Fiscal Year ended October 31, 2006
Accounting Bulletin (Consolidated)

December 8, 2006

Listed Company Name **Kanamoto Company, Ltd.**
Company Code Number **9678**
Listing Exchanges **Tokyo Stock Exchange, Sapporo Stock Exchange**
Head Office Address 1-19, Odori Higashi 3-chome, Chuo-ku, Sapporo, Hokkaido Japan 060-0041
(URL http://www.kanamoto.co.jp)
Representative **Kanchu Kanamoto** President
Inquiries **Nobuhito Utatsu**
Director & Corporate Officer, Division Manager, Accounting Division
TEL 81-11-209-1600
Please send inquiries in English to takayama@kanamoto.co.jp.

Date of Report to the Board of Directors December 8, 2006
SEC Accounting Standards The Company has not adopted SEC accounting standards

1. Consolidated Operating Results for the Fiscal Year ended October 31, 2006

(November 1, 2005 – October 31, 2006)

(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, 2006	68,023	(6.3)	4,068	(189.7)	3,788	(144.4)
Fiscal year ended October 31, 2005	63,975	(4.3)	1,404	(△ 25.2)	1,550	(△ 11.4)

	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, 2006	1,742	(394.2)	57.41	—	4.9	4.5	5.6
Fiscal year ended October 31, 2005	352	(△ 67.9)	11.57	—	1.1	1.8	2.4

(Note) 1. Investment profit or loss accounted for by the equity method
Fiscal Year ended October 31, 2006 —
Fiscal Year ended October 31, 2005 —
2. Average number of shares (consolidated) outstanding during the fiscal year
Fiscal Year ended October 31, 2006 30,357,093 shares
Fiscal Year ended October 31, 2005 29,865,334 shares
3. Are there any changes in accounting method? Yes
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, 2006	86,815	38,051	43.7	1,155.22
Fiscal year ended October 31, 2005	81,977	33,465	40.8	1,120.76

(Note) Number of shares (consolidated) issued and outstanding at the end of the fiscal year:
Fiscal Year ended October 31, 2006 32,859,118 shares
Fiscal Year ended October 31, 2005 29,853,076 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, 2006	8,414	△ 489	△ 3,635	18,398
Fiscal year ended October 31, 2005	10,219	△ 11	△ 7,833	14,108

(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, 2007

(November 1, 2006 - October 31, 2007)

	Revenues	Operating Income	Ordinary Income	Net Income
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Interim period	35,530	2,940	2,870	1,830
Full year	68,570	4,230	4,020	2,360

Reference: Projected net income per share of common stock (Full year) ¥71.82

* 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 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 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 〕

The Company's 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 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. **Flowtechno Co., Ltd. (a non-consolidated subsidiary)**, which Kanamoto acquired in March 2006, is engaged in the technical development, manufacture and sale of construction equipment for ground improvement works.

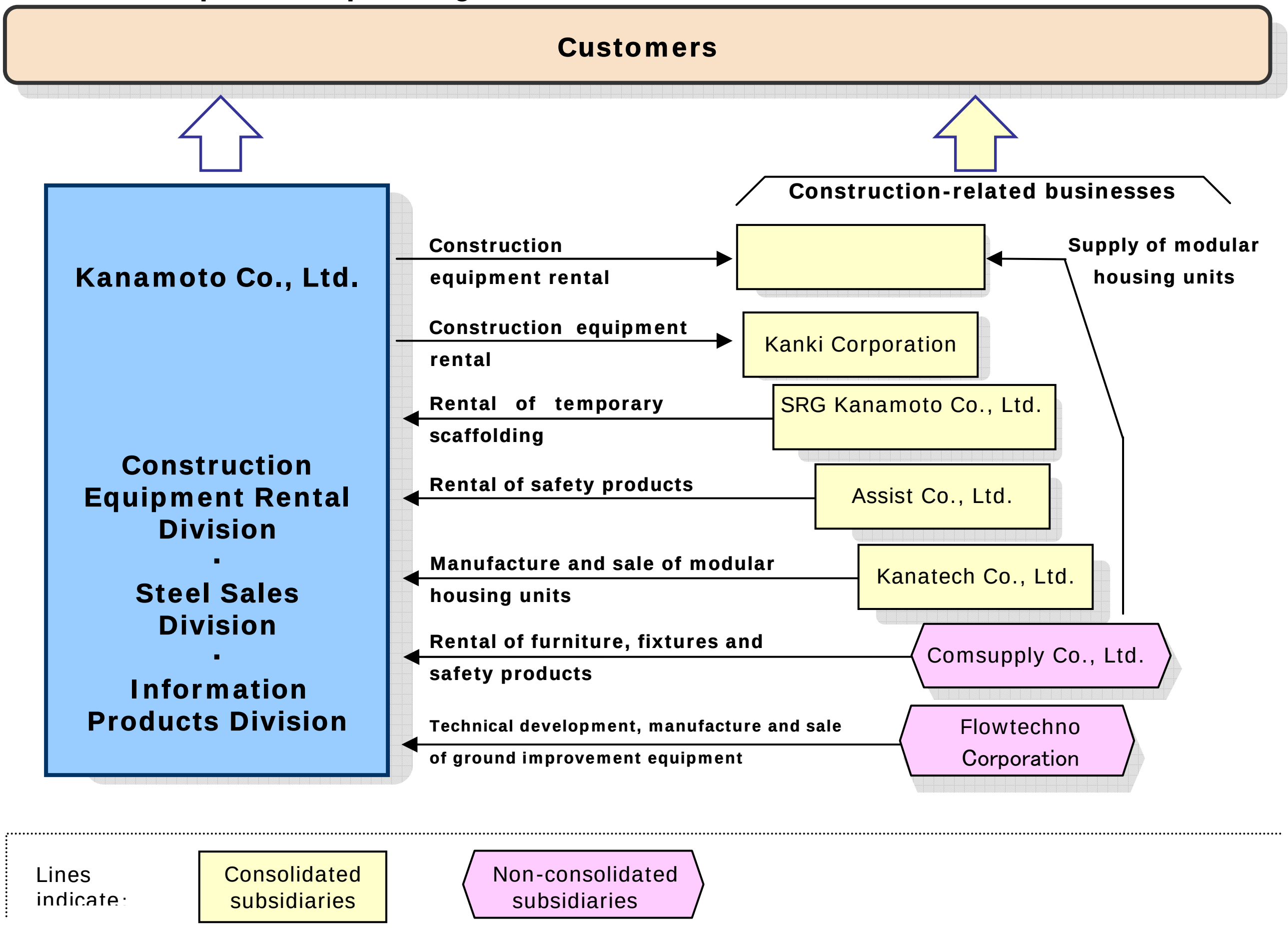
〔 Businesses related to the Steel Sales Division 〕

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.

〔 Business 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, an affiliated company involved in the Company's Other Businesses, has currently halted business activities.

〔 Relationship of the Operating Businesses 〕



II Management Policies

1. Basic management policy

The Kanamoto group has never been complacent about its present condition. Every group company has positioned Kanamoto's action agenda of promoting maximization of revenues and absolute reduction of costs, while continually seeking innovation and striving to energize its businesses, as the common philosophy of the entire Kanamoto group. By managing the group's businesses to conform to changes in market conditions, the Company seeks to achieve continual growth in earnings by accurately providing the services truly demanded by Kanamoto's customers. Through this approach to its business, Kanamoto believes it will be evaluated positively as a corporate group that can fundamentally satisfy the expectations and trust of its stakeholders and make a valuable and tangible contribution to society.

2. Basic policies concerning distribution of earnings

As the basis of its earnings distribution policy, Kanamoto seeks to ensure a stable return of earnings to the extent possible, while taking into consideration its earnings level, payout ratio, and financial position from a medium to long-term perspective, and regards the payment of stable dividends as its primary obligation. 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 enable the Company 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

With regard to reducing the size of its investment unit, Kanamoto will maintain a flexible outlook while carefully monitoring the position of the Company's stock in the market, the affect on shareholders' returns, the introduction of the system for dematerialization of stock certificates and other factors, and continuing to give due consideration to improving the liquidity of its stock.

Given current circumstances, the Company 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 require a substantial capital investment burden. Moreover, the structure of this business requires a profit and loss outlook extending over several years. Given these considerations, the Kanamoto group has always positioned growth in EBITDA+ (earnings before interest, taxes, depreciation and amortization) as its most important management indicator, while also taking into consideration ROI (return on investment).

Based on its operating results for the consolidated fiscal year under review (12 months ended October 31, 2006), the Company has twice revised the numerical targets it established initially for the long-term management plan (November 2003-October 2008) Kanamoto currently is implementing as described below. Nevertheless, the Company will continue to establish its numerical objectives prudently, given the uncertainty surrounding future construction demand.

(Millions of yen, except earnings per share)

		Fiscal Year ending October 2007	Fiscal Year ending October 2008
Consolidated operating results	Revenues	68,570	70,980
	Ordinary income	4,020	4,560
	Earnings per share	¥71.82	¥67.87
Non-consolidated operating results (Kanamoto Company)	Revenues	61,540	63,670
	Ordinary income	4,000	4,500
	EBITDA+	18,800	19,960

5. Medium to long-term corporate management strategies

The Company has now completed the third period of its long-range management plan “Metamorphose” (November 2003 - October 2008). During this past three-year period, the harsh management environment centered on the regions where the Company conducts its businesses has continued. Nevertheless, the Company is gradually realizing the results of measures it has promoted centered on reorganization of its earnings profile and improvement of its financial position. Although progress is somewhat slower than in the original operating plan, by continuing to practice earnings-focused management and further expand operating results, the Company seeks to build a “strong Kanamoto” that will be evaluated positively by the market.

(1) Maintain an earnings-focused rental equipment asset portfolio

In addition to replacing its large rental assets with the latest emissions-controlled models, and extending rental periods for such assets, the Company will seek to improve profit margins by also strengthening its emphasis on equipment boasting high returns.

(2) Execute a bold scrap and build program

The Company has adopted a fundamental approach of giving priority to establishing new branches in the Tokyo metropolitan area and regions surrounding other large metropolitan areas, while maintaining its existing branch network in other regions. In areas where the Kanamoto group has not yet opened branches, the Company’s policy is to investigate moving aggressively into a region after analyzing all pertinent information and available opportunities. The Company also will carefully scrutinize the possibilities for expanding operating results and improving the profitability of each branch, and continue to close and integrate branches.

(3) Build a powerful marketing organization and alliance group where customers are always Number One

Kanamoto seeks to be a firm that enjoys a high level of customer trust and is firmly rooted in its local communities. The Company pursues this objective by offering services that take maximum advantage of its dominant size, such as Kanamoto’s comprehensive compensation system and agreements with local governments to respond to urgent requests following a disaster, and offering products that are linked directly to customers’ needs.

Moreover, the Kanamoto group forms a network reaching from Hokkaido to Okinawa. The Company will continue to strengthen cooperation among all Kanamoto group firms, and increase the synergistic effects from this approach.

6. Issues to be addressed by the Company

Based on Japan’s fiscal policies, the declining trend in public works construction is projected to continue. On the other hand, the demand for construction equipment rentals is showing a positive trend, driven by the efforts of construction companies to control capital spending. The severity of the competition among construction equipment rental firms, however, continues to increase. Given this environment, the issue faced by Kanamoto is to maintain its traditional earnings and ensure its profit base is sound, by responding accurately to the demands of user firms as their needs become more advanced and complex.

(1) Enhance marketing capabilities and customer strategies

As the leading firm in the construction equipment rental industry, Kanamoto strives to foster employees who possess appropriate knowledge and skills. The Company also is taking steps to cultivate a new range of customers, including sectors such as facilities maintenance, landscaping and gardening and events, by diversifying the types of products it handles.

(2) Emphasize group management and strengthen alliances

Kanamoto will strengthen cooperation among Kanamoto group companies from an operating, business and asset management standpoint. The Company also will increase alliances with firms in every region of Japan, and seek mechanisms aimed at the creation of mutual earnings opportunities.

(3) Reinforce Kanamoto's 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 measures such as the liquidation of assets and bill receivables.

(4) Cost reductions in every operation

Because of factors such as the sharp rise in crude oil and raw materials prices and increasing interest rates, increasing asset introduction costs are a concern. Together with the thorough use of benchmarks when introducing assets, the Company also will strive to maintain asset value by optimizing asset maintenance costs based on its rental assets operating policies. The Company also will continue measures aimed at achieving low-cost operations and eliminating wasteful expenses.

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

For information on Kanamoto's basic approach concerning corporate governance and the status of the Company's corporate governance measures, please refer to Report Concerning Corporate Governance submitted to the Tokyo Stock Exchange dated May 31, 2006.

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 began slowing in early autumn, as crude oil prices fluctuated at a high level. Even export-related industries such as machinery manufacturing, which had continued to achieve solid growth, were affected by this environment. Nevertheless, the economy remained steady, buoyed by a recovery in capital investment and the positive employment environment accompanying the improvement in corporate profits, including record earnings centered on Japan's largest enterprises. Because of this recovery trend, the economy entered a gradual expansionary phase. In every aspect, however, this was an expansion characterized by sharp contrasts that progressed along bipolar lines. The economic recovery did not always feel like a true recovery, because the effects of the economic recovery were concentrated in major metropolitan areas and specific high-income, high-wealth brackets, for example, while the burden on most individuals, on the other hand, continued to grow as a result of government measures that included the elimination of various income tax deductions and higher social insurance premiums. An identical phenomenon affected the Kanamoto Group's customers in the construction industry as well, as heavily populated regions such as the Tokyo metropolitan area benefited from strong private sector demand, while local regions continued to struggle under a tough environment.

As described above, revenues for the Kanamoto group overall remained steady. Despite a severe management environment in many regions that reflected stringent local government financial circumstances, in Kanamoto's main business in the construction equipment rental industry, the Company responded accurately to customers' needs as dictated by respective local conditions, including the growth in demand in both the public and private sectors in major metropolitan areas. The Company also achieved revenues from equipment sales that exceeded the Company's initial plan.

From an earnings perspective, on the other hand, Kanamoto steadily achieved positive results. Despite some delays in seeing the effects from measures the Company implemented as improvements based on its long-term management plan, including greater operating efficiency for rental equipment assets, the restoration of unit prices and a reduction of the depreciation burden, operating income, ordinary income and net income all substantially exceeded Kanamoto's initial projections and the Company's actual results for the previous consolidated fiscal year.

As a result, revenues for the consolidated fiscal year ended October 31 increased 6.3% from the previous consolidated fiscal year level to ¥68,023 million. Operating income jumped 189.7% year-on-year to ¥4,068 million, ordinary income rose 144.4% compared with the previous consolidated fiscal year to ¥3,788 million and net income increased 394.2% year-on-year to ¥1,742 million. Furthermore, during the consolidated fiscal year under review, the Company began to apply the Accounting Standard for Impairment of Fixed Assets, and as previously reported booked an impairment loss of ¥594 million for the consolidated fiscal year interim period. A summary of operating results for each of the Company's businesses, and business development issues deserving special mention, are described below.

〔 Businesses related to the Construction Equipment Rental Division 〕

In the construction-related businesses of the entire Kanamoto Group, revenues and earnings both were higher. For the consolidated fiscal year under review, consolidated revenues increased 5.6% from the previous consolidated fiscal year to ¥61,102 million, and operating income rose 216.7% year-on-year to ¥3,812 million. For Kanamoto's Construction Equipment Rental Division on a stand-alone basis, rental revenues increased 5.7% year-on-year to ¥41,435 million, revenues from sales rose 4.6% year-on-year to ¥12,397 million, and total revenues increased 5.4% from the previous consolidated fiscal year to ¥53,832 million.

< Kanamoto Co., Ltd. on a non-consolidated basis >

Looking at the Company's construction equipment rental revenues by region, total construction investment in the Hokkaido Region has been declining each year. Nevertheless, for the fiscal year under review, construction equipment rental net revenues were unchanged from the previous fiscal year. In addition, although the Tohoku Region is confronting the same harsh environment as the Hokkaido Region, revenues in the Tohoku Region were strong as well, because of firm orders received for redevelopment projects and other works for prefectural government office locations, and rose 13.7% compared with the previous fiscal year.

Moreover, the division's nationwide sales efforts bore fruit and produced strong results. This included a 7.0% year-on-year increase in revenues in the Kanto & Shinetsu Region as a result of meeting the demand for disaster recovery special procurement in Niigata Prefecture and the private sector equipment demand in the northern Kanto Region and various other areas, as well as the brisk demand in the Tokyo metropolitan area, and revenue growth of 6.8% over the previous fiscal year in the Kinki-Chubu Region as the result of recovering demand in Osaka and the synergistic effects with Kanki Corporation. The percentage of revenues accounted for by Hokkaido and by Honshu and other regions was 35.3% and 64.7%, respectively.

During the consolidated fiscal year under review, Kanamoto opened three new branches in Shimukappu (Shimukappu, Hokkaido), Sanjo (Sanjo City, Niigata Prefecture) and Omiya (Saitama City), and closed the Kanazawa Branch (Kanazawa City, Ishikawa Prefecture). As a result, at the end of the period Kanamoto had 148 branches.

< Consolidated subsidiaries >

Daiichi Kikai Co., Ltd. enjoyed steady growth of construction equipment rentals, including demand for disaster restoration work. As a result, revenues grew 12.3% over the previous fiscal year, and operating income increased ¥127.5 million year-on-year. Both revenues and earnings were new records.

SRG Kanamoto Co., Ltd. increased rentals of temporary scaffolding for condominium construction projects in the Sapporo area and for bridge construction work in other areas, respectively. Revenues expanded 26.0% from the previous consolidated fiscal year, and the company substantially reduced its operating loss by 80.5% from the previous consolidated fiscal year level.

At **Assist Co., Ltd.**, revenues were up 1.3% year-on-year, and operating income rose 135.2% from the previous consolidated fiscal year, as the result of measures to specialize in rental products boasting high profit margins. Both revenues and earnings were below the company's initial objectives, however.

At **Kanki Corporation**, which is restructuring its management, revenues were 6.0% lower than in the previous consolidated fiscal year, as the result of efforts to restructure its business. These efforts included focusing management resources on the construction equipment rental business. The company also substantially improved operating income by ¥47.9 million year-on-year, even though its cost burden for investment in rental equipment assets was substantially higher. The company posted a net loss, however, reflecting the cost burden from greatly enhancing its rental equipment assets and the cost to open a new branch in Himeji.

Kanatech Co., Ltd. achieved a 31.2% increase in revenues compared with the previous consolidated fiscal year, as a result of implementing improvements that included enhancements to its materials stock and finished product inventory management system. Operating income improved by ¥146.0 million compared to the previous consolidated fiscal year.

〔 Businesses related to the Steel Sales Division 〕

Orders handled by the Steel Sales Division remained strong as a result of urgent demand for private sector construction, including condominiums in Sapporo, as well as private sector capital investment demand in the Tomakomai East district (Tomakomai, Hokkaido). Despite also being affected by a sharp drop in sale prices for general steel materials, revenues grew by 13.8% compared with the previous consolidated fiscal year to ¥6,485 million, and operating income jumped 77.8% year-on-year to ¥44 million.

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

Although rental demand for personal computers grew at a steady pace, revenues for the Information Products

Division edged down 2.9% compared with the previous consolidated fiscal year, as rental fees also fell. On the other hand, revenues from sales of used devices increased 39.6% year-on-year. Revenues for the entire division rose 1.2% year-on-year to ¥219 million, and operating income climbed 54.6% compared with the previous consolidated fiscal year to ¥31 million.

Fiscal Year ended October 31, 2006 Consolidated Operating Results

(Million yen; % change from prior year)

	Revenues		Operating Income		Ordinary Income		Net Income	
Consolidated Fiscal Year Under Review	68,023	6.3	4,068	189.7	3,788	144.4	1,742	394.2
Prior Consolidated Fiscal Year	63,975	4.3	1,404	△25.2	1,550	△11.4	352	△67.9

(2) Financial position

Cash flows for the consolidated accounting fiscal year under review are reviewed below.

Cash flow from operating activities was ¥8,414 million, a decrease of ¥1,804 million from the prior consolidated accounting fiscal year. Although income before taxes and adjustments increased, this mainly reflected a substantial change in accounts receivable, trade because the current consolidated accounting fiscal year was the first full year to reflect the reduction of bill receivables from use of the Company's liquidation facility.

Cash flow used in investing activities was ¥489 million, ¥477 million higher than in the prior consolidated accounting fiscal year. This mainly reflected an increase in funds used for the purchase of tangible fixed assets.

Cash flow used in investing activities was ¥3,635 million, a decrease of ¥4,197 million from the prior consolidated accounting fiscal year. This mainly reflected funds provided by issuance of stock.

As a result of the above factors, the balance of cash and cash equivalents at the end of the current consolidated accounting fiscal year increased by ¥4,289 million compared with the prior consolidated fiscal year to ¥18,398 million.

〔 Cash flow indicator trends for the Kanamoto group 〕

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

	Fiscal Year Ended October 2004	Fiscal Year Ended October 2005	Fiscal Year Ended October 2006
Shareholders' equity ratio (%)	36.7	40.8	43.7
Shareholders' equity ratio on a market capitalization basis (%)	18.1	26.6	32.0
Years to repay debt	6.3	3.3	3.5
Interest coverage ratio (times)	13.4	24.5	21.0

(Notes)

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.

(3) Outlook for the next consolidated fiscal year (Business Period ending October 2007)

Japan's economy is poised to achieve a recovery that will produce strong operating results centered on major companies, as exemplified by the remarkable business recovery at Japan's mega-banks. On the other hand there also remain matters of concern, such as the sharp jump in crude oil prices and higher interest rates. Moreover, a review of the leading indicators pointing toward the economy's future direction makes it impossible to be completely optimistic regarding a robust business expansion. Overall, conditions can be said to have fostered a sense of uncertainty.

Turning to the environment surrounding Kanamoto and the trend in construction demand, in dynamic regions such as the Tokyo metropolitan area the recovery is being supported by the current strong levels of public and private sector demand, as well as the gradual commencement of work on large-scale projects such as construction of a new runway at Haneda Airport. Demand also has recovered in metropolitan areas in other regions, including the Chukyo and Kansai regions. In Japan's less populated areas such as the Hokkaido Region and Tohoku Region, however, tough economic conditions are expected to continue.

Although the Company has revised slightly upwards the plan reviewed in the previous period, based on the possibility of slowing growth and the assumption of no significant improvement in the construction demand trend, Kanamoto has made no major changes in its outlook for the next consolidated fiscal year.
Kanamoto will continue its urgent drive to establish new branches, mainly in the Tokyo, Nagoya and Osaka metropolitan areas where the Company was somewhat late in expanding because of the challenges faced in securing personnel and branch locations, and seek to strongly link the current positive surge in economic momentum to earnings growth.

Fiscal Year ending October 31, 2007 Projected Consolidated Operating Results

(Million yen; % change from prior year)

(Consolidated)	Revenues		Operating Income		Ordinary Income		Net Income	
Interim period	35,53	2.9%	2,940	2.3%	2,870	2.5%	1,830	74.5%
Full year	68,57	0.8%	4,230	4.0%	4,020	6.1%	2,360	35.4%

< Reference > Projected net income per share (full year) ¥71.82

(Non-consolidated)	Revenues		Operating Income		Ordinary Income		Net Income	
Interim period	32,010	4.0%	2,610	4.6%	2,700	5.1%	1,770	85.3%
Full year	61,540	1.3%	3,900	5.0%	4,000	7.0%	2,410	40.1%

< Reference > Projected net income per share (full year) ¥73.34

〔 Projected Financial Position for the Fiscal Year Ending October 31, 2007 〕

Cash flow from operating activities is projected to decrease compared with consolidated fiscal year under review because of an increase in expenditures for acquisition of rental assets.

Cash flow used for investing activities is projected to be approximately identical to the amount in the consolidated fiscal year under review because there are no factors that will result in material changes.

Cash flow used for financing activities is projected to increase compared with the consolidated fiscal year under review because of a decrease in funds provided from the issuance of new stock and a decrease in funds provided by long-term bank loans.

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

4. Business and other risks

The following risks are included among the business and accounting matters described in the Accounting Bulletin (Consolidated) that might have an important influence on investors' decisions.
Statements concerning future matters are judgments made by the Company based on information available at the present time.

(1) Economic conditions

Because the construction-related businesses that are the main business of the Kanamoto group remain highly dependent on public works, the stagnation of market growth and intensification of price competition resulting from ongoing cutbacks in public works investment are continuing and the severity of the business environment is expected to continue.
To minimize the affects from cutbacks in public works, the Kanamoto group is implementing various management measures, such as shifting management resources to major metropolitan areas where private sector demand is strong, and seeking to maintain and improve operating results. Nevertheless, there is a possibility future operating results including revenues will be negatively affected if further large reductions in public works or other changes affecting industry demand occur in the future.

(2) Seasonal changes in operating results

Because budget decisions for public works are made in April of each year, there is a time lag of roughly six months before construction actually is begun. Therefore the construction-related businesses that are Kanamoto's main business experience a trend in which the busy season during each business period extends from about October until the following March, and construction equipment rental demand reaches its maximum peak during this period. As a result, the revenues and earnings of the Kanamoto group tend to be concentrated in the Company's interim accounting period (the six-month period from November through the following April).

(3) Interest rate fluctuations

The Kanamoto group allocates internal capital and procures funding from outside sources to meet its need for funds to purchase rental equipment and other assets, make branch-related capital investments and provide working capital for business activities. Although the Company takes steps to mitigate the affect of interest rate fluctuations on its externally borrowed funds, including transactions to fix the interest rates paid on borrowed funds to the extent possible, there is a possibility the operating results and financial position of the Kanamoto group will be affected by future changes in interest rates.

(4) Projected benefit obligation

The projected employee benefit obligation and costs of the Kanamoto group are calculated mainly based on basic rates such as a discount rate and expected rate of return on pension assets. Because these basic rates are determined in each annual review, they have a material affect on changes in the operating results and financial position of the Kanamoto group. Although the Kanamoto group is studying ways to minimize this influence, including conversion of benefit plans to a defined contribution pension plan or a cash balance pension system, there is a possibility the operating results and financial position of the Kanamoto group will be negatively affected by a further reduction in the discount rate or a deterioration in returns on invested assets.

(5) Asset impairment accounting for fixed assets

Beginning from the business period ending in October 2006, the Kanamoto group will apply the Accounting Standard for Impairment of Fixed Assets. There is a possibility the operating results and financial position of the Kanamoto group might be negatively affected if the profitability of fixed assets declines because of factors such as a marked deterioration in the Company's business environment in the future.

IV Consolidated Financial Statements

1. Consolidated Balance Sheets

(Unit: Thousands of yen)

Classification	Notes	Prior Consolidated Accounting Fiscal Year (As of October 31, 2005) Amount		Percent	Current Consolidated Accounting Fiscal Year (As of October 31, 2006) Amount		Percent	Change from prior year
(Assets)								
I Current Assets								
1. Cash and deposits			14,111,882			18,398,312		4,286,430
2. Notes and accounts receivable, trade	*6		14,329,090			14,959,325		630,235
3. Inventory			538,951			560,203		21,251
4. Construction equipment			1,469,376			1,193,669		△275,707
5. Deferred tax assets			318,999			391,803		72,804
6. Other			873,516			752,572		△120,944
Allowance for doubtful accounts			△923,256			△523,650		399,605
Total Current Assets			30,718,560	37.5		35,732,235	41.2	5,013,675
II Fixed Assets								
1. Tangible Fixed Assets								
(1) Rental equipment		38,229,358			37,784,220			
Accumulated depreciation		28,418,054	9,811,304		28,426,025	9,358,195		-453,109
(2) Buildings and structures		15,911,967			16,561,916			
Accumulated depreciation		9,410,054	6,501,912		9,930,025	6,631,891		129,978
(3) Machinery, equipment, vehicles and delivery equipment		4,270,130			4,322,961			
Accumulated depreciation		3,477,735	792,395		3,602,186	720,775		△71,619
(4) Land			26,140,976			25,906,130		△234,845
(5) Construction in progress			—			246,544		246,544
(6) Other		1,093,684			1,126,604			
Accumulated depreciation		801,358	292,326		866,704	259,900		△32,426
Total Tangible Fixed Assets			43,538,915	53.1		43,123,437	49.7	△415,477
2. Intangible Fixed Assets								
(1) Consolidated adjustment account			435,655			—		△435,655
(2) Goodwill	*7		—			395,109		395,109
(3) Other			252,765			141,585		△111,180
Total Intangible Fixed Assets			688,421	0.8		536,695	0.6	△151,726

Classification	Notes	Prior Consolidated Accounting Fiscal Year (As of October 31, 2005) Amount		Percent	Current Consolidated Accounting Fiscal Year (As of October 31, 2006) Amount		Percent	Change from prior year
3. Investments and Other Assets								
(1) Investment securities	*1		5,753,056			6,224,097		471,040
(2) Deferred tax assets			302,238			—		△302,238
(3) Other			1,754,473			1,874,002		119,529
Allowance for doubtful accounts			-778,148			-674,876		103,271
Total Investments and Other Assets			7,031,620	8.6		7,423,223	8.5	391,602
Total Fixed Assets			51,258,957	62.5		51,083,356	58.8	△175,600
Total Assets			81,977,517	100.0		86,815,592	100.0	4,838,074
(Liabilities)								
I Current Liabilities								
1. Notes and accounts payable, trade			10,837,618			12,419,337		1,581,719
2. Short-term bank loans			577,364			497,704		△79,660
3. Long-term bank loans due within one year			10,718,496			10,077,496		△641,000
4. Corporate taxes payable			555,570			1,365,479		809,909
5. Accrued bonuses to employees			515,796			511,737		△4,059
6. Accrued bonuses to directors and auditors			—			5,500		5,500
7. Accounts payable, other			2,464,772			2,676,023		211,251
8. Other			467,946			1,017,823		549,876
Total Current Liabilities			26,137,564	31.9		28,571,100	32.9	2,433,536
II Long-term Liabilities								
1. Long-term bank loans			18,643,607			16,031,111		△2,612,496
2. Accrued employees retirement benefits			1,525,993			1,681,719		155,725
3. Retirement allowances to directors and auditors			110,473			129,214		18,741
4. Long-term accrued expenses			1,968,265			2,107,836		139,570
5. Other			55,003			242,843		187,840
Total Long-term Liabilities			22,303,342	27.2		20,192,724	23.3	△2,110,617
Total Liabilities			48,440,907	59.1		48,763,825	56.2	322,918

Classification	Notes	Prior Consolidated Accounting Fiscal Year (As of October 31, 2005) Amount		Percent	Current Consolidated Accounting Fiscal Year (As of October 31, 2006) Amount		Percent	Change from prior year
(Minority Interests)								
Minority Interests			71,135	0.1		–	–	–
(Shareholders' Equity)								
I Common stock	*4		8,596,737	10.5		–	–	–
II Additional paid-in capital			9,720,343	11.8		–	–	–
III Consolidated retained earnings			13,691,585	16.7		–	–	–
IV Valuation difference on other investment securities			1,643,403	2.0		–	–	–
V Treasury stock			△186,594	-0.2		–	–	–
Total Shareholders' Equity			33,465,475	40.8		–	–	–
Total Liabilities, Minority Interest and Shareholders' Equity			81,977,517	100.0		–	–	–
(Net Assets)								
I Owners' equity								
1 Paid-in capital			–	–		9,696,717	11.2	–
2 Capital surplus			–	–		10,960,869	12.6	–
3 Earned surplus			–	–		14,889,638	17.2	–
4 Treasury stock			–	–		△6,303	△0.1	–
Total Owners' Equity			–	–		35,540,922	40.9	–
II Valuation and translation adjustments								
1 Valuation difference on other investment securities			–	–		2,418,684	2.8	–
Total Valuation and Translation Adjustments			–	–		2,418,684	2.8	–
III Minority Interests			–	–		92,159	0.1	–
Total Net Assets			–	–		38,051,766	43.8	–
Total Liabilities and Net Assets			–	–		86,815,592	100.0	–

2. Consolidated Statements of Income

(Unit: Thousands of yen)

Classification	Notes	Prior Consolidated Accounting Fiscal Year (From November 1, 2004 To October 31, 2005) Amount		Percent	Current Consolidated Accounting Fiscal Year (From November 1, 2005 To October 31, 2006) Amount		Percent	Change from prior year
I Revenues from operations								
1. Rental revenues		42,985,807			46,058,582			3,072,775
2. Sales		20,989,405	63,975,212	100.0	21,965,199	68,023,782	100.0	975,793
II Cost of revenues from operations								
1. Cost of rental revenues		31,949,570			32,697,199			747,629
2. Cost of goods sold		16,785,504	48,735,074	76.2	17,048,094	49,745,294	73.1	262,590
Gross profit			15,240,137	23.8		18,278,487	26.9	3,038,349
III Selling, general and administrative expenses	*1		13,835,766	21.6		14,210,350	20.9	374,584
Operating income			1,404,371	2.2		4,068,136	6.0	2,663,765
IV Non-operating revenues								
1. Interest revenue		3,756			2,467			△1,289
2. Dividend income		57,149			40,396			△16,752
3. Gain on sale of investment securities		363,963			24,883			△339,080
4. Insurance benefits		47,709			40,910			△6,799
5. Rents received		94,173			90,902			△3,270
6. Other		149,796	716,548	1.1	116,103	315,662	0.5	△33,692
V Non-operating expenses								
1. Interest expense		353,256			357,750			4,494
2. New share issuance costs		—			14,762			14,762
3. Other		217,449	570,705	0.9	222,828	595,340	0.9	5,378
Ordinary income			1,550,213	2.4		3,788,458	5.6	2,238,244
VI Extraordinary profits								
1. Gain on sale or retirement of fixed assets	*2	57,930			50,018			△7,911
2. Valuation gain on investment enterprise partnership		10,849			8,515			△2,334
3. Gain on reversal of allowance for doubtful accounts		24,174			33,270			9,096
4. Gain on sale of investment securities		26,906			—			△26,906
5. Compensation received		—			275,500			275,500
6. Other		1,164	121,025	0.2	27,421	394,726	0.6	26,257

		Prior Consolidated Accounting Fiscal Year (From November 1, 2004 To October 31, 2005)			Current Consolidated Accounting Fiscal Year (From November 1, 2005 To October 31, 2006)			Change from prior year
Classification	Notes	Amount		Percent	Amount		Percent	
VII Extraordinary losses								
1. Loss on sale or retirement of fixed assets	*3	147,388			52,366			△95,021
2. Impairment loss	*4	−			594,568			594,568
3. Valuation loss on investment securities		29,961			−			△29,961
4. Loss on valuation of affiliated company stock		55,000			−			△55,000
5. Transfer to allowance for doubtful accounts to affiliated companies		255,724			−			△255,724
6. Other		57,310	545,383	0.8	82,666	729,600	1.1	25,355
Income before taxes and adjustments			1,125,855	1.8		3,453,583	5.1	2,327,728
Corporate, local and business taxes		858,422			1,767,872			909,450
Adjustment for corporate and other taxes		△97,079	761,342	1.2	△77,965	1,689,906	2.5	19,113
Minority interest in income			11,889	0.0		21,024	0.0	9,134
Net income			352,623	0.6		1,742,652	2.6	1,390,029

3. Statement of Consolidated Retained Earnings

(Unit: Thousands of yen)

Classification	Notes	Prior Consolidated Accounting Fiscal Year (From November 1, 2004 To October 31, 2005) Amount	
(Additional paid-in capital)			
I Balance of additional paid-in capital at the beginning of the period			9,720,343
II Balance of additional paid-in capital at the end of the period			9,720,343
(Consolidated retained earnings)			
I Balance of consolidated retained earning at the beginning of the period			13,913,568
II Increase in consolidated retained earnings			
1. Net income		352,623	352,623
III Decrease in consolidated retained earnings			
1. Dividends		567,305	
2. Directors and auditors' bonuses		7,300	574,605
IV Balance of consolidated retained earnings at the end of the period			13,691,585

4. Consolidated Statement of Changes in Net Assets

Current Consolidated Accounting Fiscal Year (From November 1, 2005 to October 31, 2006)

(Unit: Thousands of yen)

	Owners' equity				
	Paid-in capital	Capital surplus	Earned surplus	Treasury stock	Total owners' equity
Balance at the end of the previous consolidated fiscal year (October 31, 2005)	8,596,737	9,720,343	13,691,585	△186,594	31,822,071
Change of items during the consolidated fiscal year					
Issuance of new shares	1,099,980	1,097,046			2,197,026
Dividends from surplus			△268,677		△268,677
Dividends from surplus (interim dividend)			△268,622		△268,622
Directors and auditors' bonuses from appropriation of earnings			△7,300		△7,300
Net income			1,742,652		1,742,652
Purchase of treasury stock				-11,781	-11,781
Disposal of treasury stock		143,480		192,072	335,552
Change of items other than shareholders' equity during the consolidated fiscal year (net amount)					–
Total changes of items during the consolidated accounting fiscal year under review	1,099,980	1,240,526	1,198,052	180,290	3,718,850
Balance at the end of the consolidated accounting fiscal year under review (October 31, 2006)	9,696,717	10,960,869	14,889,638	△6,303	35,540,922

	Valuation and translation adjustments		Minority interests	Total net assets
	Valuation difference on other investment securities	Total valuation and translation adjustments		
Balance at the end of the previous consolidated fiscal year (October 31, 2005)	1,643,403	1,643,403	71,135	33,536,610
Change of items during the consolidated fiscal year				
Issuance of new shares				2,197,026
Dividends from surplus				△268,677
Dividends from surplus (interim dividend)				△268,622
Directors and auditors' bonuses from appropriation of earnings				△7,300
Net income				1,742,652
Purchase of treasury stock				△11,781
Disposal of treasury stock				335,552
Change of items other than shareholders' equity during the consolidated fiscal year (net amount)	775,281	775,281	21,024	796,305
Total changes of items during the consolidated accounting fiscal year under review	775,281	775,281	21,024	4,515,155

Balance at the end of the consolidated accounting fiscal year under review (October 31, 2006)	2,418,684	2,418,684	92,159	38,051,766

5. Consolidated Statements of Cash Flows

Current Consolidated Accounting Fiscal Year (From November 1, 2005 to October 31, 2006)

(Unit: Thousands of yen)

Classification	Notes	Prior Consolidated Accounting Fiscal Year (From November 1, 2004 To October 31, 2005)	Current Consolidated Accounting Fiscal Year (From November 1, 2005 To October 31, 2006)	Change from prior year
I Cash flow from operating activities				
Income before taxes and adjustments		1,125,855	3,453,583	2,327,728
Depreciation and amortization expense		5,211,105	4,792,624	△418,480
Impairment loss		—	594,568	594,568
Amortization of consolidation adjustment account		106,781	—	△106,781
Amortization of goodwill		—	136,546	136,546
Gain on sale or retirement of fixed assets		△57,930	△50,018	7,911
Loss on sale or retirement of fixed assets		147,388	52,366	△95,021
Installment purchases of assets for small-value rentals		69,455	125,132	55,676
Reclassification of cost of sales associated with disposal of construction equipment		7,442	6,866	△576
Reclassification of cost of sales associated with disposal of rental assets		564,032	569,273	5,240
Expenditures for acquisition of rental assets		△2,465,393	△1,811,898	653,495
New share issuance costs		—	14,762	14,762
Valuation loss on investment securities		84,961	—	△84,961
Gain on sale of investment securities		△363,963	△24,883	339,080
Decrease in allowance for doubtful accounts		△690,259	△502,887	187,382
Increase (decrease) in accrued bonuses to employees		35,198	△4,059	△39,257
Increase in accrued bonuses to directors and auditors		—	5,500	5,500
Increase in accrued employees retirement benefits		297,163	155,725	△141,438
Increase in retirement allowances to directors and auditors		14,191	18,741	4,549
Interest revenue and dividend income		△60,905	△42,863	18,041
Interest expense on installment purchases of rental assets		68,120	42,906	△25,214
Interest expense		353,256	357,750	4,494

(Increase) decrease in accounts receivable, trade		9,151,458	△630,235	△9,781,693
(Increase) decrease in inventory assets		164,108	△21,251	△185,360
Increase (decrease) in accounts payable, trade		△2,567,984	1,581,719	4,149,703
Increase (decrease) in accounts payable, other		△195,552	428,072	623,624
Directors and auditors' bonuses paid		△7,300	△7,300	—
Other		256,190	489,036	232,845
Subtotal		11,247,422	9,729,787	△1,517,634
Interest and dividends received		60,905	42,863	△18,041
Interest expense		△417,194	△400,061	17,133
Payment of corporate and other taxes		△671,665	△957,962	△286,296
Cash flow from operating activities		10,219,467	8,414,626	△1,804,840

Classification	Notes	Prior Consolidated Accounting Fiscal Year (From November 1, 2004 To October 31, 2005)	Current Consolidated Accounting Fiscal Year (From November 1, 2005 To October 31, 2006)	Change from prior year
II Cash flow from investing activities				
Revenue from redemption of term deposits		5,000	3,018	△1,981
Funds used for the purchase of tangible fixed assets		△484,985	△2,248,477	△1,763,492
Funds provided from the sale of tangible fixed assets		314,122	931,262	617,139
Funds used for the purchase of intangible fixed assets		△50,730	-14,729	36,000
Funds used for the purchase of investment securities		△1,188,707	-465,832	722,875
Funds provided from sale of investment securities		1,386,291	1,353,015	△33,276
Funds provided from sale of subsidiary company stock		2,902	—	△2,902
Funds used for the purchase of non-consolidated subsidiary stock		—	-50,025	△50,025
Other		4,741	2,556	△2,184
Cash flow from investing activities		△11,364	△489,212	△477,847
III Cash flow from financing activities				
Decrease in short-term bank loans		△99,275	△79,660	19,614
Funds provided by long-term bank loans		7,900,000	8,200,000	300,000
Funds used to repay long-term bank loans		△11,425,496	△11,453,496	△28,000
Funds used for repayment of installment obligations		△3,637,197	△2,271,544	1,365,652
Funds provided by issuance of stock		—	2,182,264	2,182,264
Funds provided from disposal of treasury stock		—	335,552	335,552
Funds used for the purchase of treasury stock		△4,118	△11,781	△7,662
Payment of dividends to parent company		△567,305	△537,300	30,005
Cash flow from financing activities		△7,833,393	△3,635,966	4,197,427
IV Increase in cash and equivalents		2,374,708	4,289,448	1,914,739
V Balance of cash and equivalents at beginning of period		11,734,154	14,108,863	2,374,708
VI Balance of cash and equivalents at end of the period	*1	14,108,863	18,398,312	4,289,448

Significant Accounting Policies for the Consolidated Financial Statements

	Prior Consolidated Accounting Fiscal Year (From November 1, 2004 To October 31, 2005)	Current Consolidated Accounting Fiscal Year (From November 1, 2005 To October 31, 2006)
1. Companies included in the consolidation	(1) Number of consolidated companies: 5 The names of the main consolidated subsidiaries are omitted here because they are provided in “Consolidated Subsidiaries” under “III Operating Results and Financial Position”. (2) Main non-consolidated subsidiaries: 2 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 total 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 The names of the main consolidated subsidiaries are omitted here because they are provided in “Consolidated Subsidiaries” under “III Operating Results and Financial Position”. (2) Main non-consolidated subsidiaries: 3 Non-consolidated subsidiary company name Comsupply Co., Ltd. Kanki Maintenance Co., Ltd. Flowtechno Co., Ltd. (Reason for exclusion from consolidation) Same as at left Kanki Maintenance Co., Ltd. was liquidated on October 3, 2006.
2. Matters pertaining to application of equity method accounting	Two non-consolidated subsidiaries and two affiliated companies (Active Technology Corporation and Active Power Corporation) have been omitted from items to which equity method accounting is applied because their respective effect on consolidated net income or loss (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.	Two non-consolidated subsidiaries and two affiliated companies (Active Technology Corporation and Active Power Corporation) have been omitted from items to which equity method accounting is applied because their respective effect on consolidated net income or loss (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. Active Power Corporation was liquidated on January 18, 2006, and Kanki Maintenance Co., Ltd. was liquidated on October 3, 2006.
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

	Prior Consolidated Accounting Fiscal Year (From November 1, 2004 To October 31, 2005)	Current Consolidated Accounting Fiscal Year (From November 1, 2005 To October 31, 2006)
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 The Company has adopted the market value method (the full amount of the valuation difference is charged to net assets 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 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 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)	b. Intangible fixed assets Same as at left
(3) Accounting standards for deferred assets	―――――	a. New share issuance costs The Company expenses the full amount of new share issuance costs when the costs are incurred
(4) 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

	Prior Consolidated Accounting Fiscal Year (From November 1, 2004 To October 31, 2005)	Current Consolidated Accounting Fiscal Year (From November 1, 2005 To October 31, 2006)
	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. ――――――	c. Accrued bonuses to directors and auditors To fully provide for expenditures of bonuses the Company will pay to directors and auditors, an amount is appropriated to the reserve during the accounting fiscal year to provide for the liability recognized during the period. (Supplemental information) In the past, the Company accounted for directors and auditors' bonuses as a decrease in unappropriated retained earnings, based on the Proposal for Appropriation of Retained Earnings approved at the General Meeting of the Shareholders. Beginning from this consolidated accounting fiscal year, however, the Company will account for directors and auditors' bonuses as an expense of the accounting period in which such bonuses are accrued, based on the Accounting Standard for Directors' Bonuses (Accounting Standards Board of Japan, Accounting Statement No. 4 dated November 29, 2005). As a result, operating income, ordinary income and income before taxes and adjustments were ¥5,500,000 less than they otherwise would have been had the accounting standards used in past periods been applied. The affect of this change on the Company's information by segment is not material.
	d. Accrued employees retirement benefit	d. Accrued employees retirement benefit Same as at left
	e. 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 accounting fiscal year based upon length of service.	e. Retirement allowances to directors and auditors Same as at left

(5) 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
(6) Hedge accounting for principal hedging methods	a. Hedge transactions The Company accounts for hedge transactions using allocations based on accounting standards for foreign currency-denominated transactions, and special rule accounting based on accounting standards for financial products.	a. Hedge transactions Same as at left
	b. Hedge methods and hedged transactions The Company uses currency swaps and forward transactions in order to avoid the currency fluctuation risk related to the Company's foreign currency-denominated straight bonds and liabilities for import payments. The Company also uses interest swaps to avoid interest rate fluctuation risk related to interest on bank borrowing.	b. Hedge methods and hedged transactions Same as at left
	c. Hedging policies The Company's use of derivative transactions is limited to hedging risk within the scope of the Company's assets and liabilities subject to market fluctuation risk.	c. Hedging policies Same as at left
	d. Method for evaluating the effectiveness of hedges The Company does not evaluate the effectiveness of its hedge transactions because it can assume that its currency swap transactions and forward transactions will completely offset market fluctuations or changes in cash flow from the time hedge begins until it is terminated. In addition, the Company's interest swap transactions fulfill the requirements for special rule accounting, and the Company has elected to use this in place of an evaluation of effectiveness.	d. Method for evaluating the effectiveness of hedges Same as at left
(7) Accounting standards for consumption tax	Consumption tax is taken out of all Statement of Income items and Balance Sheet items, except mainly for receivables and payables.	Same as at left

	Prior Consolidated Accounting Fiscal Year (From November 1, 2004 To October 31, 2005)	Current Consolidated Accounting Fiscal Year (From November 1, 2005 To October 31, 2006)
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, except for extremely small amounts that are written off completely in the year in which they occur.	——————
7. Amortization of goodwill and goodwill liability	——————	The remainder is amortized over five years using level amortization, except for extremely small amounts that are written off completely in the year in which they occur.
8. Appropriation of retained earnings	The Statement of Consolidated Retained Earnings is created based upon the appropriation of consolidated net income decided upon by the Company during the consolidated accounting fiscal year.	——————
9. 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

Changes in Important Matters Used as the Basis for Preparation of the Consolidated Financial Statements

Prior Consolidated Accounting Fiscal Year (From November 1, 2004 To October 31, 2005)	Current Consolidated Accounting Fiscal Year (From November 1, 2005 To October 31, 2006)
――――――	(Accounting Standard for Impairment of Fixed Assets) Beginning from this consolidated accounting fiscal year, the Company has adopted the Accounting Standard for Impairment of Fixed Assets ("Opinion Concerning Establishment of Accounting Standard for Impairment of Fixed Assets" (Business Accounting Council, August 9, 2002) and "Implementation Guidance for the Accounting Standard for Impairment of Fixed Assets" (Accounting Standards Board of Japan, October 31, 2003, Financial Accounting Standard Implementation Guidance No. 6). As a result, income before taxes and adjustments decreased by ¥594,568,000. The total amount of the impairment loss is deducted directly from the balance for each asset based on the revised standards for preparation of interim consolidated financial statements and other rules.
――――――	(Accounting Standard for Presentation of Net Assets in the Balance Sheet) Beginning from this consolidated accounting fiscal year, the Company has adopted the "Accounting Standard for Presentation of Net Assets in the Balance Sheet" (Accounting Standards Board of Japan Statement No. 5 dated December 9, 2005) and the "Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet" (Accounting Standards Board of Japan Guidance No. 8 dated December 9, 2005). The amount corresponding to the total of shareholders' equity based on the past accounting standard is ¥37,959,606,000. The net asset section of the consolidated balance sheet for the consolidated accounting fiscal year under review was prepared based on the revised consolidated financial statements rules.

Change in Presentation Method

Prior Consolidated Accounting Fiscal Year (From November 1, 2004 To October 31, 2005)	Current Consolidated Accounting Fiscal Year (From November 1, 2005 To October 31, 2006)
(Consolidated Balance Sheets) 1. 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. 2. ———	(Consolidated Balance Sheets) 1. ——— 2. Beginning from this consolidated fiscal year, the Company will report "goodwill" and "consolidation adjustment account" as "goodwill," based on based on the revised consolidated financial statements rules. At the end of this consolidated accounting fiscal year, the amounts corresponding to "goodwill" and "consolidation adjustment account" based on the accounting standards previously applied were ¥64,000,000 and ¥331,109,000, respectively.
(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. 3. ———	(Consolidated Statements of Income) 1. ——— 2. ——— 3. Beginning from this consolidated fiscal year, the Company will report "Amortization of consolidation adjustment account" as "Amortization of goodwill," based on the revised consolidated financial statements rules.

(Consolidated Statements of Cash Flows)	(Consolidated Statements of Cash Flows)
1. ————	1. Beginning from this consolidated accounting fiscal year, the amount for goodwill amortization expense (¥32,000,000 in the previous consolidated accounting fiscal year) that had been reported in “Depreciation and amortization expense” will be reported as “Amortization of goodwill,” and the amount reported in the past as “Amortization of consolidation adjustment account” will be included in “Amortization of goodwill”, based on the revised consolidated financial statements rules.

Supplemental Information

Prior Consolidated Accounting Fiscal Year (From November 1, 2004 To October 31, 2005)	Current Consolidated Accounting Fiscal Year (From November 1, 2005 To October 31, 2006)
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.	————

Notes to the Financial Statements

(Notes to the Consolidated Balance Sheets)

Prior Consolidated Accounting Fiscal Year (As of October 31, 2005)	Current Consolidated Accounting Fiscal Year (As of October 31, 2006)
1. Matters related to non-consolidated subsidiaries and affiliated companies are as follows. Investment securities (stocks) 5,000,000	1. Matters related to non-consolidated subsidiaries and affiliated companies are as follows. Investment securities (stocks) 55,025,000
2. Guarantees Joint and several guarantees of employee bank loans (Bank of Tokyo-Mitsubishi, others) 30,779,000 Total 30,779,000	2. Guarantees Joint and several guarantees of employee bank loans (Bank of Tokyo-Mitsubishi, others) 27,162,000 Total 27,162,000
3. Discount on notes receivable, trade 373,580,000	3. Discount on notes receivable, trade 347,861,000
4. Total number of shares issued (common stock) 30,253,241 shares	4. ―――
5. Number of shares of treasury stock held by the Company (common stock) 400,165 shares	5. ―――
6. Liquidation of receivables based on 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.	6. Liquidation of receivables based on receivables transfer facility Notes receivable, trade 5,734,296,000 Liquidated claims bearing a right of recourse to the Company and included in the balance of notes receivable, trade transferred total ¥1,244,278,000.
7. ―――	7. Intangible fixed assets and goodwill includes liabilities for goodwill of ¥1,188,000 and goodwill of ¥64,000,000.

(Notes to the Consolidated Statements of Income)

Prior Consolidated Fiscal Year (From November 1, 2004 to October 31, 2005)		Current Consolidated Accounting Fiscal Year (From November 1, 2005 To October 31, 2006)	
1. Major expense categories and amounts included in selling, general and administrative expenses		1. Major expense categories and amounts included in selling, general and administrative expenses	
Employee salaries and wages	5,220,900,000	Employee salaries and wages	5,529,726,000
Depreciation expense	861,893,000	Depreciation expense	746,963,000
Rents	1,529,712,000	Rents	1,587,085,000
Transfer to allowance for doubtful accounts	203,769,000	Transfer to allowance for doubtful accounts	45,529,000
Transfer to accrued bonuses to employees	509,379,000	Transfer to accrued bonuses to employees	510,328,000
Employees retirement benefit expense	515,384,000	Transfer to accrued bonuses to directors and auditors	5,500,000
Transfer to retirement allowances to directors and auditors	14,191,000	Employees retirement benefit expense	304,966,000
Amortization of consolidation adjustment account	106,781,000	Transfer to retirement allowances to directors and auditors	18,741,000
		Amortization of goodwill	136,546,000
2. Gain on sale or retirement of fixed assets		2. Gain on sale or retirement of fixed assets	
Land	51,273,000	Land	49,905,000
Buildings and structures	3,122,000	Buildings and structures	110,000
Machinery, equipment and delivery equipment	3,528,000	Other	3,000
Other	6,000	Total	50,018,000
Total	57,930,000		
3. Loss on sale or retirement of fixed assets		3. Loss on sale or retirement of fixed assets	
(Loss on sale of fixed assets)		(Loss on sale of fixed assets)	
Buildings and structures	58,116,000	Buildings and structures	108,000
Machinery, equipment and delivery equipment	605,000	Land	2,428,000
Land	1,915,000	Other	284,000
Other	53,000	(Loss on retirement of fixed assets)	
(Loss on retirement of fixed assets)		Rental equipment	24,055,000
Rental equipment	38,767,000	Buildings and structures	21,261,000
Buildings and structures	5,623,000	Machinery, equipment and delivery equipment	2,464,000
Machinery, equipment and delivery equipment	8,855,000	Other	1,763,000
Other	33,449,000	Total	52,366,000
Total	147,388,000		

Prior Consolidated Fiscal Year (From November 1, 2004 to October 31, 2005)	Current Consolidated Accounting Fiscal Year (From November 1, 2005 To October 31, 2006)
4. ————	4. Impairment loss During this consolidated accounting fiscal year the Kanamoto Group incurred an impairment loss on the following asset groups. Location / Use / Asset: Kamakura City, Kanagawa Prefecture; Kanazawa City, Ishikawa Prefecture; Muroran City, Hokkaido; Five other locations / Dormant assets / Land Asset groupings used by the Kanamoto Group to apply asset impairment accounting are based on the block classified as the smallest segment for which profitability can be determined regularly by business. Specifically, dormant assets are grouped as units that generate independent cash flow. For certain dormant assets for which the asset value was less than book value, the Company reduced book value to the recoverable value, and accounted for the reduction as an impairment loss (¥594,568,000) under extraordinary losses. This ¥594,568,000 was for land. The recoverable value for this asset group is measured according to net sales price, and the land is evaluated using the inheritance tax assessment value based on the land tax assessment value or other amount as a base.

(Notes to the Consolidated Statement of Changes of Changes in Net Assets)

Current consolidated accounting fiscal year (From November 1, 2005 to October 31, 2006)

1. Class of shares issued and number of shares, treasury stock and number of shares

(Thousands of shares)

	Number of shares at end of the prior consolidated accounting fiscal year	Increase in number of shares during the current consolidated accounting fiscal year	Decrease in number of shares during the current consolidated accounting fiscal year	Number of shares at end of the current consolidated accounting fiscal year
Number of shares issued				
Common stock (Note 1)	30,253	2,619	—	32,872
Total	30,253	2,619	—	32,872
Treasury stock				
Common stock (Note 2, 3)	400	12	400	13
Total	400	12	400	13

(Notes) 1. The number of shares of common stock issued increased by 2,619,000 shares. This included an increase of 2.6 million shares of new stock issued through a public offering and an increase of 19,000 shares of new stock issued by a third party allocation.

2. The number of treasury stock shares of common stock increased by 12,000 shares through purchases of shares comprising less than one investment unit.

3. The number of treasury stock shares of common stock decreased by 400,000 shares through disposals of treasury stock.

2. Matters pertaining to subscription rights and treasury stock subscription rights

The Company had no material items to report.

3. Dividends

(1) Dividends paid

Resolution	Class of stock	Total dividend ('000 yen)	Dividend per share (yen)	Date of record	Payment date
January 27, 2006 Regular General Meeting of the Shareholders	Common stock	268,677	9.00	October 31, 2005	January 30, 2006
June 9, 2006 Board of Directors	Common stock	268,622	9.00	April 30, 2006	July 18, 2006

(2) Dividends for which the date of record falls in the current consolidated accounting fiscal year and the dividend payment date is in the following fiscal year

Resolution	Class of stocks	Total dividend ('000 yen)	Source of funds for dividend	Dividend per share (yen)	Date of record	Payment date
January 26, 2007 Regular General Meeting of the Shareholders	Common stock	295,732	Consolidated retained earnings	9.00	October 31, 2006	January 29, 2007

(Notes to the Consolidated Statements of Cash Flows)

<table>
<tr><th>Prior Consolidated Accounting Fiscal Year
(From November 1, 2004
To October 31, 2005)</th><th>Current Consolidated Accounting Fiscal Year
(From November 1, 2005
To October 31, 2006)</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 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
2. 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><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 18,398,312,000
Term deposits with a maturity longer than 3 months -
Items considered to be cash and equivalents 18,398,312,000
2. Details of major non-cash transactions
The amount of assets and liabilities related to installment transactions that are newly accounted for during this consolidated accounting fiscal year is ¥2,004,757,000 respectively.</td></tr>
</table>

(Notes for Leasing Transactions)

Prior Consolidated Accounting Fiscal Year (From November 1, 2004 To October 31, 2005)	Current Consolidated Accounting Fiscal Year (From November 1, 2005 To October 31, 2006)
1. Finance lease transactions except for leases that transfer ownership of the property to the lessee.	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) 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	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

Current Consolidated Accounting Fiscal Year:

	Acquisition price (¥'000)	Accumulated depreciation (¥'000)	Outstanding balance (¥'000)
Rental assets	39,777,357	17,228,654	22,548,702
Other assets	313,056	194,312	118,744
Total	40,090,413	17,422,966	22,667,447

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	(2) Outstanding balance of future lease payments at the end of the consolidated accounting fiscal year
Within one year 5,777,918,000	Within one year 6,355,705,000
After one year 17,311,719,000	After one year 15,869,153,000
Total 23,089,637,000	Total 22,224,858,000
(3) Amount of lease payments, depreciation expense and interest expense	(3) Amount of lease payments, depreciation expense and interest expense
Lease payments 6,569,358,000	Lease payments 6,471,623,000
Depreciation expense 5,959,692,000	Depreciation expense 5,912,597,000
Interest expense 772,799,000	Interest expense 677,257,000
(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	2. Operating leases Future lease payments
Within one year 1,664,503,000	Within one year 2,150,840,000
After one year 3,837,936,000	After one year 5,381,216,000
Total 5,502,439,000	Total 7,532,057,000

(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, 2005)			Current consolidated accounting fiscal year (As of October 31, 2006)		
		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	1,544,363	4,347,665	2,803,302	1,550,751	5,640,940	4,090,189
	(2) Bonds						
	a. Government bonds	–	–	–	–	–	–
	b. Corporate bonds	–	–	–	15,375	15,420	45
	c. Other	–	–	–	–	–	–
	(3) Other negotiable securities	10,200	10,624	424	–	–	–
	Subtotal	1,554,563	4,358,289	2,803,726	1,566,126	5,656,360	4,090,234
Negotiable securities whose balance on the consolidated balance sheet is less than the acquisition price	(1) Stocks	99,175	84,322	△14,853	81,230	74,019	△7,211
	(2) Bonds						
	a. Government bonds	–	–	–	–	–	–
	b. Corporate bonds	–	–	–	–	–	–
	c. Other	–	–	–	–	–	–
	(3) Other negotiable securities	988,278	959,460	△28,818	145,500	123,340	△22,160
	Subtotal	1,087,453	1,043,782	△43,671	226,730	197,359	△29,371
Total		2,642,016	5,402,071	2,760,055	1,792,856	5,853,719	4,060,862

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, 2004 To October 31, 2005)			Current Consolidated Accounting Fiscal Year (From November 1, 2005 To October 31, 2006)		
Selling amount	Total gain on sale	Total loss on sale	Selling amount	Total gain on sale	Total loss on sale
958,250	363,963	–	1,324,642	24,883	–

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, 2005)	Current consolidated accounting fiscal year (As of October 31, 2006)
	Amount shown on the consolidated balance sheet	Amount shown on the consolidated balance sheet
Other negotiable securities		
Unlisted stocks (excluding over-the-counter stocks)	239,050	229,400
Unlisted foreign bonds	–	–
Corporate bonds with warrants for new stock	–	–
Other	106,935	85,953

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, 2005)				Current consolidated accounting fiscal year (As of October 31, 2006)			
	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	–	–	–	–	–	–	15,420	–
c. Other	–	–	–	–	–	–	–	–
(2) Other negotiable securities	–	–	950,364	–	–	–	–	82,620
Total	–	–	950,364	–	–	–	15,420	82,620

（**Notes related to Derivative Transactions**）

1. Notes related to transaction conditions

Prior Consolidated Accounting Fiscal Year (From November 1, 2004 To October 31, 2005)	Current Consolidated Accounting Fiscal Year (From November 1, 2005 To October 31, 2006)
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

Prior Consolidated Accounting Fiscal Year (From November 1, 2004 To October 31, 2005)	Current Consolidated Accounting Fiscal Year (From November 1, 2005 To October 31, 2006)
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, 2005)

The Company had no material items to report.

Current consolidated accounting fiscal year (As of October 31, 2006)

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, 2005)	Current consolidated accounting fiscal year (As of October 31, 2006)
(1) Liability for accrued employees retirement benefit	△4,382,486	△4,702,213
(2) Pension assets	2,979,738	3,136,068
(3) Liability for unreserved accrued employees retirement benefit (1) ＋(2)	△1,402,748	△1,566,144
(4) Unamortized amount of the one-time valuation difference for change in accounting standards	–	–
(5) Unrecognized actuarial differences	△123,245	–
(6) Unrecognized past years' service obligation (reduction in liability)	–	△115,575
(7) Net liability shown on the consolidated balance sheet (3)＋(4)＋(5)＋(6)	△1,525,993	△1,681,719
(8) Prepaid pension expense	–	–
(9) Accrued employees retirement benefit (7)－(8)	△1,525,993	△1,681,719

(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, 2004 To October 31, 2005)	Current Consolidated Accounting Fiscal Year (From November 1, 2005 To October 31, 2006)
(1) Service costs	407,274	320,452
(2) Interest costs	91,621	84,390
(3) Expected return on plan investments (reduction)	95,571	114,322
(4) Write-off of past years' service liability expense	–	–
(5) Write-off of expense for actuarial based difference	112,060	14,446
(6) Amount of one-time valuation difference for change in accounting standards charged as an expense	–	–
(7) Employees retirement benefit expense	515,384	304,966
(8) Gain on return of entrusted portion of corporate Employee Welfare Pension Fund	–	–
TOTAL	515,384	304,966

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, 2005)	Current consolidated accounting fiscal year (As of October 31, 2006)
(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	—	—

(**Notes Related to Tax Effect Accounting**)

Prior Consolidated Accounting Fiscal Year (As of October 31, 2005)		Current Consolidated Accounting Fiscal Year (As of October 31, 2006)	
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	321,983,000	Amount in excess of limit for inclusion	135,080,000
Disallowance of deferred business taxes	54,003,000	Disallowance of deferred business taxes	102,760,000
Excess accrued employees retirement benefit	606,705,000	Excess accrued employees retirement benefit	670,548,000
Amount in excess of limit for retirement benefit	44,631,000	Amount in excess of limit for retirement benefit	52,202,000
Amount in excess of limit for accrued bonuses to employees	208,381,000	Amount in excess of limit for accrued bonuses to employees	208,963,000
Disallowance of excess depreciation	319,278,000	Disallowance of excess depreciation	280,174,000
		Impairment loss	240,205,000
Amount of loss carried forward	1,340,357,000	Amount of loss carried forward	1,347,600,000
Other	396,028,000	Other	453,341,000
Deferred tax asset subtotal	3,291,368,000	Deferred tax asset subtotal	3,351,731,000
Valuation reserve	△1,558,279,000	Valuation reserve	△1,401,531,000
Total deferred tax assets	1,733,089,000	Total deferred tax assets	1,811,055,000
Deferred tax liability		Deferred tax liability	
Valuation difference on other negotiable securities	1,115,062,000	Valuation difference on other negotiable securities	1,640,588,000
Net amount of deferred tax assets	618,027,000	Net amount of deferred tax assets	170,467,000
Disclosure item:		Disclosure item:	
Current assets - Deferred tax assets	318,999,000	Current assets - Deferred tax assets	391,803,000
Fixed assets - Deferred tax assets	302,238,000	Fixed assets - Deferred tax assets	—
Long-term liabilities	-3,209,000	Long-term liabilities	△221,336,000
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	40.4%	Statutory corporate tax rate	40.4%
(Adjustment)		(Adjustment)	
Local tax equalization	8.1%	Local tax equalization	2.7%
Items not included permanently in losses such as expense account	3.0%	Items not included permanently in losses such as expense account	1.2%
		Affect from application of asset impairment accounting for fixed assets	4.0%
Consolidated subsidiary losses	11.9%	Consolidated subsidiary losses	0.9%
Other	4.2%	Other	△0.3%
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	48.9%

(Business Segment Information)

1. Segment Information by Type of Business

Prior consolidated accounting fiscal year (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	251,464	—	—	251,464	343,103	594,568
Operating expenses	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

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.

Consolidated fiscal year under review (From November 1, 2005 to October 31, 2006)

(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	61,102,406	6,485,485	435,890	68,023,782	–	68,023,782
(2) Sales or transfers between related segments	–	–	–	–	–	–
Total	61,102,406	6,485,485	435,890	68,023,782	–	68,023,782
Operating expenses	57,289,724	6,441,515	404,783	64,136,023	△180,377	63,955,645
Operating income	3,812,682	43,970	31,106	3,887,758	180,377	4,068,136
II. Assets, depreciation expense and capital disbursements						
Assets	53,583,485	2,064,832	764,240	56,412,558	30,403,033	86,815,592
Depreciation expense	4,758,291	1,942	10,302	4,770,536	22,088	4,792,624
Capital disbursements	4,664,401	939,500	–	4,665,341	734,632	5,399,973

(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

3. The total amount for assets that were eliminated or included in the categories for all companies was ¥30,403,033,000 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.

Related party disclosures

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

Attribute	Name	Address	Capital or funding (Thousand yen)	Line of business or position	Percentage of voting rights owned (Indirect) (%)	Relationship		Details of transaction	Transaction amount (Thousand yen)	Account	Balance at end of consolidated fiscal year (Thousand yen)
						Concurrently serving as director etc.	Business relationship				
Director	Kiyoshi Onishi	–	–	Outside Corporate Auditor, Licensed tax accountant, Eiko Certified Public Tax Accountant's Corporation	–	–	–	Advisor compensation based on an agreement with certified public tax accountant corporation	2,400	–	–
Director	Kiyohiro Tsuji	–	–	Outside Corporate Auditor, Licensed tax accountant, Eiko Certified Public Tax Accountant's Corporation	–	–	–			–	–
Director	Akio Hashimoto	–	–	Outside Corporate Auditor, Attorney at law and President, Hashimoto and Okawa Godo Law Offices	–	–	–	Advisor compensation, other	3,443	–	–

(Notes) 1. The transaction amounts shown above do not include consumption tax.

2. Kiyoshi Onishi serviced as the Company's auditor from November 1, 2004 until January 27, 2005, and Kiyohiro Tsuji served as the Company's auditor from January 27, 2005 to October 31, 2005.

3. Terms of the transactions and the Company's policy for deciding terms of the translations
The Company sets the amount for advisor compensation to its tax accountants after reviewing the Company's terms and conditions for general transactions. The Company sets the amount for advisor compensation to its attorneys based on a monthly retainer of ¥100,000 plus additional amounts for other legal services that are determined by referring to the compensation provisions of the Sapporo Bar Association.

Current consolidated accounting fiscal year (From November 1, 2005 to October 31, 2006)

(1) Directors and individual large shareholders etc.

Attribute	Name	Address	Capital or funding (Thousand yen)	Line of business or position	Percentage of voting rights owned (Indirect) (%)	Relationship		Details of transaction	Transaction amount (Thousand yen)	Account	Balance at end of consolidated fiscal year (Thousand yen)
						Concurrently serving as director etc.	Concurrently serving as director etc.				
Director	Kiyohiro Tsuji	–	–	Outside Corporate Auditor, Licensed tax accountant, Eiko Certified Public Tax Accountant's Corporation	–	–	–	Advisor compensation based on an agreement with certified public tax accountant corporation	2,400	–	–
Director	Akio Hashimoto	–	–	Outside Corporate Auditor, Attorney at law and President, Hashimoto and Okawa Godo Law Offices	–	–	–	Advisor compensation, other	5,068	–	–
Company for which directors and relatives own the majority of voting rights in equity calculation	Kanamoto Capital Co., Ltd.	Chuo-ku, Sapporo, Japan	52,006	Real estate leasing agreement	Kanamoto's President and close relatives directly own 85.25% and indirectly own 2.83% of total outstanding shares	2	Ground lease	Lease of land for branch	1,200	Selling, general and administrative expenses	–

(Notes) 1. The transaction amounts shown in (1) above do not include consumption tax; consumption tax is included in the fiscal year-end balance.

2. Terms of the transactions and the Company’s policy for deciding terms of the translations

(1) The price for the sales transaction to the Company indicated above was determined by referring to market prices, and the payment terms are identical to the terms for other normal transactions.

(2) The Company makes its decisions on land leases and land sales based on the assessed value of a real estate appraiser and the price level of nearby similar properties.

(3) The Company sets the amount for advisor compensation to its tax accountants after reviewing the Company’s terms and conditions for general transactions. The Company sets the amount for advisor compensation to its attorneys based on a monthly retainer of ¥100,000 plus additional amounts for other legal services that are determined by referring to the compensation provisions of the Sapporo Bar Association.

(Per Share Information)

Prior Consolidated Accounting Fiscal Year (From November 1, 2004 To October 31, 2005)		Current Consolidated Accounting Fiscal Year (From November 1, 2005 To October 31, 2006)	
Net assets per share	¥1,120.76	Net assets per share	¥1,155.22
Net income per share of common stock	¥11.57	Net income per share of common stock	¥57.41
Net income per share of common stock after adjustment for potential ordinary shares	–	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. (Supplemental Information) Beginning from this consolidated accounting fiscal year, the Company has adopted the revised Accounting Standard for Earnings Per Share (Accounting Standards Board of Japan Statement No. 2 dated January 31, 2006 (revised 2006) and the Guidance on Accounting Standard for Earnings Per Share (ASBJ Guidance No. 4 dated January 31, 2006 (revised 2006). There are no material items to report as a result of this change.	

(Note) The basis for calculating consolidated fiscal year earnings per share and earnings per share after adjustment for potential ordinary shares is as follows.

(Unit: Thousands of yen)

	Prior Consolidated Accounting Fiscal Year (From November 1, 2004 To October 31, 2005)	Current Consolidated Accounting Fiscal Year (From November 1, 2005 To October 31, 2006)
Net income per share of common stock		
Net income	352,623	1,742,652
Amount not attributed to common stock shareholders	7,300	–
Net income related to common stock	345,323	1,742,652
Average number of outstanding shares during the fiscal year	29,856,334	30,357,093
Summary of latent stock not included in the calculation of consolidated fiscal year earnings per share on a fully diluted basis because it does not have a dilution effect	――――	――――

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

The Company had no material items to report.