Fiscal Year ending October 31, 2007

Financial Statements Bulletin

December 7, 2007

Listed Company Name **Kanamoto Company, Ltd.**
Company Code Number **9678**
Listing Exchanges **Tokyo Stock Exchange, Sapporo Stock Exchange**
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Date for Regular General Meeting of the Shareholders: January 29, 2008
Date for start of dividend payments: January 30, 2008
Date for submission of Annual Report: January 29, 2008

1. Consolidated Operating Results for the Fiscal year ended October 31, 2007

(Nov. 1, 2006 – Oct. 31, 2007)

(1) Consolidated Operating Results

(Numbers less than one million yen have been rounded down)
(Percentages show the change from the prior year)

	Revenues		Operating Income		Ordinary Income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended October 31, 2007	68,626	0.9	4,236	4.1	4,416	16.6
Fiscal year ended October 31, 2006	68,023	6.3	4,068	189.7	3,788	144.4

	Net Income		Net Income per Share of Common Stock	Net Income per Share on a Fully Diluted Basis
	Millions of yen	%	Yen	Yen
Fiscal year ended October 31, 2007	3,035	74.2	92.40	—
Fiscal year ended October 31, 2006	1,742	394.2	57.41	—

Notes 1. Investment profit or loss accounted for by the equity method
Fiscal year ended October 31, 2007 —
Fiscal year ended October 31, 2006 —

(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, 2007	85,155	39,937	46.9	1,216.98
Fiscal year ended October 31, 2006	86,815	38,051	43.7	1,155.22

Notes 1. Owners' equity and valuation and translation adjustments:
Fiscal year ended October 31, 2007 ¥39,973,000,000
Fiscal year ended October 31, 2006 ¥37,959,000,000

(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, 2007	4,479	- 1,427	- 4,237	17,213
Fiscal year ended October 31, 2006	8,414	- 489	- 3,635	18,398

2. Dividends

	Interim Dividend per Share of Common Stock	Year-end Dividend per Share of Common Stock	Full-year Dividend per Share of Common Stock
	Yen	Yen	Yen
Fiscal year ended October 31, 2006	9.00	9.00	18.00
Fiscal year ended October 31, 2007	9.00	11.00	20.00
Fiscal year ended October 31, 2008 (projected)	10.00	10.00	20.00

Fiscal year ended October 31, 2007 breakdown of dividend special dividend 2.00Yen

3. Projected Consolidated Operating Results for the Fiscal Year Ending October 31, 2008

(November 1, 2007 - October 31, 2008)

(Percentages show the change from the prior year)

	Revenues		Operating Income		Ordinary Income		Net Income		Net Income per Share of Common Stock
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Interim period	37,500	3.5	3,400	- 1.1	3,300	- 3.6	1,800	- 24.4	54.80
Full year	71,900	4.8	4,600	8.6	4,400	- 0.4	2,300	- 24.2	70.02

4. Other

(1) Changes to material subsidiaries during the period (transfer of specified subsidiaries in conjunction with revision to scope of consolidation)? No

(2) Changes to accounting principles, procedures and reporting method pertaining to preparation of the consolidated financial statements (matters described in the Changes in Important Matters Used as the Basis for Preparation of the Consolidated Financial Statements)

(a) Changes accompanying revisions to accounting standards etc.? No

(b) Changes other than those in (a)? No

(3) Number of shares issued (common stock)

(a) Number of shares issued and outstanding at end of period (including treasury stock)

Fiscal year ended October 31, 2007 32,872,241 shares

Fiscal year ended October 31, 2006 32,872,241 shares

(b) Number of shares of treasury stock at end of period

Fiscal year ended October 31, 2007 25,725 shares

Fiscal year ended October 31, 2006 13,123 shares

(Reference) Summary of Company Interim Operating Results

1. Operating Results for the Fiscal year ended Octber 31, 2007

(November 1, 2006–October 31, 2007)

(1) 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, 2007	61,576	1.4	4,012	8.0	4,372	16.9
Fiscal year ended October 31, 2006	60,753	6.2	3,715	143.4	3,739	90.7

	Net Income		Net Income per Share of Common Stock	Net Income per Share of Common Stock Fully Diluted
	Millions of yen	%	Yen	Yen
Fiscal year ended October 31, 2007	3,431	99.5	104.44	—
Fiscal year ended October 31, 2006	1,720	182.4	56.67	—

(2) 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, 2007	82,902	40,787	49.2	1,241.77
Fiscal year ended October 31, 2006	83,514	38,376	46.0	1,167.90

Notes 1. Owners' equity and valuation and translation adjustments:

Fiscal year ended October 31, 2007 ¥40,787,000,000
Fiscal year ended October 31, 2006 ¥38,376,000,000

2. Projected Operating Results for the Fiscal Year Ending October 31, 2008

(November 1, 2007 - October 31, 2008)

(Percentages show the change from prior year)

	Revenues		Operating Income		Ordinary Income		Net Income		Net Income per Share of common stock
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Interim period	32,100	- 1.1	3,100	1.0	3,000	- 6.1	1,600	- 31.0	48.71
Full year	61,700	0.2	4,300	7.2	4,100	- 6.2	2,200	- 35.9	66.98

<u>Note: Explanation concerning appropriate use of the projected operating results and other items to note</u>

The projected operating results 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 Operating Results

(1) Analysis of operating results

a) Summary of consolidated fiscal year operating results

During the consolidated fiscal year under review, corporate earnings turned in a remarkable recovery centered on major corporations and export-oriented firms. Although Japan's economy appeared to maintain its gradual expansion when viewed based solely on macroeconomic indicators such as the increase in land values in major metropolitan areas, this growth did not extend to most other regions. In addition to the subprime loan problem in the United States, which gradually worsened after June, other factors such as the sharp jump in the price of crude oil, the appreciation of the yen and the weak dollar put pressure on corporate earnings, casting a pall over economic conditions as a whole. Personal consumption generally remained sluggish as well, as firms held the line on wage levels and the cost of living rose under the influence of the sudden rise in oil prices.

On the other hand construction demand, which is related to the main business of the Kanamoto group, continued to suffer from difficult conditions. Although demand was vigorous in and around major metropolitan areas because of private sector capital investment, which reflected the recovery in corporate operating results and rising land prices, conditions in the majority of Japan's prefectures remained severe, because the public and private sector demand that drives local economies remained elusive. In particular, rental demand lacked its typical upsurge after August, a change that originated in factors such as the ongoing reduction in public works in regional areas and the postponement of work ordering periods. Even the number of new private residences being built, which had been the one segment to maintain a steady pace, fell because of a real decline in personal income and higher raw material prices. New housing starts also experienced substantial delays as more time was required for approvals of applications for building confirmation in conjunction with implementation of the revised Building Standard Law.

Given the above, the Company continued to confront a management environment that was less than ideal. Nevertheless, by concentrating on uncovering new demand, the Kanamoto group achieved steady growth in rental revenues, Furthermore, equipment sales in the construction equipment business exceeded the Company's initial plan, as the quantity of used construction equipment sold soared because of a worldwide construction equipment shortage. As a result, operating results on the whole improved compared with results of the previous consolidated fiscal year.

From an earnings perspective, operating income, ordinary income and net income all exceeded Kanamoto's initial projection and the actual results for the previous consolidated fiscal year, as the Company steadily realized the effects of measures to improve the operating efficiency of rental equipment assets and lessen the depreciation burden, as outlined in the Company's long-term management plan, and successfully managed the collaboration among the entire Kanamoto group.

As a result, revenues for the consolidated fiscal year ended October 31, 2007 edged upward 0.9% from the previous consolidated fiscal year level to ¥68,626 million, operating income rose 4.1% year-on-year to ¥4,236 million and ordinary income increased 16.6% compared with the previous consolidated fiscal year to ¥4,416 million. Because the Company accounted for the gain from reversal of accrued employees retirement benefits of ¥845 million in conjunction with a revision to Kanamoto's pension system as extraordinary profits on the non-consolidated and consolidated statements of income, net income increased 74.2% from the previous consolidated fiscal year to ¥3,035 million.
A summary of operating results for each of the Company's businesses, and business development issues deserving special mention, are described below.

[Fiscal Year ended October 31, 2007 Operating Results]

(Million yen; % change from prior year)

		Revenues		Operating income		Ordinary income		Net income	
Consolidated	Year under review	68,626	0.9	4,236	4.1	4,416	16.6	3,035	74.2
	Prior year	68,023	6.3	4,068	189.7	3,788	144.4	1,742	394.2
Non-consolidated	Year under review	61,576	1.4	4,012	8.0	4,372	16.9	3,431	99.5
	Prior year	60,753	6.2	3,715	143.4	3,739	90.7	1,720	182.4

b) Summary of consolidated fiscal year operating results by business segment

[Business related to the Construction Equipment Rental Division]

In the construction-related businesses of the entire Kanamoto group, revenues and earnings were both higher. For the consolidated fiscal year under review, consolidated revenues increased 3.2% from the previous consolidated fiscal year to ¥63,072 million, and operating income rose 6.4% year-on-year to ¥4,054 million.

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

In addition to devoting maximum efforts to ensuring it did not lose any opportunities to support construction projects in the engineering works sector where it excels, Kanamoto sought to offset the decline in public works through efforts to develop new customers. This included aggressive sales efforts to secure private sector construction demand. As a result, during the second half of the fiscal year the Company ensured growth compared with the same period of the previous fiscal year, despite the presence of negative factors such as the sudden rise in the price of crude oil and delays for approvals of applications for building confirmation in conjunction with implementation of the revised Building Standard Law.

By region, non-consolidated construction equipment rental net revenues increased 3.8% compared with the previous fiscal year in the Hokkaido Region, where the Company was successful in marketing to private sector demand, and rose 1.2% year-on-year in the Tohoku Region, an area where the Company achieved large increases in market share until the previous fiscal year. In the Kanto & Shinetsu Region, net revenues fell 1.1% from the level of the previous fiscal year because construction work scheduled to begin on a large project was significantly delayed. In the Kinki & Chubu Region, net revenues grew 6.2% year-on-year as sales in both the Tokai district and Kansai exceeded the prior year levels during the latter half of the fiscal year. As a result, non-consolidated rental revenues for Kanamoto's Construction Equipment Rental Division rose 1.9% from the previous fiscal year to ¥42,234 million. The percentage of revenues accounted for by Hokkaido and by Honshu and other regions was 35.7% and 64.3%, respectively.

In addition, non-consolidated revenues from sales were including the results from the Company's "Customer Thanks Fair" equipment exhibition and sale, while used construction equipment sales jumped 22.3% year-on-year as a result of vigorous overseas demand. Total non-consolidated net sales for the Construction Equipment Rental Division increased 11.2% from the previous fiscal year, to ¥13,788 million. As a result, total operating revenues for the Construction Equipment Rental Division were ¥56,022 million, 4.1% higher than in the previous fiscal year.

During the consolidated fiscal year under review, Kanamoto established six new branches and closed one branch. As a result, at the end of the business period Kanamoto had 152 branches.

Newly opened branches: Chiba Shinminato Branch (Chiba City, Mihama Ward), Higashidori Branch (Higashidori, Shimokita-gun, Aomori Prefecture), Hiroshima Branch (Hiroshima, Asaminami Ward), Kanazawa Branch (Kanazawa City, Ishikawa Prefecture), Itoigawa Branch (Itoigawa City, Niigata Prefecture), Asahikawa Ichijo-dori Higashi Branch (Asahikawa City, Hokkaido)

Branch closed: Ojiya Branch (Ojiya City, Niigata Prefecture)

< Consolidated subsidiaries >

Daiichi Kikai Co., Ltd. increased revenues 5.4% compared with the previous consolidated fiscal year. Although the company's construction equipment rentals were sluggish following completion of the first phase of disaster relief work, sales of items such as used modular housing units remained strong. Operating income fell 53.7% from the previous consolidated fiscal year because of the capital investment burden related to the opening of a new branch.

SRG Kanamoto Co., Ltd. enjoyed robust demand for temporary scaffolding for construction of condominiums in the Sapporo area and for maintenance work. Revenues expanded 17.5% from the previous consolidated fiscal year. Although this company projected positive operating income for the year, higher operating expenses resulted in a loss of ¥12 million. Nevertheless, this was an improvement of ¥4 million compared with the previous consolidated fiscal year.

With the success of new business activities it initiated during the consolidated fiscal year under review, **Assist Co., Ltd.** absorbed the increased burden caused by rental asset purchases and boosted revenues 4.2% over the previous consolidated fiscal year. Operating income increased 13.0% year-on-year.

At **Kanki Corporation**, which is restructuring its management, revenues were 7.0% lower than in the previous consolidated fiscal year. Although the company zealously focused management resources on securing construction equipment rental demand in Hyogo Prefecture, were sales have been slow, this failed to compensate for the decline in the subcontracting division, where the volume of work has been shrinking. The company posted an operating loss, reflecting the cost burden from greatly enhancing its rental equipment assets and establishing a new branch.

Kanatech Co., Ltd. posted a 3.0% drop in revenues compared with the previous consolidated fiscal year and 30.0% decline year-on-year in operating income, as a result of changing its accounting method during the consolidated fiscal year under review for the stocking of raw materials for cooperating manufacturing firms.

[Business related to the Steel Sales Division]

Despite strong demand in Hokkaido for steel frame materials for private sector construction as well as steel for telecommunications towers, demand softened after April. Factors included the implementation of new height limits on buildings in Sapporo (height restricted districts), a slowdown in condominium construction and lower revenues from work to heatproof, weatherproof and waterproof roofing. As a result, revenues slipped 21.0% compared with the previous consolidated fiscal year to ¥5,120 million, and the division posted an operating loss of ¥10 million.

[Business related to the Information Products Division and Other Businesses]

Rental revenues for the Information Products Division grew 5.7% compared with the previous consolidated fiscal year, reflecting aggressive efforts to develop new products and meet short-term spot demand and the absorption of price declines on hardware. On the other hand, despite steady sales of used devices, sales of new products declined 40.5% from the level of the previous consolidated fiscal year because the division could not respond to remarkable price cutting for new products. Revenues for the entire division slipped 0.4% year-on-year to ¥434 million, and operating income increased 1.7% from the previous consolidated fiscal year to ¥31 million.

(2) Analysis concerning financial position

a) Summary of consolidated fiscal year operating results

(Millions of yen)

	FY Ended October 2006 (Previous Consolidated Fiscal Year)	FY Ended October 2007 (Consolidated Fiscal Year Under Review)	% Change
Cash flow from operating activities	8,414	4,479	- 3,934
Cash flow from investing activities	- 489	- 1,427	- 937
Cash flow from financing activities	- 3,635	- 4,237	- 601
Increase (decrease) in cash and equivalents	4,289	- 1,184	- 5,473
Balance of cash and equivalents at beginning of period	14,108	18,398	4,289
Balance of cash and equivalents at end of the period	18,398	17,213	- 1,184

Cash and cash equivalents on a consolidated basis (referred to below as “cash”) at the end of the consolidated fiscal year under review were ¥17,213 million. This was ¥1,184 million lower than at the end of previous consolidated fiscal year. Cash flows for the consolidated fiscal year under review are discussed below.

(Cash flow from operating activities)

Cash generated as a result of operating activities was ¥4,479 million yen, a decrease of ¥3,934 million from the previous consolidated fiscal year.

Despite factors that served to increase cash flow from operating activities, such as the substantial increase in income before taxes and adjustments, this result mainly reflected the large increase in funds used to decrease of accounts payable, trade, substantially higher payments of corporate and other taxes, and the gain on reversal of accrued employees retirement benefits.

(Cash flow from investing activities)

Cash flow utilized as a result of investing activities decreased ¥937 million from the same period of the previous consolidated fiscal year to (¥1,427) million.

Although funds provided from the sale of tangible fixed assets doubled, this result mainly reflected factors that served to reduce cash flow provided by investing activities, including a large increase in funds used for the purchase of non-consolidated subsidiary stock and a much smaller amount of funds provided from sale of investment securities.

(Cash flow from financing activities)

Cash flow used as a result of financing activities decreased ¥601 million from the previous consolidated fiscal year to (¥4,237) million.

This mainly reflected an increase in funds provided by long-term bank loans, and the fact that in contrast to the previous consolidated fiscal year, during the consolidated fiscal year under review the Company did not have any funds provided by issuance of stock.

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

	FY Ended October 2004	FY Ended October 2005	FY Ended October 2006	FY Ended October 2007
Shareholders' equity ratio (%)	36.7	40.8	43.7	46.9
Shareholders' equity ratio on a market capitalization basis (%)	18.1	26.6	32.0	41.3
Years to repay debt	6.3	3.3	3.5	6.4
Interest coverage ratio (times)	13.4	24.5	21.0	11.9

(Notes) Shareholders' equity ratio: Shareholders' equity / Total assets

Shareholders' equity ratio on a market capitalization basis: Shareholders' equity on a market capital 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

As tremors from the subprime loan problem in the United States spread, and the global flow of money functioned less efficiently, a shadow continues to fall across the real economy, as evidenced by reactions such as the drop in stock prices in Japan. In addition, higher raw material prices, led by the sharp climb in crude oil prices and supported by the strong yen-weak dollar trend, have begun putting pressure on manufacturing earnings, and the cost of goods connected directly with people's daily lives, including fuel and food products, are gradually pushing upward and putting a damper on personal consumption. In Japan, issues of particular concern are the growing economic disparity between major metropolitan areas and other regions, and the deteriorating management environment surrounding small and medium-sized firms.

Turning to the main businesses of the Kanamoto group, as long as the current central and local government policies are continued, the downward trend in local public works discussed earlier can be expected to continue into the next fiscal year in response to the weakness of local economies. In addition, delays in construction starts of properties can be noted in many instances because of strict application of the revised Building Standard Law, which encompasses revised anti-earthquake regulations. Although more normal conditions appear set to return in the near future because the Ministry of Land, Infrastructure and Transport has eased regulations somewhat, this situation is expected to have a significant impact on construction equipment rental businesses, which has one foot firmly placed in the construction sector. For Kanamoto, the affect is expected to be limited because a large proportion of the Company's business is related to civil engineering works.

With regard to used construction equipment sales, on the other hand, used construction equipment demand is vigorous worldwide despite concerns about a slump in construction equipment demand in the U.S. because of the subprime loan problem. The affect of the U.S. demand trend on used construction equipment that Kanamoto in particular sells is believed to be minimal under current conditions, because Kanamoto mainly ships used equipment to China, Southeast Asia and the Middle East.

While the decrease in the amount of domestic construction investment is a negative factor for the construction equipment rental business that is Kanamoto's main business, to some extent this is offset by the accelerating dependence on rentals for equipment used at construction sites as the construction industry continues its efforts to rationalize. Furthermore, for Kanamoto there still are regions within Japan where the Company has yet to open branches and develop its business. There remains substantial room to advance into the Tokyo metropolitan area in particular, the market where the greatest domestic demand is anticipated. In addition there is room to substantially increase earnings, including new support for large-scale projects that involve ground improvement works, for example, which enable Kanamoto to take maximum advantage of its size, as well as the event rental sector that Kanamoto is gradually expanding. The Company will strive to develop these businesses in close cooperation with each affiliated company.

In addition, Shanghai Jinheyuan Equipment Rental Co., Ltd., which opened for business in Shanghai, China, is off to a good start. In conjunction with Kanamoto's strong used construction equipment sales, the Company will seek to achieve robust expansion of its overseas operations.

The Company's earnings projection for the fiscal year ending October 2008 is shown in the table below.

Fiscal year ending October 2008 Projected Operating Results (November 1, 2007 -October 31, 2008)

(Million yen, except for net income per share which is in yen)

		Revenues	Operating income	Ordinary income	Net income	Net income per share of common stock
Consolidated	Full year	71,900	4,600	4,400	2,300	70.02
	Current period results (FY Ended Oct. 2007)	68,626	4,236	4,416	3,035	92.40
Non-consolidated	Full year	61,700	4,300	4,100	2,200	66.98
	Current period results FY Ended Oct. 2007	61,576	4,012	4,372	3,431	104.44

Fiscal year ending October 2008 Projected Financial Position (November 1, 2007 -October 31, 2008)

(Cash flow from operating activities)

Cash flow from operating 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 from investing activities)

Cash flow from 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 from financing activities)

Cash flow from financing 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.

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 approximately the same as the balance at the end of the consolidated fiscal year under review.

(4) Basic policies concerning distribution of earnings and current period dividends

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. The Company has set a dividend payout ratio objective of at least 30%, tempered for earnings conditions.

With regard to the dividend for the business period under review, in light of operating results for the consolidated fiscal year ended October 2007, the Company proposes to increase the year-end dividend per share by paying a special dividend of ¥2 per share in addition to the regular dividend per share of ¥9, bringing the dividend for the entire consolidated fiscal year under review to ¥20 per share (This proposal requires the approval of the Regular General Meeting of the Shareholders, which will be held in January 2008. This proposal was previously reported in the press release dated September 20, 2007).

The Company will utilize 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, and for enhancing shareholders' equity.

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

(5) Special benefits plan for shareholders

As already reported on September 20, 2007, in 2008 Kanamoto will celebrate the tenth anniversary of the elevation of the Company's stock to the First Section of the Tokyo Stock Exchange, and will take advantage of this occasion to establish a special benefits plan for shareholders. Shareholders owning at least 1,000 shares who are described or recorded in the Register of Shareholders and List of Beneficial Shareholders as of October 31 (Date of Record) of each year will be able to choose their preferred items with a value equivalent to 3,000 yen from among fresh products from Hokkaido, the birthplace of Kanamoto, displayed in the *Select for You* shopping catalog published by Hokuren.

The first year of the special benefits plan will be the consolidated fiscal year ended October 2007, and the Company plans to enclose the catalog with its annual report for the 43rd Business Period.

(6) 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 point in time.

a) 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.

b) 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 begins. 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).

c) 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 large changes in short-term interest rates.

d) 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. There is a possibility the operating results and financial position of the Kanamoto group might be negatively affected if the discount rate declines further or the yield on investments deteriorates. Beginning from the consolidated fiscal year under review, Kanamoto has adopted the cash balance system, and the Company will seek stabilization of the projected benefit obligation and costs by offsetting the change in the projected benefit obligation and costs as a result of the discount rate and change in projected benefits amount.

e) 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.

II Current Conditions of the Company's Group

The Kanamoto Company group (Kanamoto and its affiliated companies) has organized its principal business activities around "businesses related to the Construction Equipment Rental Division" that are engaged in the rental and sale of construction equipment and construction-related equipment parts, "businesses related to the Steel Sales Division" that sell materials for construction such as steel products, and "businesses related to the Information Products Division and Other Businesses" that rent and sell computers including workstations and PC servers and computer peripheral equipment. The group is comprised of the parent company, five consolidated subsidiaries and six non-consolidated subsidiaries. There are no companies that apply equity method accounting to non-consolidated subsidiaries.
An explanation of the business activities and position of each company in the Kanamoto group, and the relationships to the group's segments by business category, 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) and **Kanki Corporation** (a consolidated subsidiary) 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.

Assist Co., Ltd. (a consolidated subsidiary) and **Comsupply Co., Ltd.** (a non-consolidated subsidiary) are engaged in the rental and sale of furniture and fixtures and safety products, and **SRG Kanamoto Co., Ltd.** (a consolidated subsidiary) rents and sells temporary materials for construction use. The Company borrows rental assets from SRG Kanamoto Co., Ltd., Assist Co., Ltd. and Comsupply Co., Ltd. as needed to rent to other companies.

Kanatech Co., Ltd. (a consolidated subsidiary) sells modular housing units for temporary use. **Flowtechno Co., Ltd.** (a non-consolidated subsidiary), is engaged in the technical development, manufacture and sale of construction equipment for ground improvement works. Kanamoto purchases modular housing units for temporary use and construction equipment for ground improvement from these two companies as needed to rent to its own customers.

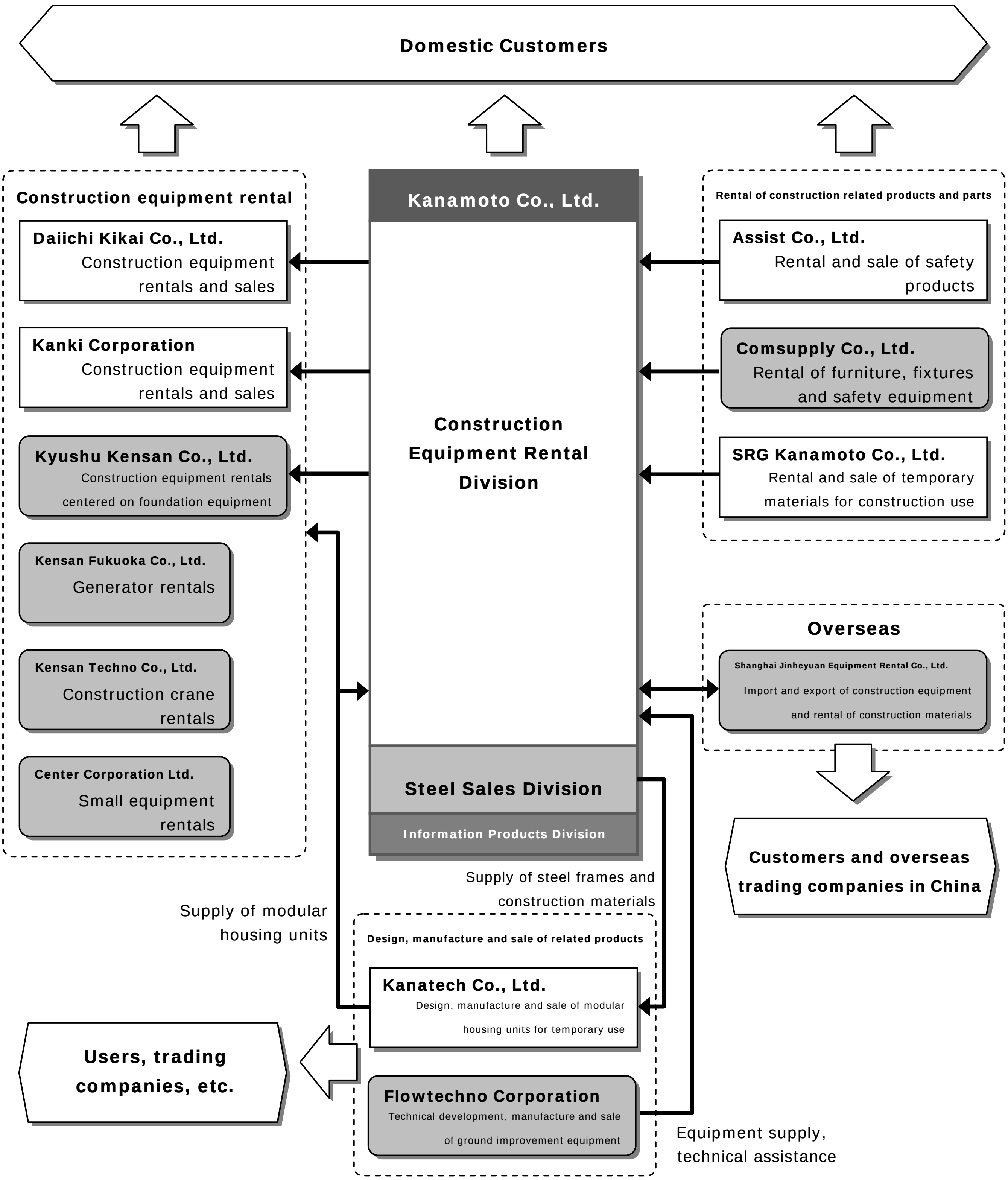
Furthermore, in February 2007 Kanamoto acquired the majority of the outstanding shares of **Kyushu Kensan Co., Ltd.**, and made the company and its company group firms subsidiaries of Kanamoto. This group of firms, which is composed of Kyushu Kensan Co., Ltd., Kensan Fukuoka Co., Ltd., Kensan Techno Co., Ltd. and Center Corporation Ltd., is engaged in the rental and sale of construction equipment in northern Kyushu (all four companies are non-consolidated subsidiaries). Kyushu Kensan borrows rental equipment assets from Kanamoto as needed in order to meet its customer demand.

Similarly, **Shanghai Jinheyuan Equipment Rental Co., Ltd.**, an affiliated company established in February 2007 through a joint venture with a Chinese firm and the first overseas expansion of the Kanamoto group, is engaged in the rental and sale of construction equipment and tools and the import and export of construction materials.

[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 business.

[Businesses related to the Information Products Division]
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.

The companies and activities described above are shown in the following diagram illustrating their operating businesses relationships.



(Notes)

(1) There are no non-consolidated subsidiaries to which equity method accounting is applied.

(2) Consolidated subsidiaries are indicated by white boxes, and non-consolidated subsidiaries are shown in grey boxes. Dotted lines indicate the companies that are grouped in the same business classification

(3) Arrows indicate business transactions. For details please see the text on the previous page.

III Management Policies

1) Basic policies concerning the Company's business management

The Kanamoto group believes that seeking innovation, maintaining a dynamic corporate culture and continually pushing businesses forward, by regarding "customers' interests as Kanamoto's interests," is the best way to meet the expectations of shareholders and group stakeholders and ensure earnings growth. Through this philosophy, Kanamoto practices group management with the objective of being a corporate group that can make a valuable and tangible contribution to society.

2) Management indicators established as objectives

Because the Kanamoto group's core operations in the construction equipment rental business require a substantial capital investment burden, which necessitates a profit and loss outlook extending over several years, 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).

Kanamoto has positioned the consolidated fiscal year ending in October 2008, the final year of the Company's long-term management plan "Metamorphose" (November 2003 through October 2008) as the year to pass the growth baton to the new long-term management plan that will begin in November 2008 (November 2008 through October 2013), and Kanamoto will continue to adhere firmly to its revenue growth and increased earnings focus. Nevertheless, the period of the new long-term plan will be a period of various critical changes. These include extremely uncertain construction demand, the increasing severity of competition among firms, trends in rental unit prices, the direction for regional strategy including branch expansion, and the necessity of pursuing a capital investment strategy to strengthen the Company's lineup of models that comply with the Tier III emissions regulations, while taking into consideration the Company's response to changes in the accounting system, including the introduction of a lease accounting system from the next consolidated fiscal year. Depending on the Company's response to these factors, the outlook will vary, and the Company therefore has set prudent numerical targets.

(Millions of yen, except earnings per share which are in yen)

		New objectives for the FY ending October 2008
Consolidated operating results	Revenues	71,900
	Ordinary income	4,400
	Earnings per share	¥70.02
Non-consolidated operating results	Revenues	61,700
	Ordinary income	4,100
	EBITDA+	19,435

3) Medium to long-term corporate management strategies

Kanamoto's long-range management plan "Metamorphose" (November 2003 through October 2008) enabled the Company to achieve appropriate operating results, and at the same time clarified the issues confronting Kanamoto, including the fact the Company did not progress as far as planned in its branch development and hiring of human resources in the Tokyo metropolitan area.

With regard to its new long-term management plan beginning in November 2008, the Company is now finalizing the measures it will pursue. Kanamoto will continue addressing the various problems it has identified as quickly as possible, and seek to promote a group management strategy that enables each company in the Kanamoto group to practice earnings-focused management and creates a corporate group capable of further improving operating performance and earning a positive evaluation from the market.

a) Enhance the earnings-focused rental equipment asset portfolio (asset optimization strategy)
Together with continuing to optimize asset management periods by replacing rental assets with the latest emissions-controlled models and lengthening rental periods, the Company will seek to increase the accuracy of its optimal asset portfolio and increase profit margins through measures such as strengthening its emphasis on equipment boasting high returns.

b) Expand base network in the Tokyo metropolitan area and advance into regions where the Company does not yet have branches
The Company has put its priority on establishing new branches in the Tokyo metropolitan area and regions surrounding other large cities. Furthermore, in its approach to areas where it does not have branches, the Kanamoto group is aggressively promoting more rapid expansion of its business area through M&A and alliances, while taking into consideration local conditions in markets where it will expand, rather than simply establishing new branches. The Kanamoto group has positioned M&A as one growth engine for the future.

c) Strengthen activities in the Regional Special Procurement Sales Division
The Regional Special Procurement Sales Division, which is responsible for opportunities such as large-scale projects, pursues business cooperation that extends across regions and individual firms, and this approach has gradually taken root and generated positive results. In many cases this is linked to long-term, large-scale rentals for work such as the ground improvement MITS technique, the SDI technique for large-scale concrete structure maintenance, and repair works in cooperation with Flowtechno Corporation, a member of the Kanamoto group, and to unusual equipment utilized for major projects. Because these activities make a considerable contribution to revenues and earnings, the Company will strengthen the activities of this division in the future.

d) Build a powerful marketing organization and alliance group where customers are always Number One
While Kanamoto has continued to gradually increase the number of agreements with various local governments for responding to urgent requests following a disaster, the Company seeks to be a firm that is strongly rooted in its local communities from many aspects, not merely through countermeasures against natural disasters. The Company is building a community-based sales and marketing organization that can increase synergistic effects and take maximum advantage of corporate scale, not only for Kanamoto but for customer firms and local governments as well, through cooperation with Kanamoto group companies and alliance firms that cover Japan from Hokkaido to Okinawa.

e) Pursue overseas development
Shanghai Jinheyuan Equipment Rental Co., Ltd., an affiliated company established in February 2007 through a joint venture with a Chinese firm and the first overseas expansion of the Kanamoto group, has achieved a smooth start centered on the construction equipment rental business. In the future this firm will focus on meeting local needs, developing proactive sales and building a solid foundation for its business. On the other hand, as used equipment is exported through buyers to countries around the world, Kanamoto's used construction equipment sales are gradually increasing the reputation of Kanamoto in various countries, and Kanamoto will continue its efforts to increase such used equipment sales.

f) Develop new rental products and new businesses
The New Products Office, which has the objective of uncovering new rental products that meet customers' needs, has achieved steady results with products such as equipment for the event rental business. Kanamoto will continue its efforts to provide side support to the sales departments in the future.

4) Issues to be addressed by the Company

The environment surrounding the Company remains severe, with many public works projects facing an uncertain future because of stringent local finances. Competition among construction equipment rental firms is becoming more aggressive, and the industry faces a period when management will be challenged across the full range of marketing, sales, finance and management capabilities, with many firms expected to shutter their doors. The issue for Kanamoto will be to continue focusing on nationwide development, expanding its businesses and realizing a solid foundation for earnings, while continuing to strengthen customers' ties with the Company and responding appropriately to new sectors. Kanamoto will build a strong sales and marketing organization by successfully addressing each of the following issues.

a) 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.

b) Emphasize group management and strengthen alliances

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

c) Reinforce Kanamoto's financial strategy

Kanamoto is taking steps to further enhance funds procurement flexibility, while giving consideration to equipment plans including 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 by incorporating measures such as the liquidation of assets.

d) Continue to reduce costs

Because of the sharp rise in the price of crude oil, asset introduction costs are increasing. The Company will seek to maintain asset value by introducing assets based on the thorough use of benchmarks and optimize asset maintenance costs based on its rental assets operating policies.

e) Compliance and internal controls

To create an organization that is aligned with society's demands, Kanamoto has prepared ethical standards, a code of conduct and a compliance manual. The Company works to ensure every individual is thoroughly familiar with these guidelines, and manages its organization in accordance with these materials. Moreover, Kanamoto has reaffirmed its management processes for maintaining reliable and trusted financial reporting, and is proceeding with tests of the operation of these new processes, with the goal of beginning their actual application on November 1, 2008.

At each group company as well, Kanamoto is directing the development of systems similar to the Company's as quickly as possible, providing guidance to ensure the systems will operate as intended, and working to ensure a group-wide organization for observing all laws is in place.

IV Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Unit: Thousands of yen)

Classification	Notes	Prior Consolidated Accounting Fiscal Year (As of October 31, 2006) Amount		Percent	Current Consolidated Accounting Fiscal Year (As of October 31, 2007) Amount		Percent	Change from prior year
(Assets)								
I Current assets								
1. Cash and deposits			18,398,312			11,913,890		- 6,484,421
2. Notes and accounts receivable, trade	*4		14,959,325			14,239,136		- 720,189
3. Negotiable securities			—			5,300,000		5,300,000
4. Inventory			560,203			533,600		- 26,602
5. Construction equipment			1,193,669			1,010,645		- 183,023
6. Deferred tax assets			391,803			360,573		- 31,230
7. Other			752,572			457,321		- 295,251
Allowance for doubtful accounts			- 523,650			- 488,905		34,745
Total Current Assets			35,732,235	41.2		33,326,262	39.1	- 2,405,973
II Fixed assets								
1. Tangible fixed assets								
(1) Rental equipment assets		37,784,220			37,567,171			
Accumulated depreciation		28,426,025	9,358,195		28,044,139	9,523,031		164,836
(2) Buildings and structures		16,561,916			17,151,855			
Accumulated depreciation		9,930,025	6,631,891		10,480,334	6,671,521		39,630
(3) Machinery, equipment, vehicles and delivery equipment		4,322,961			4,415,336			
Accumulated depreciation		3,602,186	720,775		3,665,003	750,333		29,557
(4) Land			25,906,130			26,268,316		362,186
(5) Construction in progress			246,544			46,172		- 200,371
(6) Other		1,126,604			1,115,602			
Accumulated depreciation		866,704	259,900		876,638	238,963		- 20,936
Total Tangible Fixed Assets			43,123,437	49.7		43,498,339	51.1	374,901
2. Intangible fixed assets								
(1) Goodwill	*5		395,109			275,797		- 119,311
(2) Other			141,585			137,516		- 4,069
Total Intangible Fixed Assets			536,695	0.6		413,314	0.5	- 123,381
3. Investments and other assets								
(1) Investment securities	*1		6,224,097			6,610,180		386,083
(2) Other			1,874,002			2,070,164		196,162

Allowance for doubtful accounts			- 674,876			- 762,464		- 87,587
Total Investments and Other Assets			7,423,223	8.5		7,917,880	9.3	494,657
Total Fixed Assets			51,083,356	58.8		51,829,534	60.9	746,178
Total Assets			86,815,592	100.0		85,155,797	100.0	- 1,659,794

		Prior Consolidated Accounting Fiscal Year (As of October 31, 2006)			Current Consolidated Accounting Fiscal Year (As of October 31, 2007)			Change from prior year
Classification	Notes	Amount		Percent	Amount		Percent	
(Liabilities)								
I Current liabilities								
1. Notes and accounts payable, trade			12,419,337			11,292,635		- 1,126,702
2. Short-term bank loans			497,704			330,000		- 167,704
3. Long-term bank loans due within one year			10,077,496			8,972,356		- 1,105,140
4. Corporate taxes payable			1,365,479			1,449,478		83,998
5. Accrued bonuses to employees			511,737			552,926		41,189
6. Accrued bonuses to directors and auditors			5,500			—		- 5,500
7. Accounts payable, other			2,676,023			2,346,872		- 329,151
8. Other			1,017,823			642,568		- 375,254
Total Current Liabilities			28,571,100	32.9		25,586,836	30.1	- 2,984,263
II Long-term liabilities								
1. Long-term bank loans			16,031,111			15,718,705		- 312,406
2. Accrued employees retirement benefits			1,681,719			935,980		- 745,738
3. Retirement allowances to directors and auditors			129,214			132,633		3,419
4. Long-term accrued expenses			2,107,836			2,486,318		378,481
5. Other			242,843			321,805		78,961
Total Long-term Liabilities			20,192,724	23.3		19,595,442	23.0	- 597,281
Total Liabilities			48,763,825	56.2		45,182,279	53.1	- 3,581,545
(Net Assets)								
I Owners' equity								
1 Paid-in capital			9,696,717	11.2		9,696,717	11.4	—
2 Capital surplus			10,960,869	12.6		10,960,869	12.9	—
3 Earned surplus			14,889,638	17.2		17,333,642	20.4	2,444,003
4 Treasury stock			- 6,303	- 0.1		- 19,784	- 0.1	- 13,481

Total Owners' Equity			35,540,922	40.9	37,971,444	44.6	2,430,522
II Valuation and translation adjustments							
1 Valuation difference on other investment securities			2,418,684	2.8	2,002,072	2.3	- 416,611
Total Valuation and Translation Adjustments			2,418,684	2.8	2,002,072	2.3	- 416,611
III Minority Interests			92,159	0.1	—	—	- 92,159
Total Net Assets			38,051,766	43.8	39,973,517	46.9	1,921,750
Total Liabilities and Net Assets			86,815,592	100.0	85,155,797	100.0	- 1,659,794

(2) Consolidated Statements of Income

(Unit: Thousands of yen)

Classification	Notes	Prior Consolidated Accounting Fiscal Year From November 1, 2005 to October 31, 2006 Amount		Percent	Current Consolidated Accounting Fiscal Year From November 1, 2006 to October 31, 2007 Amount		Percent	Change from prior year
I Revenues from operations								
1. Rental revenues		46,058,582			46,739,096			680,513
2. Sales		21,965,199	68,023,782	100.0	21,887,816	68,626,913	100.0	- 77,382
II Cost of revenues from operations								
1. Cost of rental revenues		32,697,199			33,260,225			563,025
2. Cost of goods sold		17,048,094	49,745,294	73.1	16,230,180	49,490,405	72.1	- 817,914
Gross profit			18,278,487	26.9		19,136,507	27.9	858,020
III Selling, general and administrative expenses	* 1		14,210,350	20.9		14,899,972	21.7	689,622
Operating income			4,068,136	6.0		4,236,534	6.2	168,397
IV Non-operating revenues								
1. Interest revenue		2,467			44,782			42,314
2. Dividend income		40,396			51,715			11,318
3. Gain on sale of investment securities		24,883			287,528			262,645
4. Insurance benefits		40,910			38,877			- 2,032
5. Rents received		90,902			81,409			- 9,493
6. Cash bonus received		—			105,737			105,737
7. Other		116,103	315,662	0.5	102,577	712,627	1.0	- 13,525
V Non-operating expenses								
1. Interest expense		357,750			338,051			- 19,699
2. Loss on sale of notes receivable		—			75,155			75,155
3. New share issuance costs		14,762			—			- 14,762
4. Other		222,828	595,340	0.9	119,684	532,891	0.8	- 103,143
Ordinary income			3,788,458	5.6		4,416,270	6.4	627,811
VI Extraordinary profits								
1. Gain on sale or retirement of fixed assets	* 2	50,018			921,056			871,037
2. Management gain on investment partnership enterprise		8,515			8,333			- 182
3. Gain on reversal of allowance for doubtful accounts		33,270			21,109			- 12,160
4. Compensation received		275,500			—			- 275,500

5. Gain on reversal of accrued employees retirement benefits		—			845,319			845,319
6. Other		27,421	394,726	0.6	5,018	1,800,836	2.6	- 22,403
VIII Extraordinary losses								
1. Loss on sale or retirement of fixed assets	* 3	52,366			68,231			15,865
2. Impairment loss	* 4	594,568			890			- 593,678
3. Valuation loss on investment securities		—			11,016			11,016
4. Amortization of goodwill		—			331,425			331,425
5. Other		82,666	729,600	1.1	37,597	449,161	0.6	- 45,069
Income before taxes and adjustments			3,453,583	5.1		5,767,945	8.4	2,314,361
Corporate, local and business taxes		1,767,872			2,286,833			518,961
Adjustment for corporate and other taxes		- 77,965	1,689,906	2.5	410,200	2,697,033	3.9	488,165
Minority interest in income			21,024	0.0		35,493	0.1	14,468
Net income			1,742,652	2.6		3,035,418	4.4	1,292,765

(3) Consolidated Statement of Changes in Net Assets

Prior 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 accounting 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 accounting fiscal year					
Issuance of new shares	1,099,980	1,097,046			2,197,026
Dividends from surplus (Note)			- 268,677		- 268,677
Dividends from surplus (interim dividends)			- 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 owners' equity during the consolidated accounting fiscal year (net amount)					-
Total changes of items during the consolidated accounting fiscal year	1,099,980	1,240,526	1,198,052	180,290	3,718,850
Balance at the end of the consolidated accounting fiscal year (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 accounting fiscal year (October 31, 2005)	1,643,403	1,643,403	71,135	33,536,610
Change of items during the consolidated accounting fiscal year				
Issuance of new shares				2,197,026
Dividends from surplus (Note)				- 268,677
Dividends from surplus (interim dividends)				- 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 owners' equity during the consolidated accounting fiscal year (net amount)	775,281	775,281	21,024	796,305
Total changes of items during the consolidated accounting fiscal year	775,281	775,281	21,024	4,515,155
Balance at the end of the consolidated accounting fiscal year (October 31, 2006)	2,418,684	2,418,684	92,159	38,051,766

Note: Based on the resolution of the General Meeting of the Shareholders on January 27, 2006.

Current Consolidated Accounting Fiscal Year (From November 1, 2006 to October 31, 2007)

(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 accounting fiscal year (October 31, 2006)	9,696,717	10,960,869	14,889,638	- 6,303	35,540,922
Change of items during the consolidated accounting fiscal year under review					
Dividends from surplus (Note)			- 295,732		- 295,732
Dividends from surplus (interim dividends)			- 295,682		- 295,682
Net income			3,035,418		3,035,418
Purchase of treasury stock				- 13,481	- 13,481
Change of items other than owners' equity during the consolidated accounting fiscal year (net amount)					-
Total changes of items during the consolidated accounting fiscal year under review	-	-	2,444,003	- 13,481	2,430,522
Balance at the end of the consolidated accounting fiscal year under review (October 31, 2007)	9,696,717	10,960,869	17,333,642	- 19,784	37,971,444

	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 accounting fiscal year (October 31, 2006)	2,418,684	2,418,684	92,159	38,051,766
Change of items during the consolidated accounting fiscal year under review				
Dividends from surplus (Note)		-		- 295,732
Dividends from surplus (interim dividends)		-		- 295,682
Net income		-		3,035,418
Purchase of treasury stock		-		- 13,481
Change of items other than owners' equity during the consolidated accounting fiscal year (net amount)	- 416,611	- 416,611	- 92,159	- 508,771
Total changes of items during the consolidated accounting fiscal year under review	- 416,611	- 416,611	- 92,159	1,921,750
Balance at the end of the consolidated accounting fiscal year under review (October 31, 2007	2,002,072	2,002,072	-	39,973,517

Note: Based on the resolution of the General Meeting of the Shareholders on January 26, 2007.

(4) Consolidated Statements of Cash Flows

(Unit: Thousands of yen)

Classification	Notes	Prior Consolidated Accounting Fiscal Year (From November 1, 2005 to October 31, 2006)	Current Consolidated Accounting Fiscal Year (From November 1, 2006 to October 31, 2007)	Change from prior year
I Cash flow from operating activities				
Income before taxes and adjustments		3,453,583	5,767,945	2,314,361
Depreciation and amortization expense		4,792,624	4,648,677	- 143,947
Impairment loss		594,568	890	- 593,678
Amortization of goodwill		136,546	395,108	258,561
Gain on sale or retirement of fixed assets		- 50,018	- 921,056	- 871,037
Loss on sale or retirement of fixed assets		52,366	68,231	15,865
Gain on reversal of accrued employees retirement benefits		—	- 845,319	- 845,319
Installment purchases of assets for small-value rentals		125,132	97,069	- 28,062
Reclassification of cost of sales associated with disposal of construction equipment		6,866	25,597	18,730
Reclassification of cost of sales associated with disposal of rental assets		569,273	397,062	- 172,210
Expenditures for acquisition of rental assets		- 1,811,898	- 2,095,742	- 283,844
New share issuance costs		14,762	—	- 14,762
Valuation loss on investment securities		—	11,016	11,016
Gain on sale of investment securities		- 24,883	- 287,528	- 262,645
Increase (decrease) in allowance for doubtful accounts		- 502,887	52,842	555,730
Increase (decrease) in accrued bonuses to employees		- 4,059	41,189	45,248
Increase (decrease) in accrued bonuses to directors and auditors		5,500	- 5,500	- 11,000
Increase in accrued employees retirement benefits		155,725	99,580	- 56,145
Increase in retirement allowances to directors and auditors		18,741	3,419	- 15,321
Interest revenue and dividend income		- 42,863	- 96,497	- 53,633
Interest expense on installment purchases of rental assets		42,906	43,182	276
Interest expense		357,750	338,051	- 19,699
Increase (decrease) in accounts receivable, trade		- 630,235	720,189	1,350,424
Increase in inventory		- 21,251	- 27,730	- 6,478

Increase (decrease) in accounts payable, trade		1,581,719	- 1,126,702	- 2,708,421
Increase (decrease) in accounts payable, other		428,072	- 76,564	- 504,636
Directors and auditors' bonuses paid		- 7,300	—	7,300
Other		489,036	- 257,663	- 746,699
Subtotal		9,729,787	6,969,749	- 2,760,037
Interest and dividends received		42,863	90,470	47,606
Interest expense		- 400,061	- 377,448	22,613
Payment of corporate and other taxes		- 957,962	- 2,202,835	- 1,244,872
Cash flow from operating activities		8,414,626	4,479,936	- 3,934,690

Classification	Notes	Prior Consolidated Accounting Fiscal Year (From November 1, 2005 to October 31, 2006)	Current Consolidated Accounting Fiscal Year (From November 1, 2006 to October 31, 2007)	Change from prior year
II Cash flow from investing activities				
Revenue from redemption of term deposits		3,018	—	- 3,018
Funds used for the purchase of tangible fixed assets		- 2,248,477	- 2,059,416	189,061
Funds provided from the sale of tangible fixed assets		931,262	1,875,374	944,112
Funds used for the purchase of intangible fixed assets		- 14,729	- 64,781	- 50,051
Funds used for the purchase of investment securities		- 465,832	- 123,716	342,115
Funds provided from sale of investment securities		1,353,015	527,674	- 825,341
Funds used for the purchase of consolidated subsidiary stock		—	- 367,450	- 367,450
Funds used for the purchase of non-consolidated subsidiary stock		- 50,025	- 1,199,992	- 1,149,967
Funds used for establishment of affiliated company		—	- 34,778	- 34,778
Other		2,556	20,077	17,520
Cash flow from investing activities		- 489,212	- 1,427,009	- 937,797
III Cash flow from financing activities				
Decrease in short-term bank loans		- 79,660	- 167,704	- 88,043
Funds provided by long-term bank loans		8,200,000	9,550,000	1,350,000
Funds used to repay long-term bank loans		- 11,453,496	- 10,967,546	485,950
Funds used for repayment of installment obligations		- 2,271,544	- 2,047,202	224,342
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		- 11,781	- 13,481	- 1,699
Payment of dividends to parent company		- 537,300	- 591,414	- 54,114
Cash flow from financing activities		- 3,635,966	- 4,237,348	- 601,382
IV Increase (decrease) in cash and equivalents		4,289,448	- 1,184,421	- 5,473,869
V Balance of cash and equivalents at beginning of period		14,108,863	18,398,312	4,289,448
VI Balance of cash and equivalents at end of the period	* 1	18,398,312	17,213,890	- 1,184,421

Significant Accounting Policies for the Consolidated Financial Statements

	Prior Consolidated Accounting Fiscal Year (From November 1, 2005 to October 31, 2006)	Current Consolidated Accounting Fiscal Year (From November 1, 2006 to October 31, 2007)
1. Companies included in the consolidation	(1) Number of consolidated companies: 5 Assist Co., Ltd. SRG Kanamoto Co., Ltd. Kanatech Co., Ltd. Daiichi Kikai Co., Ltd. Kanki Corporation (2) Number of non-consolidated companies: 3 Non-consolidated subsidiary company name: Comsupply Co., Ltd. Kanki Maintenance Co., Ltd. Flowtechno Corporation (Reason for exclusion from scope of 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. Kanki Maintenance Co., Ltd. was liquidated on October 3, 2006.	(1) Number of consolidated companies: 5 Assist Co., Ltd. SRG Kanamoto Co., Ltd. Kanatech Co., Ltd. Daiichi Kikai Co., Ltd. Kanki Corporation (2) Number of non-consolidated companies: 6 Non-consolidated subsidiary company name: Comsupply Co., Ltd. Flowtechno Corporation Kyushu Kensan Co., Ltd. Kensan Fukuoka Co., Ltd. Kensan Techno Co., Ltd. Center Corporation Ltd. (Reason for exclusion from scope of 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.
2. Matters pertaining to application of equity method accounting	Three 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 earned 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.	Six non-consolidated subsidiaries and two affiliated companies (Active Technology Corporation and Shanghai Jinheyuan Equipment Rental Co., Ltd.) 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 earned surplus (amount corresponding to minority interest) is immaterial and none of the companies is important to the Company's overall operations.

3. Matters pertaining to the fiscal year closing date for consolidated subsidiaries	The fiscal year closing date for all of the consolidated subsidiaries except Kanki Corporation is August 31. When preparing the consolidated financial statements the Company used the subsidiaries' financial statements as of August 31, adjusted for significant transactions that occurred between the subsidiaries' fiscal year-end and the consolidation date that have a material effect on the consolidated financial results.	Same as at left
4. Accounting principles and standards used for normal accounting treatment (1) Appraisal standards and appraisal methods for principal assets	a. Negotiable securities Other negotiable securities Securities with a market price The Company has adopted the market value method (the full amount of the valuation difference is charged to 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 The Company has adopted the cost method, cost being determined by the moving average method b. Construction equipment Amount after deduction of depreciation expense calculated according to the declining-balance method from the original prices, by separate fiscal year of purchase. c. Merchandise inventories and supplies (i) Merchandise inventories Lower of cost or market based on the Last-in, First-out method (ii) Supplies The Latest Purchase Cost method	a. Negotiable securities Other negotiable securities Securities with a market price Same as at left Securities without market prices Same as at left b. Construction equipment Same as at left c. Merchandise inventories and supplies (i) Merchandise inventories Same as at left (ii) Supplies Same as at left

(2) Depreciation methods for principal depreciable assets	a. Tangible fixed assets The Company has adopted the declining-balance method. Buildings on land that is leased under a fixed-term land lease agreement, however, are depreciated using the straight-line method using the remaining period of the fixed-term lease as the depreciable life and zero residual value. For certain consolidated subsidiaries, the Company has adopted the straight-line method for buildings and structures acquired on or after April 1, 2000 but excluding fixtures and equipment. The depreciable lives mainly used by the Company are as follows. Rental assets 5-10 years Buildings 31-34 years	a. Tangible fixed assets Same as at left
	b. Intangible fixed assets 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

	b. Accrued bonuses to employees To fully provide for expenditures of bonuses the Company will pay to employees, an amount is appropriated to the reserve during the year based upon a salary estimate amount.	b. Accrued bonuses to employees Same as at left
	c. Accrued 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 at the end of the consolidated accounting fiscal year to provide for the liability recognized during the period. (Change in Accounting Policy) 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.	c. Accrued bonuses to directors and auditors ――――――

	d. Accrued employees retirement benefit The Company provides for employees' accrued retirement benefits based upon the projected amounts of the liability for accrued employees retirement benefits and the value of pension assets at the end of the consolidated fiscal year. At the end of each consolidated accounting fiscal year, the Company appropriates an amount to the reserve to provide for the liability recognized during the period. The difference based on an actuarial calculation is charged to income beginning in the consolidated accounting fiscal year following the year in which incurred, with the amounts allocated proportionately using the straight-line method, based on a specified number of years (10 years) that is less than the average remaining period of employment for employees at the time the difference arises.	d. Accrued employees retirement benefit Same as at left (Supplemental information) During the consolidated accounting fiscal year under review, the Company revised its retirement benefits system and transferred its defined benefit corporate pension plan (fund-type) to a defined benefit corporate pension plan (contract-type) and simultaneously introduced a cash balance system. In conjunction with this change, the Company has applied the "Accounting for the Transfer Between Retirement Benefit Plans" (Financial Accounting Standards Implementation Guidance No. 1). In addition, during the consolidated accounting fiscal year under review, certain consolidated subsidiaries revised their retirement benefits systems and transferred their termination allowance plans to a defined contribution corporate pension plan and termination allowance plan, and have applied the "Accounting for the Transfer Between Retirement Benefit Plans" (Financial Accounting Standards Implementation Guidance No. 1). The Company accounted for the ¥845,319,000 affect from these transfers in extraordinary profits as a gain on reversal of accrued employees retirement benefits.

	Prior Consolidated Accounting Fiscal Year (From November 1, 2005 to October 31, 2006)	Current Consolidated Accounting Fiscal Year (From November 1, 2006 to October 31, 2007)
	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. b. Hedge methods and hedged transactions The Company uses currency swaps and forward transactions in order to avoid the currency fluctuation risk related to the Company's foreign currency-denominated straight bonds and liabilities for import payments. The Company also uses interest swaps to avoid interest rate fluctuation risk related to interest on bank borrowing. c. Hedging policies The Company's use of derivative transactions is limited to hedging risk within the scope of the Company's assets and liabilities subject to market fluctuation risk. d. Method for evaluating the effectiveness of hedges The Company does not evaluate the effectiveness of its hedge transactions because it can assume that its currency swap transactions and forward transactions will completely offset market fluctuations or changes in cash flow from the time 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. Hedge transactions Same as at left b. Hedge methods and hedged transactions Same as at left c. Hedging policies Same as at left d. Method for evaluating the effectiveness of hedges Same as at left

(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
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 goodwill and negative goodwill	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.	Same as at left
7. 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, 2005 to October 31, 2006)	Current Consolidated Accounting Fiscal Year (From November 1, 2006 to October 31, 2007)
(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 affect of this change on the Company's information by segment is described in the relevant section. The total amount of the impairment loss is deducted directly from the balance for each asset based on the revised standards for preparation of 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 portion 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, 2005 to October 31, 2006)	Current Consolidated Accounting Fiscal Year (From November 1, 2006 to October 31, 2007)
(Consolidated Balance Sheets) 1. Beginning from the current 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 the 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 Balance Sheets) 1. ――――――
(Consolidated Statements of Income) 1. ―――――― 2. ――――――	(Consolidated Statements of Income) 1. Until the previous consolidated accounting fiscal year, the Company reported cash bonus received as a separate category in “Other” under non-operating revenues. For the consolidated fiscal accounting year under review, the Company has reported this item separately because the amount exceeded 10% of total non-operating revenues. The amount of “cash bonus received” at the end of the previous consolidated accounting fiscal year was ¥30,584,000. 2. Until the previous consolidated accounting fiscal year, the Company reported loss on sale of notes receivable in “Interest expense” under non-operating expenses. For the consolidated fiscal accounting year under review, the Company has reported this item separately because the amount exceeded 10% of total non-operating expenses. The amount of the “loss on sale of notes receivable” at the end of the previous consolidated accounting fiscal year was ¥40,716,000.
(Consolidated Statements of Cash Flows) 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.	(Consolidated Statements of Cash Flows) 1. ――――――

Notes to the Financial Statements

(Notes to the Consolidated Balance Sheets)

Prior Consolidated Accounting Fiscal Year (As of October 31, 2006)		Current Consolidated Accounting Fiscal Year (As of October 31, 2007)	
1. Matters related to non-consolidated subsidiaries and affiliated companies are as follows.		1. Matters related to non-consolidated subsidiaries and affiliated companies are as follows.	
Investment securities (stocks)	55,025,000	Investment securities (stocks)	1,307,796,000
2. Guarantees		2. Guarantees	
Joint and several guarantees of bank loans to employees (Bank of Tokyo-Mitsubishi UFJ, others)	27,162,000	Joint and several guarantees of bank loans to employees (Bank of Tokyo-Mitsubishi UFJ, others)	23,144,000
Guarantee for borrowing liabilities of Flowtechno Corporation, a non-consolidated subsidiary	100,000,000	Guarantee of borrowing liabilities of Flowtechno Corporation, a non-consolidated subsidiary	100,000,000
Total	127,162,000	Guarantee of borrowing liabilities of Shanghai Jinheyuan Equipment Rental Co., Ltd., an affiliated company	168,960,000
		Guarantee of finance lease liabilities of Shanghai Jinheyuan Equipment Rental Co., Ltd., an affiliated company	70,973,000
		Total	363,078,000
3. Discount on notes receivable, trade	347,861,000	3. Discount on notes receivable, trade	307,034,000
4. Liquidation of receivables based on receivables transfer facility		4. Liquidation of receivables based on receivables transfer facility	
Notes receivable, trade	5,734,296,000	Notes receivable, trade	4,971,036,000
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.		Liquidated claims bearing a right of recourse to the Company and included in the balance of notes receivable, trade transferred total ¥1,017,362,000.	
5. Intangible fixed assets and goodwill includes negative goodwill of ¥1,188,000 and goodwill of ¥64,000,000.		5. Intangible fixed assets and goodwill includes negative goodwill of ¥594,000 and goodwill of ¥60,800,000.	

(Notes to the Consolidated Statements of Income)

Prior Consolidated Accounting Fiscal Year (From November 1, 2005 to October 31, 2006)		Current Consolidated Accounting Fiscal Year (From November 1, 2006 to October 31, 2007)	
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	5,529,726,000	Employee salaries and wages	5,854,852,000
Depreciation expense	746,963,000	Depreciation expense	833,686,000
Rents	1,587,085,000	Rents	1,551,266,000
Transfer to allowance for doubtful accounts	45,529,000	Transfer to allowance for doubtful accounts	166,598,000
Transfer to accrued bonuses to employees	510,328,000	Transfer to accrued bonuses to employees	552,610,000
Transfer to accrued bonuses to directors and auditors	5,500,000	Transfer to accrued bonuses to directors and auditors	—
Employees retirement benefit expense	304,966,000	Employees retirement benefit expense	283,831,000
Transfer to retirement allowances to directors and auditors	18,741,000	Transfer to retirement allowances to directors and auditors	18,460,000
Amortization of goodwill	136,546,000	Amortization of goodwill	63,682,000
2. Gain on sale or retirement of fixed assets		2. Gain on sale or retirement of fixed assets	
Land	49,905,000	Land	906,198,000
Buildings and structures	110,000	Buildings and structures	14,413,000
Other	3,000	Other	444,000
Total	50,018,000	Total	921,056,000
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	108,000	Land	26,859,000
Land	2,428,000	Other	420,000
Other	284,000	(Loss on retirement of fixed assets)	
(Loss on retirement of fixed assets)		Rental equipment	17,489,000
Rental equipment	24,055,000	Buildings and structures	8,902,000
Buildings and structures	21,261,000	Machinery, equipment and delivery equipment	9,195,000
Machinery, equipment and delivery equipment	2,464,000	Other	5,364,000
Other	1,763,000	Total	68,231,000
Total	52,366,000		

Prior Consolidated Accounting Fiscal Year (From November 1, 2005 to October 31, 2006)	Current Consolidated Accounting Fiscal Year (From November 1, 2006 to October 31, 2007)

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

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.

Current Consolidated Accounting Fiscal Year (From November 1, 2006 to October 31, 2007)

4. Impairment loss

During this consolidated accounting fiscal year the Kanamoto Group incurred an impairment loss on the following asset groups.

Location	Use	Asset
Tomakomai City, Hokkaido	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 (¥890,000) under extraordinary losses. This ¥890,000 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 in Net Assets)

Prior 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 the end of 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 the 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 27, 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 stock	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	Earned surplus	9.00	October 31, 2006	January 29, 2007

Current consolidated accounting fiscal year (From November 1, 2006 to October 31, 2007)

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

(Thousands of shares)

	Number of shares at the end of 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 the end of the current consolidated accounting fiscal year
Number of shares issued				
Common stock (Note 1)	32,872	—	—	32,872
Total	32,872	—	—	32,872
Treasury stock				
Common stock (Note 2, 3)	13	12	—	25
Total	13	12	—	25

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

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 26, 2007 Regular General Meeting of the Shareholders	Common stock	295,732	9.0	October 31, 2006	January 26, 2007
June 8, 2006 Board of Directors	Common stock	295,682	9.0	April 30, 2007	July 17, 2007

(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 stock	Total dividend ('000 yen)	Source of funds for dividend	Dividend per share (yen)	Date of record	Payment date
January 29, 2008 Regular General Meeting of the Shareholders	Common stock	361,311	Earned surplus	11.0	October 31, 2007	January 30, 2008

(Notes to the Consolidated Statements of Cash Flows)

Prior Consolidated Accounting Fiscal Year (From November 1, 2005 to October 31, 2006)	Current Consolidated Accounting Fiscal Year (From November 1, 2006 to October 31, 2007)
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 deposits account 18,398,312,000 Term deposits with a maturity longer than 3 months – Cash and cash equivalents 18,398,312,000	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 deposits account 11,913,890,000 Negotiable securities 5,300,000,000 Cash and cash equivalents 17,213,890,000
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.	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 ¥2,119,697,000 respectively.

(Notes for Leasing Transactions)

Prior 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) Amounts corresponding to lease property acquisition price, accumulated depreciation and outstanding balances at the end of the consolidated fiscal year accounting period

	Acquisition price (¥'000)	Acquisition price (¥'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

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

Within one year	6,355,705,000
After one year	15,869,153,000
Total	22,224,858,000

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

Lease payments	6,471,623,000
Depreciation expense	5,912,597,000
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.

(5) Accounting method for amount equivalent to interest expense

Interest method using the difference between total lease payments and the acquisition price of the lease property, allocated to each year.

2. Operating leases

Future lease payments

Within one year	2,150,840,000
After one year	5,381,216,000
Total	7,532,057,000

Current Consolidated Accounting Fiscal Year (From November 1, 2006 to October 31, 2007)

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

	Acquisition price (¥'000)	Acquisition price (¥'000)	Outstanding balance (¥'000)
Rental assets	45,501,035	19,202,671	26,298,363
Other assets	255,555	192,203	63,351
Total	45,756,590	19,394,875	26,361,715

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

Within one year	7,485,431,000
After one year	18,550,608,000
Total	26,036,039,000

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

Lease payments	7,880,775,000
Depreciation expense	6,822,747,000
Interest expense	744,755,000

(4) Accounting method for amount equivalent to depreciation expense

Same as at left

(5) Accounting method for amount equivalent to interest expense

Same as at left

2. Operating leases

Future lease payments

Within one year	1,857,756,000
After one year	4,153,706,000
Total	6,011,462,000

(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, 2006)			Current consolidated fiscal year (As of October 31, 2007)		
		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	1,550,751	5,640,940	4,090,189	1,527,075	4,908,799	3,381,723
	(2) Bonds						
	a. Government bonds	―	―	―	―	―	―
	b. Corporate bond	15,375	15,420	45	―	―	―
	c. Other	―	―	―	―	―	―
	(3) Other negotiable securities	―	―	―	―	―	―
	Subtotal	1,566,126	5,656,360	4,090,234	1,527,075	4,908,799	3,381,723
Negotiable securities whose balance on the consolidated balance sheet is less than the acquisition price	(1) Stocks	81,230	74,019	- 7,211	39,236	35,158	- 4,078
	(2) Bonds						
	a. Government bonds	―	―	―	―	―	―
	b. Corporate bond	―	―	―	―	―	―
	c. Other	―	―	―	―	―	―
	(3) Other negotiable securities	145,500	123,340	- 22,160	103,000	87,203	- 15,796
	Subtotal	226,730	197,359	- 29,371	142,236	122,361	- 19,874
Total		1,792,856	5,853,719	4,060,862	1,669,311	5,031,160	3,361,849

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, 2005 to October 31, 2006)			Current Consolidated Accounting Fiscal Year (From November 1, 2006 to October 31, 2007)		
Selling amount	Total gain on sale	Total loss on sale	Selling amount	Total gain on sale	Total loss on sale
1,324,642	24,883	―	523,733	287,528	―

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, 2006)	Current consolidated fiscal year (As of October 31, 2007)
	Amount shown on the consolidated balance sheet	Amount shown on the consolidated balance sheet
Other negotiable securities		
Unlisted stocks	229,400	211,400
Negotiable certificates of deposit	―	5,300,000
Other	85,953	59,822

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, 2006)				Current consolidated fiscal year (As of October 31, 2007)			
	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	—	—	—	82,620	—	—	—	87,203
Total	—	—	15,420	82,620	—	—	—	87,203

(Notes related to Derivative Transactions)

1. Notes related to transaction conditions

Prior Consolidated Accounting Fiscal Year (From November 1, 2005 to October 31, 2006)	Current Consolidated Accounting Fiscal Year (From November 1, 2006 to October 31, 2007)
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, 2005 to October 31, 2006)	Current Consolidated Accounting Fiscal Year (From November 1, 2006 to October 31, 2007)
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, 2006)

The Company had no material items to report.

Current consolidated accounting fiscal year (As of October 31, 2007)

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 certain consolidated subsidiaries have established a defined-benefit pension system (cash balance system) and defined contribution pension system. Other consolidated subsidiaries have adopted termination allowance plans. 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.

In addition, during the consolidated accounting fiscal year under review two consolidated subsidiaries transferred their termination allowance plans to a defined contribution corporate pension plan. There was no monetary affect (projected benefit obligation) from this change.

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, 2006)	Current consolidated accounting fiscal year (As of October 31, 2007)
(1) Liability for accrued employees retirement benefit	- 4,702,213	- 4,205,807
(2) Pension assets	3,136,068	3,277,759
(3) Liability for unreserved accrued employees retirement benefit (1) ＋(2)	- 1,566,144	- 928,048
(4) Unrecognized transitional obligation	—	—
(5) Unrecognized actuarial differences	- 115,575	- 7,932
(6) Unrecognized past years' service obligation (change in liability)	—	—
(7) Net liability shown on the consolidated balance sheets (3) + (4) + (5) +(6)	- 1,681,719	- 935,980
(8) Prepaid pension expense	—	—
(9) Accrued employees retirement benefits (7) -(8)	- 1,681,719	- 935,980

(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

	Prior Consolidated Accounting Fiscal Year (From November 1, 2005 to October 31, 2006)	Current Consolidated Accounting Fiscal Year (From November 1, 2006 to October 31, 2007)
(1) Service costs (Note)	320,452	306,260
(2) Interest costs	84,390	83,475
(3) Expected return on plan investments（reduction）	114,322	122,562
(4) Amortization of prior service cost	—	- 845,319
(5) Write-off of expense for actuarial based difference	14,446	16,658
(6) Amortization of transitional obligation	—	—
(7) Employees retirement benefit expense	304,966	- 561,487

(Notes) 1. The employees retirement benefit expenses at consolidated subsidiary companies that have adopted the simple method are included in service costs.

2.When it transferred its defined benefit corporate pension plan (fund-type) to a defined benefit corporate pension plan (contract-type) and introduced a cash balance system, the Company recognized a liability for past service obligation (amount of reduction in liability).

The Company accounted for the ¥845,319,000 expensed portion of past service obligation in extraordinary profits.

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, 2006)	Current consolidated accounting fiscal year (As of October 31, 2007)
(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, 2006)		Current consolidated accounting fiscal year (As of October 31, 2007)	
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 in allowance for doubtful accounts	206,998,000	Amount in excess of limit for inclusion in allowance for doubtful accounts	150,159,000
Disallowance of deferred business taxes	108,752,000	Disallowance of deferred business taxes	110,081,000
Excess accrued employees retirement benefit	670,546,000	Excess accrued employees retirement benefit	368,470,000
Amount in excess of limit for retirement benefit	52,202,000	Amount in excess of limit for retirement benefit	53,584,000
Amount in excess of limit for accrued bonuses to employees	208,963,000	Amount in excess of limit for accrued bonuses to employees	223,382,000
Disallowance of excess depreciation	280,174,000	Disallowance of excess depreciation	267,690,000
Impairment loss	240,205,000	Impairment loss	240,565,000
Amount of loss carried forward	1,347,600,000	Amount of loss carried forward	1,409,813,000
Other	417,663,000	Others	400,650,000
Deferred tax assets subtotal	3,533,108,000	Deferred tax assets subtotal	3,224,399,000
Valuation reserve	- 1,722,052,000	Valuation reserve	- 1,823,543,000
Total deferred tax assets	1,811,055,000	Total deferred tax assets	1,400,855,000
Deferred tax liability		Deferred tax liability	
Valuation difference on other investment securities	1,640,588,000	Valuation difference on other investment securities	1,358,187,000
Net deferred tax assets	170,467,000	Net deferred tax assets	42,668,000
Disclosure item:		Disclosure item:	
Current assets - Deferred tax assets	391,803,000	Current assets - Deferred tax assets	360,573,000
Fixed assets - Deferred tax assets	—	Fixed assets - Deferred tax assets	—
Long-term liabilities	- 221,336,000	Long-term liabilities	- 317,904,000
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	2.7%	Local tax equalization	1.6%
Items not included permanently in losses such as expense account	1.2%	Items not included permanently in losses such as expense account	0.6%
Affect from application of asset impairment accounting for fixed assets	4.0%	Affect from application of asset impairment accounting for fixed assets	0.0%
Consolidated subsidiary losses	0.9%	Goodwill amortization amount excluded from expenses	2.3%
Other	△0.3%	Consolidated subsidiary losses	1.1%
Burden ratio for corporate and other taxes after application of tax effect accounting	48.9%	Other	0.8%
		Burden ratio for corporate and other taxes after application of tax effect accounting	46.8%

(Business Segment Information)

1. Segment Information by Type of Business

Prior consolidated accounting fiscal year (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	251,464	—	—	251,464	343,103	594,568
Operating expenses	4,664,401	939	—	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.

Consolidated fiscal year under review (From November 1, 2006 to October 31, 2007)

(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	63,072,214	5,120,674	434,024	68,626,913	—	68,626,913
(2) Sales or transfers between related segments	—	—	—	—	—	—
Total	63,072,214	5,120,674	434,024	68,626,913	—	68,626,913
Operating expenses	59,017,423	5,130,682	402,403	64,550,509	- 160,130	64,390,378
Operating income	4,054,791	- 10,008	31,621	4,076,403	160,130	4,236,534
II. Assets, depreciation expense and capital disbursements						
Assets	52,362,530	1,403,383	750,501	54,516,415	30,639,382	85,155,797
Depreciation expense	4,615,601	3,154	10,096	4,628,852	19,825	4,648,677
Capital disbursements	890	—	—	890	—	890
Operating expenses	4,689,313	22,059	—	4,711,373	1,481,060	6,192,434

(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 ¥30,639,382,000 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

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

There are no pertinent items to report because the Company did not have any foreign sales.

Current consolidated accounting fiscal year (From November 1, 2006 to October 31, 2007)

The Company has omitted a description of foreign sales because foreign sales are less than 10% of consolidated revenues.

Related party disclosures

Prior 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.	Business relationship				
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.

Current consolidated accounting fiscal year (From November 1, 2006 to October 31, 2007)

(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.	Business relationship				
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 2.79% of total outstanding shares	2	Ground lease	Lease of land for branch	1,200	Selling, general and administrative expenses	–
Company for which directors and relatives own the majority of voting rights in equity calculation	Kanasteel Co., Ltd.	Muroran, Hokkaido	30,000	Purchase, sale, repair and import and export of steel materials	Kanamoto's directors and close relatives directly own 100.00% of total outstanding shares	1	Purchase, sale, repair, and import and export of products	Purchase, sale, repair and import and export of steel materials	415,042	Notes and accounts receivable, trade	2,643
									60,594	Notes and accounts payable, trade	31,549
							Ground lease	Lease of land for branch office	2,686	Selling, general and administrative expenses	–
							Purchase and sale of byproducts	Sale of steel scrap	2,126	Non-operating revenues, other	–
Company for which directors and relatives own the majority of voting rights in equity calculation	Kanax Co., Ltd.	Muroran, Hokkaido	10,000	Sale, repair, and rental of steel sheet floor plates etc.	Kanamoto's directors and close relatives directly own 100.00% of total outstanding shares	1	Purchase, sale, repair, and import and export of products	Sale, repair, and rental of steel sheet floor plates etc.	69,608	Notes and accounts payable, trade	36,177
Company for which directors and relatives own the majority of voting rights in equity calculation	Kanarentem Ltd.	Muroran, Hokkaido	5,000	Sale, repair, and rental of steel sheet floor plates etc.	Kanamoto's directors and close relatives directly own 100.00% of total outstanding shares	1	Purchase, sale, repair, and import and export of products	Sale, repair, and rental of steel sheet floor plates etc.	17,106	Notes and accounts payable, trade	6,018

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) Prices for the sales transactions to the Company indicated above are 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 assessed values by a real estate appraiser and the price level of nearby similar properties.

(Per Share Information)

Prior Consolidated Accounting Fiscal Year (From November 1, 2005 to October 31, 2006)	Current Consolidated Accounting Fiscal Year (From November 1, 2006 to October 31, 2007)
Net assets per share ¥1,155.22 Net income per share of common stock ¥57.41 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. (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.	Net assets per share ¥1,216.98 Net income per share of common stock ¥92.40 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.

(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, 2005 to October 31, 2006)	Current Consolidated Accounting Fiscal Year (From November 1, 2006 to October 31, 2007)
Net income per share of common stock		
Net income	1,742,652	3,035,418
Amount not attributed to common stock shareholders	–	–
Net income related to common stock	1,742,652	3,035,418
Average number of outstanding shares during the fiscal year	30,357,093	32,852,040
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.

V Company Financial Statements

1. Comparative Balance Sheets

(Unit: Thousands of yen)

Classification	Notes	Prior Fiscal Year (As of October 31, 2006) Amount		Percent	Current Fiscal Year (As of October 31, 2007) Amount		Percent	Change from prior year
(Assets)								
I Current assets								
1. Cash and deposits			17,461,345			11,115,248		- 6,346,096
2. Notes receivable, trade	* 4		2,876,924			2,255,833		- 621,090
3. Accounts receivable, trade			10,734,102			10,825,811		91,709
4. Negotiable securities			—			5,300,000		5,300,000
5. Merchandise inventory			259,214			227,690		- 31,524
6. Construction equipment			968,243			770,099		- 198,144
7. Supplies			61,649			67,323		5,673
8. Prepaid expenses			243,706			229,844		- 13,862
9. Deferred tax assets			384,442			355,902		- 28,540
10. Loans to affiliated companies			100,000			—		- 100,000
11. Other			350,702			178,753		- 171,948
Allowance for doubtful accounts			- 456,245			- 435,092		21,153
Total Current Assets			32,984,085	39.5		30,891,414	37.3	- 2,092,670
II Fixed assets								
(1) Tangible Fixed Assets								
1. Rental equipment		35,733,522			35,613,223			
Accumulated depreciation		26,646,008	9,087,513		26,315,583	9,297,639		210,126
2. Buildings		11,763,231			12,165,963			
Accumulated depreciation		6,300,982	5,462,248		6,663,211	5,502,751		40,502
3. Structures		3,988,185			4,166,919			
Accumulated depreciation		3,054,780	933,405		3,214,825	952,093		18,688
4. Machinery and equipment	* 1	4,124,204			4,222,490			
Accumulated depreciation		3,427,606	696,598		3,493,394	729,096		32,497
5. Vehicles and delivery equipment		35,888			38,988			
Accumulated depreciation		33,898	1,989		36,584	2,403		414
6. Tools, furnishings and fixtures		1,049,851			1,045,691			
Accumulated depreciation		803,601	246,249		817,784	227,907		- 18,342
7. Land	* 1		25,634,236			25,996,422		362,186
8. Construction in progress			246,544			46,172		- 200,371
Total Tangible Fixed Assets			42,308,785	50.6		42,754,487	51.5	445,701

Classification	Notes	Prior Fiscal Year (As of October 31, 2006) Amount		Percent	Current Fiscal Year (As of October 31, 2007) Amount		Percent	Change from prior year
(2) Intangible Fixed Assets								
1. Goodwill			64,000			60,800		- 3,200
2. Software			42,749			46,923		4,174
3. Telephone subscription rights			40,512			40,512		—
Total Intangible Fixed Assets			147,261	0.2		148,235	0.2	974
(3) Investments and Other Assets								
1. Investment securities			6,115,087			5,249,609		- 865,478
2. Stock of affiliated companies			1,029,332			2,649,554		1,620,221
3. Advances			8,107			8,107		—
4. Long-term loan to affiliated company			500,000			900,000		400,000
5. Claims in bankruptcy, claims in reorganization and other similar claims			197,310			252,556		55,246
6. Long-term prepaid expenses			47,710			52,935		5,224
7. Deferred tax assets			50,933			—		- 50,933
8. Insurance reserve			59,191			30,921		- 28,269
9. Long-term guaranty money deposited			998,388			960,852		- 37,536
10. Other			19,418			—		- 19,418
Allowance for doubtful accounts			- 385,941			- 430,758		- 44,816
Reserve for investment losses			- 565,171			- 565,171		—
Total investments and other assets			8,074,368	9.7		9,108,607	11.0	1,034,239
Total Fixed Assets			50,530,415	60.5		52,011,330	62.7	1,480,915
Total Assets			83,514,501	100.0		82,902,745	100.0	- 611,755

		Prior Fiscal Year (As of October 31, 2006)			Current Fiscal Year (As of October 31, 2007)			Change from prior year
Classification	Notes	Amount		Percent	Amount		Percent	
(Liabilities)								
I Current liabilities								
1. Notes payable, trade	*2		8,246,886			7,660,014		- 586,871
2. Accounts payable, trade	*2		2,522,512			2,456,499		- 66,012
3. Long-term bank loans due within one year			9,935,000			8,818,000		- 1,117,000
4. Accounts payable, other			2,562,743			2,211,522		- 351,220
5. Accrued expenses			236,233			246,693		10,459
6. Corporate taxes payable			1,291,556			1,406,425		114,868
7. Consumption and other taxes			193,662			137,908		- 55,754
8. Deposits			33,822			37,844		4,022
9. Accrued bonuses to employees			437,693			499,457		61,764
10. Accrued bonuses to directors and auditors			5,500			—		- 5,500
11. Equipment notes payable			340,345			175,331		- 165,013
12. Other			428,603			108,885		- 319,717
Total Current Liabilities			26,234,559	31.4		23,758,582	28.7	- 2,475,976
II Long-term liabilities								
1. Long-term bank loans			15,120,000			14,926,000		- 194,000
2. Long-term accrued expenses			2,030,031			2,353,188		323,157
3. Accrued employees retirement benefits			1,663,537			928,956		- 734,581
4. Retirement allowances to directors and auditors			90,261			89,386		- 875
5. Long-term deferred tax liability			—			58,726		58,726
Total long-term liabilities			18,903,829	22.6		18,356,256	22.1	- 547,572
Total Liabilities			45,138,388	54.0		42,114,839	50.8	- 3,023,549

Classification	Notes	Prior Fiscal Year (As of October 31, 2006) Amount		Percent	Current Fiscal Year (As of October 31, 2007) Amount		Percent	Change from prior year
(Net Assets)								
I Owners' equity								
1 Paid-in capital			9,696,717	11.6		9,696,717	11.7	—
2 Capital surplus								
(1) Capital legal reserve		10,817,389			10,817,389			
(2) Other capital surplus		143,480			143,480			
Total capital surplus			10,960,869	13.1		10,960,869	13.2	—
3 Earned surplus								
(1) Earned legal reserve		1,375,287			1,375,287			
(2) Other earned surplus								
Reserve for advanced depreciation of fixed assets		19,601			19,601			
General reserve		11,831,684			12,931,684			
Earned surplus brought forward		2,084,192			3,823,794			
Total earned surplus			15,310,766	18.4		18,150,368	21.9	2,839,602
4 Treasury stock			- 6,303	- 0.0		- 19,784	- 0.0	- 13,481
Total Owners' Equity			35,962,049	43.1		38,788,170	46.8	2,826,120
II Valuation and translation adjustments								
1 Valuation difference on other investment securities		2,414,062			1,999,735			
Total valuation and translation adjustments			2,414,062	2.9		1,999,735	2.4	- 414,327
Total Net Assets			38,376,112	46.0		40,787,905	49.2	2,411,793
Total Liabilities and Net Assets			83,514,501	100.0		82,902,745	100.0	- 611,755

2. Comparative Statements of Income

(Unit: Thousands of yen)

Classification	Notes	Prior fiscal year (From November 1, 2005 to October 31, 2006) Amount		Percent	Current fiscal year (From November 1, 2006 to October 31, 2007) Amount		Percent	Change from prior year
I Operating revenues								
1. Rental revenues		41,812,990			42,633,799			820,809
2. Sales		18,940,955	60,753,945	100.0	18,942,988	61,576,788	100.0	2,032
II Cost of revenues								
1. Cost of rental revenues			30,482,810			30,953,269		470,458
2. Cost of goods sold								
Balance of merchandise inventory at beginning of period		253,508			259,214			5,706
Merchandise inventory purchases		13,889,685			13,197,038			- 692,646
Merchandise received from other accounts	*2	538,040			531,914			- 6,126
Total		14,681,234			13,988,167			- 693,067
Balance of merchandise at end of period		259,214	14,422,020		227,690	13,760,477		- 31,524
Total cost of revenues			44,904,830	73.9		44,713,746	72.6	- 191,084
Gross profit			15,849,115	26.1		16,863,041	27.4	1,013,926
III Selling, general and administrative expenses								
1. Freight-out		58,986			57,010			- 1,976
2. Vehicle fuel expense		139,812			152,135			12,323
3. Advertising and public relations expense		136,688			134,953			- 1,735
4. Transfer to allowance for doubtful accounts		—			123,403			123,403
5. Director compensation		77,535			83,157			5,622
6. Salary allowance		4,766,693			5,018,232			251,539
7. Bonuses		917,503			958,082			40,579
8. Transfer to accrued bonuses to employees		437,693			499,457			61,764
9. Transfer to accrued bonuses to directors and auditors		5,500			—			- 5,500
10. Transfer to retirement allowances to directors and auditors		11,140			10,613			- 527
11. Employees retirement benefit expense		285,223			271,007			- 14,216

12. Travel and transportation expenses		239,287			309,882			70,595
13. Entertainment expenses		70,516			66,902			- 3,614
14. Insurance premiums		98,504			89,579			- 8,925
15. Communications expense		336,030			333,882			- 2,147
16. Maintenance and repairs		100,981			102,797			1,816
17. Consumables expense		301,152			305,307			4,154
18. Utilities		245,702			241,721			- 3,981
19. Taxes and public charge		366,944			427,374			60,429
20. Welfare expenses		795,018			848,085			53,066
21. Depreciation and amortization expense		729,618			768,998			39,379
22. Rent		1,519,994			1,478,443			- 41,551
23. Other expenses		492,786	12,133,316	20.0	569,054	12,850,084	20.9	76,268
Operating income			3,715,798	6.1		4,012,957	6.5	297,158
IV Non-operating revenues								
1. Interest revenue		9,272			36,502			27,229
2. Interest revenue on negotiable securities		—			15,285			15,285
3. Dividend income		38,486			50,745			12,259
4. Gain on sale of investment securities		24,883			287,528			262,645
5. Rents received	* 1	250,919			195,809			- 55,110
6. Insurance benefits		40,910			38,877			- 2,032
7. Cash bonus received		—			104,680			104,680
8. Other	* 1	196,908	561,380	0.9	123,499	852,930	1.4	- 73,409
V Non-operating expenses								
1. Interest expense		326,636			312,601			- 14,035
2. Loss on sale of notes receivable		—			68,669			68,669
3. Stock issuance expense		14,762			—			- 14,762
4. Other		196,528	537,926	0.9	111,714	492,985	0.8	- 84,813
Ordinary income			3,739,252	6.1		4,372,901	7.1	633,649
VI Extraordinary profits								
1. Gain on disposal of fixed assets	* 3	50,018			920,700			870,681
2. Valuation gain on investment enterprise partnership		8,515			8,128			- 386

3. Reversal of allowance for doubtful accounts		32,142			19,538			- 12,604
4. Compensation received		255,500			—			- 255,500
5. Gain on reversal of accrued employees retirement benefits		—			845,319			845,319
6. Other		14,175	360,351	0.6	2,841	1,796,528	2.9	- 11,334
VII Extraordinary losses								
1. Loss on sale or disposal fixed assets	*4	49,845			63,908			14,062
2. Impairment loss	*5	594,568			890			- 593,678
3. Valuation loss on investment securities		—			11,016			11,016
4. Management loss on investment partnership enterprise		—			11,641			11,641
5. Transfer to reserve for investment losses		84,997			—			- 84,997
6. Transfer to reserve for doubtful accounts for affiliated company stock		17,786			8,311			- 9,475
7. Other		62,518	809,716	1.3	19,858	115,626	0.2	- 42,659
Income before taxes and adjustments			3,289,887	5.4		6,053,803	9.8	2,763,916
Corporate, local and business taxes		1,684,230			2,203,734			519,504
Adjustment for corporate and other taxes		- 114,543	1,569,686	2.6	419,052	2,622,787	4.2	533,596
Net income			1,720,201	2.8		3,431,016	5.6	1,710,814

Detailed Statement of Cost of Rental Revenues

(Unit: Thousands of yen)

Classification	Notes	Prior Fiscal Year From November 1, 2005 to October 31, 2006 Amount	Percent	Current Fiscal Year From November 1, 2006 to October 31, 2007 Amount	Percent	Change from prior year
Rent		16,908,191	55.5	17,398,229	56.2	490,037
Repair expense		2,640,970	8.7	2,860,409	9.3	219,438
Freight charges		5,158,322	16.9	5,219,204	16.9	60,882
Depreciation expense	*2	3,785,558	12.4	3,659,317	11.8	- 126,241
Consumables expense		943,399	3.1	751,987	2.4	- 191,412
Other costs	*3	1,046,368	3.4	1,064,121	3.4	17,753
Total		30,482,810	100.0	30,953,269	100.0	470,458

Note *1	Cost of rental revenues is the direct cost incurred to receive revenues from the rental of construction equipment and other goods.	Same as at left
Note *2	The Company posted rental equipment asset depreciation expense of ¥3,533,016,000 and construction equipment depreciation expense of ¥252,542,000.	The Company posted rental equipment asset depreciation expense of ¥3,460,445,000 and construction equipment depreciation expense of ¥198,871,000.
Note *3	Other costs consisted mainly of taxes and public charges of ¥420,603,000, insurance premiums of ¥571,332,000 and interest of ¥34,522,000 related to installment payment purchases of rental equipment assets.	Other costs consisted mainly of taxes and public charges of ¥437,506,000, insurance premiums of ¥566,629,000 and interest of ¥37,340,000 related to installment payment purchases of rental equipment assets.

3. Statement of Changes in Net Assets

Prior Fiscal Year (From November 1, 2005 to October 31, 2006)

(Unit: Thousands of yen)

	Owners' equity										
		Capital surplus			Earned surplus						
						Other earned surplus					
	Paid-in capital	Capital legal reserve	Other capital surplus	Total capital surplus	Earned legal reserve	Fixed assets Reserve for advanced depreciation	General reserve	Earned surplus brought forward	Total earned surplus	Treasury stock	Total Owners' Equity
October 31, 2005 balance	8,596,737	9,720,343	–	9,720,343	1,375,287	–	11,831,684	928,192	14,135,164	- 186,594	32,265,650
Changes of items during the fiscal year											
Issuance of new shares	1,099,980	1,097,046		1,097,046					–		2,197,026
Transfer to reserve for advanced depreciation of fixed assets				–		19,601		- 19,601	–		–
Dividends from surplus (Note)				–				- 268,677	- 268,677		- 268,677
Dividends from surplus (interim dividends)				–				- 268,622	- 268,622		- 268,622
Directors and auditors' bonuses from appropriation of earnings				–				- 7,300	- 7,300		- 7,300
Net income				–				1,720,201	1,720,201		1,720,201
Purchase of treasury stock				–					–	- 11,781	- 11,781
Disposal of treasury stock			143,480	143,480					–	192,072	335,552
Net changes of items other than owners' equity during the fiscal year											
Total changes of items during the fiscal year	1,099,980	1,097,046	143,480	1,240,526	–	19,601	–	1,155,999	1,175,601	180,290	3,696,399
October 31, 2006 balance	9,696,717	10,817,389	143,480	10,960,869	1,375,287	19,601	11,831,684	2,084,192	15,310,766	- 6,303	35,962,049

	Valuation and translation adjustments		Total Net Assets
	Valuation difference on other investment securities	Total valuation and translation adjustments	
October 31, 2005 balance	1,637,603	1,637,603	33,903,254
Changes of items during the fiscal year			
Issuance of new shares		―	2,197,026
Transfer to reserve for advanced depreciation of fixed assets		―	―
Dividends from surplus (Note)		―	- 268,677
Dividends from surplus (interim dividends)		―	- 268,622
Directors and auditors' bonuses from appropriation of earnings		―	- 7,300
Net income		―	1,720,201
Purchase of treasury stock		―	- 11,781
Disposal of treasury stock		―	335,552
Net changes of items other than owners' equity during the fiscal year	776,458	776,458	776,458
Total changes of items during the fiscal year	776,458	776,458	4,472,857
October 31, 2006 balance	2,414,062	2,414,062	38,376,112

Note: Based on the resolution of the General Meeting of the Shareholders on January 27, 2006.

Current fiscal year (From November 1, 2006 to October 31, 2007)

(Unit: Thousands of yen)

	Owners' equity										
		Capital surplus			Earned surplus						
						Other earned surplus					
	Paid-in capital	Capital legal reserve	Other capital surplus	Total capital surplus	Legal earned surplus	Fixed assets Reserve for advanced depreciation	General reserve	Earned surplus brought forward	Total earned surplus	Treasury stock	Total Owners' Equity
October 31, 2006 balance	9,696,717	10,817,389	143,480	10,960,869	1,375,287	19,601	11,831,684	2,084,192	15,310,766	- 6,303	35,962,049
Changes of items during the fiscal year											
Transfer to general reserve				—			1,100,000	- 1,100,000	—		—
Dividends from surplus (Note)				—				- 295,732	- 295,732		- 295,732
Dividends from surplus (interim dividends)				—				- 295,682	- 295,682		- 295,682
Net income				—				3,431,016	3,431,016		3,431,016
Purchase of treasury stock				—					—	- 13,481	- 13,481
Net changes of items other than owners' equity during the fiscal year											
Total changes of items during the fiscal year	—	—	—	—	—	—	1,100,000	1,739,602	2,839,602	- 13,481	2,826,120
October 31, 2007 balance	9,696,717	10,817,389	143,480	10,960,869	1,375,287	19,601	12,931,684	3,823,794	18,150,368	- 19,784	38,788,170

	Valuation and translation adjustments		Total net assets
	Valuation difference on other investment securities	Total valuation and translation adjustments	
October 31, 2006 balance	2,414,062	2,414,062	38,376,112
Changes of items during the fiscal year			
Transfer to general reserve		—	—
Dividends from surplus (Note)		—	- 295,732
Dividends from surplus (interim dividends)		—	- 295,682
Net income		—	3,431,016
Purchase of treasury stock		—	- 13,481
Net changes of items other than owners' equity during the fiscal year	- 414,327	- 414,327	- 414,327
Total changes of items during the fiscal year	- 414,327	- 414,327	2,411,793
October 31, 2007 balance	1,999,735	1,999,735	40,787,905

Note: Based on the resolution of the General Meeting of the Shareholders on January 26, 2007.

Significant accounting policies

Item	Prior fiscal year From November 1, 2005 to October 31, 2006	Current fiscal year From November 1, 2006 to October 31, 2007
1. Valuation standards and valuation methods for negotiable securities	Common stock of subsidiaries and affiliated companies The Company has adopted the cost method based upon the moving average method Other negotiable securities Negotiable securities with a market on a securities exchange 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 fiscal year closing date or similar prices Other negotiable securities without a market price The Company has adopted the cost method based upon the moving average method	Common stock of subsidiaries and affiliated companies Same as at left Other negotiable securities Negotiable securities with a market on a securities exchange Same as at left Other negotiable securities without a market price Same as at left
2. Appraisal standards and appraisal method for 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	Same as at left
3. Appraisal standards and appraisal method for merchandise inventories and supplies	(1) Merchandise inventories Lower of cost or market based on the last-in, first-out method (2) Supplies The Latest purchase cost method	(1) Merchandise inventories Same as at left (2) Supplies Same as at left
4. Depreciation method for fixed assets	(1) 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. The depreciable lives mainly used by the Company are as follows. Rental assets 5-10 years Buildings 31-34 years (2) Intangible fixed assets Software for use within the Company is depreciated using the straight-line method based on the assumed useful life for internal use (5 years).	(1) Tangible fixed assets Same as at left (2) Intangible fixed assets Same as at left

	(3) Long-term prepaid expenses The Company has adopted straight-line depreciation.	(3) Long-term prepaid expenses Same as at left
5. Deferred assets	(1) Stock issuance expense The full amount is accounted for as an expense when the funds are expended.	---------
6. Accounting standards for allowances and reserves	(1) Allowance 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. (2) 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 fiscal year based upon a salary estimate amount. (3) 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 at fiscal year-end to provide for the liability recognized during the period. (Change in accounting policy) In prior years, the Company accounted for directors and auditors bonuses as a decrease in unappropriated earnings based on approval of resolution for appropriation of retained earnings at the General Meeting of the Shareholders. Beginning in the current fiscal year, however, the Company will account for such bonuses as an expense of the accounting period in which such bonuses are accrued, based on the Accounting Standard for Directors' Bonus (Accounting Standards Board of Japan Accounting Standard Statement No. 4). As a result of this change, operating income, ordinary income and income before taxes and adjustments were ¥5,500,000 less, respectively, than they otherwise would have been had the accounting standard used in prior fiscal years been applied.	(1) Allowance for doubtful accounts Same as at left (2) Accrued bonuses to employees Same as at left (3) Accrued bonuses to directors and auditors ------

	(4) Accrued employees retirement benefits The Company provides for accrued employees retirement benefits based upon the projected amounts of the liability for accrued employees retirement benefits and the value of pension assets at the end of the fiscal year. At the end of each fiscal year, the Company appropriates an amount to the reserve to provide for the liability recognized during the period. Past years' service liabilities are fully written off in the year incurred. The difference based on an actuarial calculation is charged to income beginning in the fiscal year following the year in which incurred, with the amounts allocated proportionately using the straight-line method, based on a specified number of years (10 years) that is less than the average remaining period of employment for employees at the time the difference arises.	(4) Accrued employees retirement benefits Same as at left (Supplemental information) During the fiscal year under review, the Company revised its retirement benefits system and transferred its defined benefit corporate pension plan (fund-type) to a defined benefit corporate pension plan (contract-type), and simultaneously introduced a cash balance system. In conjunction with this change, the Company has applied the "Accounting for the Transfer Between Retirement Benefit Plans" (Financial Accounting Standards Implementation Guidance No. 1). The Company accounted for the ¥845,319,000 affect from these transfers in extraordinary profits as a "gain on reversal of accrued employees retirement benefits"
	(5) 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 at the end of the fiscal year proportionately based upon length of service.	(5) Retirement allowances to directors and auditors Same as at left

	(6) Reserve for investment losses The Company provides for losses from the decline in real prices of assets such as the stock of subsidiary companies that are subject to asset impairment accounting by applying internally established standards that take into consideration subsidiary company operating results and asset quality.	(6) Reserve for investment losses Same as at left
7. 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
8. Hedge transactions	(1) 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. (2) 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. (3) 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. (4) Method for evaluating the effectiveness of hedges The Company does not evaluate the effectiveness of its hedge transactions because it can assume that its currency swap transactions and forward transactions will completely offset market fluctuations or changes in cash flow from the time the hedge begins until it is terminated. In addition, the Company's interest swap transactions fulfill the requirements for special rule accounting, and the Company has elected to use this in place of an evaluation of effectiveness.	(1) Hedge transactions Same as at left (2) Hedge methods and hedged transactions Same as at left (3) Hedging policies Same as at left (4) Method for evaluating the effectiveness of hedges Same as at left

9. Other significant matters for preparation of the fiscal year financial statements	(1) Accounting treatment of consumption tax Consumption tax is taken out of all Statement of Income items and Balance Sheet items, except mainly for receivables and payables.	(1) Accounting treatment of consumption tax Same as at left

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

Prior fiscal year From November 1, 2005 to October 31, 2006	Current fiscal year From November 1, 2006 to October 31, 2007
(Accounting Standard for Impairment of Fixed Assets) Beginning from this 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 company financial statements and other rules.	------
(Accounting Standard for Presentation of Net Assets in the Balance Sheet) Beginning from this 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 ¥38,376,112,000. The net asset section of the balance sheet for the fiscal year under review was prepared based on the revised financial statements rules.	------

Change in Presentation Method

Prior fiscal year From November 1, 2005 to October 31, 2006	Current fiscal year From November 1, 2006 to October 31, 2007
(Company Balance Sheets) 1. Beginning from this fiscal year, the Company will report “goodwill” as “goodwill,” based on based on the revised financial statements rules. 2. Until the prior fiscal year, “long-term guaranty money deposited” was reported as an item in “Other” under Investments and Other. For this fiscal year, the Company has reported this item under a separate classification because the amount exceeds 1% of total assets. The amount of “long-term guaranty money deposited” at the end of the prior fiscal year was ¥768,406,000.	(Company Balance Sheets) 1. ------ 2. ------
(Company Statements of Income) 1. ------ 2. ------ 3. ------	(Company Statements of Income) 1. Until the previous fiscal year, the Company reported cash bonus received as a separate category in “Other” under non-operating revenues. For the fiscal year under review, the Company has reported this item separately because the amount exceeded 10% of total non-operating revenues. The amount of "cash bonus received" at the end of the previous fiscal year was ¥29,909,000. 2. Until the previous fiscal year, the Company reported loss on sale of notes receivable in “Interest expense” under non-operating expenses. For the fiscal year under review, the Company has reported this item separately because the amount exceeded 10% of total non-operating expenses. The amount of the “loss on sale of notes receivable” at the end of the previous fiscal year was ¥33,967,000. 3. Until the previous fiscal year, the Company reported management loss on investment partnership enterprise as a separate category in “Other” under extraordinary losses. For the fiscal year under review, the Company has reported this item separately because the amount exceeded 10% of total extraordinary losses. The amount of the “management loss on investment partnership enterprise” at the end of the previous fiscal year was ¥18,303,000.

Notes to the Financial Statements

(Notes to the Balance Sheets)

Prior Fiscal Year (As of October 31, 2006)		Current Fiscal Year (As of October 31, 2007)	
*1. Reduction to book value Amounts for assets acquired for which accumulated book values were reduced by government subsidies		*1. Reduction to book value Amounts for assets acquired for which accumulated book values were reduced by government subsidies	
Machinery and equipment	5,044,000	Machinery and equipment	5,044,000
Land	3,569,000	Land	3,569,000
Total	8,613,000	Total	8,613,000
*2. Affiliated companies Amounts classified as liabilities owed to affiliates		*2. Affiliated companies Amounts classified as liabilities owed to affiliates	
Current liabilities Notes and accounts payable, trade	567,668,000	Current liabilities Notes and accounts payable, trade	597,709,000
3. Contingent liabilities		3. Contingent liabilities	
Joint and several guarantee of bank loans to employees (Bank of Tokyo-Mitsubishi UFJ Limited, other)	27,162,000	Joint and several guarantees of bank loans to employees (Bank of Tokyo-Mitsubishi UFJ Limited, other)	23,144,000
Guarantee of consolidated subsidiary debt (Assist Co., Ltd.)	10,000,000	Guarantee of consolidated subsidiary debt (Kanatech Co., Ltd.)	150,000,000
Guarantee of consolidated subsidiary debt (Kanatech Co., Ltd).	200,000,000	Guarantee of consolidated subsidiary debt (Kanki Corporation)	882,000,000
Guarantee of consolidated subsidiary debt (Kanki Corporation)	1,008,000,000	Guarantee of non-consolidated subsidiary debt (Flowtechno Corporation)	100,000,000
Guarantee of consolidated subsidiary debt (Flowtechno Corporation)	100,000,000	Guarantee of affiliated company debt (Shanghai Jinheyuan Equipment Rental Co., Ltd.)	168,960,000
		Guarantee of affiliated company finance lease liabilities (Shanghai Jinheyuan Equipment Rental Co., Ltd.)	70,973,000
*4. Liquidation of receivables based on receivables transfer facility The Company liquidates receivables based on a receivables transfer facility.		*4. Liquidation of receivables based on receivables transfer facility The Company liquidates receivables based on a receivables transfer facility.	
Notes receivable, trade	5,734,296,000	Notes receivable, trade	4,971,036,000
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.		Liquidated claims bearing a right of recourse to the Company and included in the balance of notes receivable, trade transferred total ¥1,017,362,000.	

(Notes to the Statements of Income)

Prior fiscal year (From November 1, 2005 to October 31, 2006)		Current fiscal year (From November 1, 2006 to October 31, 2007)	
*1. Transactions with affiliates		*1. Transactions with affiliates	
Seconded employees' salaries	110,824,000	Seconded employees' salaries	53,928,000
Rents received	160,017,000	Rents received	114,400,000
*2. Balance in other accounts transferred to cost of rental equipment assets and construction equipment sold		*2. Balance in other accounts transferred to cost of rental equipment assets and construction equipment sold	
Rental equipment assets	531,732,000	Rental equipment assets	506,579,000
Construction equipment	6,308,000	Construction equipment	25,334,000
Total	538,040,000	Total	531,914,000
*3. Gain on sale or retirement of fixed assets		*3. Gain on sale or retirement of fixed assets	
Land	49,905,000	Land	906,198,000
Building	110,000	Building	14,413,000
Tools, furnishings and fixtures	3,000	Machinery and equipment	88,000
Total	50,018,000	Total	920,700,000
*4. Loss on sale or retirement of fixed assets		*4. Loss on sale or retirement of fixed assets	
(Loss on sale of fixed assets)		(Loss on sale of fixed assets)	
Land	2,428,000	Land	26,859,000
Buildings	108,000	(Loss on retirement of fixed assets)	
(Loss on retirement of fixed assets)		Rental equipment assets	15,627,000
Rental equipment assets	21,854,000	Buildings	6,613,000
Buildings	16,225,000	Structures	1,385,000
Structures	5,036,000	Machinery and equipment	8,501,000
Machinery and equipment	2,327,000	Tools, furnishings and fixtures	4,203,000
Tools, furnishings and fixtures	1,680,000	Other	716,000
Vehicles and delivery equipment	136,000	Total	63,908,000
Other	48,000		
Total	49,845,000		

<table>
<tr><th>Prior fiscal year
(From November 1, 2005
to October 31, 2006)</th><th>Current fiscal year
(From November 1, 2006
to October 31, 2007)</th></tr>
<tr><td>

*5. Impairment loss

During this fiscal year the Kanamoto Group incurred an impairment loss on the following asset groups.

<table>
<tr><th>Location</th><th>Use</th><th>Asset</th></tr>
<tr><td>Kamakura City, Kanagawa Prefecture
Kanazawa City, Ishikawa Prefecture
Muroran City, Hokkaido
Five other locations</td><td>Dormant assets</td><td>Land</td></tr>
</table>

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.

</td><td>

*5. Impairment loss

During this fiscal year the Kanamoto Group incurred an impairment loss on the following asset groups.

<table>
<tr><th>Location</th><th>Use</th><th>Asset</th></tr>
<tr><td>Tomakomai City, Hokkaido</td><td>Dormant assets</td><td>Land</td></tr>
</table>

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 (¥890,000) under extraordinary losses. This ¥890,000 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.

</td></tr>
</table>

(Statements of Changes in Net Assets)

Prior fiscal year (From November 1, 2005 to October 31, 2006)

Class of treasury stock and number of shares

(Thousands of shares)

	Number of shares at end of prior fiscal year	Increase in number of shares during the current fiscal year	Decrease in number of shares during the current fiscal year	Number of shares at end of the current fiscal year
Treasury stock				
Common stock (Notes) 1, 2	400	12	400	13
Total	400	12	400	13

(Notes) 1. The number of treasury stock shares of common stock increased by 12,000 shares through purchases of shares comprising less than one investment unit.

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

Current fiscal year (From November 1, 2006 to October 31, 2007)

Class of treasury stock and number of shares

(Thousands of shares)

	Number of shares at end of prior fiscal year	Increase in number of shares during the current fiscal year	Decrease in number of shares during the current fiscal year	Number of shares at end of the current fiscal year
Treasury stock				
Common stock (Note)	13	12	—	25
Total	13	12	—	25

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

(Notes to Leasing Transactions)

Prior fiscal year (From November 1, 2005 to October 31, 2006)	Current fiscal year (From November 1, 2006 to October 31, 2007)
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 fiscal year	(1) Amounts corresponding to lease property acquisition price, accumulated depreciation and outstanding balances at the end of the fiscal year

Prior fiscal year:

	Acquisition price (¥'000)	Accumulated depreciation (¥'000)	Outstanding balance (¥'000)
Rental assets	36,236,228	16,177,904	20,058,323
Other assets	275,184	184,247	90,936
Total	36,511,412	16,362,152	20,149,260

Current fiscal year:

	Acquisition price (¥'000)	Accumulated depreciation (¥'000)	Outstanding balance (¥'000)
Rental assets	40,639,357	17,673,899	22,965,457
Other assets	255,555	192,203	63,351
Total	40,894,913	17,866,103	23,028,809

Prior fiscal year	Current fiscal year
(2) Outstanding balance of future lease payments at the end of the fiscal year	(2) Outstanding balance of future lease payments at the end of the fiscal year
Within one year 5,815,719,000	Within one year 6,773,121,000
After one year 13,838,896,000	After one year 15,876,130,000
Total 19,654,616,000	Total 22,649,251,000
(3) Amount of lease payments, depreciation expense and interest expense	(3) Amount of lease payments, depreciation expense and interest expense
Lease payments 5,812,109,000	Lease payments 7,058,248,000
Depreciation expense 5,344,449,000	Depreciation expense 6,087,072,000
Interest expense 595,986,000	Interest expense 640,634,000
(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 1,938,033,000	Within one year 1,660,523,000
After one year 4,808,904,000	After one year 3,766,563,000
Total 6,746,938,000	Total 5,427,086,000

(Negotiable Securities)

For the prior fiscal year (as of October 31, 2006) and this fiscal year (as of October 31, 2007), the stock of the Company's subsidiary companies and affiliated companies did not have a market price.

(Notes Related to Tax Effect Accounting)

	Prior fiscal year (As of October 31, 2006)	Current fiscal year (As of October 31, 2007)
1. Major factors creating deferred tax assets and deferred tax liabilities		
Deferred tax assets		
Amount in excess of limit for inclusion in allowance for doubtful accounts	186,301,000	124,770,000
Disallowance of deferred business taxes	102,760,000	110,081,000
Excess accrued employees retirement benefit	663,311,000	365,919,000
Amount in excess of limit for retirement benefit	36,465,000	36,111,000
Amount in excess of limit for accrued bonuses to employees	179,049,000	201,780,000
Disallowance of excess depreciation	274,669,000	261,445,000
Impairment loss	240,205,000	240,565,000
Disallowance of reserve for investment losses	228,329,000	228,329,000
Other	342,036,000	324,262,000
Deferred tax assets subtotal	2,253,130,000	1,893,266,000
Valuation difference on negotiable securities	- 181,376,000	- 240,565,000
Total deferred tax assets	2,071,754,000	1,652,701,000
Deferred tax liability		
Valuation difference on other investment securities	1,636,377,000	1,355,525,000
Net deferred tax assets	435,376,000	297,176,000
Disclosure classifications:		
Current assets	384,442,000	355,902,000
Property and equipment	50,933,000	58,726,000
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.		
Statutory corporate tax rate	40.4%	40.4%
(Adjustment)		
Local tax equalization	2.7%	1.4%
Items not included permanently in losses such as expense account	1.0%	0.6%
Affect from application of asset impairment accounting for fixed assets	4.2%	0.0%
Affect from special deduction for income such as expropriations	- 0.6%	
Burden ratio for corporate and other taxes after application of tax effect accounting	47.7%	42.4%

(Per Share Information)

Prior fiscal year (From November 1, 2005 to October 31, 2006)	Current fiscal year (From November 1, 2006 to October 31, 2007)
Net assets per share 1,167.90 Yen Net income per share of common stock 56.67 Yen 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. (Supplemental Information) Beginning from the current 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.	Net assets per share 1,241.77 Yen Net income per share of common stock 104.44 Yen 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.

Note: The basis for calculating net income per share and net income per share on a fully diluted basis is provided below.

(Unit: Thousands of yen)

	Prior fiscal year (From November 1, 2005 to October 31, 2006)	Current fiscal year (From November 1, 2006 to October 31, 2007)
Net income per share		
Fiscal year net income	1,720,201	3,431,016
Amount not attributable to major shareholders	—	—
Fiscal year net income related to common stock	1,720,201	3,431,016
Average number of shares outstanding during the fiscal year	30,357,093	32,852,040
Summary of latent common stock not included in the calculation of net income per share on a fully diluted basis because it will not have a dilution effect	------	------

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

The Company had no material items to report.

6. Others

(1) Changes to Directors

There are no pertinent items.

(2) Other

There are no pertinent items.