Fiscal Year ended October 31, 2008
Financial Statements Bulletin

December 5, 2008

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, 2009
Date for start of dividend payments: January 30, 2009
Date for submission of Annual Report: January 29, 2009

1. Consolidated Operating Results for the Fiscal year ended October 31, 2008

(Nov. 1, 2007 – Oct. 31, 2008)

(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, 2008	69,411	1.1	2,227	-47.4	2,028	-54.1
Fiscal year ended October 31, 2007	68,626	0.9	4,236	4.1	4,416	16.6

	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, 2008	644	-78.8	19.61	—
Fiscal year ended October 31, 2007	3,035	74.2	92.40	—

Notes 1. Investment profit or loss accounted for by the equity method
Fiscal year ended October 31, 2008 —
Fiscal year ended October 31, 2007 —

(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, 2008	91,741	38,202	41.4	1,155.47
Fiscal year ended October 31, 2007	85,155	39,973	46.9	1,216.98

Notes 1. Owners' equity and valuation and translation adjustments: (Millions of yen)
Fiscal year ended October 31, 2008 ¥37,947
Fiscal year ended October 31, 2007 ¥39,973

(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. 2008	3,456	- 4,125	341	17,566
Fiscal year ended October 31. 2007	4,479	- 1,427	- 4,237	17,213

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, 2007	9.00	11.00	20.00
Fiscal year ended October 31, 2008	10.00	10.00	20.00
Fiscal year ending October 31, 2009 (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, 2009

(November 1, 2008 - October 31, 2009)

(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	34,900	-6.3	2,100	-28.0	1,900	-32.9	1,000	-32.3	30.45
Full year	68,200	-1.7	2,600	16.7	2,200	8.5	1,000	55.3	30.45

4. Other

(1) Changes to material subsidiaries during the period (transfer of specified subsidiaries in conjunction with revision to scope of consolidation)? Yes

Newly consolidated companies 4 (Kyushu Kensan Co., Ltd., Kensan Fukuoka Co., Ltd., Kensan Techno Co., Ltd., Toyo Industry Co., Ltd.)

(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, 2008 32,872,241 shares

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

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

Fiscal year ended October 31, 2008 30,848 shares

Fiscal year ended October 31, 2007 25,725 shares

(Reference) Summary of Company Interim Operating Results

1. Operating Results for the Fiscal year ended October 31, 2008

(November 1, 2007–October 31, 2008)

(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, 2008	60,473	-1.8	2,461	-38.7	2,369	-45.8
Fiscal year ended October 31, 2007	61,576	1.4	4,012	8.0	4,372	16.9

	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, 2008	183	-94.7	5.59	—
Fiscal year ended October 31, 2007	3,431	99.5	104.44	—

(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, 2008	85,400	38,442	45.0	1,170.56
Fiscal year ended October 31, 2007	82,902	40,787	49.2	1,241.77

Notes 1. Owners' equity and valuation and translation adjustments: (Millions of yen)

Fiscal year ended October 31, 2008 ¥38,442

Fiscal year ended October 31, 2007 ¥40,787

2. Projected Operating Results for the Fiscal Year Ending October 31, 2009

(November 1, 2008 - October 31, 2009)

(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	29,700	-7.6	1,800	-35.3	1,600	-41.5	800	-44.3	24.36
Full year	58,600	-3.1	2,400	-2.5	2,100	-11.4	1,100	-499.6	33.49

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

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.

(1) Analysis of operating results

a) Summary of consolidated fiscal year operating results

During the consolidated fiscal year under review, the global real economy continued to weaken as a result of the sharp rise in oil prices and higher prices for raw materials. Additional blows were delivered by precipitous drops in stock prices and the commodities markets, as well as the failures of financial institutions and sharp decline in personal assets as the turmoil in the financial markets and contraction of credit triggered by the subprime loan problem in the United States spread around the world. In Japan as well, market countermeasures and steps to boost the economy produced little immediate effect, and stock prices continued to slide significantly. The global economic slowdown and rapid appreciation of the yen also exerted their powerful affects on the operating results of export industries such as automobiles and electrical machinery, which are leading sectors of Japan's economy, and cast a pall over future capital investment and employment conditions.

The environment surrounding individuals was disheartening as well. In addition to rising prices for foods, beverages and utilities linked directly with peoples' daily lives, personal consumption cooled considerably, reflecting rising concerns over employment insecurity that were exacerbated by pension difficulties and cancellations of informal hiring notices to new graduates. Even the Tokyo metropolitan area, home to Japan's most affluent individuals, was affected by the somber economic conditions.

A variety of factors, including delays in construction starts resulting from enforcement of the revised Building Standard Law and the sharp rise in oil and construction materials prices, created an extremely harsh management environment throughout the year that significantly hampered the construction-related businesses that are Kanamoto's main customers. This was particularly true for firms whose business bases are in regions suffering from a dearth of orders because of public works spending cuts. In addition, the hesitant investment and financing stance among foreign capital investment funds and financial institutions had a serious affect on the operations of many mid-sized developers. For construction-related industries, the result was an extremely severe management environment throughout the year that included a record number of large-scale bankruptcies.

In addition to strengthening efforts to capture rental equipment demand from large-scale projects in which it already participates, the Kanamoto group went back to basics by aggressively launching a sales offensive for small-scale repair works, and anticipated higher revenues during the second half of the fiscal year when construction equipment rental demand increases. Nevertheless, as Japan's economy experienced a rapid deceleration caused by turmoil in the financial markets that far surpassed initial expectations, and companies' operating results deteriorated, group revenues were lackluster in regions where the volume of work from both public and private sector demand fell in absolute terms.
Product sales, on the other hand, were boosted by steady results for both sales of used rental assets and sales of inventory. Steel products sales greatly exceeded the level of the previous consolidated fiscal year despite a tough market, while used construction equipment sales were able to overcome the negative affects of used machines idled because of the global economic slowdown and appreciation of the yen.

From the standpoint of earnings, there were regional differences resulting from cutbacks in the volume of construction works and a downward price trend, but operating income and ordinary income were affected most by the overall decline in rental revenues, and fell below the results of the previous consolidated fiscal year. In addition, as announced on November 28, Kanamoto decided to reserve an appropriate amount during the business period from a standpoint of conservative accounting practices for guarantees of the loans and debts of certain consolidated subsidiaries, and recorded this as an extraordinary loss. Consequently net income was substantially lower than in the previous consolidated fiscal year.

As a result of these factors, revenues for the consolidated fiscal year ended October 31, 2008 edged upward 1.1% from the previous consolidated fiscal year level to ¥69,411 million, operating income declined 47.4% ear-on-year to ¥2,227 million and ordinary income fell 54.1% compared with the previous consolidated fiscal year to ¥2,028 million. Net income decreased 78.8% year-on-year to ¥644 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, 2008 Operating Results]

(Million yen; % change from prior year)

		Revenues		Operating income		Ordinary income		Net income	
Consolidated	Year under review	69,411	1.1%	2,227	-47. 4%	2,028	-54.1%	644	-78.8%
	Prior year	68,626	0.9%	4,236	4.1%	4,416	16.6%	3,035	74.2%
Non-consolidated	Year under review	60,473	-1.8%	2,461	-38.7%	2,369	-45.8%	183	-94.7%
	Prior year	61,576	1.4%	4,012	8.0%	4,372	16.9%	3,431	99.5%

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 lower. For the consolidated fiscal year under review, consolidated revenues slipped 0.4% from the previous consolidated fiscal year to ¥62,802 million, and operating income fell 46.4% year-on-year to ¥2,174 million.

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

Private sector capital was negatively affected by several factors, including delays for confirmation of building permits following revision of the Building Standard Law, which had a major influence throughout the year, the deterioration of corporate operating results and higher prices for construction materials. Investment declined significantly, not only in local areas but in the Tokyo metropolitan area as well. At the same time, in regions where the Company has many of its branches the business climate was affected by cuts in public works expenditures, as government spending continued to fall because of fiscal reform measures and the deterioration of regional finances, and an extremely severe business conditions prevailed.

In the Tokyo metropolitan area and Kansai Region, where numerous large-scale construction projects are being undertaken and Kanamoto has achieved synergistic effects from the wide-area marketing efforts that have been its primary focus during the past several years, rental revenues rose compared with the previous consolidated fiscal year. Nevertheless, this was insufficient to offset the drop in the volume of construction work in other regions where the Company has zealously pursued concentrated sales efforts, and rental revenues fell well below the level of the previous consolidated fiscal year. On the other hand, equipment sales exceeded the level of the previous consolidated fiscal year as described earlier, and as a result, revenues as a whole were slightly higher than in the previous consolidated fiscal year.

On a non-consolidated basis, construction equipment rental revenues varied widely by region. In the Hokkaido Region, the large reduction in public works put heavy downward pressure on revenues, which fell 8.0% year-on-year despite efforts aimed at securing private sector demand. A similar situation existed in the Tohoku Region, where private sector demand sufficient to offset cutbacks in public works was wanting and revenues decreased 9.6% year-on-year, despite a slight recovery during the second half of the fiscal year. In the Kanto Region, rental revenues rose 4.2% year-on-year even though general private sector construction works were less than robust, thanks to large projects such as the Haneda Airport Expansion Project. In the Kinki & Chubu

Region, clouds gathered over the Tokai Region, which until now had exhibited steady growth, but thanks to growth in the Kansai Region where large-scale projects are underway, rental revenues edged up slightly, increasing 0.4% over the previous consolidated fiscal year. As a result, rental revenues for Kanamoto's construction equipment rental division decreased 5.1% from the previous consolidated fiscal year to ¥40,068 million. The percentage of revenues accounted for by Hokkaido and by Honshu and other regions was 34.6% and 65.4%, respectively.

Non-consolidated revenues from sales grew 3.6% year-on-year, despite domestic weakness, as used construction equipment sales until the previous period were supported by vigorous foreign demand. As a result, total non-consolidated net sales for the Construction Equipment Rental Division eked out slight 0.1% growth from the previous fiscal year, rising to ¥13,795 million. Total operating revenues for the Construction Equipment Rental Division were ¥53,864 million, 3.9% lower than in the previous consolidated fiscal year.

During the consolidated fiscal year under review, Kanamoto opened four new branches including two in Hokkaido Prefecture, one in Akita Prefecture and one in Aichi Prefecture, and closed one branch in Hokkaido. As a result, at the end of the business period Kanamoto had 156 branches.

< Consolidated Subsidiaries >

Daiichi Kikai Co., Ltd. faced difficulties in expanding construction equipment rental revenue because of large reductions in public works, but was able to cover this with higher product sales. As a result, revenues increased 4.6% compared with the previous consolidated fiscal year. The company reported an operating loss, however, as its cost to sales ratio rose because of the burden from large replacements of rental assets.

At **Kanki Corporation**, which is restructuring its management, both public and private sector construction demand in Hyogo Prefecture was weak. Operating results were also affected by a tightening of credit standards. Revenues shrank 18.4% from the previous consolidated fiscal year. Efforts to slash costs were inadequate to cover the downturn in sales, and the company booked an operating loss.

Kyushu Kensan Co., Ltd., **Kensan Fukuoka Co., Ltd.** and **Kensan Techno Co., Ltd.**, the three companies in the **Kyushu Kensan Group**, experienced slowing private sector construction demand in Fukuoka City, where demand had been growing steadily, because of the credit contraction. Nevertheless, the three firms succeeded in boosting earnings above their initial plan.

SRG Kanamoto Co., Ltd. faced increased competition in the Sapporo area because of delays as a result of revision of the Building Standards Law. Revenues were down 14.0% from the previous consolidated fiscal year. The company's operating loss also expanded greatly under the burden of additional investments in materials resulting from overlapping construction periods.

Assist Co., Ltd. saw its revenues slip 1.6% year-on-year, despite steadily receiving new business, because of the absolute drop in demand within Hokkaido. In addition, the company was unable to impute its higher costs in rental unit prices, and its operating income declined 41.8% compared with the previous consolidated fiscal year.

Kanatech Co., Ltd. turned its efforts to development of new segments such as custom orders and strove to expand its sales channels, including the start of rentals of environmentally-friendly products that can be expected to grow as a business. The company was unable to break away from the affects of the market downturn, however, and revenues fell 5.6% year-on-year. Operating income was 19.1% lower.

[Business related to the Steel Sales Division]

Steel products sales in Hokkaido were initially affected in the beginning of the fiscal year by the revision of the Building Standard Law, but then benefited from an increase in orders that was aided by higher prices in the steel materials market. Revenues increased 19.1% over the previous consolidated fiscal year to ¥6,098 million, and operating income recovered to ¥33 million.

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

Rental revenues for the Information Products Division were up 12.7% compared with the previous consolidated fiscal year. This reflected short-term spot demand during exhibition periods, as well as successful extensions of contract periods for rental contracts that were maturing. Sales of used devices were excellent, with sales of used PCs rising 76.7% from the previous consolidated fiscal year. For the division as a whole, revenues increased 17.8% year-on-year to ¥511 million, and operating income jumped 108.2% from the previous consolidated fiscal year to ¥60 million.

(2) Analysis concerning financial position

a) Summary of consolidated fiscal year operating results

(Millions of yen)

	FY Ended October 2007 (Previous Consolidated Fiscal Year)	FY Ended October 2008 (Consolidated Fiscal Year Under Review)	Change from prior year
Cash flow from operating activities	4,479	3,456	-1,023
Cash flow from investing activities	-1,427	-4,125	-2,698
Cash flow from financing activities	-4,237	341	4,578
Increase (decrease) in cash and equivalents	-1,184	-327	856
Balance of cash and equivalents at beginning of period?	18,398	17,213	-1,184
Balance of cash and equivalents at end of the period?	17,213	17,566	352

The balance of cash and cash equivalents ("cash") on a consolidated basis at the end of the consolidated fiscal year under review increased ¥352 million from the previous consolidated fiscal year, to ¥17,566 million. 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 ¥3,456 million, a decrease of ¥1,023 million from the previous consolidated fiscal year.
This mainly reflected the large decrease in income before taxes and adjustments and an increase in expenditures for acquisition of rental assets, and factors such as an increase in payment of corporate and other taxes.

(Cash flow from investing activities)
Cash flow used in investing activities was ¥4,125 million, an increase of ¥2,698 million from the previous consolidated fiscal year.
This mainly reflected an increase of funds used for the purchase of tangible fixed assets and a decrease in funds provided from the sale of tangible fixed assets.

(Cash flow from financing activities)
Cash flow provided as a result of financing activities was ¥341 million, compared with cash flow used in financing activities in the previous consolidated fiscal year of ¥4,237 million.
This mainly reflected an increase in funds provided by long-term bank loans.

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

	FY Ended October 2005	FY Ended October 2006	FY Ended October 2007	FY Ended October 2008
Shareholders' equity ratio (%)	40.8	43.7	46.9	41.4
Shareholders' equity ratio on a market capitalization basis (%)	26.6	32.0	41.3	11.2
Years to repay debt	3.3	3.5	6.4	10.2
Interest coverage ratio (times)	24.5	21.0	11.9	7.1

(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 / Cash flow from operating activities
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 fiscal year (Business Period ending October 2009)

Japan's economy currently is in a downturn phase, and is predicted to experience negative growth in 2009 as a result of the turmoil and contraction of credit in financial markets that has spread around the world. Numerous issues connected directly with peoples' lives remain to be addressed, including problems related to pensions, insurance and employment, and the predicament of local economies that increasingly face hard economic times. With uncertainty concerning the domestic economic outlook stronger than anticipated, the downturn is likely to be prolonged. In addition, under conditions in which financial instability is yet to be eliminated, the various factors linked to the recession – including appreciation of the yen, the plunge in stock prices and the price trends for oil and raw materials – are expected to strike at companies' operating results and peoples' lives more directly than they have thus far.

For the domestic construction industry in particular, which is related closely to the key business of the Kanamoto group, there has been no change to the negative trend in public works, while private sector capital investment is also being curtailed as corporate operating results deteriorate. Under such conditions, small and medium-sized and middle-market construction companies, developers and property-related firms continue to file for bankruptcy, a trend that is expected to remain unabated next year. Yet given the limits on stimulus measures that can be expected to have an immediate effect on the economy, and weak expectations in both the government and private sectors of a recovery in domestic construction demand, the extremely severe recessionary phase environment is expected to continue.
In the used construction equipment market, on the other hand, idle stock can be noted in some inventories because of the financial crisis and unstable foreign exchange markets, and market prices are expected to be soft in the immediate future period, despite the existence of worldwide demand, as inventories move much more slowly off the lot.

Given such stark conditions, in the year ahead domestic construction demand is expected to exhibit a declining trend. The shakeout among domestic construction companies and rental equipment firms is forecast to continue, and intensive competition and extreme softness in equipment rental prices will be unavoidable during this period. Kanamoto's consolidated subsidiaries with branches in local areas in particular will be compelled to maintain strict management practices, and the Company projects full-year consolidated operating performance will face acute pressure.

Compared with its competitors, however, Kanamoto still has ample room for advancing into the Tokyo metropolitan area and other key urban markets. Therefore the Company will vigorously pursue participation in large-scale projects that take maximum advantage of Kanamoto's size, and strive to secure and expand its absolute market share through new business development based on area expansion in existing markets through M&A and cooperation with affiliated companies.
Kanamoto also is steadily expanding operations at Shanghai Jinheyuan Equipment Rental Co., Ltd., which has begun rental operations in Shanghai, China, and at SJ Rental in the U.S. Territory of Guam. Both entities are being managed as part of Kanamoto's overseas strategy, and the Company will work to expand its overseas operations including these firms in the future.

The Company's earnings projection for the fiscal year ending October 2009 is shown in the table below.

Fiscal year ending October 2009 Projected Operating Results (November 1, 2008 -October 31, 2009)

(Millions of yen)

		Revenues	Operating income	Ordinary income	Net income	Net income per share of common stock
Consolidated	Full year (Projected)	68,200	2,600	2,200	1,000	30.45
	Current period results (FY Ended Oct. 2008)	69,411	2,227	2,028	644	19.61
Non-consolidated	Full year (Projected)	58,600	2,400	2,100	1,100	33.49
	Current period results (FY Ended Oct. 2008)	60,473	2,461	2,369	183	5.59

Fiscal year ending October 2009 Projected Financial Position (November 1, 2008 -October 31, 2009)

(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 used in investing activities is projected to be greater than in the consolidated fiscal year under review because of an increase in funds used for the purchase of tangible fixed assets.

(Cash flow from financing activities)

Cash flow from financing activities is projected to increase compared with the consolidated fiscal year under review because of an increase in funds provided by long-term bank loans.

As a result of the above, the balance of cash and cash equivalents at the end of the next consolidated fiscal year is projected to 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 sets its dividend payout ratio at 30% or higher, depending on earnings.

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 also has established a system for using internal reserves to make purchases of treasury stock.

For the Business Period ended October 2008, the Company plans to pay a regular dividend of ¥20 per share for the full year, consisting of an interim dividend of ¥10 per share and a year-end dividend of ¥10 per share (subject to approval of a resolution at the regular Board of Directors meeting on December 26, 2008).

For the Business Period ending October 2009, Kanamoto will maintain its basic policy of a stable return of earnings to shareholders as described above, even though the earnings environment during the next Business Period is expected to be severe, and plans to pay a regular dividend of ¥20 per share for the full year (interim and year-end dividend of ¥10 per share each).

(5) 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 receive fresh products from Hokkaido, the birthplace of Kanamoto, with a value equivalent to 3,000 yen (shareholders can select their preferred items from a specially mailed catalog).

(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

Earnings in the construction-related businesses that are the main business of the Kanamoto group are affected significantly by the trend in domestic construction investment, regardless of whether such investment is based on public or private sector demand. Consequently 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 is begun. Therefore the construction-related businesses that are Kanamoto's main business exhibit 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 using 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. The Company 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 has applied 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.

2. 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 "Business 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, nine consolidated subsidiaries and seven 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.

[Business related to the Construction Equipment Rental Division]
The Company's Construction Equipment Rental Division, **Daiichi Kikai Co., Ltd.** (a consolidated subsidiary), **Kanki Corporation** (a consolidated subsidiary), **Toyo Industry Co., Ltd.** (a consolidated subsidiary) and **Kyokuto Lease Co., Ltd.** (a non-consolidated subsidiary) are engaged in the rental and sale of construction equipment and machines used for construction. These three subsidiary companies borrow rental equipment assets from the Company as needed in order to meet customer demand. In addition, the Company borrows rental assets from Kanki Corporation and Kyokuto Lease Co., Ltd. as needed to rent to other companies.

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 these three companies as needed to rent to other companies. Asahikawa Fujisho Co., Ltd. (a non-consolidated subsidiary), was merged with and absorbed by SRG Kanamoto Co., Ltd. on September 1, 2008.

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.

The Kyushu Kensan Group is engaged in the rental and sale of construction equipment. **Kyushu Kensan Co., Ltd.** (a consolidated subsidiary) rents and sells mainly foundation equipment, **Kensan Fukuoka Co., Ltd.** (a consolidated subsidiary) rents and sells mainly portable generators, **Kensan Techno Co., Ltd.** (a consolidated subsidiary) rents construction cranes and **Center Corporation, Ltd.** (a non-consolidated subsidiary) mainly rents and sells small machines. Kyushu Kensan borrows rental equipment assets from Kanamoto as needed in order to meet its customer demand.

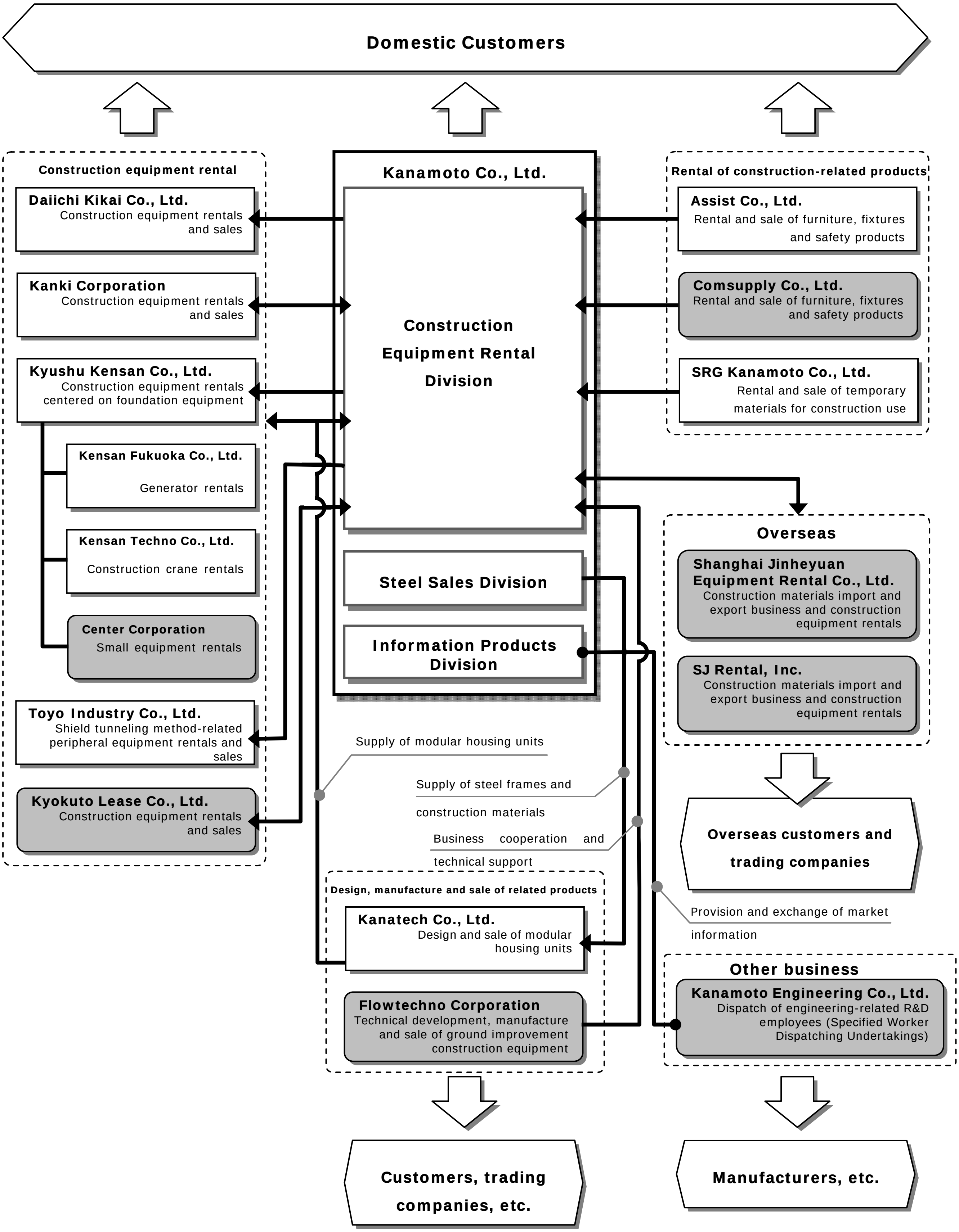
Shanghai Jinheyuan Equipment Rental Co., Ltd. (a non-consolidated subsidiary; Shanghai, China) and **SJ Rental, Inc.** (a non-consolidated subsidiary; Territory of Guam, United States), are engaged in the rental and sale of construction equipment and tools and the import and export of construction materials.

[Business 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.

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

Kanamoto's Information Products Division is engaged in the rental and sale of computers, including workstations and PC servers, as well as computer peripheral equipment. **Kanamoto Engineering Co., Ltd.** (a non-consolidated subsidiary) manages specified worker dispatching undertakings to dispatch engineering-related research and development employees to manufacturers and other entities.

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.

3. Management Policies

(1) Basic policies concerning the Company's business management

The Kanamoto group's main business of construction equipment rental is a business in which earnings are achieved through relentlessly executed accumulation of finely-honed improvements. Kanamoto believes that focusing on this awareness and pursuing its business with sincerity in each transaction, whether large or small, will enable it to continuously secure earnings and meet the expectations of every stakeholder including its shareholders. Because equipment rentals have the effect of reducing the environmental burden, Kanamoto implements its group management by utilizing an approach that enables further growth while contributing to society.

(2) Management indicators established as objectives

The construction equipment rental businesses managed by the Kanamoto group involve 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). EBITDA+ in particular complements future earnings, and Kanamoto recognizes that maintaining and expanding EBITDA+ is absolutely critical to its future success.

Although it prepared a new long-term management plan for implementation beginning in the Business Period ending October 2009, based on business conditions of unprecedented uncertainty the Company judged that even if it establishes and releases long-term objectives, it cannot provide its stakeholders with materials that will enable them to make correct judgments. Consequently, the Company has decided to prepare a one-year short-term plan for the Business Period ending October 2009, and a new long-term management plan for the Business Period ending October 2010 through the Business Period ending October 2014, as plans for external release.
As the numerical objectives framework for the new long-term management plan, however, the Company is studying preparation of a plan to achieve consolidated revenues of ¥100 billion and consolidated operating income of ¥7 billion as of the end of the Business Period ending October 2014.

(3) Medium to long-term corporate management strategy

As indicated above, the new long-term management plan Kanamoto will implement after Metamorphose will be a five-year plan beginning from the Business Period ending October 2010. For its business the Company seeks to devise strategies and management policies for achieving its numerical objectives rationally and efficiently, giving adequate consideration to the management environment and industry trends while continuing along the path established under Metamorphose. Additionally, over the six-year period combining a short-term plan for the Business Period ending October 2009 with the long-term management plan for the Business Period ending October 2010 through the Business Period ending October, 2014, the Company fundamentally will seek to further expand group operating results and forge a corporate group that is evaluated positively by the market, based on group management and strategic thinking that will enable each group company to practice earnings-focused management. The basic Metamorphose strategies we will follow are described below.

a) Maintain an earnings-focused rental equipment asset portfolio (asset optimization strategy)

Revisions to lease accounting have created conditions in which Kanamoto must further improve the accuracy of the methods it uses to introduce rental assets. At the same time, however, Kanamoto's customers are reducing the quantity of equipment they own themselves, thereby increasing the occasions when they must utilize construction equipment rentals. Moreover, because prices for used construction equipment are expected to weaken as a result of the global economic slowdown, the Company must further boost its earnings from domestic construction equipment rentals. To maximize earnings during the rental asset operating period, the Company will seek to increase the accuracy of its asset portfolio and improve operating margins, based on high-profit models.

b) Add bases in the Tokyo metropolitan area and expand into areas currently not served by group branches

The Company is placing its greatest priority on establishing new branches in the Tokyo, Nagoya and Osaka metropolitan areas and actively pursuing M&A in these areas as well. In addition, in regions where it currently does not have branches, Kanamoto will endeavor to expand its market area through alliance tie-ups while reviewing local circumstances. The Company will also position M&A as a growth engine for the Kanamoto group in the future.

c) Strengthen the activities of the Regional Special Procurement Sales Division

Because the coordinated activities of the Regional Special Procurement Sales Division have proven successful for responding to opportunities such as large-scale projects, Kanamoto will strengthen this division and work to expand coordinated activities across group firms in the future.

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

Kanamoto is gradually increasing the number of agreements with local governments to respond to urgent requests following a disaster. Because such agreements can be expected to increase demand in the future by providing opportunities for new construction equipment rental inquiries, Kanamoto will seek to conclude more agreements for support following a natural disaster. Kanamoto also will seek to increase synergistic effects through cooperation with Kanamoto group firms throughout Japan, and build a community-based sales and marketing organization including customer firms and municipalities that takes maximum advantage of each entity's size.

e) Overseas development efforts

Shanghai Jinheyuan Equipment Rental Co., Ltd. and **SJ Rental Inc.** are expanding their operating results steadily, and growth in construction equipment rental demand is expected in both company's markets in the future. Shanghai Jinheyuan Equipment rental in particular is renting equipment not only for infrastructure works, but also is receiving orders for large-scale developments by Shanghai's municipal government. In addition, projects where construction equipment procured from Kanamoto is used are being carried out in various countries in regions such as Southeast Asia, and Kanamoto will continue to develop proactive sales and create a solid business base in regions exhibiting remarkable growth.

Because the sales of high-quality used construction equipment implemented by Kanamoto each year enhance the Company's reputation, and contribute substantially to business development in other countries, Kanamoto also will continue to offer high-quality used construction equipment for sale, despite a sense of uncertainty among buyers created by the current global economic weakness.

f) Development of new rental products and new businesses

For Kanamoto's main business of construction equipment rentals, the product categories supplied by Kanamoto's New Products Office and offering proprietary improvements serve as a new equipment rental tool. Such products are also linked to the development of new business sectors such as the event rental business, and the Company will continue developing this side support for its rental divisions.

(4) Issues to be addressed by the Company

Because the Company is developing rental services whose leading customers are construction companies, the earnings of the Kanamoto group are easily affected by domestic construction and capital equipment trends. Although it expects the current unprecedented economic severity to continue, Kanamoto will work to further expand its scale, ensure a solid earnings base that is less susceptible to swings in the construction market and build a strong sales and marketing organization, by successfully addressing each of the following issues.

a) Strengthen human resources training and the Kanamoto group and alliance

The industry shakeout resulting from increasingly severe competition among firms is expected to continue. As the leading firm in the construction equipment rental industry, Kanamoto strives to foster employees who possess appropriate knowledge and skills to meet this challenge, and will work to generate earning by enhancing collaboration among Kanamoto group firms and broadening the number of alliance tie-up firms in different market areas.

b) Reinforce Kanamoto's financial strategy

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

c) Continuous cost reductions

The Company will strive to maintain asset value, by introducing assets based on the thorough use of benchmarks and optimizing asset maintenance costs based on its rental assets operating policies.

d) Compliance and internal controls

To create an organization that is aligned with society's demands, the Company has prepared ethical guidelines to serve as a compliance standard, established a Compliance Committee headed by Kanamoto's president and taken steps to strengthen company-wide observance of laws and ethics regulations. The Company works to ensure every individual is thoroughly familiar with its guidelines, and manages its organization in accordance with these compliance materials. In addition, to respond appropriately and take measures to prevent a recurrence if unforeseen circumstances that will have a serious affect on the Company's operations have occurred or if there is concern such circumstances might occur, the Company has prepared an Emergency Response Manual (Contingency Plan).

Kanamoto activated new operating processes based on its internal controls system on November 1, 2008. The Company has established an Internal Control Promotion Office under the direct control of Kanamoto's president, and is preparing systems and operations at each group company that are aligned with those at Kanamoto, and will work to ensure the effectiveness of group-wide internal controls and the effectiveness of each process.

IV Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Unit: Thousands of yen)

Classification	Notes	Prior Consolidated Accounting Fiscal Year (As of October 31, 2007) Amount		Percent	Current Consolidated Accounting Fiscal Year (As of October 31, 2008) Amount		Percent
(Assets)							
I Current assets							
1. Cash and deposits			11,913,890			14,070,345	
2. Notes and accounts receivable, trade	*4		14,239,136			15,297,757	
3. Negotiable securities			5,300,000			3,700,000	
4. Inventory			533,600			956,322	
5. Construction equipment			1,010,645			874,680	
6. Income taxes receivable			—			110,491	
7. Consumption taxes receivable			—			282,196	
8. Deferred tax assets			360,573			256,893	
9. Other			457,321			534,758	
Allowance for doubtful accounts			- 488,905			-526,414	
Total Current Assets			33,326,262	39.1		35,557,032	38.8
II Fixed assets							
1. Tangible fixed assets							
(1) Rental equipment assets		37,567,171			43,694,544		
Accumulated depreciation		28,044,139	9,523,031		31,437,026	12,257,517	
(2) Buildings and structures		17,151,855			17,869,527		
Accumulated depreciation		10,480,334	6,671,521		10,968,596	6,900,931	
(3) Machinery, equipment, vehicles and delivery equipment		4,415,336			4,622,991		
Accumulated depreciation		3,665,003	750,333		3,854,409	768,582	
(4) Land			26,268,316			29,075,816	
(5) Construction in progress			46,172			683,294	
(6) Other		1,115,602			1,163,486		
Accumulated depreciation		876,638	238,963		930,597	232,889	
Total Tangible Fixed Assets			43,498,339	51.1		49,919,031	54.4
2. Intangible fixed assets							
(1) Goodwill	*5		275,797			557,260	
(2) Other			137,516			170,056	
Total Intangible Fixed Assets			413,314	0.5		727,316	0.8
3. Investments and other assets							

(1) Investment securities	*1	6,610,180		2,847,982	
(2) Long term guarantee deposits		—		1,139,493	
(3) Deferred tax receivable		—		1,054,883	
(4) Other		2,070,164		1,413,301	
Allowance for doubtful accounts		- 762,464		-917,742	
Total Investments and Other Assets		7,917,880	9.3	5,537,917	6.0
Total Fixed Assets		51,829,534	60.9	56,184,266	61.2
Total Assets		85,155,797	100.0	91,741,299	100.0

		Prior Consolidated Accounting Fiscal Year (As of October 31, 2007)		Current Consolidated Accounting Fiscal Year (As of October 31, 2008)	
Classification	Notes	Amount	Percent	Amount	Percent
(Liabilities)					
I Current liabilities					
1. Notes and accounts payable, trade		11,292,635		13,675,929	
2. Short-term bank loans		330,000		338,521	
3. Long-term bank loans due within one year		8,972,356		9,599,494	
4. Current portion of bonds		—		62,000	
5. Corporate taxes payable		1,449,478		149,932	
6. Accrued bonuses to employees		552,926		549,981	
7. Accounts payable, other		2,346,872		3,325,933	
8. Other		642,568		693,081	
Total Current Liabilities		25,586,836	30.1	28,394,874	31.0
II Long-term liabilities					
1. Bonds		—		86,000	
2. Long-term bank loans		15,718,705		19,379,661	
3. Accrued employees retirement benefits		935,980		1,080,005	
4. Retirement allowances to directors and auditors		132,633		174,824	
5. Long-term accrued expenses		2,486,318		3,935,016	
6. Other		321,805		488,612	
Total Long-term Liabilities		19,595,442	23.0	25,144,119	27.4
Total Liabilities		45,182,279	53.1	53,538,994	58.4
(Net Assets)					

I Owners' equity							
1 Paid-in capital			9,696,717	11.4		9,696,717	10.6
2 Capital surplus			10,960,869	12.9		10,960,869	11.9
3 Earned surplus			17,333,642	20.4		17,149,945	18.7
4 Treasury stock			- 19,784	- 0.1		-22,729	-0.0
Total Owners' Equity			37,971,444	44.6		37,784,803	41.2
II Valuation and translation adjustments							
1 Valuation difference on other investment securities			2,002,072	2.3		162,358	0.2
Total Valuation and Translation Adjustments			2,002,072	2.3		162,358	0.2
III Minority Interests			—	—		255,143	0.2
Total Net Assets			39,973,517	46.9		38,202,305	41.6
Total Liabilities and Net Assets			85,155,797	100.0		91,741,299	100.0

(2) Consolidated Statements of Income

(Unit: Thousands of yen)

Classification	Notes	Prior Consolidated Accounting Fiscal Year From November 1, 2006 to October 31, 2007 Amount		Percent	Current Consolidated Accounting Fiscal Year From November 1, 2007 to October 31, 2008 Amount		Percent
I Revenues from operations							
1. Rental revenues		46,739,096			46,295,930		
2. Sales		21,887,816	68,626,913	100.0	23,115,824	69,441,755	100.0
II Cost of revenues from operations							
1. Cost of rental revenues		33,260,225			33,158,452		
2. Cost of goods sold		16,230,180	49,490,405	72.1	17,645,122	50,803,574	73.2
Gross profit			19,136,507	27.9		18,608,180	26.8
III Selling, general and administrative expenses	*1		14,899,972	21.7		16,380,327	23.6
Operating income			4,236,534	6.2		2,227,853	3.2
IV Non-operating revenues							
1. Interest revenue		44,782			69,540		
2. Dividend income		51,715			68,110		
3. Gain on sale of investment securities		287,528			—		
4. Insurance benefits		38,877			70,528		
5. Rents received		81,409			71,105		
6. Cash bonus received		105,737			7,204		
7. Other		102,577	712,627	1.0	123,703	410,193	0.6
V Non-operating expenses							
1. Interest expense		338,051			375,799		
2. Loss on sale of notes receivable		75,155			80,074		
3. Other		119,684	532,891	0.8	154,043	609,918	0.9
Ordinary income			4,416,270	6.4		2,028,128	2.9
VI Extraordinary profits							
1. Gain on sale of fixed assets	*2	921,056			23,031		
2. Management gain on investment partnership enterprise		8,333			1,927		
3. Gain on reversal of allowance for doubtful accounts		21,109			44,384		
4. Gain on reversal of accrued employees retirement benefits		845,319			—		

5. Other		5,018	1,800,836	2.6	4,053	73,397	0.1
VIII Extraordinary losses							
1. Loss on sale or retirement of fixed assets	*3	68,231			81,837		
2. Impairment loss	*4	890			490		
3. Valuation loss on investment securities		11,016			54,978		
4. Amortization of goodwill		331,425			—		
5. Other		37,597	449,161	0.6	85,980	223,287	0.3
Income before taxes and adjustments			5,767,945	8.4		1,878,238	2.7
Corporate, local and business taxes		2,286,833			1,159,368		
Adjustment for corporate and other taxes		410,200	2,697,033	3.9	-7,858	1,151,510	1.7
Minority interest in income			35,493	0.1		82,689	0.1
Net income			3,035,418	4.4		644,038	0.9

(3) Consolidated Statement of Changes in Net Assets

Prior 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			-591,414		-591,414
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		–		-591,414
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

Current Consolidated Accounting Fiscal Year (From November 1, 2007 to October 31, 2008)

(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, 2007)	9,696,717	10,960,869	17,333,642	-19,784	37,971,444
Change of items during the consolidated accounting fiscal year under review					
Dividends from surplus			-689,760		-689,760
Net income			644,038		644,038
Decrease resulting from change in scope of consolidation			-137,975		-137,975
Purchase of treasury stock				-2,944	-2,944
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	—	—	-183,696	-2,944	-186,641
Balance at the end of the consolidated accounting fiscal year under review (October 31, 2008)	9,696,717	10,960,869	17,149,945	-22,729	37,784,803

	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, 2007)	2,002,072	2,002,072	—	39,973,517
Change of items during the consolidated accounting fiscal year under review				
Dividends from surplus		—		-689,760
Net income		—		644,038
Decrease resulting from change in scope of consolidation		—		-137,975
Purchase of treasury stock				-2,944
Change of items other than owners' equity during the consolidated accounting fiscal year (net amount)	-1,839,714	-1,839,714	255,143	-1,584,570
Total changes of items during the consolidated accounting fiscal year under review	-1,839,714	-1,839,714	255,143	-1,771,212
Balance at the end of the consolidated accounting fiscal year under review (October 31, 2008)	162,358	162,358	255,143	38,202,305

(4) Consolidated Statements of Cash Flows

(Unit: Thousands of yen)

Classification	Notes	Prior Consolidated Accounting Fiscal Year (From November 1, 2006 to October 31, 2007)	Current Consolidated Accounting Fiscal Year (From November 1, 2007 to October 31, 2008)	Change from prior year
I Cash flow from operating activities				
Income before taxes and adjustments		5,767,945	1,878,238	-3,889,706
Depreciation and amortization expense		4,648,677	5,573,783	925,105
Impairment loss		890	490	-400
Amortization of goodwill		395,108	253,914	-141,193
Gain on sale of fixed assets		-921,056	-23,031	898,025
Loss on sale or retirement of fixed assets		68,231	81,837	13,605
Gain on reversal of accrued employees retirement benefits		-845,319	—	845,319
Installment purchases of assets for small-value rentals		97,069	49,871	-47,198
Reclassification of cost of sales associated with disposal of construction equipment		25,597	5,598	-19,999
Reclassification of cost of sales associated with disposal of rental assets		397,062	662,011	264,949
Expenditures for acquisition of rental assets		-2,095,742	-3,345,941	-1,250,199
Valuation loss on investment securities		11,016	54,978	43,961
Gain on sale of investment securities		-287,528	—	287,528
Loss on sales of investment securities		—	349	349
Increase in allowance for doubtful accounts		52,842	108,936	56,093
Increase (decrease) in accrued bonuses to employees		41,189	-18,277	-59,466
Decrease in accrued bonuses to directors and auditors		-5,500	—	5,500
Increase in accrued employees retirement benefits		99,580	88,657	-10,922
Increase in retirement allowances to directors and auditors		3,419	41,019	37,599
Interest revenue and dividend income		-96,497	-137,650	-41,153
Interest expense on installment purchases of rental assets		43,182	99,494	56,312
Interest expense		338,051	375,799	37,748
Decrease in accounts receivable, trade		720,189	492,557	-227,631
Increase in inventory		-27,730	-162,961	-135,230
Increase (decrease) in accounts payable, trade		-1,126,702	991,555	2,118,257

Increase (decrease) in accounts payable, other		-76,564	25,604	102,168
Other		-257,663	-723,791	-466,127
Subtotal		6,969,749	6,373,045	-596,703
Interest and dividends received		90,470	138,787	48,317
Interest expense		-377,448	-484,373	-106,925
Payment of corporate and other taxes		-2,202,835	-2,571,015	-368,180
Cash flow from operating activities		4,479,936	3,456,444	-1,023,492

		Prior Consolidated Accounting Fiscal Year (From November 1, 2006 to October 31, 2007)	Current Consolidated Accounting Fiscal Year (From November 1, 2007 to October 31, 2008)	Change from prior year
Classification	Notes			
II Cash flow from investing activities				
Disbursements for investments in term deposits		—	-148,877	-148,877
Revenue from redemption of term deposits		—	277,908	277,908
Funds used for the purchase of tangible fixed assets		- 2,059,416	-3,524,233	-1,464,816
Funds provided from the sale of tangible fixed assets		1,875,374	171,712	-1,703,662
Funds used for the purchase of intangible fixed assets		-64,781	-51,653	13,127
Funds used for the purchase of investment securities		-123,716	-223,395	-99,678
Funds provided from sale of investment securities		527,674	56,324	-471,350
Funds used for the purchase of consolidated subsidiary stock		-367,450	-62,714	304,736
Funds used for the purchase of non-consolidated subsidiary stock		-1,199,992	-313,711	886,281
Funds provided from non-consolidated subsidiary stock		—	5,000	5,000
Funds used for establishment of affiliated company		-34,778	-100,000	-65,221
Funds used for the purchase of investments in subsidiaries resulting in change in scope of consolidation		—	-231,931	-231,931
Other		20,077	20,333	256
Cash flow from investing activities		-1,427,009	-4,125,236	-2,698,226
III Cash flow from financing activities				
Decrease in short-term bank loans		-167,704	-136,478	31,225
Funds provided by long-term bank loans		9,550,000	13,960,000	4,410,000
Funds used to repay long-term bank loans		-10,967,546	-10,223,652	743,894

Funds used to redeem corporate bonds		—	40,000	-40,000
Funds used for repayment of installment obligations		-2,047,202	-2,524,901	-477,698
Funds used for the purchase of treasury stock		-13,481	-2,944	10,536
Payment of dividends to parent company		-591,414	-689,760	-98,345
Payment of dividends to minority shareholders		—	-1,006	-1,006
Cash flow from financing activities		-4,237,348	341,257	4,578,605
IV Decrease in cash and equivalents		-1,184,421	-327,534	856,886
V Balance of cash and equivalents at beginning of period		18,398,312	17,213,890	-1,184,421
VI Increase in cash and cash equivalents due to newly consolidated subsidiaries		—	680,339	680,339
VI Balance of cash and equivalents at end of the period	* 1	17,213,890	17,566,695	352,805

Events or conditions that create significant doubt concerning the assumption of going concern

The Company had no material items to report.

Significant Accounting Policies for the Consolidated Financial Statements

	Prior Consolidated Accounting Fiscal Year (From November 1, 2006 to October 31, 2007)	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	(1) Number of consolidated companies: 9 Assist Co., Ltd. SRG Kanamoto Co., Ltd. Kanatech Co., Ltd. Daiichi Kikai Co., Ltd. Kanki Corporation Kyushu Kensan Co., Ltd. Kensan Fukuoka Co., Ltd. Kensan Techno Co., Ltd. Toyo Industry Co., Ltd. Beginning from the interim consolidated accounting period under review, Kyushu Kensan Co., Ltd., Kensan Fukuoka Co., Ltd. and Kensan Techno Co., Ltd. are included in the scope of consolidation because the importance of these companies to Kanamoto's operations has increased. Ending of the consolidated accounting fiscal year under review, Toyo Industry Co., Ltd. is included within the scope of consolidation because the Company acquired all of that company's stock.
	(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) Number of non-consolidated companies: 8 Non-consolidated subsidiary company name: Comsupply Co., Ltd. Flowtechno Corporation Center Corporation Ltd. Shanghai Jinheyuan Equipment Rental Co., Ltd. Asahikawa Fujisho Co., Ltd. SJ Rental, Inc. Kanamoto Engineering Co., Ltd. Kyokuto Lease Co., 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	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.	Eight non-consolidated subsidiaries 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. Kanamoto transferred all of the stock held in Active Technology Corporation to a third party on December 10, 2007.
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	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) Work in process The Company has adopted the cost method, cost being determined by the specific identification method
	(iii) Supplies The Latest Purchase Cost method	(iii) 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 have 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 10-34 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 principal allowances and reserves	a. Reserve for doubtful accounts To provide for losses on doubtful accounts such as accounts receivable, the Company charges to income an amount based on actual loss experience for normal accounts, plus an amount for projected unrecoverable amounts based on assessments of individual accounts.	a. Reserve for doubtful accounts Same as at left
	b. Accrued bonuses to employees To fully provide for expenditures of bonuses the Company will pay to employees, an amount is appropriated to the reserve during the year based upon a salary estimate amount.	b. Accrued bonuses to employees Same as at left

	c. Accrued employees retirement benefit The Company provides for employees' accrued retirement benefits based upon the projected amounts of the liability for accrued employees retirement benefits and the value of pension assets at the end of the consolidated 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. (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 thousands affect from these transfers in extraordinary profits as a gain on reversal of accrued employees retirement benefits.	c. Accrued employees retirement benefit Same as at left ―――――

	d. Retirement allowances to directors and auditors The Company provides for retirement allowances to directors and auditors based upon pertinent rules and appropriated to the account proportionately at the end of the consolidated accounting fiscal year based upon length of service.	d. Retirement allowances to directors and auditors Same as at left
(4) Standard for conversion of foreign currency-denominated assets or liabilities into Japanese yen	――――――	The Company converts money claims and monetary liabilities denominated in foreign currencies into Japanese yen at the spot exchange market rate on the final day of the fiscal year, and charges the translation difference to income as a gain and loss.
(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	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

	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.	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 Interim Consolidated Statements of Cash Flows (Consolidated Statements of Cash Flows)	Cash on hand, deposits that can be withdrawn on demand and highly liquid short-term investments that mature within three months of the date of acquisition and which can be easily converted into cash and that have minimal risk of a change in price.	Same as at left

Change in Presentation Method

Prior Consolidated Accounting Fiscal Year (From November 1, 2006 to October 31, 2007)	Current Consolidated Accounting Fiscal Year (From November 1, 2007 to October 31, 2008)
――――――	(Consolidated Balance Sheets) Until the previous consolidated accounting fiscal year, the Company reported long-term guarantee deposits in "Other" under investments and other assets. For the consolidated fiscal accounting year under review, the Company has reported this item separately because the amount exceeded 1% of total assets. The amount of long-term guarantee deposits at the end of the previous consolidated accounting fiscal year was ¥1,091,554,000.
(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 thousands. 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 thousands.	――――――

Notes to the Financial Statements

(Notes to the Consolidated Balance Sheets)

(Unit: Thousands of yen)

<table>
<tr><th>Prior Consolidated Accounting Fiscal Year
(As of October 31, 2007)</th><th>Current Consolidated Accounting Fiscal Year
(As of October 31, 2008)</th></tr>
<tr><td>1. Matters related to non-consolidated subsidiaries and affiliated companies are as follows.
Investment securities (stocks) 1,307,796

2. Guarantees
Joint and several guarantees of bank loans to employees (Bank of Tokyo-Mitsubishi UFJ, others) 23,144
Guarantee of borrowing liabilities of Flowtechno Corporation, a non-consolidated subsidiary 100,000
Guarantee of borrowing liabilities of Shanghai Jinheyuan Equipment Rental Co., Ltd., an affiliated company 168,960
Guarantee of finance lease liabilities of Shanghai Jinheyuan Equipment Rental Co., Ltd., an affiliated company 70,973
Total 363,078

3. Discount on notes receivable, trade 307,034

4. Liquidation of receivables based on receivables transfer facility
Notes receivable, trade 4,971,036
Liquidated claims bearing a right of recourse to the Company and included in the balance of notes receivable, trade transferred total ¥1,017,362 thousands.

5. Intangible fixed assets and goodwill includes negative goodwill of ¥594 thousands and goodwill of ¥60,800 thousands.</td>
<td>1. Matters related to non-consolidated subsidiaries and affiliated companies are as follows.
Investment securities (stocks) 519,966

2. Guarantees
Joint and several guarantees of bank loans to employees (Bank of Tokyo-Mitsubishi UFJ, others) 32,145
Guarantee of borrowing liabilities of Flowtechno Corporation, a non-consolidated subsidiary 100,000
Guarantee of installment payment liabilities of SJ Rental, Inc., a non-consolidated subsidiary 33,014
Guarantee of borrowing liabilities of Shanghai Jinheyuan Equipment Rental Co., Ltd., an non-consolidated subsideiary company 1,253,670
Guarantee of finance lease liabilities of Shanghai Jinheyuan Equipment Rental Co., Ltd., an non-consolidated subsideiary company 1,632,416
Total 3,051,246

3. Discount on notes receivable, trade 185,756

4. Liquidation of receivables based on receivables transfer facility
Notes receivable, trade 5,135,881
Liquidated claims bearing a right of recourse to the Company and included in the balance of notes receivable, trade transferred total ¥1,164,588 thousands.

5. Intangible fixed assets and goodwill includes negative goodwill of ¥330,905 thousand and goodwill of ¥58,266 thousands.</td></tr>
</table>

(Notes to the Consolidated Statements of Income)

(Unit: Thousands of yen)

Prior Consolidated Accounting Fiscal Year (From November 1, 2006 to October 31, 2007)		Current Consolidated Accounting Fiscal Year (From November 1, 2007 to October 31, 2008)	
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	5,854,852	Employee salaries and wages	6,490,413
Depreciation expense	833,686	Depreciation expense	794,297
Rents	1,551,266	Rents	1,876,323
Transfer to allowance for doubtful accounts	166,598	Transfer to allowance for doubtful accounts	335,618
Transfer to accrued bonuses to employees	552,610	Transfer to accrued bonuses to employees	534,357
Employees retirement benefit expense	283,831	Employees retirement benefit expense	323,495
Transfer to retirement allowances to directors and auditors	18,460	Transfer to retirement allowances to directors and auditors	28,043
Amortization of goodwill	63,682	Amortization of goodwill	194,714
2. Gain on sale or retirement of fixed assets		2. Gain on sale or retirement of fixed assets	
Land	906,198	Land	949
Buildings and structures	14,413	Buildings and structures	18,094
Other	444	Machinery, equipment and delivery equipment	3,866
Total	921,056	Other	120
		Total	23,031
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)	
Land	26,859	Buildings and structures	701
Other	420	(Loss on retirement of fixed assets)	
(Loss on retirement of fixed assets)		Rental equipment	20,134
Rental equipment	17,489	Buildings and structures	38,751
Buildings and structures	8,902	Machinery, equipment and delivery equipment	5,901
Machinery, equipment and delivery equipment	9,195	Other	16,349
Other	5,364	Total	81,836
Total	68,231		

Prior Consolidated Accounting Fiscal Year (From November 1, 2006 to October 31, 2007)	Current Consolidated Accounting Fiscal Year (From November 1, 2007 to October 31, 2008)
4. Impairment loss During this consolidated accounting fiscal year the Kanamoto Group incurred an impairment loss on the following asset groups. Location: Tomakomai City, Hokkaido / Use: Dormant assets / Asset: 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 thousands) under extraordinary losses. This ¥890 thousands 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. 5. Amortization of goodwill During the consolidated accounting fiscal year, the Company amortized the portion of goodwill generated in past fiscal years pertaining to the reduction of excess profitability.	4. Impairment loss During this consolidated accounting fiscal year the Kanamoto Group incurred an impairment loss on the following asset groups. Location: Tomakomai City, Hokkaido / Use: Dormant assets / Asset: 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 (¥490 thousands) under extraordinary losses. This ¥490 thousands 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, 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)	32,872	–	–	32,872
Total	32,872	–	–	32,872
Treasury stock				
Common stock (Note)	13	12	–	25
Total	13	12	–	25

(Notes) The number of treasury stock shares of common stock increased by 12 thousand 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 29, 2007
June 8, 2007 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

Current consolidated accounting fiscal year (From November 1, 2007 to October 31, 2008)

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)	32,872	–	–	32,872
Total	32,872	–	–	32,872
Treasury stock				
Common stock (Note)	25	5	–	30
Total	25	5	–	30

(Notes) The number of treasury stock shares of common stock increased by 5 thousand 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 29, 2008 Regular General Meeting of the Shareholders	Common stock	361,311	11.0	October 31, 2007	January 30, 2008
June 6, 2008 Board of Directors	Common stock	328,448	10.0	April 30, 2008	July 14, 2008

(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, 2009 Regular General Meeting of the Shareholders	Common stock	328,413	Earned surplus	10.0	October 31, 2008	January 30, 2009

(Notes to the Consolidated Statements of Cash Flows)

(Unit: Thousands of yen)

Prior Consolidated Accounting Fiscal Year (From November 1, 2006 to October 31, 2007)	Current Consolidated Accounting Fiscal Year (From November 1, 2007 to October 31, 2008)
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 Negotiable securities 5,300,000 Cash and cash equivalents 17,213,890	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 14,070,345 Time deposits with a maturity longer than 3 months -203,650 Negotiable securities 3,700,000 Cash and cash equivalents 17,566,695 2. Main assets and liabilities of company converted to a new consolidated subsidiary through an acquisition of shares Current assets 949,444 Fixed assets 732,930 Current liabilities -661,600 Long-term liabilities -363,623 Goodwill (negative goodwill) -244,642 Toyo Industry Co., Ltd. acquisition price 412,510 Toyo Industry Co., Ltd. cash and cash equivalents -180,578 Balance: Expenditure for acquisition of Toyo Industry Co., Ltd. 231,931
3. Details of major non-cash transactions The amount of assets and liabilities related to installment transactions that are newly accounted for during this consolidated accounting fiscal year is ¥2,119,697 thousands respectively.	3. Details of major non-cash transactions The amount of assets and liabilities related to installment transactions that are newly accounted for during this consolidated accounting fiscal year is ¥3,410,178 thousands respectively.

(Notes for Leasing Transactions)

(Unit: Thousands of yen)

Prior 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	Acquisition price	Outstanding balance
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
After one year	18,550,608
Total	26,036,039

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

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

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

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

Current Consolidated Accounting Fiscal Year (From November 1, 2007 to October 31, 2008)

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	Acquisition price	Outstanding balance
Rental assets	36,374,887	14,912,927	21,461,960
Other assets	116,048	90,043	26,004
Total	36,490,935	15,002,970	21,487,965

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

Within one year	5,746,234
After one year	15,155,241
Total	20,901,475

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

Lease payments	6,449,191
Depreciation expense	5,178,161
Interest expense	585,267

   (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	2,068,320
After one year	3,412,748
Total	5,481,069

(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, 2007)			Current consolidated fiscal year (As of October 31, 2008)		
		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	1,527,075	4,908,799	3,381,723	1,160,156	1,485,642	325,485
	(2) Bonds						
	a. Government bonds	–	–	–	–	–	–
	b. Corporate bond	–	–	–	–	–	–
	c. Other	–	–	–	–	–	–
	(3) Other negotiable securities	–	–	–	–	–	–
	Subtotal	1,527,075	4,908,799	3,381,723	1,160,156	1,485,642	325,485
Negotiable securities whose balance on the consolidated balance sheet is less than the acquisition price	(1) Stocks	39,236	35,158	- 4,078	606,790	556,482	-50,307
	(2) Bonds						
	a. Government bonds	–	–	–	–	–	–
	b. Corporate bond	–	–	–	–	–	–
	c. Other	–	–	–	–	–	–
	(3) Other negotiable securities	103,000	87,203	- 15,796	53,895	53,895	–
	Subtotal	142,236	122,361	- 19,874	660,685	610,377	-50,307
Total		1,669,311	5,031,160	3,361,849	1,820,842	2,096,020	275,177

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, 2006 to October 31, 2007)			Current Consolidated Accounting Fiscal Year (From November 1, 2007 to October 31, 2008)		
Selling amount	Total gain on sale	Total loss on sale	Selling amount	Total gain on sale	Total loss on sale
523,733	287,528	–	44,168	989	1,339

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, 2007)	Current consolidated fiscal year (As of October 31, 2008)
	Amount shown on the consolidated balance sheet	Amount shown on the consolidated balance sheet
Other negotiable securities		
Unlisted stocks	211,400	211,400
Negotiable certificates of deposit	5,300,000	3,700,000
Other	59,822	20,595

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, 2007)				Current consolidated fiscal year (As of October 31, 2008)			
	Within one year	After one year and within five years	After five years within ten years	After ten years	Within one year	After one year and within five years	After five years within ten years	After ten years
(1) Bonds								
a. Government bonds	–	–	–	–	–	–	–	–
b. Corporate bonds	–	–	–	–	–	–	–	–
c. Other	–	–	–	–	–	–	–	–
(2) Other negotiable securities	–	–	–	87,203	–	–	–	53,895
Total	–	–	–	87,203	–	–	–	53,895

(Notes related to Derivative Transactions)

1. Notes related to transaction conditions

Prior Consolidated Accounting Fiscal Year (From November 1, 2006 to October 31, 2007)	Current Consolidated Accounting Fiscal Year (From November 1, 2007 to October 31, 2008)
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, 2006 to October 31, 2007)	Current Consolidated Accounting Fiscal Year (From November 1, 2007 to October 31, 2008)
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, 2007)

The Company had no material items to report.

Current consolidated accounting fiscal year (As of October 31, 2008)

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. 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. Certain consolidated subsidiaries have adopted a termination allowance plan and tax qualified pension plan system, or have joined the Kobe Machinery and Metal Firms Employees Pension Fund as a welfare pension fund system.

The items concerning multi-employer pension plans that account for required contribution amounts as employee retirement benefit costs are described below.

(1) Items concerning funded status of the pension plans (As of March 31, 2008)

Pension assets	¥30,556,685 thousands
Benefit obligations under pension funding calculation	¥38,417,719 thousands
Difference	-¥7,861,033 thousands

(2) Ratio of consolidated subsidiary contributions to total contributions to the plans (From April 1, 2007 to March 31, 2008) 1.490%

(Supplemental information)

Beginning from the consolidated accounting fiscal year under review, the Company has adopted the Partial Amendments to Accounting Standard for Retirement Benefits (Part 2) (Accounting Standards Board of Japan Accounting Standard Statement No. 14 dated May 15, 2007).

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, 2007)	Current consolidated accounting fiscal year (As of October 31, 2008)
(1) Liability for accrued employees retirement benefit	-4,205,807	-4,519,281
(2) Pension assets	3,277,759	2,317,053
(3) Liability for unreserved accrued employees retirement benefit (1) +(2)	-928,048	-2,202,227
(4) Unrecognized transitional obligation	—	—
(5) Unrecognized actuarial differences	-7,932	-1,122,221
(6) Unrecognized past years' service obligation (change in liability)	—	—
(7) Net liability shown on the consolidated balance sheets (3) + (4) + (5) +(6)	-935,980	-1,080,005
(8) Prepaid pension expense	—	—
(9) Accrued employees retirement benefits (7) -(8)	-935,980	-1,080,005

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

3. Details of accrued employees retirement benefit expense

(Unit: Thousands of yen)

	Prior Consolidated Accounting Fiscal Year (From November 1, 2006 to October 31, 2007)	Current Consolidated Accounting Fiscal Year (From November 1, 2007 to October 31, 2008)
(1) Service costs (Note 1)	306,260	309,788
(2) Interest costs	83,475	82,065
(3) Expected return on plan investments（reduction）	122,562	128,218
(4) Amortization of prior service cost (Note 2)	-845,319	－
(5) Write-off of expense for actuarial based difference	16,658	39,828
(6) Amortization of net transition obligation	－	－
(7) Amortization of transitional obligation	－	20,031
(8) Employees retirement benefit expense	-561,487	323,495

(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 thousands 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, 2007)	Current consolidated accounting fiscal year (As of October 31, 2008)
(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)

(Unit: Thousands of yen)

Prior consolidated accounting fiscal year (As of October 31, 2007)		Current consolidated accounting fiscal year (As of October 31, 2008)	
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	150,159	Amount in excess of limit for inclusion in allowance for doubtful accounts	276,183
Disallowance of deferred business taxes	110,081	Disallowance of deferred business taxes	13,105
Excess accrued employees retirement benefit	377,849	Excess accrued employees retirement benefit	436,265
Amount in excess of limit for retirement benefit	53,584	Amount in excess of limit for retirement benefit	70,628
Amount in excess of limit for accrued bonuses to employees	223,382	Amount in excess of limit for accrued bonuses to employees	222,192
Disallowance of excess depreciation	267,690	Disallowance of excess depreciation	286,162
Impairment loss	240,565	Impairment loss	240,572
Amount of loss carried forward	1,409,813	Amount of loss carried forward	1,660,294
Others	391,272	Others	348,746
Deferred tax assets subtotal	3,224,399	Deferred tax assets subtotal	3,554,152
Valuation reserve	-1,823,543	Valuation reserve	-2,110,879
Total deferred tax assets	1,400,855	Total deferred tax assets	1,443,272
Deferred tax liability		Deferred tax liability	
Valuation difference on other investment securities	1,358,187	Valuation difference on other investment securities	131,496
Net deferred tax assets	42,668	Net deferred tax assets	1,311,776
Disclosure item:		Disclosure item:	
Current assets - Deferred tax assets	360,573	Current assets - Deferred tax assets	256,893
Fixed liabilities – other	-317,904	Fixed assets - Deferred tax assets	1,054,883
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	1.6 %	Local tax equalization	5.3 %
Items not included permanently in losses such as expense account	0.6 %	Items not included permanently in losses such as expense account	2.3 %
Affect from application of asset impairment accounting for fixed assets	0.0 %	Affect from application of asset impairment accounting for fixed assets	0.0 %
Goodwill amortization amount excluded from expenses	2.3 %	Goodwill amortization amount excluded from expenses	4.1 %
Consolidated subsidiary losses	1.1 %	Consolidated subsidiary losses	8.1 %
Other	0.8 %	Other	1.1 %
Burden ratio for corporate and other taxes after application of tax effect accounting	46.8 %	Burden ratio for corporate and other taxes after application of tax effect accounting	61.3 %

(Business Segment Information)

1. Segment Information by Type of Business

Prior consolidated accounting fiscal year (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 thousands 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, 2007 to October 31, 2008)

(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	62,802,266	6,098,099	511,389	69,411,755	—	69,411,755
(2) Sales or transfers between related segments	—	—	—	—	—	—
Total	62,802,266	6,098,099	511,389	69,411,755	—	69,411,755
Operating expenses	60,628,109	6,064,501	450,852	67,143,464	40,437	67,183,901
Operating income	2,174,156	33,597	60,537	2,268,291	-40,437	2,227,853
II. Assets, depreciation expense and capital disbursements						
Assets	63,420,264	2,139,776	579,916	66,139,958	25,601,341	91,741,299
Depreciation expense	5,371,994	3,718	—	5,375,712	198,071	5,573,783
Capital disbursements	490	—	—	490	—	490
Operating expenses	11,302,346	2,640	—	11,304,987	75,134	11,380,121

(Notes) 1. Method of business classification

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

2. Principal products, by business

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

3. The total amount for assets that were eliminated or included in the categories for all companies was ¥25,601,341 thousands 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, 2006 to October 31, 2007)

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

Current consolidated accounting fiscal year (From November 1, 2007 to October 31, 2008)

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, 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.

Current consolidated accounting fiscal year (From November 1, 2007 to October 31, 2008)

(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: Concurrently serving as director etc.	Relationship: Business relationship	Details of transaction	Transaction amount (Thousand yen)	Account	Balance at end of consolidated fiscal year (Thousand yen)
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	511,637	Notes and accounts receivable, trade	1,248
									70,972	Notes and accounts payable, trade	44,085
							Ground lease	Lease of land for branch office	2,686	Selling, general and administrative expenses	–
							Purchase and sale of byproducts	Sale of steel scrap	9,176	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.	70,330	Notes and accounts payable, trade	37,462
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.	21,370	Notes and accounts payable, trade	13,415

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, 2006 to October 31, 2007)	Current Consolidated Accounting Fiscal Year (From November 1, 2007 to October 31, 2008)
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.	Net assets per share ¥1,155.47 Net income per share of common stock ¥19.61 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, 2006 to October 31, 2007)	Current Consolidated Accounting Fiscal Year (From November 1, 2007 to October 31, 2008)
Net income	3,035,418	644,038
Amount not attributed to common stock shareholders	—	—
Net income related to common stock	3,035,418	644,038
Average number of outstanding shares during the fiscal year	32,852,040	32,844,319

(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, 2007) Amount		Percent	Current Fiscal Year (As of October 31, 2008) Amount		Percent
(Assets)							
I Current assets							
1. Cash and deposits			11,115,248			12,189,646	
2. Notes receivable, trade	*4		2,255,833			2,106,194	
3. Accounts receivable, trade			10,825,811			10,537,290	
4. Negotiable securities			5,300,000			3,700,000	
5. Merchandise inventory			227,690			259,968	
6. Construction equipment			770,099			616,935	
7. Work in process			—			147,054	
8. Supplies			67,323			72,526	
9. Prepaid expenses			229,844			221,130	
10. Deferred tax assets			355,902			235,290	
11. Income taxes receivable			—			94,272	
12. Consumption taxes receivable			—			267,463	
13. Other			178,753			85,219	
Allowance for doubtful accounts			-435,092			-411,379	
Total Current Assets			30,891,414	37.3		30,121,614	35.3
II Fixed assets							
(1) Tangible Fixed Assets							
1. Rental equipment		35,613,223			36,009,146		
Accumulated depreciation		26,315,583	9,297,639		25,160,882	10,938,263	
2. Buildings		12,165,963			12,425,311		
Accumulated depreciation		6,663,211	5,502,751		6,998,151	5,427,160	
3. Structures		4,166,919			4,338,834		
Accumulated depreciation		3,214,825	952,093		3,321,397	1,017,436	
4. Machinery and equipment	*1	4,222,490			4,299,801		
Accumulated depreciation		3,493,394	729,096		3,574,404	725,396	
5. Vehicles and delivery equipment		38,988			30,916		
Accumulated depreciation		36,584	2,403		29,165	1,750	
6. Tools, furnishings and fixtures		1,045,691			1,046,723		
Accumulated depreciation		817,784	227,907		837,986	208,736	
7. Land	*1		25,996,422			27,999,448	

8. Construction in progress			46,172			683,294	
Total Tangible Fixed Assets			42,754,487	51.5		47,001,488	55.0
(2) Intangible Fixed Assets							
1. Goodwill			60,800			21,600	
2. Software			46,923			80,714	
3. Telephone subscription rights			40,512			40,431	
Total Intangible Fixed Assets			148,235	0.2		142,746	0.2
(3) Investments and Other Assets							
1. Investment securities			5,249,609			2,272,537	
2. Stock of affiliated companies			2,649,554			3,510,688	
3. Advances			8,107			8,107	
4. Long-term loan to affiliated company			900,000			1,386,742	
5. Claims in bankruptcy, claims in reorganization and other similar claims			252,556			326,114	
6. Long-term prepaid expenses			52,935			67,129	
7. Deferred tax assets			—			1,233,325	
8. Insurance reserve			30,921			32,496	
9. Long-term guaranty money deposited			960,852			971,125	
10. Other			—			18,538	
Allowance for doubtful accounts			-430,758			-1,285,210	
Reserve for investment losses			-565,171			-406,663	
Total investments and other assets			9,108,607	11.0		8,134,931	9.5
Total Fixed Assets			52,011,330	62.7		55,279,166	64.7
Total Assets			82,902,745	100.0		85,400,780	100.0

		Prior Fiscal Year (As of October 31, 2007)			Current Fiscal Year (As of October 31, 2008)		
Classification	Notes	Amount		Percent	Amount		Percent
(Liabilities)							
I Current liabilities							
1. Notes payable, trade	*2		7,660,014			8,492,680	
2. Accounts payable, trade	*2		2,456,499			2,298,699	
3. Long-term bank loans due within one year			8,818,000			9,251,000	
4. Accounts payable, other			2,211,522			2,684,135	
5. Accrued expenses			246,693			256,870	
6. Corporate taxes payable			1,406,425			—	
7. Consumption and other taxes			137,908			—	
8. Deposits			37,844			39,448	
9. Accrued bonuses to employees			499,457			487,359	
10. Equipment notes payable			175,331			619,130	
12. Other			108,885			123,738	
Total Current Liabilities			23,758,582	28.7		24,253,064	28.4
II Long-term liabilities							
1. Long-term bank loans			14,926,000			18,334,000	
2. Long-term accrued expenses			2,353,188			2,891,152	
3. Accrued employees retirement benefits			928,956			1,001,191	
4. Retirement allowances to directors and auditors			89,386			101,376	
5. Provision for loss on guarantees			—			377,216	
6. Long-term deferred tax liability			58,726			—	
Total long-term liabilities			18,356,256	22.1		22,704,937	26.6
Total Liabilities			42,114,839	50.8		46,958,001	55.0

Classification	Notes	Prior Fiscal Year (As of October 31, 2007) Amount		Percent	Current Fiscal Year (As of October 31, 2008) Amount		Percent
(Net Assets)							
I Owners' equity							
1 Paid-in capital			9,696,717	11.7		9,696,717	11.3
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	13.2		10,960,869	12.8
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		12,931,684			15,631,684		
Earned surplus brought forward		3,823,794			617,502		
Total earned surplus			18,150,368	21.9		17,644,075	20.7
4 Treasury stock			-19,784	-0.0		-22,729	-0.0
Total Owners' Equity			38,788,170	46.8		38,278,933	44.8
II Valuation and translation adjustments							
1 Valuation difference on other investment securities		1,999,735			163,845		
Total valuation and translation adjustments			1,999,735	2.4		163,845	0.2
Total Net Assets			40,787,905	49.2		38,442,779	45.0
Total Liabilities and Net Assets			82,902,745	100.0		85,400,780	100.0

2. Comparative Statements of Income

(Unit: Thousands of yen)

Classification	Notes	Prior fiscal year (From November 1, 2006 to October 31, 2007) Amount		Percent	Current fiscal year (From November 1, 2007 to October 31, 2008) Amount		Percent
I Operating revenues							
1. Rental revenues		42,633,799			40,519,332		
2. Sales		18,942,988	61,576,788	100.0	19,954,648	60,473,981	100.0
II Cost of revenues							
1. Cost of rental revenues			30,953,269			30,373,396	
2. Cost of goods sold							
Balance of merchandise inventory at beginning of period		259,214			227,690		
Merchandise inventory purchases		13,197,038			14,015,942		
Merchandise received from other accounts	*2	531,914			514,766		
Total		13,988,167			14,758,399		
Balance of merchandise at end of period		227,690	13,760,477		259,968	14,498,430	
Total cost of revenues			44,713,746	72.6		44,871,826	74.2
Gross profit			16,863,041	27.4		15,602,154	25.8
III Selling, general and administrative expenses							
1. Freight-out		57,010			64,868		
2. Vehicle fuel expense		152,135			188,473		
3. Advertising and public relations expense		134,953			169,514		
4. Transfer to allowance for doubtful accounts		123,403			271,120		
5. Director compensation		83,157			83,197		
6. Salary allowance		5,018,232			5,261,471		
7. Bonuses		958,082			730,245		
8. Transfer to accrued bonuses to employees		499,457			487,359		
9. Transfer to retirement allowances to directors and auditors		10,613			11,990		
10. Employees retirement benefit expense		271,007			257,289		
11. Travel and transportation expenses		309,882			313,275		

12. Entertainment expenses		66,902			85,279		
13. Insurance premiums		89,579			107,957		
14. Communications expense		333,882			332,083		
15. Maintenance and repairs		102,797			97,513		
16. Consumables expense		305,307			324,138		
17. Utilities		241,721			257,618		
18. Taxes and public charge		427,374			381,818		
19. Welfare expenses		848,085			884,300		
20. Depreciation expense		768,998			729,513		
21. Rent		1,478,443			1,552,391		
22. Other expenses		569,054	12,850,084	20.9	549,358	13,140,777	21.7
Operating income			4,012,957	6.5		2,461,376	4.1
IV Non-operating revenues							
1. Interest revenue		36,502			38,513		
2. Interest revenue on negotiable securities		15,285			31,369		
3. Dividend income		50,745			68,573		
4. Gain on sale of investment securities		287,528			967		
5. Rents received	*1	195,809			182,396		
6. Insurance benefits		38,877			25,544		
7. Cash bonus received		104,680			4,462		
8. Other	*1	123,499	852,930	1.4	104,995	456,810	0.8
V Non-operating expenses							
1. Interest expense		312,601			347,058		
2. Loss on sale of notes receivable		68,669			74,968		
3. Other		111,714	492,985	0.8	126,964	548,991	0.9
Ordinary income			4,372,901	7.1		2,369,196	4.0
VI Extraordinary profits							
1. Gain on disposal of fixed assets	*3	920,700			5,354		
2. Valuation gain on investment enterprise partnership		8,128			—		
3. Reversal of allowance for doubtful accounts		19,538			19,258		
4. Reversal of allowance for investment loss		—			158,757		

5. Gain on reversal of accrued employees retirement benefits		845,319			—		
6. Other		2,841	1,796,528	2.9	3,602	186,973	0.3
VII Extraordinary losses							
1. Loss on sale or disposal fixed assets	*4	63,908			60,103		
2. Impairment loss	*5	890			490		
3. Valuation loss on investment securities		11,016			54,978		
4. Management loss on investment partnership enterprise		11,641			21,221		
5. Reversal of provision for loss on guarantees of subsidiaries and affiliates		—			377,216		
6. Transfer to reserve for doubtful accounts for affiliated company stock		8,311			761,175		
7. Other		19,858	115,626	0.2	40,812	1,315,999	2.2
Income before taxes			6,053,803	9.8		1,240,170	2.1
Corporate, local and business taxes		2,203,734			983,680		
Adjustment for corporate and other taxes		419,052	2,622,787	4.2	73,021	1,056,702	1.8
Net income			3,431,016	5.6		183,467	0.3

Detailed Statement of Cost of Rental Revenues

(Unit: Thousands of yen)

		Prior Fiscal Year From November 1, 2006 to October 31, 2007		Current Fiscal Year From November 1, 2007 to October 31, 2008	
Classification	Notes	Amount	Percent	Amount	Percent
Rent		17,398,229	56.2	16,748,491	55.1
Repair expense		2,860,409	9.3	2,927,336	9.6
Freight charges		5,219,204	16.9	5,044,634	16.6
Depreciation expense	*2	3,659,317	11.8	3,908,613	12.9
Consumables expense		751,987	2.4	685,457	2.3
Other costs	*3	1,064,121	3.4	1,058,863	3.5
Total		30,953,269	100.0	30,373,396	100.0

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 ¥3,460,445 thousands and construction equipment depreciation expense of ¥198,871 thousands.	The Company posted rental equipment asset depreciation expense of ¥3,755,059 thousands and construction equipment depreciation expense of ¥153,553 thousands.
Note *3	Other costs consisted mainly of taxes and public charges of ¥437,506 thousands, insurance premiums of ¥566,629 thousands and interest of ¥37,340 thousands related to installment payment purchases of rental equipment assets.	Other costs consisted mainly of taxes and public charges of ¥429,888 thousands, insurance premiums of ¥528,654 thousands and interest of ¥45,711 thousands related to installment payment purchases of rental equipment assets.

3. Statement of Changes in Net Assets

Prior 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				—				-591,414	-591,414		-591,414
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		—	-591,414
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

Current fiscal year (From November 1, 2007 to October 31, 2008)

(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, 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
Changes of items during the fiscal year											
Transfer to general reserve				－			2,700,000	-2,700,000	－		－
Dividends from surplus				－				-689,760	-689,760		-689,760
Net income				－				183,467	183,467		183,467
Purchase of treasury stock				－					－	-2,944	-2,944
Net changes of items other than owners' equity during the fiscal year											
Total changes of items during the fiscal year	－	－	－	－	－	－	2,700,000	-3,206,292	-506,292	-2,944	-509,237
October 31, 2008 balance	9,696,717	10,817,389	143,480	10,960,869	1,375,287	19,601	15,631,684	617,502	17,644,075	-22,279	38,278,933

	Valuation and translation adjustments		Total net assets
	Valuation difference on other investment securities	Total valuation and translation adjustments	
October 31, 2007 balance	1,999,735	1,999,735	40,787,905
Changes of items during the fiscal year			
Transfer to general reserve		－	－
Dividends from surplus		－	-689,760
Net income		－	183,467
Purchase of treasury stock		－	- 2,944
Net changes of items other than owners' equity during the fiscal year	-1,835,889	-1,835,889	-1,835,889
Total changes of items during the fiscal year	-1,835,889	-1,835,889	-2,345,126
October 31, 2008 balance	163,845	163,845	38,442,779

Events or conditions that create significant doubt concerning the assumption of going concern

The Company had no material items to report.

Significant accounting policies

Item	Prior fiscal year From November 1, 2006 to October 31, 2007	Current fiscal year From November 1, 2007 to October 31, 2008
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 ―――――― (3) Supplies The Latest purchase cost method	(1) Merchandise inventories Same as at left (2) Work in process The Company has adopted the cost method, cost being determined by the specific identification method (3) 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	(1) Tangible fixed assets Same as at left (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). (3) Long-term prepaid expenses The Company has adopted straight-line depreciation.	Same as at left (3) Long-term prepaid expenses Same as at left
5. Standard for conversion of foreign currency-denominated assets or liabilities into Japanese yen	――――――	The Company converts monetary claims and monetary liabilities denominated in foreign currencies into Japanese yen at the exchange market spot rate on the fiscal year settlement date, and charges the translation difference to income as a gain or loss.
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 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.	(1) Allowance for doubtful accounts Same as at left (2) Accrued bonuses to employees Same as at left (3) Accrued employees retirement benefits ---------

	(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 thousands affect from these transfers in extraordinary profits as a "gain on reversal of accrued employees retirement benefits" (4) 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) 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. ――――――	(4) Retirement allowances to directors and auditors Same as at left (5) Reserve for investment losses Same as at left (6) Provision for loss on guarantees To provide for losses resulting from the future execution of liability guarantees, the Company charges to income a reasonably estimated loss amount based on the outstanding amount of guarantees.
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	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.	Accounting treatment of consumption tax Same as at left

Change in Presentation Method

Prior fiscal year From November 1, 2006 to October 31, 2007	Current fiscal year From November 1, 2007 to October 31, 2008
(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 thousands. 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 thousands. 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 thousands.	―――――

Notes to the Financial Statements

(Notes to the Balance Sheets)

(Unit: Thousands of yen)

Prior Fiscal Year (As of October 31, 2007)		Current Fiscal Year (As of October 31, 2008)	
*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	Machinery and equipment	5,044
Land	3,569	Land	3,569
Total	8,613	Total	8,613
*2. Affiliated companies Amounts classified as liabilities owed to affiliates		*2. Affiliated companies Amounts classified as liabilities owed to affiliates	
Current liabilities		Current liabilities	
Notes and accounts payable, trade	597,709	Notes and accounts payable, trade	542,006
3. Contingent liabilities		3. Contingent liabilities	
Joint and several guarantees of bank loans to employees (Bank of Tokyo-Mitsubishi UFJ Limited, other)	23,144	Joint and several guarantees of bank loans to employees (Bank of Tokyo-Mitsubishi UFJ Limited, other)	32,145
Guarantee of consolidated subsidiary debt (Kanatech Co., Ltd.)	150,000	Guarantee of consolidated subsidiary debt (Kanatech Co., Ltd.)	150,000
Guarantee of consolidated subsidiary debt (Kanki Corporation)	882,000	Guarantee of consolidated subsidiary debt (Kanki Corporation)	756,000
Guarantee of non-consolidated subsidiary debt (Flowtechno Corporation)	100,000	Guarantee of non-consolidated subsidiary debt (Flowtechno Corporation)	100,000
Guarantee of affiliated company debt (Shanghai Jinheyuan Equipment Rental Co., Ltd.)	168,960	Guarantee of non-consolidated subsidiary installment payments (SJ Rental, Inc.)	33,014
Guarantee of affiliated company finance lease liabilities (Shanghai Jinheyuan Equipment Rental Co., Ltd.)	70,973	Guarantee of non-consolidated subsidiary debt (Shanghai Jinheyuan Equipment Rental Co., Ltd.)	1,253,670
		Guarantee of non-consolidated subsidiary finance lease liabilities (Shanghai Jinheyuan Equipment Rental Co., Ltd.)	1,632,416
*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	4,971,036	Notes receivable, trade	5,135,881
Liquidated claims bearing a right of recourse to the Company and included in the balance of notes receivable, trade transferred total ¥1,244,278 thousands.		Liquidated claims bearing a right of recourse to the Company and included in the balance of notes receivable, trade transferred total ¥1,164,588 thousands.	

(Notes to the Statements of Income)

(Unit: Thousands of yen)

Prior fiscal year (From November 1, 2006 to October 31, 2007)		Current fiscal year (From November 1, 2007 to October 31, 2008)	
*1. Transactions with affiliates		*1. Transactions with affiliates	
Seconded employees' salaries	53,928	Seconded employees' salaries	22,446
Rents received	114,400	Rents received	118,681
*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	506,579	Rental equipment assets	513,791
Construction equipment	25,334	Construction equipment	975
Total	531,914	Total	514,766
*3. Gain on sale or retirement of fixed assets		*3. Gain on sale or retirement of fixed assets	
Land	906,198	Land	949
Building	14,413	Building	926
Machinery and equipment	88	Machinery and equipment	3,478
Total	920,700	Total	5,354
*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	26,859	Buildings	312
(Loss on retirement of fixed assets)		Other	75
Rental equipment assets	15,627	(Loss on retirement of fixed assets)	
Buildings	6,613	Rental equipment assets	15,914
Structures	1,385	Buildings	25,268
Machinery and equipment	8,501	Structures	9,597
Tools, furnishings and fixtures	4,203	Machinery and equipment	5,056
Other	716	Vehicles and delivery equipment	403
Total	63,908	Tools, furnishings and fixtures	3,194
		Other	279
		Total	60,103

Prior fiscal year (From November 1, 2006 to October 31, 2007)	Current fiscal year (From November 1, 2007 to October 31, 2008)
*5. Impairment loss During this fiscal year the Kanamoto Group incurred an impairment loss on the following asset groups. Location: Tomakomai City, Hokkaido / Use: Dormant assets / Asset: 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 thousands) under extraordinary losses. This ¥890 thousands 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.	*5. Impairment loss During this fiscal year the Kanamoto Group incurred an impairment loss on the following asset groups. Location: Tomakomai City, Hokkaido / Use: Dormant assets / Asset: 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 (¥490 thousands) under extraordinary losses. This ¥490 thousands 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.

(Statements of Changes in Net Assets)

Prior 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 thousand shares through purchases of shares comprising less than one investment unit.

Current fiscal year (From November 1, 2007 to October 31, 2008)

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)	25	5	—	30
Total	25	5	—	30

(Note) The number of treasury stock shares of common stock increased by 5 thousand shares through purchases of shares comprising less than one investment unit.

(Notes to Leasing Transactions)

(Unit: Thousands of yen)

Prior 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 fiscal year

	Acquisition price	Accumulated depreciation	Outstanding balance
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

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

Within one year	6,773,121
After one year	15,876,130
Total	22,649,251

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

Lease payments	7,058,248
Depreciation expense	6,087,072
Interest expense	640,634

(4) Accounting method for amount equivalent to depreciation expense

Straight-line depreciation using the lease term as the depreciable life and zero residual value.

(5) Accounting method for amount equivalent to interest expense

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

2. Operating leases

Future lease payments

Within one year	1,660,523
After one year	3,766,563
Total	5,427,086

Current fiscal year (From November 1, 2007 to October 31, 2008)

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

	Acquisition price	Accumulated depreciation	Outstanding balance
Rental assets	31,613,741	12,858,642	18,755,098
Other assets	116,048	90,043	26,004
Total	31,729,789	12,984,685	18,781,103

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

Within one year	5,033,636
After one year	13,121,268
Total	18,154,905

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

Lease payments	5,556,569
Depreciation expense	4,389,069
Interest expense	483,702

(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	1,928,442
After one year	3,251,827
Total	5,180,270

(Negotiable Securities)

For the prior fiscal year (as of October 31, 2007) and this fiscal year (as of October 31, 2008), the stock of the Company's subsidiary companies and affiliated companies did not have a market price.

(Notes Related to Tax Effect Accounting)

(Unit: Thousands of yen)

Prior fiscal year (As of October 31, 2007)		Current fiscal year (As of October 31, 2008)	
1. Major factors creating deferred tax assets and deferred tax liabilities		1. Major factors creating 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	124,770	Amount in excess of limit for inclusion in allowance for doubtful accounts	527,840
Disallowance of deferred business taxes	110,081	Disallowance of deferred business taxes	3,435
Excess accrued employees retirement benefit	375,298	Excess accrued employees retirement benefit	404,481
Amount in excess of limit for retirement benefit	36,111	Disallowance of retirement benefit directors and auditors	40,955
Amount in excess of limit for accrued bonuses to employees	201,780	Disallowance of accrued bonuses to employees	196,893
Disallowance of excess depreciation	261,445	Disallowance of excess depreciation	270,488
Impairment loss	240,565	Impairment loss	240,572
Disallowance of reserve for investment losses	228,329	Disallowance of reserve for investment losses	164,292
Other	314,883	Disallowance of provision for loss on guarantees	152,395
Deferred tax assets subtotal	1,893,266	Other	267,824
Valuation difference on negotiable securities	-240,565	Deferred tax assets subtotal	2,269,180
Total deferred tax assets	1,652,701	Valuation difference on negotiable securities	-670,830
Deferred tax liability		Total deferred tax assets	1,598,350
Valuation difference on other investment securities	1,355,525	Deferred tax liability	
Net deferred tax assets	297,176	Valuation difference on other investment securities	129,733
		Net deferred tax assets	1,468,616
Disclosure classifications:		Disclosure classifications:	
Current assets	355,902	Current assets	235,290
Property and equipment	-58,726	Fixed assets	1,233,325
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	1.4 %	Local tax equalization	7.6 %
Items not included permanently in losses such as expense account	0.6 %	Items not included permanently in losses such as expense account	3.3 %
Affect from application of asset impairment accounting for fixed assets	0.0 %	Affect from application of asset impairment accounting for fixed assets	0.0 %
Other	0.9 %	Affect from application of allowance for investment loss	11.9 %
Burden ratio for corporate and other taxes after application of tax effect accounting	43.3 %	Affect from application of allowance for doubtful accounts	22.8 %
		Other	-0.8 %
		Burden ratio for corporate and other taxes after application of tax effect accounting	85.2 %

(Per Share Information)

Prior fiscal year (From November 1, 2006 to October 31, 2007)		Current fiscal year (From November 1, 2007 to October 31, 2008)	
Net assets per share	1,241.77 Yen	Net assets per share	1,170.56 Yen
Net income per share of common stock	104.44 Yen	Net income per share of common stock	5.59 Yen
Net income per share of common stock after adjustment for potential ordinary shares	–	Net income per share of common stock after adjustment for potential ordinary shares	–
The Company has not reported net income per share of common stock after adjustment for potential ordinary shares because it does not have any potential shares that would have a dilution effect.		The Company has not reported net income per share of common stock after adjustment for potential ordinary shares because it does not have any potential shares that would have a dilution effect.	

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, 2006 to October 31, 2007)	Current fiscal year (From November 1, 2006 to October 31, 2007)
Fiscal year net income	3,431,016	183,467
Amount not attributable to major shareholders	–	–
Fiscal year net income related to common stock	3,431,016	183,467
Average number of shares outstanding during the fiscal year	32,852,040	32,844,319

(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.