the consolidated balance sheet is less than the acquisition price	(1) Stocks	156,408	134,864	- 21,543	99,175	84,322	- 14,853
	(2) Bonds						
	a. Government bonds	—	—	—	—	—	—
	b. Corporate bonds	—	—	—	—	—	—
	c. Other	—	—	—	—	—	—
	(3) Other negotiable	968,278	924,350	- 43,928	988,278	959,460	- 28,818
	Subtotal	1,124,686	1,059,214	- 65,471	1,087,453	1,043,782	- 43,671
Total		2,303,153	3,476,418	1,173,264	2,642,016	5,402,071	2,760,055

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 Accounting Fiscal Year (From November 1, 2003 To October 31, 2004)			Current Consolidated Accounting Fiscal Year (From November 1, 2004 To October 31, 2005)		
Selling amount	Total gain on sale	Total loss on sale	Selling amount	Total gain on sale	Total loss on sale
1,186,260	66,049	18,787	958,250	363,963	—

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, 2004)	Current consolidated accounting fiscal year (As of October 31, 2005)
	Amount shown on the consolidated balance sheet	Amount shown on the consolidated balance sheet
Other negotiable securities		
Unlisted stocks (excluding over-the-counter stocks)	401,743	239,050
Unlisted foreign bonds	—	—
Corporate bonds with warrants for new stock	—	—
Other	—	106,935

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, 2004)				Current consolidated accounting fiscal year (As of October 31, 2005)			
	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	—	—	—	—	—	—	—	—
c. Other	—	—	—	—	—	—	—	—
(2) Other negotiable securities	—	—	924,350	44,013	—	—	950,364	—
Total	—	—	924,350	44,013	—	—	950,364	—

(Notes related to Derivative Transactions)

1. Notes related to transaction conditions

Prior Consolidated Accounting Fiscal Year (From November 1, 2003 To October 31, 2004)	Current Consolidated Accounting Fiscal Year (From November 1, 2004 To October 31, 2005)
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 rate 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 to 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 the 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, 2004)

The Company had no material items to report.

Current consolidated accounting fiscal year (As of October 31, 2005)

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, 2004)	Current consolidated accounting fiscal year (As of October 31, 2005)
(1) Liability for accrued employees retirement benefit	- 4,698,071	- 4,382,486
(2) Pension assets	2,504,295	2,979,738
(3) Liability for unreserved accrued employees retirement benefit (1) ＋(2)	- 2,193,776	- 1,402,748
(4) Unamortized amount of the one-time valuation difference for change in accounting standards	—	—
(5) Unrecognized actuarial differences	964,947	- 123,245
(6) Unrecognized past years' service obligation (reduction in liability)	—	—
(7) Net liability shown on the consolidated balance sheet (3)＋(4)＋(5)＋(6)	- 1,228,829	- 1,525,993
(8) Prepaid pension expense	—	—
(9) Accrued employees retirement benefit (7)－(8)	- 1,228,829	- 1,525,993

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

3. Details of accrued employees retirement benefit expense

(Unit: Yen thousands)

	Prior Consolidated Accounting Fiscal Year (From November 1, 2003 To October 31, 2004)	Current Consolidated Accounting Fiscal Year (From November 1, 2004 To October 31, 2005)
(1) Service costs	328,382	407,274
(2) Interest costs	107,677	91,621
(3) Expected return on plan investments (reduction)	89,914	95,571
(4) Write-off of past years' service liability expense	—	—
(5) Write-off of expense for actuarial based difference	81,473	112,060
(6) Amount of one-time valuation difference for change in accounting standards charged as an expense	—	—
(7) Employees retirement benefit expense	427,618	515,384
(8) Gain on return of entrusted portion of corporate Employee Welfare Pension Fund		—
TOTAL	178,802	515,384

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, 2004)	Current consolidated accounting fiscal year (As of October 31, 2005)
(1) Discount rate	2.00%	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 (As of October 31, 2004)	Current consolidated accounting fiscal year (As of October 31, 2005)
Net assets per share	¥1,096.42	¥1,120.76
Net income per share of common stock	¥36.50	¥11.57
Net income per share of common stock after adjustment for potential ordinary shares	— 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.	— 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.

(Unit: Yen thousands)

Period / Category	Prior Consolidated Accounting Fiscal Year (From November 1, 2003 To October 31, 2004)	Current Consolidated Accounting Fiscal Year (From November 1, 2004 To October 31, 2005)
Net income per share of common stock		
Net income	1,097,439	352,623
Amount not attributed to common stock shareholders	7,300	7,300
Net income related to common stock	1,090,139	345,323
Average number of outstanding shares during the fiscal year	29,865,301	29,856,334
Net income per share of common stock after adjustment for potential ordinary shares		
Fiscal year net income adjustment	—	—
(Interest expense [Tax equivalent deduction amount])	—	—
Change in number of shares of common stock (shares)	—	—
(Convertible bonds)	—	—
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)	——

(Material Events After the Close of the Consolidated Fiscal Year)

The Company had no material items to report.