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**Kanamoto Co., Ltd.**

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The corporate governance of Kanamoto Co., Ltd. (the “Company”) is described below.

## I Basic Views on Corporate Governance, Capital Structure, Corporate Attributes and Other Basic Information

### 1. Basic Views

The Company engages in its business activities based on a management philosophy of creating and strengthening the trust of shareholders, customers, partner companies, local communities, employees and families to ensure the sustainable development of the Company and the enhancement of its corporate value. To this end, the Company has established an internal management system. Its fundamental approach to corporate governance is to implement timely and appropriate business initiatives, striving to maintain and improve transparency and fairness in the management of the business, and establishing a timely information disclosure and feedback system for management purposes.

In addition, the Company sets forth the following action guidelines to ensure that this management philosophy is clearly communicated throughout the Company:

1. Seek change, and mobilize every resource to energize the company
2. Always remember Kanamoto is a team competing to win profits
3. Maintain a self-directed and independent mind

#### **[Reasons for Non-compliance with the Principles of the Japan’s Corporate Governance Code]**

[Supplementary Principle 4-1 c). Planning for the Succession of the CEO]

The Company has established a ranking of management roles and a system of responsibilities for its management. Concerning the successors of the CEO, the Company considers such succession be based on the individual’s experience and knowledge, and the succession process is being monitored appropriately.

This principle has applied for any changes in the President and CEO.

[Supplementary Principle 4-2 a). Executive Compensation Linked to Performance and Based on the Balance of Cash and Company Stock-based Compensation]

Since the Group’s principal business is the rental of construction equipment, results are heavily dependent on the levels of construction investment in Japan, so incentive-based executive compensation is not necessarily linked to sustainable growth. There is no compensation program linked with mid- to long-term performance or stock-based compensation.

However, since this type of business environment is an issue that needs to be addressed, the Company aims to develop a strong earnings base and detailed sales structure. If deemed to be necessary for this process, the Company shall review the introduction of a new compensation system, based on a consideration of its advantages and disadvantages.

[Supplementary Principle 4-3 b). Appointment of CEO]

There are no specific procedures in place regarding criteria and requirements for the appointment of the President and CEO. However, any candidate should have been engaged in the Company’s primary business for an appropriate length of time and should have accumulated detailed experience and knowledge of the business. The Board of Directors has decided as appropriate based on assessing the aforementioned qualities.

[Supplementary Principle 4-3 c). Dismissal of CEO]

As with the appointment of the President and CEO, there are no specific procedures in place regarding the criteria and requirements for dismissal from office. However, if the CEO has violated laws and regulations and the Articles of Incorporation, or if the CEO has seriously damaged the corporate value of the Company or is deemed to be ineligible to hold this office through failing to show the appropriate capabilities, the Board of Directors will deliberate and decide upon the dismissal of the CEO.

[Supplementary Principle 4-8 a). Meetings Consisting Solely of Independent Outside Directors]

The Company has appointed three (3) Independent Outside Directors and four (4) Independent Outside Corporate Auditors. The Board of Directors is deemed to be an environment in which individual opinions can be expressed based on Directors' respective experience and knowledge. Therefore, the Company does not plan to hold any meetings consisting solely of independent outside parties. However, such a meeting may be held if an Independent Outside Director requests it.

[Supplementary Principle 4-8 b). Decision on Leading Independent Outside Director]

There are currently three (3) Independent Outside Directors. At present situation, they communicate and coordinate with the executive team and cooperate with the Board of Corporate Auditors. Therefore, a "leading Independent Outside Director" has not been decided upon.

[Supplementary Principle 4-10 a). Establishment of an Optional Advisory Committee]

Independent Outside Directors and Corporate Auditors also attend meetings of the Board of Directors and make decisions on nomination and compensation. Because necessary recommendations are made as required, no advisory committee or similar has been established to deliberate matters such as remuneration and nomination.

[Principle 4-11. Prerequisite for Securing Effectiveness of the Board of Directors and the Board of Corporate Auditors]

The Board of Directors consists of qualified personnel who are familiar with the Company's business and therefore able to fulfill their required roles. Consequently, there is no diversity by gender or nationality. However, in future, the Company is keen to appoint eligible candidates based on these criteria.

Also, with respect to the Corporate Auditors, we have appointed a large number of individuals with appropriate experience and skills, as well as sufficient knowledge of necessary financial, accounting and legal matters.

In terms of assessing the effectiveness of the Board of Directors, the Company recognizes that it can secure the viability of the Board of Directors through listening to the opinions of participants in the Board of Directors meetings as appropriate. Although no analysis or evaluation has been carried out, the Company receives opinions about the management, etc. of the Board of Directors at every Board meeting from those in attendance.

[Supplementary Principle 4-11 c). Analysis and Evaluation of Effectiveness of the Board of Directors as a Whole]

At present, the Company recognizes that it can secure the viability of the Board of Directors through listening to the opinions of participants at the Board of Directors meetings as appropriate. No analysis or evaluation of the Board of Directors has been carried out, but the Company receives opinions about the management, etc. of the Board of Directors at every Board meeting from those in attendance. The Company recognizes that appropriate methods for the analysis and evaluation of the effectiveness of the Board of Directors, and disclosure thereof, are an issue to be reviewed in future.

## **[Disclosure Based on the Principles of the Japan's Corporate Governance Code]**

[Principle 1-4. Cross-Shareholdings]

The Company holds cross-shareholdings in certain companies based on a comprehensive evaluation of its business strategies, its policy of strengthening and maintaining relationships of trust with business partners, and the potential for expansion of the business trading relationship and so forth. For each cross-holding, the Board of Directors examines the purpose of holding the stock, the economic rationale for the investment, including the benefits and risks associated with holding the stock, and its future prospects. If it is deemed that there is limited benefit or economic rationale for a cross-holding, the Company's policy is to consider reducing the shareholding.

Also, with regard to the exercise of voting rights in cross-holdings, the Company makes a comprehensive assessment as to whether this will contribute to the improvement of corporate value over the medium to long term and whether this will enhance shareholder value.

[Principle 1-7. Transactions among Related Parties]

The employment regulations for officials include restrictions related to non-competition obligations, prohibition of trading on one's own account, guarantee of debts to Directors by the Company and conflict of interest transactions. Any transactions that fall under these categories shall be disclosed to the Board of Directors in advance for approval and shall also be reported to the Board after the transaction has been made.

[Principle 2-6. Roles as Asset Owners of Corporate Pension Plan]

The Company's Pension Plan was changed to a corporate defined contribution pension plan in October 2011. The Company has no role as an asset owner.

[Principle 3-1. Enhancement of Disclosure]

(i) Company objectives (e.g., management philosophy), management strategies and management plans

These are described in the Medium-term Management Plan. The Medium-term Management Plan is published on the Company's website.

URL: <https://www.kanamoto.ne.jp/press/50/20140918-6458425/PR20140918.pdf>

(ii) Basic views and policies on corporate governance based on each of the principles of the Code

These are outlined in Basic Views in I-1 of this Report.

(iii) The Board of Directors' policies and procedures in determining the compensation of the senior management and Directors

These are outlined in Director Compensation in II-1 of this Report.

(iv) The Board of Directors' policies and procedures in the appointment and dismissal of the senior management and the nomination of candidates for Director and Corporate Auditor

Expert knowledge of or a considerable degree of insight into the rental of construction machinery and equipment, which is the Company's principal business, is an important prerequisite when appointing executives and nominating candidates as Directors and Corporate Auditors. On the other hand, the Company also needs opinions from a wide range of perspectives other than its principal business. Taking this balance into account, the President and CEO shall draw up proposals for those candidates as deemed necessary for the management of the Company, and these candidates shall then be appointed by resolution of the Board of Directors.

Also, in terms of the dismissal of Directors or Corporate Auditors, the President and CEO or each Director shall review from multiple aspects whether the Director concerned displays the required qualities to fulfill his or her duties, not based simply on results. If dismissal is deemed to be appropriate, the Director shall be dismissed by a resolution of the Board of Directors.

(v) Explanation of the individual appointment and dismissal of the senior management and the nominations of candidates for Director and Corporate Auditor by the Board of Directors based on (iv) above

The background of each candidate for Director or Corporate Auditor and the reasons for each nomination are explained in the reference documents for the General Meeting of the Shareholders. The same procedure applies for the dismissal of Directors or Corporate Auditors.

There are no plans at the moment to provide explanations for the appointment or dismissal of other members of the senior management.

[Supplementary Principle 4-1 a). Summary of Scope of Delegation from Board of Directors to Executive Management]

The Company has established and executed the regulations for the Board of Directors that important matters relating to the Company's business, such as matters set forth by laws and regulations and matters set forth in the Articles of Incorporation, shall require a resolution of the Board of Directors. The criteria for management and discussion of the Board of Directors are also determined by the regulations for the Board of Directors.

[Principle 4-9. Criteria for Judging the Independence and Qualification for Independent Outside Directors]

The Company has formulated "Criteria for Judging the Independence of Outside Directors" that meets the standards required by the Tokyo Stock Exchange and the Companies Act for Independent Officers, and has appointed three (3) Independent Outside Directors who meet these criteria. These criteria are described in this Report as well as the Notification and Invitation to the General Meeting of the Shareholders.

[Supplementary Principle 4-11 a). Views on Balance of Knowledge, Experience and Ability of the Board of Directors as a Whole as well as Diversity and Scale]

The Board of Directors consists of directors with diverse perspectives, experience and advanced skills enabling them to make prompt decisions in response to changes in the business environment. In addition, each Corporate

Auditor also attends the Board of Directors meetings. Most of the Directors concurrently serve as Corporate Officers, enhancing cooperation with each of the Company’s businesses. The policy and procedures on election are as stated in Principle 3-1 (iv).

[Supplementary Principle 4-11 b). Concurrent Positions of Executives at Other Listed Companies]  
The important concurrent positions of the Directors and Corporate Auditors are stated in the business report every year.

[Supplementary Principle 4-11 c). Analysis and Evaluation of Effectiveness of the Board of Directors as a Whole]  
This is as stated in the first part of Reasons for Non-compliance with the Principles of Japan’s Corporate Governance Code.

[Supplementary Principle 4-14 b). Policy on Training of Directors and Corporate Auditors]  
The Company explains its business philosophy and overview of the business, etc. to new Outside Directors. Directors and Corporate Auditors may attend various external seminars as required, if they express desire to attend such seminars to help them fulfill their role and such attendance is deemed to be useful for their duties.

[Principle 5-1. Policy for Constructive Dialogue with Shareholders]  
The Company has formulated a disclosure policy, and has published “the Basic Policy,” “Criteria for Information Disclosure,” “Methods of Information Disclosure,” “Silent Period” and “Establishment of In-house Systems” on its website.  
In addition to holding regular briefings for individual investors every year, the Company continues to participate in various IR conferences. The Company also holds quarterly results briefings for analysts and institutional investors, giving presentations etc. on its business performance and management strategies The Company also holds briefings in response to requests from analysts and institutional investors.  
As well as sending materials regularly to overseas institutional investors, the Company also participates in joint briefings arranged by securities companies and conducts events including telephone conferences and overseas briefings.

**2. Capital Structure**

Foreign Shareholding Ratio	From 20% to less than 30%
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**[Status of Major Shareholders]**

Name	Number of Shares Owned (Shares)	Shareholding Ratio (%)
Japan Trustee Services Bank, Ltd.	6,066,300	17.17
The Master Trust Bank of Japan, Ltd.	1,514,000	4.28
State Street Bank and Trust Company (Standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Department and The Hongkong and Shanghai Banking Corporation Limited, Tokyo branch)	1,486,373	4.21
ORIX Corporation	960,000	2.72
The Bank of New York Mellon Corporation (Standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Department)	928,196	2.63
Kanamoto Capital Company	915,825	2.59
The Hokkaido Bank, Ltd.	888,982	2.52
Tokio Marine & Nichido Fire Insurance Co., Ltd.	802,586	2.27
JP Morgan Chase Bank, N.A. (Standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Department)	801,383	2.27
North Pacific Bank, Ltd.	763,008	2.16

Controlling Shareholder	
Parent	
Parent company listing	

## Supplementary Explanation

In the Report of Possession of Large Volume provided for public viewing on May 21, 2018, the following shareholdings are reported to be attributed to four (4) companies of Mitsubishi UFJ Financial Group, Inc. as of May 14, 2018. However, since the Company is unable to confirm the actual number of shares held as of October 31, 2018, these companies are not included in the major shareholders above.

The contents of the Report of Possession of Large Volume are as follows:

Name	Number of Shares Owned (Shares)	Ownership ratio of share certificates, etc. (%)
MUFG Bank, Ltd.	149,316	0.41
Mitsubishi UFJ Trust and Banking Corporation	1,159,200	3.21
Mitsubishi UFJ Kokusai Asset Management Co., Ltd.	298,100	0.83
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	228,300	0.63

In the Report of Possession of Large Volume provided for public viewing on September 21, 2018, the following shareholding is reported to be attributed to Rheos Capital Works Inc. as of September 14, 2018. However, since the Company is unable to confirm the actual number of shares held as of October 31, 2018, it is not included in Status of Major Shareholders above.

The contents of the Report of Possession of Large Volume are as follows:

Name	Number of shares owned	Ownership ratio of share certificates, etc. (%)
Rheos Capital Works Inc.	947,100	5.39

### 3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo First Section, Sapporo Existing Market
Fiscal Year-End	October
Type of Business	Services
Number of Employees (Consolidated) at End of the Previous Fiscal Year	1,000 or more
Net Sales (Consolidated) for the Previous Fiscal Year	From ¥100 billion to less than ¥1 trillion
Number of Consolidated Subsidiaries at End of the Previous Fiscal Year	Less than 10

### 4. Policy for Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

### 5. Other Special Circumstances Which May Have Material Impact on Corporate Governance

None

## II Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Supervision in Management

### 1. Organizational Composition and Operation

Organization Form	Company with the Board of Corporate Auditors
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#### [Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	20
Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	Chairman (excluding the case where the person concurrently serves as President)
Number of Directors	12
Appointment of Outside Directors	Appointed
Number of Outside Directors	3
Number of Independent Officers Designated from among Outside Directors	3

#### Outside Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company (*1)											
		a	b	c	d	e	f	g	h	i	j	k	
Susumu Naito	From another company									○			
Masayuki Oikawa	From another company									○			
Motoki Yonekawa	From another company												

\*1 Categories for "Relationship with the Company"

- Executive (a person who executes business; hereinafter, the same) of the Company or its subsidiary
- Non-executive director or executive of the parent of the Company
- Executive of a fellow subsidiary of the Company
- Party whose major client or supplier is the Company or an executive thereof
- Major client or supplier of the Company or an executive thereof
- Consultant, accounting professional or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a director
- Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a corporation)
- Executive of a client or supplier of the Company (which does not correspond to any of d., e., or f.) (the director himself/herself only)
- Executive of a corporation to which outside officers are mutually appointed (the director himself/herself only)
- Executive of a corporation that receives a donation from the Company (the director himself/herself only)
- Other

Outside Directors' Relationship with the Company (2)

Name	Designation as Independent Officer	Supplementary Explanation of the Relationship	Reasons for Appointment
Susumu Naito	○	Outside Director of the Company from January 2017	<p>Since Susumu Naito has successively held responsible positions in ORIX Corporation, and furthermore, has gained experience of management of its subsidiary, he can use his extensive experience and knowledge cultivated to contribute to the management of the Company and provide appropriate advice from a broad viewpoint concerning the Company's business activities. The Company deals with multiple leasing companies, so is not unduly influenced by ORIX Corporation. In addition, Susumu Naito meets the Criteria for Judging the Independence of Outside Directors set forth by the Company, and has been designated as an Independent Officer on the basis that there is no risk of conflicts of interest with general shareholders.</p>
Masayuki Oikawa	○	Outside Director of the Company from January 2017	<p>Although Masayuki Oikawa has not participated in corporate management, as he has successively held responsible positions in ORIX Corporation, he can use his extensive experience and knowledge cultivated to contribute to the management of the Company and provide appropriate advice from a broad viewpoint concerning the Company's business activities. The Company deals with multiple leasing companies so is not unduly influenced by ORIX Corporation. In addition, Masayuki Oikawa meets the Criteria for Judging the Independence of Outside Directors set forth by the Company, and has been designated as an Independent Officer on the basis that there is no risk of conflicts of interest with general shareholders.</p>
Motoki Yonekawa	○	Outside Director of the Company from January 2016	<p>Although Motoki Yonekawa has not participated in corporate management, he can use his experience and knowledge as an executive at a medical institute, which is in an industry different to that in which the Company operates, to contribute to the management of the Company and provide appropriate advice from a broad viewpoint concerning the Company's business activities. In addition, Masayuki Oikawa meets the Criteria for Judging the Independence of Outside Directors set forth by the Company, and has been designated as an Independent Officer on the basis that there is no risk of conflicts of interest with general shareholders.</p>



**[Voluntary Committees]**

Voluntary Establishment of Committee(s) Equivalent to Nominating Committee or Compensation Committee	Not established
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Committee's Name, Composition, and Chairperson's Attributes

	Committee Equivalent to Nominating Committee	Committee Equivalent to Compensation Committee
Committee's Name		
Total Committee Members	●	●
Full-time Members	●	●
Inside Directors	●	●
Outside Directors	●	●
Outside Experts	●	●
Other	●	●
Chairperson	Inside director / Outside director / External expert / None	Inside director / Outside director / External expert / None

Supplementary Explanation

**[Corporate Auditors]**

Establishment of the Board of Corporate Auditors	Established
Maximum Number of Corporate Auditors Stipulated in Articles of Incorporation	8
Number of Corporate Auditors	6

Cooperation among Corporate Auditors, Independent Auditor and Internal Audit Division

Internal audits are conducted by Corporate Auditors and Independent Auditor working together and exchanging information, regarding all aspects of operational activity in accordance with the annual audit plan. Internal audits are also conducted by Corporate Auditors working together and exchanging information with Internal Control and Auditing Office and Independent Auditor, regarding all aspects of operational activity in accordance with the annual audit plan.

Appointment of Outside Corporate Auditors	Appointed
Number of Outside Corporate Auditors	4
Number of Independent Officers Designated from among Outside Corporate Auditors	4

Outside Corporate Auditors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company (*1)												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Akio Hashimoto	Lawyer										○			
Akira Naoi	Certified public accountant										△			
Noriaki Ikushima	From another company										△			
Katsunori Matsushita	From another company										△			

\*1 Categories for "Relationship with the Company"

- a. Executive (a person who executes business; hereinafter, the same) of the Company or its subsidiary
- b. Non-executive director or accounting advisor of the Company or its subsidiary
- c. Non-executive or executive director of the parent of the Company
- d. Corporate auditor of the parent of the Company
- e. Executive of a fellow subsidiary of the Company
- f. Party whose major client or supplier is the Company or an executive thereof
- g. Major client or supplier of the Company or an executive thereof
- h. Consultant, accounting professional or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a corporate auditor
- i. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a corporation)
- j. Executive of a client or supplier of the Company (which does not correspond to any of f., g., or h.) (the corporate auditor himself/herself only)
- k. Executive of a corporation to which outside officers are mutually appointed (the corporate auditor himself/herself only)
- l. Executive of a corporation that receives a donation from the Company (the corporate auditor himself/herself only)
- m. Other

Outside Corporate Auditors' Relationship with the Company (2)

Name	Designation as Independent Officer	Supplementary Explanation of the Relationship	Reasons for Appointment
Akio Hashimoto	○	Outside Corporate Auditor of the Company from January 2004	Although Akio Hashimoto has not participated in corporate management, he has been using his extensive experience and knowledge cultivated as a lawyer to contribute to the auditing system of the Company and provide appropriate advice from a broad viewpoint concerning the Company's business activities. Although the Company has entered into a legal counsel agreement with the law office of which Akio Hashimoto is President, the amount of compensation is immaterial. He has been designated as an Independent Officer on the basis that there is no risk of conflicts of interest with general shareholders.
Akira Naoi	○	Outside Corporate Auditor of the Company from January 2009	Although Akira Naoi has not participated in corporate management, he has been using his extensive experience and knowledge cultivated as a certified public accountant to contribute to the auditing system of the Company and provide appropriate advice from a broad viewpoint concerning the Company's business activities. Akira Naoi also has long experience in a corporate audit company and the Company is of the opinion that he is able to carry out objective and fair audits. Currently, there are no advisory contracts, consulting contracts or similar agreements between the Company and the certified public accountant office at which Akira Naoi is Director. He has been designated as an Independent Officer on the basis that there is no risk of conflicts of interest with general shareholders.
Noriaki Ikushima	○	Outside Corporate Auditor of the Company from January 2019	Although Noriaki Ikushima has not participated in corporate management, he can use his extensive experience and knowledge from his involvement in administration and management through his participation in municipal government to contribute to the auditing system of the Company and provide appropriate advice from a broad viewpoint concerning the Company's business activities. He has been designated as an Independent Officer on the basis that he has no personal relationship with the Company's officers and that there is no risk of conflicts of interest with general shareholders.

Name	Designation as Independent Officer	Supplementary Explanation of the Relationship	Reasons for Appointment
Katsunori Matsushita		Outside Corporate Auditor of the Company from January 2019	Since Katsunori Matsushita has successively held responsible positions in North Pacific Bank, Ltd., he can use his extensive experience and knowledge cultivated in the corporate management and financial field to contribute to the auditing system of the Company and provide appropriate advice from a broad viewpoint concerning the Company's business activities. Katsunori Matsushita is an Audit & Supervisory Board Member of North Pacific Bank, Ltd., which acts as a bank for the Company. However, since the Company deals with multiple financial institutions, it is not unduly influenced by this bank. He has been designated as an Independent Officer on the basis that there is no risk of conflicts of interest with general shareholders.

#### [Independent Officers]

Number of Independent Officers	7
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#### Matters relating to Independent Officers

The Company has established the following Criteria for Judging the Independence of Outside Directors.

The Company sets forth the Criteria for the Independence of Outside Directors as follows: if an Outside Director does not fall under any of the following items, the Outside Director is deemed to be independent from the Company with no risk of conflicts of interest with general shareholders.

1. A person who is not a director involved in executing business operations, an executive officer, corporate officer, manager, auditor, or other employee of the Company or a consolidated subsidiary, or has not been executing business at the Company or a consolidated subsidiary within the previous ten years;
2. A person who is not a business partner who has received payments from the Company or a consolidated subsidiary or made payments to the Company or a consolidated subsidiary within the most recent three fiscal years equivalent to more than 2% of either of the party's consolidated sales, or a person who is not currently executing business at that company or has done so within the past three years;
3. A person who is not a specialist, such as a consultant, accounting professional or legal professional (or if the specialist is an institution, a person belonging to said institution) who received monetary or other compensation, other than director compensation, equivalent to 10 million yen or more per year on average from the Company within the last three fiscal years, or has received payments from the Company or any of its consolidated subsidiaries equivalent to 2% or more of the office's total sales;
4. A person who is not a spouse or relative within the second degree of kinship of, a director, an executive officer or corporate officer of the Company, or a consolidated subsidiary, or a person deemed to be insufficiently independent based on the conditions stipulated in 2 or 3 above;
5. A person who is not a major shareholder of the Company holding 10% or more of the current total voting rights or a person executing the business of such a major shareholder;
6. A person who is not a director, corporate auditor, accounting advisor, executive officer, or corporate officer of a company that accepts directors or auditors from the Company or a consolidated subsidiary, its parent company, or subsidiary; or
7. A certified public accountant (or certified tax accountant) or staff, partner, or employee of the auditing corporation (or certified tax accounting firm) serving as the Company's or a consolidated subsidiary's independent auditor or accounting advisor, or a person who has been in charge of auditing operations for the Company or a consolidated subsidiary within the past three years.

### [Incentives]

Implementation of Measures to Provide Incentives to Directors	None
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#### Supplementary Explanation

Although no incentives have been granted to Directors, the Company has a number of Directors concurrently serving as Corporate Officers. Compensation for Corporate Officers reflects an assessment based on business performance. This acts as an incentive since a certain portion of the compensation is linked to business performance. The compensation for Corporate Officers is stated in the Securities Report as employee salaries.

Recipients of Stock Options	None
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#### Supplementary Explanation

### [Director Compensation]

Disclosure	No individual disclosure
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#### Supplementary Explanation

Since the Director's compensation does not reach the level where disclosure is required, the total amount is shown. The amount of compensation is as follows:  
Director compensation: 114 million yen, Corporate Auditor compensation: 28 million yen, Total: 142 million yen  
In addition to the above, the Company also paid 117 million yen in salaries (including bonuses) to employees concurrently serving as Directors (eight [8] people).

Policy for Determining Compensation Amounts or Calculation Methods Thereof	Established
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#### Disclosure of Policy for Determining Compensation Amounts or Calculation Methods Thereof

Many Directors of the Company concurrently serve as Corporate Officers. Directors' compensation is a fixed amount paid in respect of management decision-making and the performance of supervisory functions, while Corporate Officers' compensation is paid based on an assessment of business performance. Since a certain portion of the compensation of Corporate Officers' is linked to business performance and therefore functions as an incentive, Directors' compensation and Corporate Officers' compensation are considered on a clearly separate basis.

The compensation for Corporate Officers is stated in the Securities Report as employee salaries. Compensation for Outside Directors shall be a fixed amount in light of their roles and independent position. Compensation for Corporate Auditors shall be determined by consultation of the Board of Corporate Auditors, within the compensation limits decided at the General Meeting of the Shareholders. Compensation for Directors is entrusted solely to the President and CEO according to a resolution of the Board of Directors and is determined by evaluation of each Director within the compensation limits decided at the General Meeting of the Shareholders. The compensation for Corporate Officers is determined in the same way.

### [Supporting System for Outside Directors and/or Outside Corporate Auditors]

The Company provides Outside Directors and Outside Corporate Auditors with guidance when Board of Directors meetings are held, along with summary briefings on proposals, and other necessary information insofar as is possible.

### [Status of Persons Who Have Retired from a Position Such as President and CEO]

Retired President and CEO, etc. Holding Advisory or Any Other Position in the Company

Name	Title/ Position	Responsibilities	Working Form and Conditions (Full-time/ Part-time, Paid/Unpaid, etc.)	Date of Retirement from Position Such as President	Term of Office

Total Number of Retired President and CEO, etc. Holding Advisory or Any Other Position in the Company

0

Other Matters

There is a system in place, but no one is eligible for mention at present.

## 2. Matters on Functions of Business Execution, Audit and Supervision, Nomination and Compensation Decisions (Overview of Current Corporate Governance System)

Of the six (6) Corporate Auditors of the Company, four (4) of these are Outside Corporate Auditors, and all four (4) are Independent Officers. The appointment of highly independent Outside Corporate Auditors strengthens the supervisory function of management and ensures that the Company makes effective use of the functions of the Corporate Auditors. The Company is committed to the improvement of corporate governance.

In addition to nine (9) Directors who are familiar with the Company's business, the Board of Directors includes three (3) highly independent Outside Directors, with experience and knowledge outside the Company's sphere of industry. Therefore, the Company considers that the Board of Directors can make prompt and well-informed management decisions.

### (1) The Board of Directors

The Board of Directors consists of twelve (12) members, including three (3) Outside Directors, in order to implement decision-making and to oversee the execution of business activities from a broader perspective. Based on the regulations for the Board of Directors, as the highest decision-making body for management strategies and the implementation of and supervision of the Company's business plan, the Board of Directors holds regular board meetings and extraordinary board meetings if necessary to ensure that it responds quickly to ever changing business conditions.

In addition, Corporate Auditors and Corporate Officers (eight [8] people, excluding those concurrently serving as Directors) also attend the Board of Directors meetings.

### (2) The Board of Corporate Auditors

The Company is a company with a Board of Corporate Auditors. The Board of Corporate Auditors fulfills an audit function. It consists of six (6) members (four [4] of whom are Outside Corporate Auditors), and always participates in the Board of Directors meetings to audit the Directors' performance of their duties. An environment is in place that allows for the exchange of opinions as appropriate, including the exchange of information with management on a regular basis.

### (3) Corporate Officer System

The Company introduced the corporate officer system in 2001 and has clarified the responsibilities for execution of the Company's business and has improved the communication function of top-down orders and instructions, such as management policy. It has a system in place to ensure that all employees are aware of the Company's policies. The Company thoroughly carries out comprehensive management of each business division and each of its affiliates, as well as formulating detailed management strategies to adapt promptly to changes in the market environment. There are sixteen (16) Corporate Officers (of which eight (8) are concurrently serving as Directors).

### (4) Establishment of Compliance Committee and Various Committees

The Company has established Compliance Committee and has put in place a company-wide structure for compliance with laws and with the Ethics Guidelines.

The Compliance Committee collects important information, such as legal violations and fraudulent acts, and communicates these to the management team in its role of overseeing and providing guidance and advice on a company-wide basis to ensure the proper implementation of the compliance system.

The Company has established various committees, such as the Public Relations Committee which scrutinizes the details of public relations and planning activities inside and outside the company, and the New Branch Opening Committee, which examines proposals for new branch openings and large-scale capital investment projects for branches. It has established a system of business activities in accordance with internal regulations for each business and operates to ensure there are no differences between management plans and their actual execution.

### (5) Internal Audit, Audit by Corporate Auditors, and Accounting Audit

Internal audits are conducted by Internal Control and Auditing Office, Corporate Auditors, and Independent Auditor working together and exchanging information, regarding all aspects of operational activity in accordance with the annual audit plan. With regard to implementation, the Internal Control and Auditing Office is composed of five (5) members that aim to visit every branch to conduct an audit once every two (2) years, giving specific indications as to how to improve operations, as well as related guidance. Over the past year, fifty-six (56) branches have been audited. Furthermore, after the completion of the audit, the audit situation is reported promptly to the President and the Board of Corporate Auditors as audit reports.

The Company's Board of Corporate Auditors is composed of six (6) members, including four (4) highly independent Outside Corporate Auditors, and audits the legality and appropriateness of the way that Directors execute their duties, not only for the Company itself, but for all Group companies. Corporate Auditors work to gain an understanding of management issues and important risks by attending meetings of the Board of Directors, conducting interviews with individual Directors, and reading important documents, as well as conducting audit visit and carrying out interviews at every division of the Company and each of its subsidiaries. In terms of accounting audits, the Company is audited by Ernst & Young ShinNihon LLC, in accordance with the Companies Act and the Financial Instruments and Exchange Act.

## **3. Reasons for Adoption of Current Corporate Governance System**

Corporate governance is the basis for enhancing the social value of the Company. The Company has introduced each of the current systems respectively in order to operate the best and most advanced corporate governance system in accordance with the circumstances and scale of the Company and the Group.

The Company ensures transparency in its business in terms of efficient and sound management and corporate decision-making through the adoption of the Outside Director system. It ensures that responsibilities for overseeing and executing the Company's business activities are clearly defined through the Corporate Officer system.

In addition, by setting the term of office of Directors to one (1) year, the Company maintains a flexible and responsive management framework. It has adopted the Board of Corporate Auditors system for management audit purposes.

The Company has a group-wide set of action guidelines. These guidelines provide guidance on corporate philosophy, and this philosophy forms the basis of the Company's corporate governance. This is stated in summary format as follows:



[Seek change, and mobilize every resource to energize the company]

The external environment in which the Company operates is constantly shifting and changing. If it does not reform itself in response to these changes, the Company may decline and face eventual bankruptcy. Constant self-reform is required for the organization to retain its vitality and energy. A past experience of success is certain to cause hubristic side effects. All employees should be prepared to quickly put these successes out of their minds and to learn from their mistakes.

[Always remember Kanamoto is a team competing to win profits]

The Company has various objectives such as contributing to society through the products and services it provides, paying taxes and providing employment. However, these objectives have no purpose if the Company does not survive. The survival of the Company can only be guaranteed by a generation of profit. This is within the power of the Company to accomplish for itself.

However, this does not mean a generation of profit by any means. The Company must comply with rules and norms of society on both a corporate and an individual level and must not commit any fraudulent or improper acts in its capacity as a public entity.

[Maintain a self-directed and independent mind]

This means that we should protect the Company and our lives by ourselves, without relying on others. The Company has the ability and capacity to make great strides in its own right. On the other hand, others do not help to address or resolve any failures or mistakes the Company makes. The Company undertakes all its activities at its own risk.

If the external environment is difficult, this is an opportunity for self-reform, which is a way for the Company to differentiate itself from its competitors.

### III Implementation of Measures for Shareholders and Other Stakeholders

#### **1. Measures to Energize General Meetings of the Shareholders and Smooth Exercise of Voting Rights**

	Supplementary Explanations
Early Notification of General Meeting of the Shareholders	The Company provides notification of the General Meeting of the Shareholders at least twenty (20) days in advance and publishes these details on its website at an early date no later than the day before the notification (three [3] weeks before the General Meeting).
Scheduling General Meeting of the Shareholders Avoiding the Peak Day	The Company's fiscal year ends in October, and the Regular General Meeting of the Shareholders is held in January, to ensure there are no clashes with other General Meetings.
Allowing Electronic or Magnetic Exercise of Voting Rights	Voting via the Internet has been in place since the Regular General Meeting of the Shareholders for the fiscal year ended October 2002 (the 38th business period).
Participation in Electronic Voting Platform and Other Efforts to Enhance the Voting Environment for Institutional Investors	The Company has used an electronic voting platform since the Regular General Meeting of Shareholders for the fiscal year ended October 2006 (the 42nd business period).
Providing Convocation Notice in English (Translated Fully or Partially)	The Company provides documents such as convocation notices and business reports in English on its website and electronic voting platform for voting purposes. In addition, English versions of documents such as financial statements summaries, timely disclosure materials and annual reports are posted on the Company's website.
Other	
No Measures Taken	



## 2. IR Activities

	Supplementary Explanations	Explanation by Representative
Preparation and Publication of Disclosure Policy	The disclosure policy is published on the Company's website. Please refer to <a href="http://www.kanamoto.ne.jp">www.kanamoto.ne.jp</a> .	
Regular Investor Briefings for Individual Investors	The Public Relations Office holds briefings for individual investors every year. If the President and CEO is unable to attend, an introductory video recorded directly before the day of the event is made available for viewing. The details of these briefings can be viewed on the Company's website. In addition, the Company participates regularly in IR fairs and events held throughout Japan, including the TSE IR Festa.	Yes
Regular Investor Briefings for Analysts and Institutional Investors	The Company holds quarterly results briefings for analysts and institutional investors ("IR Circuit"). The President and CEO gives presentations on the Company's business performance and management strategies. The Company also provides video broadcasts of its financial results briefings via the website. In addition to holding briefings in response to requests from analysts and institutional investors, the Company holds question and answer sessions via telephone conference calls and email.	Yes
Regular Investor Briefings for Overseas Investors	The Company regularly visits overseas investors. However, the number of visits and the number of meetings are limited compared with visits to domestic investors. The Company actively distributes materials for disclosure and holds telephone conferences with overseas investors as required.	Yes
Posting of IR Materials on Website	The Company has separately established the IR website ( <a href="http://www.kanamoto.ne.jp">www.kanamoto.ne.jp</a> ) as well the main website on which the Company's major sales information is published. Items such as securities reports, financial statements, financial results briefing videos, meeting handouts, company profiles, annual reports, bulletins for shareholders ("kanamoto examiner"), and IR schedules are available on the Company's website.	
Establishment of Department and/or Manager in Charge of IR	Public Relations Office	
Other	Schedules for future IR events and past data are available for viewing on the IR website ( <a href="http://www.kanamoto.ne.jp">www.kanamoto.ne.jp</a> ).	
No Measures Taken		

### 3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanations
Provisions to Ensure Due Respect for Stakeholders in Internal Rules, etc.	The Company's Ethics Guidelines stipulate measures to ensure due respect for stakeholders.
Implementation of Environmental Conservation Initiatives, CSR Activities, etc.	As well as actively using equipment types that comply with pollution regulations for rental assets, the Company is committed to environmental conservation activities, such as the use of low-emission vehicles for its commercial vehicles. The Company is committed to reporting these initiatives to its stakeholders and the annual report contains details compliant with a CSR Report.
Formulation of Policies for Information Provision to Stakeholders	The Company has formulated policies for information provision and has established the Public Relations Committee to ensure there is no disparity between information disclosed to individual investors and to general market participants.
Other	
No Measures Taken	

## IV Matters Related to Internal Control System

### 1. Basic approach and Status of establishment of an internal controls system

As its internal controls system, Kanamoto has established an Internal Control and Auditing Office that evaluates, improves and when necessary rectifies the status of compliance with the Company's internal procedures and rules and with laws and regulations relating to all business activities, the status of branch administration, and the operation and effectiveness of Kanamoto's internal controls pertaining to financial reporting including consolidated subsidiaries, a Legal Office that addresses legal affairs-related issues, a Compliance Committee chaired by Kanamoto's President and CEO, and an Internal Control Committee headed by the Administration Division General Manager, which together comprise an organization corresponding to an internal controls system.

Kanamoto's Basic Policy for Establishment of an Internal Controls System is provided below.

(1) System to ensure directors and employees comply with laws and the Articles of Incorporation in the execution of their duties

Kanamoto Company, Ltd. and its subsidiaries have prepared Ethics Guidelines as part of the corporate philosophy, and use these as the Company standard for compliance. Under the Compliance Committee chaired by Kanamoto's president, the Company has disseminated these Guidelines throughout the Company and established a system for compliance with laws and the Ethics Guidelines, and has prepared a handbook summarizing Kanamoto's corporate philosophy and employee conduct standards, which it distributes to all executives and regular employees to increase compliance awareness. As a consultation and reporting system, Kanamoto also has set up in-house and external compliance hotlines, and created a system to resolve problems quickly when consultations or reports are received directly from employees and other individuals, while strictly observing confidentiality and ensuring that individuals who report problems do not suffer any disadvantages. Furthermore, the Company has established a Legal Section reporting directly to the president, to act as an advisory panel for important legal issues, and a system to enable the Company to give proper legal consideration to all decision making.

(2) System for preserving and managing information concerning the execution of directors' duties

Kanamoto retains documents and various information in accordance with laws and ordinances and its internally established document administration regulations and document retention rules. Information is controlled in accordance with internal information management regulations and general data management rules, and personal data are administered in accordance with the Kanamoto Rules on Personal Data Protection and the Company's personal data protection manual.

(3) Rules and other systems concerning management of loss risk

Kanamoto and its subsidiaries have established mechanisms to recognize and evaluate risks related to the business activities of each division, and prepared systems to avoid such risks. This has created a system capable of clarifying the authority and responsibilities of each division, supervising risk management conditions throughout the organization under the Board of Directors and discovering new risks. If unforeseen circumstances have occurred that will have a serious effect on the Company operations, or if there is concern such circumstances might occur, the Company and its subsidiaries will respond appropriately, and take measures to prevent a recurrence, based on its Emergency Response Manual (Contingency Plan).

(4) System for ensuring efficient execution of directors' duties

In addition to its regular Board of Directors meetings, Kanamoto and its subsidiaries hold extraordinary Board of Directors meetings from time to time as necessary to decide important matters and to make flexible decisions concerning the execution and supervision of management strategies and the Company's business plans. The Company's Board of Directors receives reports on important matters including the financial condition and other matters of the Company's subsidiaries. For its management plan, the Company establishes budgets for the next business fiscal year and medium-term future, which gives the managers of each division the Company's overall objectives based on specific numerical targets. Each division sets division-wide objectives, and executes progress management and specific measures aimed at achieving its goals. Kanamoto has also introduced the corporate officer system to accelerate management decision-making and clarify supervisory authority and responsibility for plan execution, and each corporate officer is responsible for achieving the management plan approved by the Board of Directors. To respond quickly to the severe pace of change in its management environment, the Company has also shortened the directors' term of office to one year.

(5) System to ensure appropriate activities at Kanamoto and within the corporate group comprised of the parent company and subsidiaries

To apply Kanamoto's Ethics Guidelines correspondingly to each company in the Kanamoto Group, the Company has decided to enlarge the scope of the Compliance Committee and the consultation and reporting system to every group firm, to ensure the effectiveness of business activities is as extensive as possible.

In addition, in accordance with the provisions of the Financial Instruments and Exchange Act, the Company and its affiliates maintain an excellent management environment, and work to strengthen company-wide internal controls, internal controls pertaining to settlement of accounts financial reports and operating process control activities, create internal control systems that enable the Company to make proper and effective assessments and conduct appropriate operations. Furthermore, under Kanamoto's internal management system concerning financial reporting, each organization (individual) has affirmed the following roles.

[1] Managers have the final responsibility for all of the organization's activities, and prepare and implement internal controls based on this basic policy.

[2] The Board of Directors has supervisory responsibility for the preparation and operation of the managers' internal controls, and monitors and supervises managers to ensure the financial reporting and internal controls are executed properly.

[3] The auditors monitor and verify the financial reporting and preparation and operation of the internal controls from an independent standpoint.

[4] The Internal Control and Auditing Office objectively evaluates from an independent standpoint, the effectiveness of the internal controls related to financial reporting at Kanamoto and its affiliated companies on behalf of the Company's managers in accordance with the audit rules, and when necessary makes proposals concerning improvements and corrections and reports to the managers and Board of Directors.

(6) Matters concerning individuals requested by the auditors to assist with auditors' activities

Kanamoto currently does not employ any individuals to assist the auditors in their activities, but should it become necessary, the Company will hire audit staff. During a period the auditors specify, the management authority for the nominated employees will be transferred to the auditors, and the employees will not receive instructions or orders from the Company's directors, thereby ensuring the effectiveness of instructions from auditors.

(7) Matters related to the independence of employees in the preceding paragraph from directors

Personnel matters for employees assigned to audit activities (appointments, transfers and evaluations) will have the consent of the auditors.

(8) System for directors and employees to report to the auditors, other systems concerning reports to auditors, and other systems to ensure audits are performed effectively

To perform audits of the directors, the Company's auditors attend the meetings of the Board of Directors, and also attend important meetings and committees, in order to understand other important decisions and the circumstances of execution of the Company's business activities. If the directors and employees of Kanamoto and its subsidiaries discover facts that might cause the Company considerable harm, they are to report immediately to the auditors. The standing auditors will circulate a report and request for managerial decision, and if necessary can request explanations from the directors and employees. Those who reported to the auditors shall not be treated unfavorably on the grounds of giving such report.

The auditors also meet regularly with the president and representative director, to exchange opinions concerning issues the Company should address and important audit matters. After audits are completed, the Internal Control and Auditing Office promptly submits an Auditors' Report concerning the audit results to the president and representative director and the auditors.

The auditors and the Internal Control and Auditing Office also exchange information and cooperate in other ways with outside specialists, including the accounting auditors and the Company's attorneys.

(9) Matters regarding policies related to processing of expenses or liabilities arising from the execution of auditors' duties

In regards to procedures for prepayment or reimbursement of expenses arising from execution of auditors' duties and processing of expenses or liabilities arising from execution of auditors' duties, such expenses or liabilities are accounted for upon requests made by the auditors, except where the requests cannot be considered necessary for the execution of auditors' duties.

(10) System for eliminating antisocial forces

In its Ethics Guidelines, Kanamoto has adopted a resolute stance and set forth provisions to block all transactions and relationships with antisocial forces, individuals and groups that threaten the order and safety of society and the stable operation of firms. In addition to gathering information from specialized external agencies and other sources at an internal division, the Company works to educate employees through programs such as internal training. Moreover, in an emergency the Company will cooperate with the police authorities having jurisdiction, its advising attorney and other institutions and individuals, to organizationally block and eliminate unwarranted demands from antisocial elements.

## 2. Operating Effectiveness of Internal Controls

In accordance with the provisions of the Financial Instruments and Exchange Act, Kanamoto and its subsidiaries evaluate the design and operating effectiveness of internal controls for each period and have the accounting auditor conduct audits on the appropriateness.

In addition, for the purpose of maintaining and enhancing the level of control, the Internal Control and Auditing Office conducts audits of Kanamoto and its affiliated companies for each period, and when necessary, reports to the managers, Board of Directors, Board of Auditors and Internal Control Committee.

## V Other

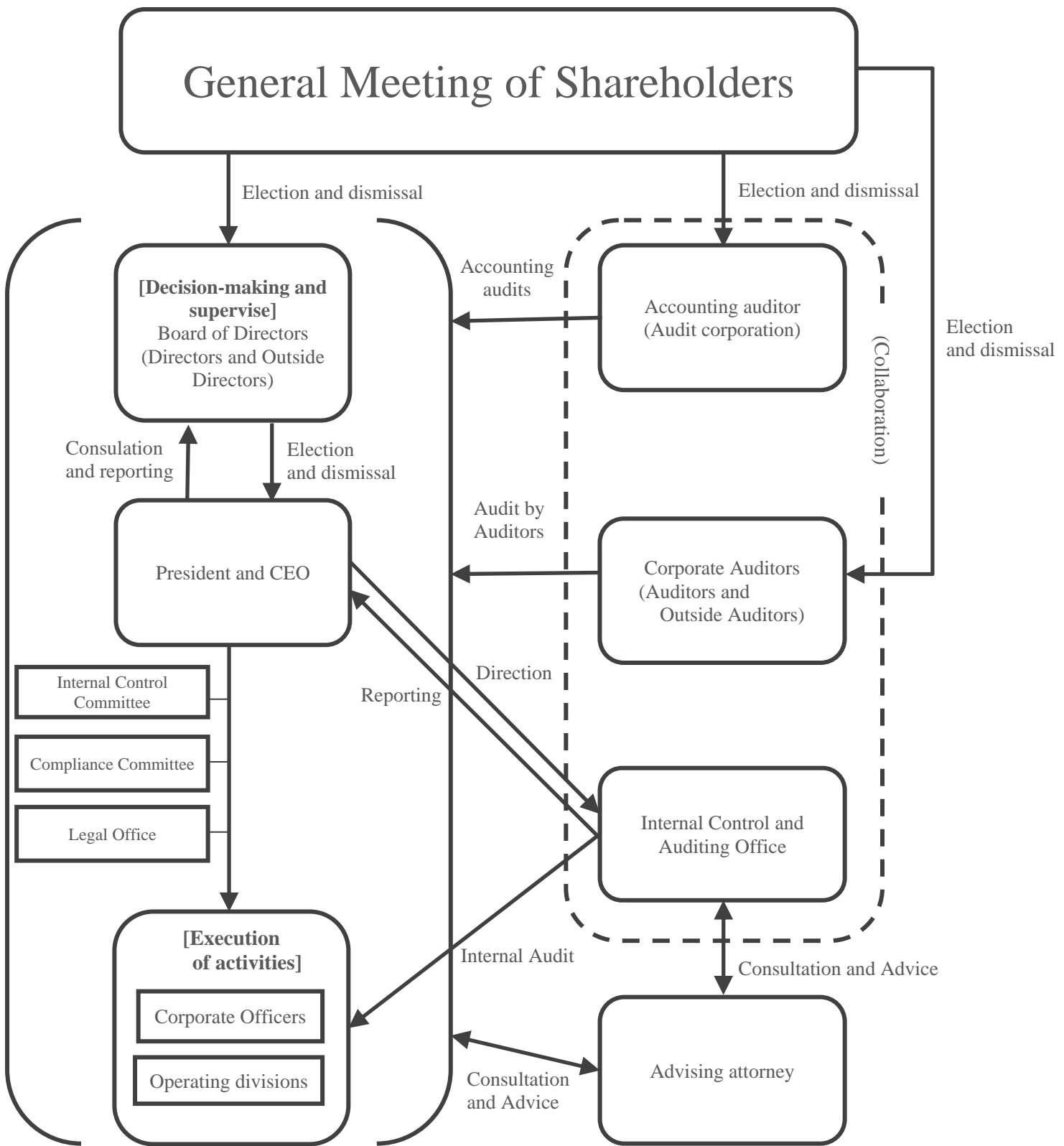
### 1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not adopted
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Supplementary Explanation

### 2. Other Matters Concerning Corporate Governance System

For matters relating to corporate governance, compliance, internal controls, insider trading, etc., the Company treats these matters as important agenda items for meetings and ensures all the Group's executives are suitably enlightened about these matters.



**Summary of Timely Disclosure System**

