



Fiscal Year ended October 31, 2013 Financial Statements Bulletin (Japan GAAP)

December 11, 2013

Listed Company Name **Kanamoto Co., Ltd.**
 Company Code Number **9678**
 Listing Exchanges **Tokyo Stock Exchange, Sapporo Stock Exchange**
 URL **http://www.kanamoto.co.jp**
 Representative **Kanchu Kanamoto** President and CEO
 Inquiries **Nobuhito Utatsu**
 Director and Executive Corporate Officer, Division Manager, Accounting Division
 TEL 81-11-209-1600

Please send inquiries in English to takayama@kanamoto.co.jp

Scheduled date for Regular General Meeting of the Shareholders: January 29, 2014
 Scheduled date for commencement of dividend payments: January 30, 2014
 Scheduled date for submission of Annual Securities Report: January 29, 2014
 Preparation of Supplementary Explanatory Materials: Yes
 Earnings Briefings (For institutional investors and analysts): Yes

1. Consolidated Operating Results for the Fiscal Year ended October 31, 2013

(Nov. 1, 2012 – Oct. 31, 2013)

(1) Consolidated Operating Results

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

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended October 31, 2013	110,831	28.7	11,392	77.2	11,073	86.6	5,809	62.5
Fiscal year ended October 31, 2012	86,106	21.1	6,430	121.3	5,932	164.9	3,575	206.7

(Note) Comprehensive income (millions of yen)

Fiscal year ended October 31, 2013 ¥7,457 (110.0%)

Fiscal year ended October 31, 2012 ¥3,551 (207.0%)

	Net Income per Share of Common Stock	Net Income per Share on a Fully Diluted Basis	ROE	Ordinary Income to Total Assets	Operating margin
	Yen	Yen	%	%	%
Fiscal year ended October 31, 2013	175.50	—	12.3	7.2	10.3
Fiscal year ended October 31, 2012	108.88	—	9.3	4.7	7.5

(Reference) Investment profit or loss accounted for by the equity method (millions of yen)

Fiscal year ended October 31, 2013 —

Fiscal year ended October 31, 2012 —

(2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio	Shareholders' Equity per Share
	Millions of yen	Millions of yen	%	Yen
Fiscal year ended October 31, 2013	169,250	56,192	32.2	1,513.49
Fiscal year ended October 31, 2012	137,343	41,399	29.2	1,221.56

(Reference) Shareholders' equity (millions of yen):

Fiscal year ended October 31, 2013 ¥54,549

Fiscal year ended October 31, 2012 ¥40,106

(3) Consolidated Cash Flows

	Net cash provided by (used in) operating activities	Net cash provided by (used in) investing activities	Net cash provided by (used in) financing activities	Cash and Cash Equivalents at End of Period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal year ended October 31, 2013	20,759	-1,117	-6,532	32,957
Fiscal year ended October 31, 2012	14,306	-835	-14,074	19,717

2. Dividends

	Annual Dividends per Share					Dividends in Total (Full Year)	Dividend Payout Ratio (Consolidated)	Dividends on Net Assets (Consolidated)
	End of first quarter	End of second quarter	End of third quarter	Year-end	Full-year			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended October 31, 2012	—	10.00	—	10.00	20.00	656	18.4	1.7
Fiscal year ended October 31, 2013	—	10.00	—	10.00	20.00	688	11.4	1.5
Fiscal year ending October 31, 2014 (projected)	—	15.00	—	15.00	30.00		16.4	

(Note) Breakdown of second quarter dividend for the fiscal year ending October 2014 (projected)

Ordinary dividend 10.00 yen

Commemorative dividend 5.00 yen

Breakdown of year-end dividend for the fiscal year ending October 2014

Ordinary dividend 10.00 yen

Commemorative dividend 5.00 yen

3. Projected Consolidated Operating Results for the Fiscal Year Ending October 31, 2014

(November 1, 2013 - October 31, 2014)

(Percentages show the change from the prior year)

	Net Sales		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	59,600	8.9	7,390	9.5	7,030	4.7	3,820	2.8	115.40
Full year	117,500	6.0	12,530	10.0	12,090	9.2	6,050	4.1	182.77

Notes

- (1) Changes in material subsidiaries during the period under review (changes in specific subsidiaries in conjunction with a change in the scope of consolidation): No
- | | |
|------------------------|---|
| Company newly included | – |
| Company newly excluded | – |
- (2) Changes in accounting principles, changes in accounting estimates and retrospective restatements
- (a) Changes in accounting policy in conjunction with revision of accounting standards?: None
- (b) Changes other than the above?: No
- (c) Changes in accounting estimates: No
- (d) Retrospective restatements: No
- (3) Number of shares issued (common stock)
- (a) Number of shares outstanding at the end of the period (including treasury stock)
- | | |
|------------------------------------|-------------------|
| Fiscal year ended October 31, 2013 | 36,092,241 shares |
| Fiscal year ended October 31, 2012 | 32,872,241 shares |
- (b) Number of shares of treasury stock at end of period
- | | |
|------------------------------------|---------------|
| Fiscal year ended October 31, 2013 | 50,041 shares |
| Fiscal year ended October 31, 2012 | 39,955 shares |
- (c) Average number of shares outstanding during the period
- | | |
|------------------------------------|-------------------|
| Fiscal year ended October 31, 2013 | 33,101,017 shares |
| Fiscal year ended October 31, 2012 | 32,833,928 shares |

(Reference) Summary of Company Operating Results**1. Operating Results for the Fiscal year Ended October 31, 2013**

(November 1, 2012–October 31, 2013)

(1) Operating Results

(Numbers less than one million yen have been rounded down)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended October 31, 2013	81,360	17.8	8,926	57.3	8,861	83.6	4,916	91.8
Fiscal year ended October 31, 2012	69,091	13.4	5,675	101.3	4,825	85.7	2,563	78.8

	Net Income per Share of Common Stock	Net Income per Share on a Fully Diluted Basis
	Yen	Yen
Fiscal year ended October 31, 2013	148.53	—
Fiscal year ended October 31, 2012	78.07	—

(2) Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio	Shareholders' Equity per Share
	Millions of yen	Millions of yen	%	Yen
Fiscal year ended October 31, 2013	141,213	53,307	37.7	1,479.02
Fiscal year ended October 31, 2012	112,372	39,952	35.6	1,216.87

(Reference) Owners' equity (millions of yen):

Fiscal year ended October 31, 2013 ¥53,307

Fiscal year ended October 31, 2012 ¥39,952

2. Projected Operating Results for the Fiscal Year Ending October 31, 2014

(November 1, 2013 - October 31, 2014)

(Percentages show the change from prior year)

	Net Sales		Ordinary Income		Net Income		Net Income per Share of Common Stock
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen
Interim period	42,700	8.9	5,040	5.0	3,010	3.5	90.93
Full year	86,200	5.9	9,840	11.0	5,090	3.5	153.77

Note: Disclosure concerning implementation of audit procedures

This financial report is exempt from audit procedures based on the Financial Instruments and Exchange Act. At the time of disclosure of this financial report, the Company is in the process of implementing the audit procedures for its consolidated financial statements.

Note: Explanation concerning appropriate use of the projected operating results and other items to note (Note Concerning Forward-Looking Statements)

The forward-looking statements, including business results forecasts, contained in these materials are based on information currently available to the Company and on certain assumptions deemed to be reasonable. The Company does not guarantee the achievement of the projections. Actual operating results may differ substantially due to a number of factors.

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1. Analysis of Operating Results and Financial Position

(1) Analysis of Operating Results

a) Summary of consolidated fiscal year operating results (From November 2012 to October 2013)

During the consolidated fiscal year under review, Japan's economy exhibited a modest recovery trend. Correction of the yen's appreciation continued, and stock prices maintained their steady rise against the backdrop of expectations towards the new administration's monetary easing policy and economic measures. Consumer sentiment and the corporate business outlook were more positive as well. Nevertheless, concerns about the risk of an economic downturn, stirred by the slump in Europe and delay in recovery of the overseas economy including China, proved impossible to dispel, and overall conditions remained uncertain.

In the construction-related business that is the Kanamoto Group's main business, the so-called 15-month budget moved forward, and with government construction investment centered on the region devastated by the recent earthquake trending upward, brighter signs of private sector construction investment were evident as well. On the other hand, conditions raised a number of concerns regarding the future progress of these activities, including a conspicuous shortage of skilled construction workers, a sharp rise in labor costs, glitches in project bidding activities and delays in the start of construction.

Amidst such conditions, the Kanamoto Group moved to build an organization that will enable it to respond without pause or delay to the quickening volume and pace of restoration-related works, while undertaking aggressive capital investment, including the establishment of new branches and enhancement of its rental equipment portfolio, and striving to improve profit margins through the efficient utilization of management resources. The Group moved to thoroughly analyze, enhance and improve the efficiency of its present activities and processes as well, while also initiating organizational changes aimed at strengthening earnings.

As a result of these factors, net sales greatly exceeded the Company's initial plan, and consolidated net sales for the fiscal year ended October 2013 rose 28.7% from the prior consolidated fiscal year level to ¥110,831 million. In terms of earnings as well, operating income expanded 77.2% from the prior consolidated fiscal year to ¥11,392 million and consolidated ordinary income increased 86.6% year-on-year to ¥11,073 million. Net income rose 62.5% over the prior consolidated fiscal year to ¥5,809 million.

[Operating Results for the Fiscal Year ended October 31, 2013]

(% change from prior year)

		Net Sales		Operating Income		Ordinary Income		Net Income	
		Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Consolidated	Year under review	110,831	28.7	11,392	77.2	11,073	86.6	5,809	62.5
	Prior year	86,106	21.1	6,430	121.3	5,932	164.9	3,575	206.7
Company	Year under review	81,360	17.8	8,926	57.3	8,861	83.6	4,916	91.8
	Prior year	69,091	13.4	5,675	101.3	4,825	85.7	2,563	78.8

Results for each of the Group's business segments were as follows.

b) Summary of consolidated operating results by business segment

[Business related to the Construction Equipment Rental Division]

In the construction-related business that is the main business of Kanamoto, restoration-related works in the earthquake-devastated region and decontamination-related works remained steady, as did government construction investment to strengthen infrastructure such as roads, flood control systems, sewerage systems and harbors in regions throughout Japan and works related to countermeasures, maintenance and repairs of deteriorating infrastructure. Likewise, construction equipment rental demand remained brisk on a nationwide scale, supported by a rush in private sector capital investment demand ahead of the consumption tax hike and a recovery trend centered particularly on energy-related construction. To respond accurately to such demands and diversified frontline needs, the Kanamoto Group

moved to ensure its organization is capable of meeting these demands to the maximum extent possible through strengthened cooperation among Group firms, aggressive enhancement of the rental equipment portfolio and optimal placement of these assets in the field.

As a result of these actions, net sales by region in the construction-related business expanded substantially in all regions, rising 15.8% in the Hokkaido Region, 32.4% in the Tohoku Region, 43.6% in the Kanto Region, 44.9% in the Kinki & Chubu Region and 5.3% in the Kyushu & Okinawa Region compared with the prior consolidated fiscal year.

Growth in the Kanto Region and Kinki & Chubu Region, which expanded considerably compared with the prior consolidated fiscal year, was influenced significantly by Unite Co., Ltd., which was included in the scope of consolidation beginning in the consolidated fiscal year under review.

Overseas sales of used construction equipment were similarly affected by the improved balance between supply and demand and greater price competitiveness because of the weaker yen, rising 16.0% year-on-year.

As a result of these factors, net sales for Kanamoto's construction-related businesses for the consolidated fiscal year under review increased 29.1% from the prior consolidated fiscal year to ¥102,359 million, and operating income climbed 78.4% year-on-year to ¥10,916 million.

[Other businesses]

In the steel products sales the Company is developing in Hokkaido, sales of steel materials for large-scale projects and general steel materials remained steady, and net sales were up 26.8% compared with the prior consolidated fiscal year. In Kanamoto's information and telecommunications-related business, specified worker dispatching also was stable and rose 7.1% year-on-year because of orders received for a new major project.

As a result of the above factors, for the consolidated fiscal year under review net sales for the Company's other businesses increased 24.1% from the prior consolidated fiscal year to ¥8,472 million, while operating income also surged 42.9% year-on-year to ¥204 million.

< Change in number of branches >

During the consolidated fiscal year under review, Kanamoto newly opened 5 branches and closed 3 branches.

New branches: Minamisanriku Branch (Motoyoshi-gun, Miyagi Prefecture) Hirono Branch (Futaba-gun, Fukushima Prefecture) Onagawa Branch (Oshika-gun, Miyagi Prefecture) Minamisoma Branch (Minamisoma, Fukushima Prefecture) Oshamambe Branch (Yamakoshi-gun, Hokkaido Prefecture)

Closed branches: Tobetsu Branch (Ishikari-gun, Hokkaido Prefecture) Hakodate Chuo Branch (Hakodate, Hokkaido Prefecture) Sendai-kita Branch (Kurokawa-gun, Miyagi Prefecture)

(2) Analysis of Financial Position

a) Financial position

Compared with the end of the prior consolidated fiscal year, total assets at the end of the consolidated fiscal year under review increased by ¥31,907 million to ¥169,250 million. This mainly reflected an increase of ¥13,240 million in cash and deposits from the collection of accounts receivable-trade and the increase in equity capital, and an increase of ¥10,855 million in rental equipment.

Total liabilities were ¥113,058 million, an increase of ¥17,114 million compared with the end of the prior consolidated fiscal year. The principal items contributing to this change were an increase of ¥3,282 million in notes and accounts payable-trade, and an increase of ¥9,621 million in long-term accounts payable-other that accompanied the increase in rental equipment.

Total net assets were ¥56,192 million, ¥14,792 million higher than at the end of the prior consolidated accounting fiscal year. The principal items contributing to this change were an increase of ¥3,956 million in capital stock and capital surplus, respectively, because of the increase in equity capital, and net income of ¥5,809 million.

b) Consolidated cash flows

(Unit: Millions of Yen)

	FY Ended October 2012 (Prior consolidated fiscal year)	FY Ended October 2013 (Consolidated fiscal year under review)	Change from prior year
Net cash provided by (used in) operating activities	14,306	20,759	6,453
Net cash provided by (used in) investing activities	-835	-1,117	-282
Net cash provided by (used in) financing activities	-14,074	-6,532	7,542
Net increase (decrease) in cash and cash equivalents	-625	13,244	13,869
Cash and cash equivalents at beginning of period	20,374	19,717	-657
Cash and cash equivalents at end of period	19,717	32,957	13,240

The balance of cash and cash equivalents ("cash") on a consolidated basis at the end of the consolidated fiscal year under review increased ¥13,240 million from the end of the prior consolidated fiscal year, to ¥32,957 million. Cash flows for the consolidated fiscal year under review are discussed below.

(Net cash provided by (used in) operating activities)

Cash generated as a result of operating activities increased 45.1% from the prior consolidated fiscal year to ¥20,759 million.

This mainly reflected depreciation and amortization of ¥15,181 million and income before income taxes and minority interests of ¥10,686 million, expenditures for acquisition of rental assets of ¥3,047 million, an increase in notes and accounts receivable-trade of ¥4,107 million and interest expenses paid of ¥1,087 million.

(Net cash provided by (used in) investing activities)

Cash flow utilized as a result of investing activities was ¥1,117 million, compared with ¥835 million in the prior consolidated fiscal year.

This mainly reflected the purchase of property, plant and equipment of ¥1,092 million and purchase of investment securities of ¥343 million.

(Net cash provided by (used in) financing activities)

Cash flow used for financing activities was ¥6,532 million, compared with cash flow used in financing activities in the prior consolidated fiscal year of ¥14,074 million.

This mainly reflected ¥7,912 million of proceeds from issuance of common stock, repayments of installment payables of ¥10,841 million and repayments of lease obligations of ¥2,040 million.

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

	FY Ended October 2010	FY Ended October 2012	FY Ended October 2012	FY Ended October 2013
Shareholders' equity ratio (%)	33.7	32.2	29.2	32.2
Shareholders' equity ratio on a market capitalization basis (%)	12.6	15.1	23.3	56.4
Years to repay debt	5.7	8.5	4.9	3.9
Interest coverage ratio (times)	10.4	7.4	13.4	19.1

(Notes) Shareholders' equity ratio: $\text{Shareholders' equity} / \text{Total assets}$

Shareholders' equity ratio on a

market capitalization basis: $\text{Shareholders' equity on a market capitalization basis} / \text{Total assets}$

Years to repay debt: $\text{Interest-bearing liabilities} / \text{Cash flow from operating activities}$

Interest coverage ratio: $\text{Cash flow from operating activities} / \text{Interest payments}$

* 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 expenses paid on the Consolidated Statements of Cash Flows are used as interest payments.

Outlook for the next fiscal year (Business Period ending October 2014)

Turning to the outlook for the next fiscal year, in addition to full-scale restoration works in the earthquake-devastated areas, nationwide disaster prevention and disaster mitigation countermeasures are on the drawing boards based on the slogan "nation-toughening." The re-building of Japan's industrial infrastructure has been raised as a growth strategy as well, and the government is undertaking a variety of projects that will include the construction of ring roads in Japan's major metropolitan areas, improvement of logistics networks and the extension of Shinkansen lines. Moreover, with the decisions to hold the 2020 Olympics in Tokyo and open a linear Shinkansen line in 2027, incidental demand related to these projects is anticipated as well. Finally, because private sector construction demand centered on energy-related needs is likewise growing, Kanamoto believes construction equipment rental demand will be vigorous not only in the disaster-stricken Tohoku Region but on a nationwide scale. Nevertheless, the business climate will continue to discourage an optimistic view because of multiple concerns, ranging from tender glitches and irregularities originating in the shortages of materials, equipment and manpower for works ordered at such an accelerated pace, to the growing competition among firms triggered by the changing balance of supply and demand, including excess inventories of rental equipment, that will result from these projects.

The Kanamoto Group continues to declare a full response in support of restoration and recovery work by every member of the Kanamoto Group to be its most important activity, and will ensure earnings and fulfill its corporate responsibilities in the areas in question. Furthermore, we will simultaneously continue to lay the foundation stones for our domestic operations by mainly bolstering activities in the Tokyo metropolitan area, while pursuing the creation of bases overseas.

Although Kanamoto will continue to restrict sales of used construction equipment, which it partially postponed in order to provide equipment for earthquake disaster reconstruction, for equipment that has been used for a certain number of years the Company's policy will be to proceed with sales on a timely basis, while closely observing the overseas market and the exchange rate trend.

Furthermore, to establish an operations management organization that will generate earnings efficiently, Kanamoto will continue to focus on lowering cost and managing its assets efficiently, while working to further strengthen the regional sales organization that has achieved excellent results so far. The Company will strive as well to further secure earnings from every aspect, including the creation and management of rental demand in sectors unrelated to construction.

Presently the percentage of total earnings accounted for by overseas businesses is not significant. As Kanamoto seeks to deepen its presence in each region mainly through equipment rentals, however, including overseas development of geoenvironment-related firms and development into new areas, mainly

in Southeast Asian nations, the Company will seek to expand the contents of such operations while continuing to give sufficient attention to the country risks and business risks.

Fiscal year ending October 2014 Projected Operating Results

(November 1, 2013 -October 31, 2014)

(Millions of yen except net income per share, which is in yen)

	Net Sales	Operating Income	Ordinary Income	Net Income	Net Income per Share of Common Stock
Consolidated full-year projection	117,500	12,530	12,090	6,050	182.77
Company full-year projection	86,200	9,700	9,840	5,090	153.77

(3) Basic Policy Concerning Distribution of Earnings and Dividends for the Consolidated Fiscal Year under Review and Next Consolidated Fiscal Year

Kanamoto seeks to ensure a stable return of earnings to the maximum extent possible, and considers maintaining a stable dividend to be a fundamental management policy. For the fiscal year ended October 2013 the Company set its annual dividend at ¥20 per share (including an interim dividend of ¥10 per share). For the annual dividend for the next fiscal year ending October 2014, the Company plans to pay its normal dividend of ¥20 per share (including an interim dividend of ¥10 per share), plus a commemorative dividend of ¥10 per share (including an interim dividend of ¥5 per share) to commemorate the 50th anniversary of the Company's establishment, for a total dividend of ¥30 per share. Furthermore, the Company plans to utilize its internal reserves by allocating funds for capital investment, including the introduction of rental equipment that will serve as the source of future earnings, and for enhancing shareholders' equity. To enable the Company to flexibly implement its capital policy, Kanamoto has also established a system for making purchases of treasury stock.

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 (selected from a specially mailed catalog).

(4) Business Risks and Other Risks

The following risks are included among the business and accounting matters described in the Financial Statements Bulletin that might have an important influence on investors' decisions. Forward-looking statements included in this document are judgments made by the Company based on information available at the present point in time.

a) Economic conditions

In the construction-related business that is the main business of Kanamoto Group, earnings are influenced significantly by the domestic construction investment trend whether it reflects public or private sector demand. Consequently there is a possibility future operating results will be negatively affected by events such as large reductions in public works or cutbacks in private sector works, or if the utilization ratio of rental equipment declines because of a deterioration in the rental prices for rental equipment or in the operating environment as a result of the intensified competition for orders. Furthermore, overseas sales of used construction equipment are affected by the global economy and the exchange rate trend prevailing at the time of sale.

b) Seasonal variations in operating results

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

concentrated in the Company's first-half accounting period (the six-month period from November through the following April).

c) Interest rate trends

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) Guarantees

The Kanamoto Group has entered into guarantee agreements with financial institutions for certain obligations owed by affiliated companies on the basis of loans, finance lease obligations and installment payment contracts. There is a possibility the operating results and financial position of the Kanamoto Group might be adversely affected should circumstances under which the Company is requested to perform its guarantee arise in the future.

e) Asset impairment accounting for noncurrent assets

The Kanamoto Group has adopted 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 noncurrent assets declines because of factors such as a marked deterioration in the Company's business environment in the future.

f) Restrictive financial covenants

Agreements with financial institutions pertaining to the borrowings of the Kanamoto Group frequently establish restrictive financial covenants. Although Kanamoto judges the probability of violating these restrictive financial covenants to be low, there is a possibility the operating results and financial position of the Kanamoto Group will be adversely affected if the Company has violated such restrictive financial covenants.

2. Current Conditions of the Company's Group

The Kanamoto Group (Kanamoto and its affiliated companies) has organized its principal business activities around "Business related to the Construction Equipment Rental Division," which is engaged in the rental and sale of construction equipment and construction-related equipment parts, and "Other businesses" comprised of "Business related to the Steel Sales Division," which sells materials for construction such as steel products, and "Business related to the Information Products Division and Other Businesses," including the rental and sale of computers such as PC servers and computer peripheral equipment, and the provision of specified worker dispatching services.

The group is comprised of 14 companies including the parent company, nine consolidated subsidiaries and four 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, is provided below.

<Business related to the Construction Equipment Rental Division>

The Company's Construction Equipment Rental Division and Daiichi Kikaisangyo Co., Ltd (a consolidated subsidiary company), Kanki Corporation (a consolidated subsidiary company), Toyo Industry Co., Ltd. (a consolidated subsidiary company) and Kyushu Kensan Co., Ltd. (a consolidated subsidiary company) are engaged in the rental and sale of foundation equipment, construction cranes and equipment and apparatus used for construction. These companies borrow rental equipment assets from the Company as needed in order to meet customer demand. In addition, the Company borrows rental assets from each of these companies as needed to rent to other companies.

Assist Co., Ltd. (a consolidated subsidiary company) is engaged in the rental and sale of furniture, fixtures and safety products. Kanatech Co., Ltd. (a consolidated subsidiary company) designs and sells modular housing units for temporary use. The Company borrows rental assets from each of these companies as needed to rent to other companies. In addition, Kanamoto purchases modular housing units for temporary use from Kanatech as needed.

Unite Co., Ltd. (a consolidated subsidiary) is engaged in the rental and sale of road construction equipment, and manages a road construction business. Unite Co., Ltd. borrows rental equipment assets from the Company as needed in order to meet customer demand. In addition, the Company borrows rental assets from Unite Co., Ltd. as needed to rent to other companies.

Shanghai Jinheyuan Engineering Construction Co., Ltd. (a consolidated subsidiary; Shanghai, China) is engaged in the rental and sale of construction equipment and tools and the import and export of construction materials.

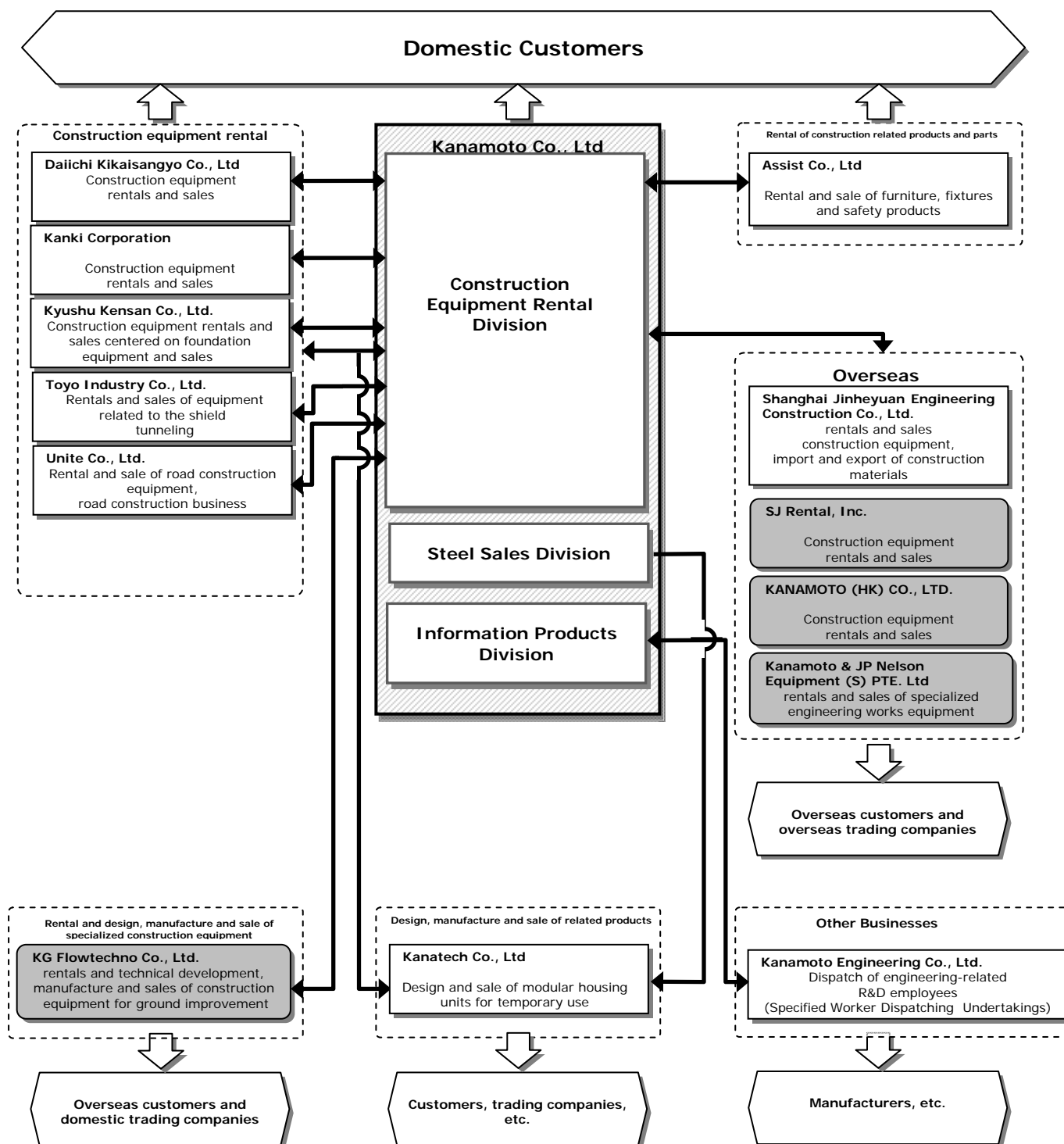
In addition to the above, Kanamoto has four unconsolidated subsidiaries: KG Flowtechno Co., Ltd., KANAMOTO (HK) CO., LTD., Kanamoto & JP Nelson Equipment (S) PTE Ltd. (Singapore) and SJ Rental, Inc. (Territory of Guam, United States). KG Flowtechno Co., Ltd. rents specialized large-scale construction equipment in foreign countries, and is engaged in the technical development, manufacture and sale of ground improvement construction equipment in Japan. KANAMOTO (HK) CO., LTD. borrows rental assets from Kanamoto and is engaged in the rental and sale of construction equipment and tools and the import and export of construction materials. Kanamoto & JP Nelson Equipment (S) PTE Ltd. rents and sells specialized equipment for engineering works in Singapore.

At its Board of Directors meeting held on September 7, 2012, the Company resolved to dissolve and liquidate SJ Rental, Inc., and that company currently is continuing its liquidation procedures.

< Other businesses >

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. The 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 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 and 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.
- (4) SJ Rental, Inc. currently is continuing liquidation procedures.

3. Management Policies

(1) Basic Management Policies

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

(2) Management Indicators Established as Objectives

Because the construction equipment rental businesses managed by the Kanamoto Group require a substantial capital investment burden, which necessitates a profit and loss outlook extending over several years, the Kanamoto Group has always positioned growth in EBITDA+ (earnings before interest, taxes, depreciation and amortization) as its most important management indicator, while also taking into consideration ROI (return on investment). As an indicator for measuring the size and corresponding efficiency of a business, EBITDA+ in particular complements future earnings, and Kanamoto recognizes that maintaining and expanding EBITDA+ is absolutely critical to its future success. At the same time, net sales and operating income are also figures that show the size and earning capacity of a company, and Kanamoto emphasizes the steady growth of these measures as indicators highlighting its growth potential as a firm. The Company’s medium and long-term operating results objectives are shown below.

(3) Medium to Long-term Corporate Management Strategy

Details of Kanamoto’s management strategy are provided below.

a) Respond to the Great East Japan Earthquake and Fukushima nuclear accident

The Kanamoto Group has declared a full response in support of restoration and recovery work by every member of the Kanamoto Group as its most important activity. This effort includes ground improvement works, an activity in which Kanamoto particularly excels, establishing a team of specialists to concentrate on the Fukushima nuclear accident, and support for decontamination operations. The Kanamoto Group will continue working zealously to achieve the quick restoration and recovery of the stricken areas.

b) Expand and enlarge Kanamoto’s domestic base of operations

Beyond the Tokyo metropolitan area, which was selected for the 2020 Olympics and remains the region where much of Japan’s public and private sector demand is concentrated, the Kanamoto Group is actively pursuing branch development, including M&A, in areas west of the Kanto Region, where the Company’s presence until now has been limited. Moreover, Group firms are also working to expand operations through cooperation centered on Kanamoto’s Regional Special Procurement Sales Division.

c) Undertake overseas deployment

In addition to operations in mainland China, Hong Kong and Singapore where it has established overseas affiliates, the Company will pursue development in ASEAN countries that are 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.

d) Take steps to improve operating activities

Kanamoto regards adept construction equipment management, together with improved operating efficiency, to be the foundation of the Group’s earnings. Consequently we are taking steps to maximize earnings during the life of rental equipment and boost operating margins. These include launching operating improvement measures, thoroughly analyzing and enhancing current operational processes, strengthening loss controls and sharpening the Group’s competitive capabilities.

(4) Issues to be addressed by the Company

Because construction equipment rentals are its core business, the Kanamoto Group must achieve a robust earnings structure and establish a strong sales and marketing organization, by seeking to optimize the business sectors, owned asset levels and asset portfolio structure whose operating results are not affected by the volume of domestic construction investment.

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

Over the next several years, rising competition among firms is expected to further throw distinctions into sharp relief. As the leading firm in the corporate construction equipment rental industry, Kanamoto strives to

foster employees who possess appropriate knowledge and skills and is working to provide employee training aligned with the Company's overseas development and domestic business expansion. Strengthening cooperation among Group firms and increasing transactions with alliance firms will be essential for expansion of the Kanamoto Group's business sectors and regions, and Kanamoto will pursue measures to augment the Group's integrated corporate vitality.

b) Reinforce Kanamoto's financial strategy

Kanamoto is taking steps to ensure timely and optimal funds procurement, while giving consideration to equipment plans including purchases of rental equipment assets and corporate facilities. At the same time, the Company is focusing on improving its financial position, and reducing interest-bearing debt and improving capital efficiency as much as possible, by incorporating measures such as the liquidation of assets.

c) Continuous cost reductions

When introducing assets the Company utilizes a thorough benchmark system, and further strives to maintain asset value by optimizing asset maintenance costs based on its rental assets operating policies.

d) Strengthen overseas branch management

The Company will enhance marketing and sales aspects, and strengthen management systems in areas such as asset management and operations management, to match its overseas development. It also will urgently prepare a system for the assignment of human resources and personnel training for this purpose.

(5) Other Important Company Management Issues

Compliance and internal controls

Even if it does not work continuously to strengthen its employee training and compliance system or take special steps to heighten compliance awareness, a firm must fulfill its social responsibility by establishing an organization to ensure compliance will be implemented.

For the Kanamoto Group, which aspires to sustained growth, a compliance organization is indispensable for the formation of a staunch organization. Kanamoto therefore several years ago prepared ethical guidelines to serve as a compliance standard, established a Compliance Committee headed by Kanamoto's president, and took 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). One measure for clarifying these activities further is Kanamoto's "internal controls reporting system," which all of the Company's employees have been united in supporting since the system was placed into full-scale operation in the Business Period ended October 2009.

The Great East Japan Earthquake damaged the assets of many of the Kanamoto Group's valued customers. The Group's own business offices were damaged as well. Much of the local telecommunications infrastructure in particular failed, creating conditions that made confirmation of the situation in many areas difficult. Nevertheless, the Company's Emergency Response Manual clearly demonstrated its value by generally working as envisaged for the gathering of information from nearby branches, providing situational reports and following the chain of command. Points that need to be upgraded in the future were highlighted, however, and Kanamoto is improving the accuracy of the manual with a focus on the related divisions.

Other measures taken by the Company included the publication of compliance bulletins mailed from the Compliance Committee Secretariat to each company in the Kanamoto Group to enlighten employees concerning legal compliance, and a reorganization that will enable a more precise response based on strengthening the Legal Office's staff. In addition, guidance and training programs were conducted by the Internal Control and Auditing Office at 54 offices, and internal controls similar to Kanamoto's have been established and are now being utilized by 9 Kanamoto Group companies. In addition, the Safety and Health Office conducted audits at 66 offices, and when combined with the safety patrols by the Industrial Safety and Health Section, all of the offices were covered.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Unit: Thousands of yen)

	Prior Consolidated Fiscal Year (As of October 31, 2012)	Current Consolidated Fiscal Year (As of October 31, 2013)
Assets		
Current assets		
Cash and deposits	* 2 19,387,264	* 2 32,627,458
Notes and accounts receivable-trade	* 5 23,560,769	* 5 27,731,488
Securities	350,000	350,000
Merchandise and finished goods	521,615	642,805
Costs on uncompleted construction contracts	53,187	20,081
Raw materials and supplies	213,177	201,740
Construction machine parts	2,578,013	3,954,840
Income taxes receivable	10,676	29,255
Consumption taxes receivable	57,839	8,313
Deferred tax assets	616,057	983,057
Other	719,242	754,987
Allowance for doubtful accounts	-384,382	-335,792
Total Current Assets	47,683,461	66,968,236
Noncurrent assets		
Property, plant and equipment		
Rental equipment	111,689,105	131,975,682
Accumulated depreciation	-65,644,512	-75,075,764
Rental equipment, net	46,044,593	56,899,918
Buildings and structures	22,253,505	22,843,038
Accumulated depreciation	-14,565,048	-15,140,640
Buildings and structures, net	* 2 7,688,457	* 2 7,702,397
Machinery, equipment and vehicles	5,367,137	5,480,758
Accumulated depreciation	-4,771,202	-4,861,608
Machinery, equipment and vehicles, net	595,935	619,149
Land	* 2 29,548,049	* 2 29,798,341
Other	1,579,813	1,315,544
Accumulated depreciation	-1,301,459	-1,012,516
Other, net	278,353	303,028
Total property, plant and equipment	84,155,389	95,322,835
Intangible assets		
Goodwill	* 6 192,389	* 6 19,894
Other	203,849	250,882
Total intangible assets	396,239	270,777
Investments and other assets		
Investment securities	* 1 3,196,840	* 1 5,256,183
Deferred tax assets	622,077	147,708
Other	1,947,320	1,894,365
Allowance for doubtful accounts	-590,261	-541,221
Allowance for investment loss	-67,985	-67,985
Total investments and other assets	5,107,991	6,689,049
Total Noncurrent Assets	89,659,620	102,282,662
Total Assets	137,343,082	169,250,899

(Unit: Thousands of yen)

	Prior Consolidated Fiscal Year (As of October 31, 2012)	Current Consolidated Fiscal Year (As of October 31, 2013)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	18,011,309	21,293,370
Short-term loans payable	* 2 834,688	* 2 591,774
Current portion of long-term loans payable	* 2 12,671,669	12,179,620
Lease obligations	1,106,553	1,085,477
Income taxes payable	2,344,595	3,533,247
Provision for bonuses	774,430	823,580
Provision for loss on disaster	10,014	—
Allowance for losses on employee pension fund withdrawal	—	200,001
Accounts payable-other	9,386,566	12,728,761
Other	1,641,311	1,983,706
Total current liabilities	46,781,139	54,419,541
Noncurrent liabilities		
Long-term loans payable	25,945,267	26,288,975
Lease obligations	3,041,801	2,662,783
Provision for retirement benefits	959	7,896
Long-term accounts payable-other	19,707,957	29,329,772
Asset retirement obligations	207,696	210,132
Other	* 7 258,310	138,957
Total noncurrent liabilities	49,161,991	58,638,518
Total Liabilities	95,943,130	113,058,060
Net Assets		
Shareholders' equity		
Capital stock	9,696,717	13,652,938
Capital surplus	10,960,761	14,916,981
Retained earnings	19,199,668	24,462,016
Treasury stock	-27,523	-48,497
Total Shareholders' Equity	39,829,623	52,983,438
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	331,641	1,567,744
Foreign currency translation adjustment	-54,766	-1,706
Total accumulated other comprehensive income	276,874	1,566,038
Minority interests	1,293,453	1,643,362
Total Net Assets	41,399,951	56,192,839
Total Liabilities and Net Assets	137,343,082	169,250,899

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income(Consolidated Statements of Income)

(Unit: Thousands of yen)

	Prior Consolidated Fiscal Year (From November 1, 2011 to October 31, 2012)	Current Consolidated Fiscal Year (From November 1, 2012 to October 31, 2013)
Net Sales	86,106,869	110,831,865
Cost of sales	60,333,558	76,522,505
Gross profit	25,773,311	34,309,359
Selling, general and administrative expenses	* 1 19,343,124	* 1 22,916,435
Operating income	6,430,186	11,392,924
Non-operating income		
Interest income	10,001	9,023
Dividends income	85,914	58,038
Insurance income	64,381	84,874
Rent income	53,914	58,767
Bonus received	23,256	35,786
Foreign exchange gains	9,416	223,687
Amortization of negative goodwill	69,831	51,577
Reversal of allowance for doubtful accounts	22,654	19,471
Reversal of provision for loss on disaster	101,483	6,486
Other	174,102	221,021
Total non-operating income	614,956	768,736
Non-operating expenses		
Interest expenses	856,374	824,103
Loss on sales of notes payable	45,925	41,013
Other	209,971	223,030
Total non-operating expenses	1,112,271	1,088,147
Ordinary income	5,932,871	11,073,513
Extraordinary income		
Subsidy income	177,532	36,464
Gain on sales of noncurrent assets	* 2 21,106	* 2 34,298
Gain on sales of investment securities	1,092	1,039
Gain on bargain purchase	671,889	—
Reversal of provision incurred from business combination	—	* 5 55,639
Other	19,674	116
Total extraordinary income	891,296	127,559
Extraordinary losses		
Loss on sales and retirement of noncurrent assets	* 3 185,006	* 3 95,031
Impairment loss	* 4 343,425	* 4 217,679
Loss on sales of investment securities	116,009	—
Loss on valuation of investment securities	107	187,809
Other	—	13,573
Total extraordinary losses	644,549	514,093
Income before income taxes and minority interests	6,179,618	10,686,978
Income taxes-current	2,752,132	4,856,274
Income taxes-deferred	2,563	-315,376
Total income taxes	2,754,696	4,540,898
Income before minority interests	3,424,922	6,146,079
Minority interests in income (loss)	-150,132	336,788
Net income	3,575,054	5,809,291

(Consolidated Statements of Comprehensive Income)

(Unit: Thousands of yen)

	Prior Consolidated Fiscal Year (From November 1, 2011 to October 31, 2012)	Current Consolidated Fiscal Year (From November 1, 2012 to October 31, 2013)
Income before minority interests	3,424,922	6,146,079
Other comprehensive income		
Valuation difference on available-for-sale securities	132,730	1,236,459
Foreign currency translation adjustment	<u>-5,893</u>	<u>74,475</u>
Total other comprehensive income	<u>126,836</u>	<u>1,310,935</u>
Comprehensive income	<u>3,551,758</u>	<u>7,457,015</u>
(Breakdown)		
Comprehensive income attributable to owners of the parent	3,695,827	7,098,454
Comprehensive income attributable to minority interests	-144,068	358,560

(3) Consolidated Statements of Changes in Net Assets

(Unit: Thousands of yen)

	Prior Consolidated Fiscal Year (From November 1, 2011 to October 31, 2012)	Current Consolidated Fiscal Year (From November 1, 2012 to October 31, 2013)
Shareholders' equity		
Capital stock		
Balance at the beginning of current period	9,696,717	9,696,717
Changes of items during the period		
Issuance of new shares	—	3,956,220
Total changes of items during the period	—	3,956,220
Balance at the end of current period	9,696,717	13,652,938
Capital surplus		
Balance at the beginning of current period	10,960,749	10,960,761
Changes of items during the period		
Issuance of new shares	—	3,956,220
Disposal of treasury stock	11	—
Total changes of items during the period	11	3,956,220
Balance at the end of current period	10,960,761	14,916,981
Retained earnings		
Balance at the beginning of current period	16,297,314	19,199,668
Changes of items during the period		
Dividends from surplus	-656,678	-656,593
Net income	3,575,054	5,809,291
Change of scope of consolidation	—	109,648
Increase (decrease) from accounting period changes of consolidated subsidiaries	-16,022	—
Total changes of items during the period	2,902,354	5,262,347
Balance at the end of current period	19,199,668	24,462,016
Treasury stock		
Balance at the beginning of current period	-25,240	-27,523
Changes of items during the period		
Purchase of treasury stock	-2,569	-20,973
Disposal of treasury stock	285	—
Total changes of items during the period	-2,283	-20,973
Balance at the end of current period	-27,523	-48,497
Total Shareholders' Equity		
Balance at the beginning of current period	36,929,541	39,829,623
Changes of items during the period		
Issuance of new shares	—	7,912,441
Dividends from surplus	-656,678	-656,593
Net income	3,575,054	5,809,291
Change of scope of consolidation	—	109,648
Increase (decrease) from accounting period changes of consolidated subsidiaries	-16,022	—
Purchase of treasury stock	-2,569	-20,973
Disposal of treasury stock	297	—
Total changes of items during the period	2,900,082	13,153,815
Balance at the end of current period	39,829,623	52,983,438

(Unit: Thousands of yen)

	Prior Consolidated Fiscal Year (From November 1, 2011 to October 31, 2012)	Current Consolidated Fiscal Year (From November 1, 2012 to October 31, 2013)
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities		
Balance at the beginning of current period	198,819	331,641
Changes of items during the period		
Net changes of items other than shareholders' equity	132,821	1,236,103
Total changes of items during the period	132,821	1,236,103
Balance at the end of current period	331,641	1,567,744
Foreign currency translation adjustment		
Balance at the beginning of current period	-42,758	-54,766
Changes of items during the period		
Net changes of items other than shareholders' equity	-12,007	53,060
Total changes of items during the period	-12,007	53,060
Balance at the end of current period	-54,766	-1,706
Total accumulated other comprehensive income		
Balance at the beginning of current period	156,060	276,874
Changes of items during the period		
Net changes of items other than shareholders' equity	120,813	1,289,163
Total changes of items during the period	120,813	1,289,163
Balance at the end of current period	276,874	1,566,038
Minority interests		
Balance at the beginning of current period	507,104	1,293,453
Changes of items during the period		
Increase (decrease) from accounting period changes of consolidated subsidiaries	-26,450	-
Net changes of items other than shareholders' equity	812,799	349,909
Total changes of items during the period	786,348	349,909
Balance at the end of current period	1,293,453	1,643,362
Total net assets		
Balance at the beginning of current period	37,592,706	41,399,951
Changes of items during the period		
Issuance of new shares	-	7,912,441
Dividends from surplus	-656,678	-656,593
Net income	3,575,054	5,809,291
Change of scope of consolidation	-	109,648
Increase (decrease) from accounting period changes of consolidated subsidiaries	-42,473	-
Purchase of treasury stock	-2,569	-20,973
Disposal of treasury stock	297	-
Net changes of items other than shareholders' equity	933,613	1,639,072
Total changes of items during the period	3,807,244	14,792,887
Balance at the end of current period	41,399,951	56,192,839

(4) Consolidated Statements of Cash Flows

(Unit: Thousands of yen)

	Prior Consolidated Fiscal Year (From November 1, 2011 to October 31, 2012)	Current Consolidated Fiscal Year (From November 1, 2012 to October 31, 2013)
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	6,179,618	10,686,978
Depreciation and amortization	11,071,145	15,181,430
Impairment loss	343,425	217,679
Amortization of goodwill	158,667	29,928
Gain on bargain purchase	-671,889	—
Loss (gain) on sales and retirement of noncurrent assets	163,900	60,732
Amount of installment purchases of assets for small rentals	46,002	4,410
Amount of cost price transfer with sale of construction machine parts	5,646	9,125
Amount of cost price transfer with sale of rental assets	512,971	866,983
Expenditures for acquisition of construction machine parts	-1,238,618	-64,041
Expenditures for acquisition of rental equipment	-1,916,267	-3,047,268
Loss (gain) on valuation of investment securities	107	187,809
Loss (gain) on sales of investment securities	114,917	-1,039
Increase (decrease) in allowance for doubtful accounts	-151,989	-12,570
Increase (decrease) in allowance for investment loss	7,000	—
Increase (decrease) in provision for bonuses	140,367	54,722
Increase (decrease) in provision for retirement benefits	-35,686	6,937
Increase (decrease) in provision for directors' retirement benefits	-205,964	—
Increase (decrease) in provision for loss on disaster	-142,425	-10,014
Increase (decrease) in allowance for losses on employee pension fund withdrawal	—	200,001
Interest and dividends income	-95,916	-67,062
Interest expense on installment purchases of rental assets	238,141	243,203
Interest expenses	856,374	824,103
Foreign exchange losses (gains)	910	-160,839
Reversal of provision incurred from business combination	—	-55,639
Decrease (increase) in notes and accounts receivable-trade	-1,442,561	-4,107,487
Decrease (increase) in inventories	39,561	-72,014
Increase (decrease) in notes and accounts payable-trade	1,165,452	3,331,075
Increase (decrease) in accounts payable-other	727,812	1,031,297
Other	286,447	114,534
Subtotal	16,157,151	25,452,977
Interest and dividends income received	95,959	67,067
Interest expenses paid	-1,065,306	-1,087,481

Payments for loss on disaster	-137,410	-
Income taxes paid	-744,054	-3,672,968
Net cash provided by (used in) operating activities	<u>14,306,339</u>	<u>20,759,594</u>

(Unit: Thousands of yen)

	Prior Consolidated Fiscal Year (From November 1, 2011 to October 31, 2012)	Current Consolidated Fiscal Year (From November 1, 2012 to October 31, 2013)
Net cash provided by (used in) investing activities		
Proceeds from withdrawal of time deposits	15,000	—
Purchase of property, plant and equipment	-451,920	-1,092,570
Proceeds from sales of property, plant and equipment	121,932	100,135
Purchase of intangible assets	-10,431	-123,477
Purchase of investment securities	-61,295	-343,428
Proceeds from sales of investment securities	174,845	1,440
Purchase of investments in subsidiaries resulting in change in scope of consolidation	* 2 -662,777	—
Purchase of investments in subsidiaries	-50,060	—
Payments of loans receivable	—	-76,507
Collection of loans receivable	45,315	418,442
Other	44,061	-1,470
Net cash provided by (used in) investing activities	-835,331	-1,117,435
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	-2,340,610	-322,613
Proceeds from long-term loans payable	10,641,125	13,200,000
Repayment of long-term loans payable	-12,042,300	-13,762,341
Proceeds from issuance of common stock	—	7,912,441
Redemption of bonds	-22,000	—
Repayments of installment payables	-8,423,533	-10,841,670
Repayments of lease obligations	-1,253,430	-2,040,006
Purchase of treasury stock	-2,569	-20,973
Proceeds from sale of treasury stock	297	—
Purchase of treasury stock of subsidiaries in consolidation	-55	—
Cash dividends paid	-659,737	-656,519
Proceeds from stock issuance to minority shareholders	27,830	—
Cash dividends paid to minority shareholders	—	-1,006
Net cash provided by (used in) financing activities	-14,074,983	-6,532,689
Effect of exchange rate change on cash and cash equivalents	-21,387	134,768
Net increase (decrease) in cash and cash equivalents	-625,363	13,244,238
Cash and cash equivalents at beginning of period	20,374,836	19,717,264
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	—	-4,045
Increase (decrease) in cash and cash equivalents resulting from change in accounting period of subsidiaries	-32,208	—
Cash and cash equivalents at end of period	* 1 19,717,264	* 1 32,957,458

**(5) Notes to the Consolidated Financial Statements
(Notes Relating to the Going Concern Assumption)**

The Company had no material items to report.

(Important Matters Used as Basis for Preparation of the Consolidated Financial Statements)

1. Companies included in the consolidation

(1) Number of consolidated companies: 9

Consolidated subsidiary name

Assist Co., Ltd

Kanatech Co., Ltd

Kanki Corporation

Kanamoto Engineering Co., Ltd.

Kyushu Kensan Co., Ltd.

Shanghai Jinheyuan Engineering Construction Co., Ltd.

Daiichi Kikaisangyo Co., Ltd

Toyo Industry Co., Ltd.

Unite Co., Ltd.

SJ Rental, Inc., which was a consolidated subsidiary in the prior consolidated fiscal year, has been excluded from the scope of consolidation since the first quarter consolidated accounting period because it is completing liquidation procedures and its materiality has decreased.

(2) Number of non-consolidated companies: 4

Non-consolidated subsidiary name

KG Flowtechno Co., Ltd.

KANAMOTO (HK) CO., LTD.

Kanamoto & JP Nelson Equipment (S) PTE. Ltd.

SJ Rental, Inc.

KG Machinery Co., Ltd. and Flowtechno Corporation, which was an unconsolidated subsidiary in the prior consolidated fiscal year, merged on November 1, 2012 and the name of the company was changed to KG Flowtechno Co., Ltd.

(Reason for exclusion from consolidation)

The size of each of the non-consolidated subsidiaries is small, and each company's 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

The four 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 retained earnings (amount corresponding to minority interest) is immaterial and none of the companies is important to the Company's overall operations.

3. Matters pertaining to the fiscal year closing date for consolidated subsidiaries

The fiscal year closing date for all of the consolidated subsidiaries except Shanghai Jinheyuan Engineering Construction Co., Ltd. is October 31. The fiscal year closing date for Shanghai Jinheyuan Engineering Construction Co., Ltd. is December 31.

When preparing the consolidated financial statements the Company used the financial statements of Shanghai Jinheyuan Engineering Construction Co., Ltd. based on a provisional settlement of accounts implemented as of September 30, adjusted for significant transactions that occurred between the subsidiary's fiscal year-end and the consolidation date that have a material effect on the consolidated financial results.

4. Accounting principles and standards used for normal accounting treatment

(1) Appraisal standards and appraisal methods for principal assets

a. Securities

Other 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 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

The Company calculates the amount after deduction of depreciation expense according to the straight-line method from the original prices, by separate fiscal year of purchase.

c. Inventory

(i) Merchandise and finished goods

The Company has adopted the cost method, cost being determined based on the periodic average method (amounts shown on the balance sheet are calculated by determining write-downs of book value based on the decline in profitability)

(ii) Costs on uncompleted construction contracts

The Company has adopted the cost method, cost being determined by the specific identification method

(iii) Raw materials and supplies

The Latest Purchase Cost method (amounts shown on the balance sheet are calculated by determining write-downs of book value based on the decline in profitability)

(2) Depreciation methods for principal depreciable assets

a. Property, plant and equipment (excluding lease asset)

The Company has adopted the straight-line method for rental equipment (for certain consolidated subsidiaries, the declining-balance method) and the declining-balance method for other assets. Buildings on land that is leased under a fixed-term land lease agreement, however, are depreciated using the straight-line method using the remaining period of the fixed-term lease as the depreciable life and zero residual value. For certain consolidated subsidiaries the Company has adopted the straight-line method for buildings and structures acquired on or after April 1, 2000, but excluding fixtures and equipment.

The depreciable lives mainly used by the Company are as follows.

Rental equipment	2-15 years
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Buildings and structures	2-60 years
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b. Intangible assets (excluding lease 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).

c. Lease assets

The Company has adopted straight-line depreciation using the lease term as the depreciable life and zero residual value.

The Company accounts for finance lease transactions except for leases that transfer ownership of the property for which the lease start date is before October 31, 2008 by applying accounting treatment based on the method applied for ordinary rental transactions.

(3) Accounting standards for principal allowances and reserves

a. 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 separate assessments of the probability of collection from specified credits such as credits in danger of bankruptcy.

b. Provision for bonuses

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.

c. Provision for retirement benefits

- The Company provides for accrued employees retirement benefits at certain consolidated subsidiaries based upon pertinent rules and appropriated to the account proportionately at the end of the consolidated fiscal year based upon length of service.
- d. Allowance for investment loss
- 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.
- e. Allowance for losses on employee pension fund withdrawal
- To provide for losses that occur in conjunction with withdrawal from the pension fund in which the consolidated subsidiaries are enrolled, the Company appropriates the projected amount of the special premium to a reserve.
- (4) Accounting standards for principal income and expenses
- Accounting standards for amount of completed works and cost of completed construction works
- a. Construction works for which the portion of the works completed by the end of the year can be reliably determined
- Percentage-of-completion method (progress in construction works is estimated using the cost comparison method)
- b. Other construction works
- Completed-contract method
- (5) Standard for conversion of main 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 consolidated fiscal year settlement date, and charges the translation difference to income as a gain or loss. The assets and liabilities of controlled foreign corporations are converted into Japanese yen at the spot exchange rate on the foreign corporation's fiscal year closing date, and the earnings and costs are converted into Japanese yen using to the average market price during the period, and the translation adjustments are accounted for by including the amounts in the foreign currency translation adjustment and minority interests in net assets.
- (6) Hedge accounting for principal hedging methods
- a. Hedge accounting method
- The Company's interest swap transactions fulfill the requirements for special rule accounting, and the Company has elected to use this to account for hedge transactions.
- b. Hedge methods and hedged transactions
- The Company 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.
- c. Method for evaluating the effectiveness of hedges
- 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.
- (7) Amortization method and amortization period for goodwill
- The Company amortizes goodwill and negative goodwill generated before October 31, 2010 using the straight-line depreciation over five years. However, extremely small amounts are written off completely in the year in which they occur.
- (8) Items included in cash on the Consolidated Statements of Cash Flows
- Funds included in cash (cash and cash equivalents) on the Consolidated Statement of Cash Flows include cash on hand, deposits that can be withdrawn on demand and highly liquid short-term investments that mature within three months of the date of acquisition and which can be easily converted into cash and that have minimal risk of a change in price.
- (9) 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.

(Changes in Reporting Method)

(Consolidated Statements of Income)

In the prior consolidated fiscal year, the Company reported "Foreign exchange gains" in "Other" under non-operating income. The Company has reported this item separately for the current consolidated fiscal year because the amount exceeded 10% of total extraordinary losses. To reflect this change in reporting method, the Company has made certain reclassifications to its consolidated financial statements for the prior consolidated fiscal year.

As a result, ¥183,518 thousand that was reported in "Other" under non-operating income in the Consolidated Statement of Income in the prior consolidated fiscal year has been reclassified, with ¥9,416 thousand reported in "Foreign exchange gains" and ¥174,102 thousand reported in "Other."

(Consolidated Statements of Cash Flows)

Because the "Foreign exchange losses (gains)" that were reported in "Other" under net cash provided by (used in) operating activities in the prior consolidated fiscal year have increased in importance, the Company has decided to report this item separately beginning from the current consolidated fiscal year. To reflect this change in reporting method, the Company has made certain reclassifications to its consolidated financial statements for the prior consolidated fiscal year.

As a result, ¥287,357 thousand that was reported in "Other" under net cash provided by (used in) operating activities in the prior consolidated fiscal year has been reclassified, with ¥910 thousand reported in "Foreign exchange losses (gains)" and ¥286,447 thousand reported in "Other."

(Supplemental Information)

(Allowance for losses on employee pension fund withdrawal)

The Corporate Management Committee at Unite Co., Ltd., a consolidated subsidiary, approved a policy to withdraw from from the Japan Construction Equipment Rental Pension Fund in which Unite participates, and beginning from the consolidated fiscal year under review the Company recorded the projected special premium amount at the time of withdrawal as an allowance for losses on employee pension fund withdrawal.

(Notes to the Consolidated Balance Sheets)

*1. Matters related to non-consolidated subsidiaries and affiliated companies are as follows.

(Unit: Thousands of yen)

	Prior consolidated fiscal year (As of October 31, 2012)	Current Consolidated Fiscal Year (As of October 31, 2013)
Investment securities (stock)	262,708	262,708

*2. Assets provided for security and secured debts

Assets provided for security are as follows.

(Unit: Thousands of yen)

	Prior consolidated fiscal year (As of October 31, 2012)	Current Consolidated Fiscal Year (As of October 31, 2013)
Cash and deposits	20,000	20,000
Buildings and structures	35,074	32,829
Land	150,221	150,221

Secured debts are as follows.

(Unit: Thousands of yen)

	Prior consolidated fiscal year (As of October 31, 2012)	Current Consolidated Fiscal Year (As of October 31, 2013)
Short-term loans payable	280,000	280,000
Current portion of long-term loans payable	8,326	—

3. Guarantees

(Unit: Thousands of yen)

	Prior consolidated fiscal year (As of October 31, 2012)	Current Consolidated Fiscal Year (As of October 31, 2013)
Joint and several guarantees of employee bank loans (North Pacific Bank, Ltd., others)	35,609	26,594
Guarantee of borrowing liabilities of Flowtechno Corporation, a non-consolidated subsidiary company	100,000	—
Guarantee of borrowing liabilities of KG Machinery Co., Ltd., a non-consolidated subsidiary company	110,000	—
Guarantee of installment payment liabilities of KG Machinery Co., Ltd., a non-consolidated subsidiary company	25,201	—
Guarantee of borrowing liabilities of KG Flowtechno Co., Ltd., a non-consolidated subsidiary company (see Note)	—	160,000
Guarantee of installment payment liabilities of KG Flowtechno Co., Ltd., a non-consolidated subsidiary company (see Note)	—	11,455
Guarantee of borrowing liabilities of KANAMOTO (HK) CO., LTD., a non-consolidated subsidiary company	HK\$13,310,000 (136,826)	HK\$16,120,000 (204,885)
Guarantee of borrowing liabilities of KANAMOTO (HK) CO., LTD., a non-consolidated subsidiary company	US\$197,000 (15,693)	US\$102,000 (10,127)
Guarantee of installment payment liabilities of unconsolidated subsidiary company (Kanamoto & JP Nelson)	SG\$3,529,000 (230,595)	SG\$2,981,000 (237,141)
Total	653,926	650,203

(Note) KG Machinery Co., Ltd. and Flowtechno Corporation merged on November 1, 2012. The new entity changed its company name to KG Flowtechno Co., Ltd., and the Company provided a guarantee of liabilities to which it succeeded.

4. Discount on notes receivable- trade and notes receivable-trade transferred by endorsement

(Unit: Thousands of yen)

	Prior consolidated fiscal year (As of October 31, 2012)	Current Consolidated Fiscal Year (As of October 31, 2013)
Discount on notes receivable-trade	121,727	144,335
Notes receivable-trade transferred by endorsement	6,195	10,155

*5. Liquidation of receivables based on receivables transfer facility

(Unit: Thousands of yen)

	Prior consolidated fiscal year (As of October 31, 2012)	Current Consolidated Fiscal Year (As of October 31, 2013)
Notes receivable-trade	5,248,823	6,277,225

Liquidated claims bearing a right of recourse to the Company and included in the balance of notes receivable-trade transferred are as follows.

(Unit: Thousands of yen)

	Prior consolidated fiscal year (As of October 31, 2012)	Current Consolidated Fiscal Year (As of October 31, 2013)
Notes receivable-trade	1,063,730	1,281,521

*6. Goodwill and negative goodwill

Goodwill and negative goodwill are offset and shown as a net amount.

The amounts before being offset are shown below.

	(Unit: Thousands of yen)	
	Prior consolidated fiscal year (As of October 31, 2012)	Current Consolidated Fiscal Year (As of October 31, 2013)
Goodwill	243,967	19,894
Negative goodwill	51,577	—
Net amount	192,389	19,894

*7. Provision incurred from business combination

Prior consolidated fiscal year (October 31, 2012)

The amount for "Other" under noncurrent liabilities includes a provision incurred from business combination of ¥255,641 thousand. This is the amount of the contribution for the projected shortfall in the financial position in the employee's pension fund in which Unite Co., Ltd. is enrolled and was incurred as a result of Kanamoto's purchase of that company's shares on June 28, 2012.

Consolidated fiscal year under review (October 31, 2013)

The Company had no material items to report.

(Notes to the Consolidated Statements of Income)

*1. The main expense items included in selling, general and administrative expenses are as follows.

	(Unit: Thousands of yen)	
	Prior Consolidated Fiscal Year (From November 1, 2011 to October 31, 2012)	Current Consolidated Fiscal Year (From November 1, 2012 to October 31, 2013)
Employee salaries and wages	7,836,635	9,201,186
Depreciation and amortization	862,456	908,354
Rent expenses	2,041,198	2,439,597
Provision of allowance for doubtful accounts	121,309	297,926
Provision for bonuses	636,277	797,851
Retirement benefit expenses	323,513	350,453
Provision for directors' retirement benefits	11,174	—
Amortization of goodwill	228,499	81,506

*2. The breakdown of gain on sales of noncurrent assets is as follows.

	(Unit: Thousands of yen)	
	Prior Consolidated Fiscal Year (From November 1, 2011 to October 31, 2012)	Current Consolidated Fiscal Year (From November 1, 2012 to October 31, 2013)
Buildings and structures	—	463
Machinery, equipment and vehicles	11,605	2,454
Land	—	31,380
Other	9,500	—
Total	21,106	34,298

*3. The breakdown of loss on sales and retirement of noncurrent assets is as follows.

(Unit: Thousands of yen)

	Prior Consolidated Fiscal Year (From November 1, 2011 to October 31, 2012)	Current Consolidated Fiscal Year (From November 1, 2012 to October 31, 2013)
(Loss on sale of noncurrent assets)		
Buildings and structures	1,013	—
Machinery, equipment and vehicles	155	480
Land	89,427	—
Other	8	176
(Loss on retirement of noncurrent assets)		
Rental equipment	64,853	57,318
Buildings and structures	26,429	10,696
Machinery, equipment and vehicles	2,079	2,649
Land	—	1,787
Other	1,039	21,921
Total	185,006	95,031

*4. Impairment loss

During the consolidated fiscal year the Kanamoto Group recorded impairment losses on the following asset groups.

Prior consolidated fiscal year (From November 1, 2011 to October 31, 2012)

Location	Use	Asset
Nagara Town, Chosei-gun, Chiba Prefecture	Plant	Land
Shanghai, China	Dormant assets	Rental equipment

Asset groupings used by the Kanamoto Group to apply asset impairment accounting are based on the block classified by the segment and operating area for which profitability can be determined regularly. 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 (¥343,425 thousand) under extraordinary losses. This was comprised of ¥183,896 thousand for land and ¥159,528 thousand for rental equipment.

The recoverable value for rental equipment is measured according to net sales price, and the recoverable value for land is measured according to its value in use, which is calculated by discounting future cash flow at a rate of 3.2%.

Current consolidated fiscal year (From November 1, 2012 to October 31, 2013)

Location	Use	Asset
Shanghai, China	Dormant assets	Rental equipment
	-	Goodwill

Asset groupings used by the Kanamoto Group to apply asset impairment accounting are based on the block classified by the segment and operating area for which profitability can be determined regularly. Dormant assets are grouped as units that generate independent cash flow.

During the consolidated fiscal year under review, for 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 (¥75,113 thousand) under extraordinary losses. This was for rental equipment of ¥75,113 thousand.

The recoverable value for rental equipment is measured according to net sales price, and calculated based on the estimated appraised value.

The Kanamoto Group judges whether to recognize impairment losses by grouping assets for each company or business. The Company recorded an impairment loss of ¥142,566 thousand for the full amount of the book value of the goodwill generated by its investment in Shanghai Jinheyuan Engineering Construction Co., Ltd., a consolidated subsidiary, because the Company no longer expects to achieve the earnings envisaged at the time of its investment.

*5. Reversal of provision incurred from business combination

Consolidated fiscal year under review (From November 1, 2012 to October 31, 2013)

The Company recorded ¥55,639 thousand for the reversal of provision incurred from business combination. This reflected the portion of the contribution amount projected for the shortfall in the financial position in the employee's pension fund in which Unite Co., Ltd., a consolidated subsidiary, is enrolled, which was recorded as a provision incurred from business combination, that reversed the difference between the projected amount at the time of Unite's withdrawal in the consolidated fiscal year under review and the amount recorded as an allowance for losses on withdrawal from pension fund.

(Notes to the Consolidated Statements of Comprehensive Income)

Note: Reclassification adjustments and the related tax effects concerning Other Comprehensive Income

(Unit: Thousands of yen)

	Prior Consolidated Fiscal Year (From November 1, 2011 to October 31, 2012)	Current Consolidated Fiscal Year (From November 1, 2012 to October 31, 2013)
Valuation difference on available-for-sale securities:		
Amount occurring during the current period	65,281	1,909,406
Reclassification adjustments	114,940	—
Before adjustment for tax effects	180,221	1,909,406
Tax effects	-47,491	-672,946
Valuation difference on available-for-sale securities	132,730	1,236,459
Foreign currency translation adjustment:		
Amount occurring during the current period	-5,893	74,475
Total Other Comprehensive Income	126,836	1,310,935

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

Prior consolidated fiscal year (From November 1, 2011 to October 31, 2012)

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

	Number of shares at beginning of consolidated fiscal year (thousands of shares)	Increase in number of shares during consolidated fiscal year (thousands of shares)	Decrease in number of shares during consolidated fiscal year (thousands of shares)	Number of shares at end of consolidated fiscal year (thousands of shares)
Outstanding shares				
Common stock	32,872	—	—	32,872
Total	32,872	—	—	32,872
Treasury stock				
Common stock (Note 1, 2)	37	2	0	39
Total	37	2	0	39

(Notes) 1. The number of treasury stock shares of common stock increased by 20,000 shares through purchases of shares comprising less than one investment unit.

2. The number of treasury stock shares of common stock decreased by 0 shares through sales 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 (Thousands of yen)	Dividend per share (yen)	Date of record	Payment date
December 27, 2011 Board of Directors	Common stock	328,345	10.00	October 31, 2011	January 30, 2012
June 8, 2012 Board of Directors	Common stock	328,333	10.00	April 30, 2012	July 9, 2012

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

Resolution	Class of stock	Total dividend (Thousands of yen)	Source of funds for dividend	Dividend per share (yen)	Date of record	Payment date
December 27, 2012 Board of Directors	Common stock	328,322	Retained earnings	10.00	October 31, 2012	January 30, 2013

Current consolidated fiscal year (From November 1, 2012 to October 31, 2013)

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

	Number of shares at beginning of consolidated fiscal year (thousands of shares)	Increase in number of shares during consolidated fiscal year (thousands of shares)	Decrease in number of shares during consolidated fiscal year (thousands of shares)	Number of shares at end of consolidated fiscal year (thousands of shares)
Outstanding shares				
Common stock (Note 1)	32,872	3,220	—	36,092
Total	32,872	3,220	—	36,092
Treasury stock				
Common stock (Note 2)	39	10	—	50
Total	39	10	—	50

(Notes) 1. The total number of outstanding shares of common stock increased by 3,220,000 shares, including an increase of 2,800,000 shares from the issuance of new shares and an increase of 420,000 shares from the issuance of new shares by third-party allotment.

2. The number of treasury stock shares of common stock increased by 10,000 shares through purchases of shares comprising less than one investment unit.

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

The Company had no material items to report.

3. Dividends

(1) Dividends paid

Resolution	Class of stock	Total dividend (Thousands of yen)	Dividend per share (yen)	Date of record	Payment date
December 27, 2012 Board of Directors	Common stock	328,322	10.00	October 31, 2012	January 30, 2013
June 7, 2013 Board of Directors	Common stock	328,270	10.00	April 30, 2013	July 8, 2013

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

Resolution	Class of stock	Total dividend (Thousands of yen)	Source of funds for dividend	Dividend per share (yen)	Date of record	Payment date
December 27, 2013 Board of Directors (Planned)	Common stock	360,422	Retained earnings	10.00	October 31, 2013	January 30, 2014

(Notes to the Consolidated Statements of Cash Flows)

*1. Relationship between fiscal year ending balances for cash and equivalents and amounts for items shown on the fiscal year consolidated balance sheets

(Unit: Thousands of yen)

	Prior Consolidated Fiscal Year (From November 1, 2011 to October 31, 2012)	Current Consolidated Fiscal Year (From November 1, 2012 to October 31, 2013)
Cash and deposits account	19,387,264	32,627,458
Time deposits with a maturity longer than 3 months	-20,000	-20,000
Securities	350,000	350,000
Cash and cash equivalents	19,717,264	32,957,458

*2. Prior consolidated fiscal year (From November 1, 2011 to October 31, 2012)

Principal assets and liabilities of companies that became newly consolidated subsidiaries as a result of the purchase of their stock during the current consolidated fiscal year

The relationship between the principal assets and liabilities and acquisition price for the shares of Unite Co., Ltd. and the net funds used for the purchase of Unite Co., Ltd. at the start of consolidation of Unite Co., Ltd. as a result of the acquisition of stock is as follows.

	(Unit: Thousands of yen)
Current assets	5,818,226
Noncurrent assets	6,338,726
Current liabilities	-4,780,195
Noncurrent liabilities	-5,142,934
Gain on bargain purchase	-671,889
Minority interests	-740,504
Acquisition price of Unite Co., Ltd.	821,429
Cash and cash equivalents of Unite Co., Ltd.	-158,651
Balance: Purchase of investments in subsidiaries resulting in change in scope of consolidation	662,777

Current consolidated fiscal year (From November 1, 2012 to October 31, 2013)

The Company had no material items to report.

3. Details of major non-cash transactions

(1) Amount of assets and liabilities related to installment transactions, amount of assets and liabilities related to lease transactions, and acquisition of investment securities by investments in kind, that are newly accounted for

	(Unit: Thousands of yen)	
	Prior Consolidated Fiscal Year (From November 1, 2011 to October 31, 2012)	Current Consolidated Fiscal Year (From November 1, 2012 to October 31, 2013)
Amount of assets and liabilities related to installment transactions	16,006,786	22,532,980
Amount of assets and liabilities related to lease transactions	1,648,088	872,095
Acquisition of investment securities by investments in kind (Note)	91,891	—

(Note) The Company acquired the stock of KANAMOTO (HK) CO., LTD., a non-consolidated subsidiary company.

(2) Amount related to asset retirement obligations that are newly accounted for

	(Unit: Thousands of yen)	
	Prior Consolidated Fiscal Year (From November 1, 2011 to October 31, 2012)	Current Consolidated Fiscal Year (From November 1, 2012 to October 31, 2013)
Amount related to asset retirement obligations	4,797	13,696

(Business Segment Information)

a. Segment information

1. Summary of reportable segments

The Company's reporting segments are those units of the Company's for which discrete financial information is available and for which the Board of Directors regularly conducts a review for the purpose of making decisions about resources to be allocated to the segments and assess the segments' performance.

The Company is developing its businesses according to products and services, and has assumed "business related to the Construction Equipment Rental Division" as its reporting segment.

The Company's "business related to the Construction Equipment Rental Division" rents and sells construction equipment and temporary materials for construction use.

2. Method of calculating the amount of net sales, income or loss, assets, liabilities and other items of each reporting segment

Except for the *Standard for Measurement of Inventories*, the accounting standards and methods for the reported business segment are generally identical to the description in "Significant Accounting Policies for the Consolidated Financial Statements."

The Company values inventory assets using prices before write-downs of book value based on decline in profitability.

Reporting segment earnings are the values on an operating income basis.

3. Information concerning the amount of net sales, income or loss, assets, liabilities and other items of each reporting segment

Prior consolidated fiscal year (From November 1, 2011 to October 31, 2012)

(Unit: Thousands of yen)

	Reporting segment	Other businesses (Note)	Total
	Construction-related		
Net sales			
Net sales to outside customers	79,280,857	6,826,012	86,106,869
Net sales or transfers between related segments	—	—	—
Total	79,280,857	6,826,012	86,106,869
Segment income	6,117,945	143,144	6,261,090
Segment assets	110,039,775	1,976,698	112,016,473
Other items			
Depreciation and amortization	10,802,312	2,446	10,804,759
Amortization of goodwill	158,667	—	158,667
Extraordinary income	671,889	—	671,889
(Gain on bargain purchase)	(671,889)	(—)	(671,889)
Extraordinary losses	343,425	—	343,425
(Impairment loss)	(343,425)	(—)	(343,425)
Amount of increase of property, plant and equipment and intangible assets	20,979,162	800	20,979,962

(Note) The "Other businesses" classification encompasses business segments not included in the reporting segment, and includes business related to the Steel Sales Division and business related to the Information Products Division and other businesses.

Current consolidated fiscal year (From November 1, 2012 to October 31, 2013)

(Unit: Thousands of yen)

	Reporting segment	Other businesses (Note)	Total
	Construction-related		
Net sales			
Net sales to outside customers	102,359,605	8,472,259	110,831,865
Net sales or transfers between related segments	—	—	—
Total	102,359,605	8,472,259	110,831,865
Segment income	10,916,113	204,510	11,120,623
Segment asset	124,460,056	2,672,155	127,132,211
Other items			
Depreciation and amortization	14,936,983	2,327	14,939,310
Amortization of goodwill	29,928	—	29,928
Extraordinary losses	217,679	—	217,679
(Impairment loss)	(217,679)	(—)	(217,679)
Amount of increase of property, plant and equipment and intangible assets	26,528,373	13,536	26,541,910

(Note) The “Other businesses” classification encompasses business segments not included in the reporting segment, and includes business related to the Steel Sales Division and business related to the Information Products Division and other businesses.

4. Difference between total reporting segment amount and the amount reported on the Consolidated Statements of Income, and the main reasons for the difference (Matters Pertaining to Reconciliation of Difference)

(Unit: Thousands of yen)

Net sales	Prior consolidated fiscal year	Current consolidated fiscal year
Reporting segment total	79,280,857	102,359,605
Net sales for “Other businesses” classification	6,826,012	8,472,259
Net sales reported in the consolidated financial statements	86,106,869	110,831,865

(Unit: Thousands of yen)

Interest	Prior consolidated fiscal year	Current consolidated fiscal year
Reporting segment total	6,117,945	10,916,113
Income for “Other businesses” classification	143,144	204,510
Other adjustments	169,095	272,300
Operating income reported in the consolidated financial statements	6,430,186	11,392,924

(Unit: Thousands of yen)

Assets	Prior consolidated fiscal year	Current consolidated fiscal year
Reporting segment total	110,039,775	124,460,056
Assets of “Other businesses” classification	1,976,698	2,672,155
Company assets (Note)	25,326,608	42,118,687
Total assets reported in the consolidated financial statements	137,343,082	169,250,899

(Note) Company assets are mainly assets used in administrative divisions at the parent company that are not attributable to the reporting segment.

(Unit: Thousands of yen)

Other items	Reporting segment total		Other businesses		Amount of adjustment		Amount reported in the consolidated financial statements	
	Prior consolidated fiscal year	Current consolidated fiscal year	Prior consolidated fiscal year	Current consolidated fiscal year	Prior consolidated fiscal year	Current consolidated fiscal year	Prior consolidated fiscal year	Current consolidated fiscal year
Depreciation and amortization	10,802,312	14,936,983	2,446	2,327	266,386	242,120	11,071,145	15,181,430
Amount of increase of property, plant and equipment and intangible assets	20,979,162	26,528,373	800	13,536	57,787	252,980	21,037,750	26,794,891

(Note) The adjustments to the increases in property, plant and equipment and intangible assets are capital investments related to administrative divisions.

b. Related information

Prior consolidated fiscal year (From November 1, 2011 to October 31, 2012)

1. Information by product and service

The Company has omitted a description of information by product and service because this same information is disclosed in segment information.

2. Information by region

(1) Net sales

The Company has omitted a description of information by region because net sales to outside customers in Japan account for more than 90% of total net sales reported in the Consolidated Statements of Income.

(2) Property, plant and equipment

The Company has omitted a description of property, plant and equipment because the amount of property, plant and equipment located in Japan account for more than 90% of the total for property, plant and equipment reported in the Consolidated Balance Sheets.

3. Main customers

The Company has omitted a description of net sales to outside customers because there are no specific customers to which net sales account for more than 10% of the net sales reported in the Consolidated Statements of Income.

Current consolidated fiscal year (From November 1, 2012, to October 31, 2013)

1. Information by product and service

The Company has omitted a description of information by product and service because this same information is disclosed in segment information.

2. Information by region

(1) Net sales

The Company has omitted a description of information by region because net sales to outside customers in Japan account for more than 90% of total net sales reported in the Consolidated Statements of Income.

(2) Property, plant and equipment

The Company has omitted a description of property, plant and equipment because the amount of property, plant and equipment located in Japan account for more than 90% of the total for property, plant and equipment reported in the Consolidated Balance Sheets.

3. Main customers

The Company has omitted a description of net sales to outside customers because there are no specific customers to which net sales account for more than 10% of the net sales reported in the Consolidated Statements of Income.

c. Information concerning impairment loss on property, plant and equipment by reporting segment

Prior consolidated fiscal year (From November 1, 2011 to October 31, 2012)

(Unit: Thousands of yen)

	Business related to the Construction Equipment Rental Division	Other businesses	Corporate and eliminations	Total
Impairment loss	343,425	—	—	343,425

Current consolidated fiscal year (From November 1, 2012, to October 31, 2013)

(Unit: Thousands of yen)

	Business related to the Construction Equipment Rental Division	Other businesses	Corporate and eliminations	Total
Impairment loss	217,679	—	—	217,679

d. Information concerning amortization of goodwill and unamortized balances by reporting segment

Prior consolidated fiscal year (From November 1, 2011 to October 31, 2012)

(Unit: Thousands of yen)

	Business related to the Construction Equipment Rental Division	Other businesses	Corporate and eliminations	Total
Amortization in the current period (Goodwill)	228,499	—	—	228,499
Amortization in the current period (Negative goodwill)	-69,831	—	—	-69,831
Balance at the end of the period (Note)	192,389	—	—	192,389

(Note) Goodwill and negative goodwill are offset and reported as a net amount.

Current consolidated fiscal year (From November 1, 2012, to October 31, 2013)

(Unit: Thousands of yen)

	Business related to the Construction Equipment Rental Division	Other businesses	Corporate and eliminations	Total
Amortization in the current period (Goodwill)	81,506	—	—	81,506
Amortization in the current period (Negative goodwill)	-51,577	—	—	-51,577
Balance at the end of the period (Note)	19,894	—	—	19,894

(Note) In the current consolidated fiscal year the Company recorded an impairment loss on goodwill of ¥142,566 thousand.

e. Information concerning gain on bargain purchase by reporting segment

Prior consolidated fiscal year (From November 1, 2011 to October 31, 2012)

In the "Business related to the Construction Equipment Rental Division" segment, the Company reported a gain on bargain purchase of ¥671,889 thousand in extraordinary income as a result of including Unite Co., Ltd., which was newly acquired in the current consolidated fiscal year, in the scope of consolidation.

Current consolidated fiscal year (From November 1, 2012, to October 31, 2013)

The Company had no material items to report.

(Notes to Leasing Transactions)

(Lessor)

1. Finance lease transactions

Finance lease transactions except for leases that transfer ownership of the property

(1) Lease assets

Property, plant and equipment

Construction-related business rental equipment and other property, plant and equipment.

(2) Method of depreciation for lease assets

Lease assets are depreciated according to the method described in "4. Accounting principles and standards used for normal accounting treatment (2) Depreciation methods for principal depreciable assets" in Important Matters Used as Basis for Preparation of the Consolidated Financial Statements.

The Company accounts for finance lease transactions except for leases that transfer ownership of the property for which the lease start date is before October 31, 2008 by applying accounting treatment based on the method applied for ordinary rental transactions. Details are provided below.

- a) Amounts corresponding to lease property acquisition price, accumulated depreciation and outstanding balances at the end of the fiscal year

(Unit: Thousands of yen)

	Prior consolidated fiscal year (As of October 31, 2012)		
	Acquisition price	Accumulated depreciation	Outstanding balance
Rental equipment	11,151,866	7,752,820	3,399,046
Total	11,151,866	7,752,820	3,399,046

(Unit: Thousands of yen)

	Current consolidated fiscal year (As of October 31, 2013)		
	Acquisition price	Accumulated depreciation	Outstanding balance
Rental equipment	5,015,189	3,800,179	1,215,009
Total	5,015,189	3,800,179	1,215,009

- b) Outstanding balance of future lease payments at the end of the consolidated fiscal year

(Unit: Thousands of yen)

	Prior consolidated fiscal year (As of October 31, 2012)	Current consolidated fiscal year (As of October 31, 2013)
Outstanding balance of future lease payments at the end of the consolidated fiscal year		
Within one year	2,254,473	1,202,921
After one year	1,366,655	160,765
Total	3,621,129	1,363,687

- c) Amount of lease payments, depreciation expense and interest expense

(Unit: Thousands of yen)

	Prior consolidated fiscal year (From November 1, 2011 to October 31, 2012)	Current consolidated fiscal year (From November 1, 2012 to October 31, 2013)
Lease payments	2,267,461	1,775,035
Depreciation expense	1,739,125	1,170,920
Interest expense	154,747	66,794

- d) Accounting method for amount equivalent to depreciation expense

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

- e) 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.

(Impairment losses)

There is no impairment loss allocated to lease assets.

2. Operating lease transactions

Prepaid lease payments pertaining to non-cancellable operating lease transactions

(Unit: Thousands of yen)

	Prior consolidated fiscal year (As of October 31, 2012)	Current consolidated fiscal year (As of October 31, 2013)
Within one year	2,174,968	2,288,468
After one year	6,416,052	7,248,255
Total	8,591,020	9,536,724

(Per Share Information)

Prior consolidated fiscal year (From November 1, 2011 to October 31, 2012)		Current consolidated fiscal year (From November 1, 2012 to October 31, 2013)	
Net assets per share	¥1,221.56	Net assets per share	¥1,513.49
Net income per share of common stock	¥108.88	Net income per share of common stock	¥175.50
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.		Same as at left	

(Note) The basis for calculating consolidated fiscal year earnings per share or net loss per share is as follows.

(Unit: Thousands of yen)

	Prior consolidated fiscal year (From November 1, 2011 to October 31, 2012)	Current consolidated fiscal year (From November 1, 2012 to October 31, 2013)
Net income amount	3,575,054	5,809,291
Amount not attributed to common stock shareholders	—	—
Net income related to common stock	3,575,054	5,809,291
Average number of outstanding shares during the fiscal year	32,833,928	33,101,017

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

The Company had no material items to report.

5. Company Financial Statements

(1) Balance Sheets

(Unit: Thousands of yen)

	Prior fiscal year (As of October 31, 2012)	Current fiscal year (As of October 31, 2013)
Assets		
Current assets		
Cash and deposits	15,947,592	27,828,449
Notes receivable, trade	2,615,496	3,238,793
Accounts receivable, trade	12,960,369	15,669,496
Securities	350,000	350,000
Merchandise and finished goods	225,383	343,400
Costs on uncompleted construction contracts	53,187	20,081
Construction machine parts	2,578,013	3,954,840
Raw materials and supplies	104,833	113,851
Prepaid expenses	213,731	241,478
Deferred tax assets	487,773	721,869
Short-term loans receivable	350,360	316,925
Other	198,495	212,183
Allowance for doubtful accounts	-201,599	-191,811
Total current assets	35,883,635	52,819,557
Noncurrent assets		
Property, plant and equipment		
Rental equipment	70,174,214	86,534,917
Accumulated depreciation	-38,548,745	-44,839,812
Rental equipment, net	31,625,469	41,695,105
Buildings	14,779,861	15,144,271
Accumulated depreciation	-9,183,580	-9,576,751
Buildings, net	5,596,281	5,567,520
Structures	4,923,789	5,178,610
Accumulated depreciation	-4,048,001	-4,159,418
Structures, net	875,788	1,019,191
Machinery and equipment	4,734,717	4,810,245
Accumulated depreciation	-4,214,300	-4,273,337
Machinery and equipment, net	520,417	536,908
Vehicles	82,280	98,821
Accumulated depreciation	-71,716	-89,794
Vehicles, net	10,564	9,027
Tools, furniture and fixtures	1,252,156	907,460
Accumulated depreciation	-1,056,129	-746,479
Tools, furniture and fixtures, net	196,026	160,980
Land	28,682,214	28,958,009
Construction in progress	21,872	31,084
Total property, plant and equipment	67,528,634	77,977,828
Intangible assets		
Goodwill	55,438	19,894
Software	93,498	136,263
Telephone subscription right	52,005	52,005
Total intangible assets	200,942	208,163

(Unit: Thousands of yen)

	Prior fiscal year (As of October 31, 2012)	Current fiscal year (As of October 31, 2013)
Investments and other assets		
Investment securities	2,864,881	4,868,622
Stocks of subsidiaries and affiliates	4,569,669	3,921,262
Investments in capital	12,137	12,137
Long-term loans receivable from subsidiaries and affiliates	2,450,758	2,468,737
Claims provable in bankruptcy, claims provable in rehabilitation and other	135,540	92,666
Long-term prepaid expenses	24,176	21,895
Deferred tax assets	513,424	—
Insurance funds	19,877	27,529
Guarantee deposits	836,905	825,930
Other	52,596	52,236
Allowance for doubtful accounts	-1,822,673	-1,621,385
Allowance for investment loss	-898,193	-461,807
Total investments and other assets	8,759,100	10,207,825
Total noncurrent assets	76,488,677	88,393,816
Total Assets	112,372,313	141,213,374
Liabilities		
Current liabilities		
Notes payable-trade	10,421,466	12,892,054
Accounts payable-trade	3,115,016	3,813,867
Current portion of long-term loans payable	10,647,500	10,190,168
Accounts payable-other	7,342,038	10,242,771
Accrued expenses	412,228	453,348
Corporate taxes payable	2,107,652	2,599,922
Accrued consumption taxes	190,791	81,751
Deposits received	147,405	198,808
Provision for bonuses	488,671	529,294
Provision for loss on disaster	10,014	—
Notes payable-facilities	426,934	542,921
Other	104,190	115,119
Total current liabilities	35,413,909	41,660,028
Noncurrent liabilities		
Long-term loans payable	20,575,500	21,703,998
Long-term accounts payable-other	16,303,599	24,280,832
Deferred tax liabilities	—	120,250
Asset retirement obligations	126,734	141,115
Total noncurrent liabilities	37,005,833	46,246,197
Total Liabilities	72,419,742	87,906,225

(Unit: Thousands of yen)

	Prior fiscal year (As of October 31, 2012)	Current fiscal year (As of October 31, 2013)
Net Assets		
Shareholders' equity		
Capital stock	9,696,717	13,652,938
Capital surplus		
Legal capital surplus	10,817,389	14,773,610
Other capital surplus	143,371	143,371
Total capital surpluses	10,960,761	14,916,981
Retained earnings		
Legal retained earnings	1,375,287	1,375,287
Other retained earnings		
Reserve for advanced depreciation of noncurrent assets	19,601	19,601
General reserve	13,731,684	15,731,684
Retained earnings brought forward	3,859,862	6,119,776
Total retained earnings	18,986,436	23,246,350
Treasury stock	-27,523	-48,497
Total shareholders' equity	39,616,391	51,767,772
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	336,179	1,539,377
Total valuation and translation adjustments	336,179	1,539,377
Total Net Assets	39,952,570	53,307,149
Total Liabilities and Net Assets	112,372,313	141,213,374

(2) Statements of Income

(Unit: Thousands of yen)

	Prior fiscal year (From November 1, 2011 to October 31, 2012)	Current fiscal year (From November 1, 2012 to October 31, 2013)
Net sales		
Rental sales	51,129,560	60,381,668
Net sales of goods	17,962,161	20,978,965
Total net sales	69,091,722	81,360,634
Cost of sales		
Cost of rentals sales	34,678,520	40,190,004
Cost of goods sold		
Beginning goods	261,074	225,383
Cost of purchased goods	13,868,447	16,188,816
Transfer from other account	212,624	247,775
Total	14,342,145	16,661,975
Ending goods	225,383	343,400
Valuation loss on goods	2,435	—
Cost of goods sold	14,119,198	16,318,574
Total cost of sales	48,797,718	56,508,578
Gross profit	20,294,003	24,852,055
Selling, general and administrative expenses		
Sales fare	75,660	77,529
Vehicle expenses	184,936	198,072
Advertising expenses	134,087	167,716
Provision of allowance for doubtful accounts	65,694	48,973
Directors' compensations	85,342	93,013
Salaries and allowances	5,942,930	6,530,244
Bonuses	1,251,186	1,476,100
Provision for bonuses	488,671	529,294
Provision for directors' retirement benefits	10,960	—
Retirement benefit expenses	242,921	258,633
Traveling and transportation expenses	372,310	374,267
Insurance expenses	173,246	180,564
Communication expenses	271,859	276,679
Repair expenses	128,235	138,679
Supplies expenses	336,252	415,314
Utilities expenses	266,027	278,051
Taxes and dues	408,675	438,333
Welfare expenses	1,129,981	1,257,090
Depreciation	739,770	672,617
Rent expenses	1,540,415	1,634,346
Other	769,425	880,016
Total selling, general and administrative expenses	14,618,589	15,925,539
Operating income	5,675,414	8,926,515

(Unit: Thousands of yen)

	Prior fiscal year (From November 1, 2011 to October 31, 2012)	Current fiscal year (From November 1, 2012 to October 31, 2013)
Non-operating income		
Interest income	26,202	36,398
Interest on securities	712	574
Dividends income	84,041	57,797
Rent income	163,830	240,934
Insurance income	35,675	35,836
Cash bonus received	23,256	35,729
Reversal of allowance for doubtful accounts	—	131,160
Reversal of provision for loss on disaster	101,483	6,486
Other	222,256	301,213
Total non-operating income	657,459	846,131
Non-operating expenses		
Interest expenses	430,707	355,838
Loss on sales of notes payable	43,429	38,165
Provision of allowance for doubtful accounts	225,123	307,608
Provision of allowance for investment loss	686,771	11,660
Other	120,936	197,562
Total non-operating expenses	1,506,968	910,835
Ordinary income	4,825,904	8,861,811
Extraordinary income		
Gain on sales of noncurrent assets	334	222
Gain on sales of investment securities	115	1,039
Subsidy income	142,538	7,262
Other	17,547	116
Total extraordinary income	160,536	8,641
Extraordinary loss		
Loss on sales and retirement of noncurrent assets	108,571	79,599
Loss on sales of investment securities	115,825	—
Loss on valuation of investment securities	30	187,809
Loss on valuation of stocks of subsidiaries and affiliates	—	200,360
Total extraordinary losses	224,428	467,769
Income before income taxes	4,762,012	8,402,682
Income taxes-current	2,442,503	3,743,055
Income taxes-deferred	-243,894	-256,879
Total income taxes	2,198,609	3,486,176
Net income	2,563,403	4,916,506

Statements of Cost of Rental Revenues

Classification	Notes	Prior Fiscal Year (From November 1, 2011 to October 31, 2012)		Current Fiscal Year (From November 1, 2012 to October 31, 2013)	
		Amount (Thousands of yen)	Percent	Amount (Thousands of yen)	Percent
Rent expenses		15,203,293	43.8	16,967,419	42.2
Repair expenses		3,620,567	10.4	3,857,726	9.6
Fares		5,842,390	16.9	6,536,126	16.3
Depreciation and amortization	2	7,698,663	22.2	9,793,034	24.4
Supplies expenses		728,966	2.1	1,068,175	2.6
Other	3	1,584,639	4.6	1,967,522	4.9
Total		34,678,520	100.0	40,190,004	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 recorded rental equipment depreciation expense of ¥7,469,367 thousand and construction machine parts depreciation expense of ¥229,296 thousand.	The Company recorded rental equipment depreciation expense of ¥9,459,430 thousand and construction machine parts depreciation expense of ¥333,603 thousand.
Note 3	Other costs consisted mainly of taxes and dues of ¥588,553 thousand, insurance expenses of ¥584,089 thousand and interest of ¥147,880 thousand related to installment payment purchases of rental equipment.	Other costs consisted mainly of taxes and dues of ¥676,808 thousand, insurance expenses of ¥657,815 thousand and interest of ¥182,527 thousand related to installment payment purchases of rental equipment.

(3) Statements of Changes in Net Assets

(Unit: Thousands of yen)

	Prior Fiscal Year (From November 1, 2011 to October 31, 2012)	Current Fiscal Year (From November 1, 2012 to October 31, 2013)
Shareholders' equity		
Capital stock		
Balance at the beginning of current period	9,696,717	9,696,717
Changes of items during the period		
Issuance of new shares	—	3,956,220
Total changes of items during the period	—	3,956,220
Balance at the end of current period	9,696,717	13,652,938
Capital surplus		
Legal capital surplus		
Balance at the beginning of current period	10,817,389	10,817,389
Changes of items during the period		
Issuance of new shares	—	3,956,220
Total changes of items during the period	—	3,956,220
Balance at the end of current period	10,817,389	14,773,610
Other capital surplus		
Balance at the beginning of current period	143,359	143,371
Changes of items during the period		
Disposal of treasury stock	11	—
Total changes of items during the period	11	—
Balance at the end of current period	143,371	143,371
Total capital surplus		
Balance at the beginning of current period	10,960,749	10,960,761
Changes of items during the period		
Issuance of new shares	—	3,956,220
Disposal of treasury stock	11	—
Total changes of items during the period	11	3,956,220
Balance at the end of current period	10,960,761	14,916,981
Retained earnings		
Legal retained earnings		
Balance at the beginning of current period	1,375,287	1,375,287
Changes of items during the period		
Total changes of items during the period	—	—
Balance at the end of current period	1,375,287	1,375,287
Other retained earnings		
Reserve for advanced depreciation of noncurrent assets		
Balance at the beginning of current period	19,601	19,601
Changes of items during the period		
Total changes of items during the period	—	—
Balance at the end of current period	19,601	19,601

(Unit: Thousands of yen)

	Prior Fiscal Year (From November 1, 2011 to October 31, 2012)	Current Fiscal Year (From November 1, 2012 to October 31, 2013)
General reserve		
Balance at the beginning of current period	13,731,684	13,731,684
Changes of items during the period		
Provision of general reserve	—	2,000,000
Total changes of items during the period	—	2,000,000
Balance at the end of current period	13,731,684	15,731,684
Retained earnings brought forward		
Balance at the beginning of current period	1,953,137	3,859,862
Changes of items during the period		
Provision of general reserve	—	-2,000,000
Dividends from surplus	-656,678	-656,593
Net income	2,563,403	4,916,506
Total changes of items during the period	1,906,725	2,259,913
Balance at the end of current period	3,859,862	6,119,776
Total retained earnings		
Balance at the beginning of current period	17,079,711	18,986,436
Changes of items during the period		
Provision of general reserve	—	—
Dividends from surplus	-656,678	-656,593
Net income	2,563,403	4,916,506
Total changes of items during the period	1,906,725	4,259,913
Balance at the end of current period	18,986,436	23,246,350
Treasury stock		
Balance at the beginning of current period	-25,240	-27,523
Changes of items during the period		
Purchase of treasury stock	-2,569	-20,973
Disposal of treasury stock	285	—
Total changes of items during the period	-2,283	-20,973
Balance at the end of current period	-27,523	-48,497
Total shareholders' equity		
Balance at the beginning of current period	37,711,937	39,616,391
Changes of items during the period		
Issuance of new shares	—	7,912,441
Dividends from surplus	-656,678	-656,593
Net income	2,563,403	4,916,506
Purchase of treasury stock	-2,569	-20,973
Disposal of treasury stock	297	—
Total changes of items during the period	1,904,453	12,151,381
Balance at the end of current period	39,616,391	51,767,772

(Unit: Thousands of yen)

	Prior Fiscal Year (From November 1, 2011 to October 31, 2012)	Current Fiscal Year (From November 1, 2012 to October 31, 2013)
Valuation and translation adjustments		
Valuation difference on available-for-sale securities		
Balance at the beginning of current period	199,832	336,179
Changes of items during the period		
Net changes of items other than shareholders' equity	136,346	1,203,197
Total changes of items during the period	136,346	1,203,197
Balance at the end of current period	336,179	1,539,377
Total valuation and translation adjustments		
Balance at the beginning of current period	199,832	336,179
Changes of items during the period		
Net changes of items other than shareholders' equity	136,346	1,203,197
Total changes of items during the period	136,346	1,203,197
Balance at the end of current period	336,179	1,539,377
Total net assets		
Balance at the beginning of current period	37,911,770	39,952,570
Changes of items during the period		
Issuance of new shares	—	7,912,441
Dividends from surplus	-656,678	-656,593
Net income	2,563,403	4,916,506
Purchase of treasury stock	-2,569	-20,973
Disposal of treasury stock	297	—
Net changes of items other than shareholders' equity	136,346	1,203,197
Total changes of items during the period	2,040,800	13,354,578
Balance at the end of current period	39,952,570	53,307,149

6. Other

(1) Changes of directors

The Company had no material items to report.

(2) Other

The Company had no material items to report.