



Fiscal Year ended October 31, 2015

Financial Statements Bulletin (Japan GAAP)

December 9, 2015

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 Senior 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 28, 2016
 Scheduled date for commencement of dividend payments January 29, 2016
 Scheduled date for submission of Annual Securities Report January 28, 2016
 Preparation of Supplementary Explanatory Materials: Yes
 Earnings Briefings (For institutional investors and analysts): Yes

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

1. Consolidated Operating Results for the Fiscal Year ended October 31, 2015

(November 1, 2014 – October 31, 2015)

(1) Consolidated Operating Results

(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, 2015	133,292	6.2	16,270	-1.1	16,164	0.5	9,557	2.8
Fiscal year ended October 31, 2014	125,555	13.3	16,454	44.4	16,078	45.2	9,299	60.1

(Note) Comprehensive income (millions of yen)

Fiscal year ended October 31, 2015	9,845	(-3.1%)
Fiscal year ended October 31, 2014	10,164	(36.3%)

	Net Income per Share	Net Income per Share on a Fully Diluted Basis	ROE	Ordinary Income to Total Assets	Operating Margin
	Yen	Yen	%	%	%
Fiscal year ended October 31, 2015	266.27	-	14.4	8.3	12.2
Fiscal year ended October 31, 2014	258.02	-	15.8	9.0	13.1

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

Fiscal year ended October 31, 2015	-
Fiscal year ended October 31, 2014	-

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	Millions of yen	Millions of yen	%	Yen
As of October 31, 2015	202,919	71,998	34.3	1,969.16
As of October 31, 2014	188,491	65,513	33.6	1,758.24

(Reference) Equity (millions of yen)

As of October 31, 2015	69,588
As of October 31, 2014	63,365

(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, 2015	33,509	-4,488	-24,857	36,150
Fiscal year ended October 31, 2014	24,782	-3,374	-22,405	31,980

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, 2014	–	15.00	–	20.00	35.00	1,261	13.6	2.1
Fiscal year ended October 31, 2015	–	15.00	–	20.00	35.00	1,247	13.1	1.9
Fiscal year ending October 31, 2016 (projected)	–	15.00	–	30.00	45.00		15.5	

(Note) Breakdown of second quarter dividend for the fiscal year ended October 31, 2014

Ordinary dividend 10.00 yen

Commemorative dividend 5.00 yen

Breakdown of year-end dividend for the fiscal year ended October 31, 2014

Ordinary dividend 10.00 yen

Commemorative dividend 10.00 yen

3. Projected Consolidated Operating Results for the Fiscal Year Ending October 31, 2016

(November 1, 2015 - October 31, 2016)

(Percentages show the change from the prior year)

	Net Sales		Operating Income		Ordinary Income		Profit Attributable to Owners of Parent		Net Income per Share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Interim period	68,000	-0.5	9,280	-12.9	9,230	-13.4	5,750	-12.0	162.71
Full year	133,900	0.5	16,340	0.4	16,270	0.7	10,230	7.0	289.48

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: No

(b) Changes other than the above: No

(c) Changes in accounting estimates: No

(d) Retrospective restatements: No

(3) Number of shares issued (common shares)

(a) Number of shares outstanding at the end of the period (including treasury shares)

As of October 31, 2015	36,092,241 shares
------------------------	-------------------

As of October 31, 2014	36,092,241 shares
------------------------	-------------------

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

As of October 31, 2015	752,941 shares
------------------------	----------------

As of October 31, 2014	52,930 shares
------------------------	---------------

(c) Average number of shares outstanding during the period

Fiscal year ended October 31, 2015	35,894,640 shares
------------------------------------	-------------------

Fiscal year ended October 31, 2014	36,039,719 shares
------------------------------------	-------------------

(Reference) Summary of Non-Consolidated Operating Results

1. Non-Consolidated Operating Results for the Fiscal Year Ended October 31, 2015

(November 1, 2014 – October 31, 2015)

(1) Non-Consolidated Operating Results

(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, 2015	102,029	8.2	14,108	5.0	13,948	2.9	8,344	2.0
Fiscal year ended October 31, 2014	94,301	15.9	13,433	50.5	13,550	52.9	8,181	66.4

	Net Income per Share	Net Income per Share on a Fully Diluted Basis
	Yen	Yen
Fiscal year ended October 31, 2015	232.47	–
Fiscal year ended October 31, 2014	227.00	–

(2) Non-Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	Millions of yen	Millions of yen	%	Yen
As of October 31, 2015	170,894	65,948	38.6	1,866.15
As of October 31, 2014	158,784	60,968	38.4	1,691.72

(Reference) Equity (millions of yen)
As of October 31, 2015 65,948
As of October 31, 2014 60,968

2. Projected Non-Consolidated Operating Results for the Fiscal Year Ending October 31, 2016

(November 1, 2015 - October 31, 2016)

(Percentages show the change from prior year)

	Net Sales		Ordinary Income		Net Income		Net Income per Share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Interim period	51,900	0.6	7,530	-14.3	4,880	-12.8	138.09
Full year	103,600	1.5	14,200	1.8	9,230	10.6	261.18

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.

(Methods of obtaining the supplementary materials and the content of the earnings briefings)

The Company plans to hold a meeting for institutional investors and analysts on December 10, 2015. Presentation materials will be available on the Company's website after the meeting.

○Attachments Table of Contents

1. Analysis of Operating Results and Financial Position	6
(1) Analysis of Operating Results	6
(2) Analysis of Financial Position	8
(3) Basic Policy Concerning Distribution of Earnings and Dividends for the Consolidated Fiscal Year under Review and Next Consolidated Fiscal Year	10
(4) Business Risks and Other Risks	10
2. Current Conditions of the Company's Group.....	11
3. Management Policies	13
(1) Basic Management Policies.....	13
(2) Management Indicators Established as Objectives	13
(3) Medium- to Long-term Corporate Management Strategy	13
(4) Issues to be Addressed by the Company	13
4. Basic Policy Regarding Selection of Accounting Standards	14
5. Consolidated Financial Statements	15
(1) Consolidated Balance Sheets.....	15
(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income	17
Consolidated Statements of Income	17
Consolidated Statements of Comprehensive Income.....	18
(3) Consolidated Statements of Changes in Equity	19
(4) Consolidated Statements of Cash Flows	21
(5) Notes to the Consolidated Financial Statements	23
(Notes Relating to the Going Concern Assumption).....	23
(Important Matters Used as Basis for Preparation of the Consolidated Financial Statements)	23
(Supplemental Information).....	26
(Notes to the Consolidated Balance Sheets)	26
(Notes to the Consolidated Statements of Income).....	28
(Notes to the Consolidated Statements of Comprehensive Income).....	30
(Notes to the Consolidated Statements of Changes in Equity)	30
(Notes to the Consolidated Statements of Cash Flows).....	32
(Notes to Leasing Transactions)	33
(Business Segment Information).....	34
(Per Share Information)	38
(Material Events after the Close of the Consolidated Fiscal Year).....	38
6. Non-Consolidated Financial Statements.....	39
(1) Balance Sheets	39
(2) Statements of Income.....	42
(3) Statements of Changes in Equity	43

1. Analysis of Operating Results and Financial Position

(1) Analysis of Operating Results

a) Summary of consolidated fiscal year operating results (From November 1, 2014 to October 31, 2015)

In the consolidated fiscal year under review, Japan's economy trended toward recovery, fueled by brisk corporate earnings and improvement in incomes and employment thanks to the government's continued implementation of aggressive economic and fiscal measures. Meanwhile, although there was an uptick in consumer spending, the rebound was sluggish due to a weak outlook, including downside risk reflecting trends in economies overseas.

In the construction industry, within which the Kanamoto Group operates, public works investments remained strong bolstered by reconstruction and disaster prevention/reduction projects. These projects were spurred in part by a decline in some material prices and the leveling off of rising labor costs. Although private-sector capital investments rebounded owing to improved corporate earnings, trends remained weak due to an uncertain outlook and wary stance by market participants. Amid this environment, earnings at construction companies, which are customers of the Kanamoto Group, substantially improved overall, but this was particularly true for major construction companies.

In this environment, the Kanamoto Group moved forward with key initiatives which were based on various measures in its Medium-term Management Plan (fiscal 2014 to fiscal 2016). In Japan, its main market, the Company expanded branches in areas where it had weak coverage, including the Tokyo metropolitan area, and adequately allocated assets. In addition, the Company actively moved forward with overseas strategies, anticipating changes in the domestic construction market going forward.

Consequently, in the fiscal year ended October 31, 2015 net sales rose 6.2% from the prior consolidated fiscal year level to ¥133,292 million. Meanwhile in the profit front, operating income decreased 1.1% from the prior consolidated fiscal year to ¥16,270 million and consolidated ordinary income increased 0.5% year-on-year to ¥16,164 million. Net income rose 2.8% over the prior consolidated fiscal year to ¥9,557 million.

[Operating Results for the Fiscal Year ended October 31, 2015]

(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	%
Consolidated	Year under review	133,292	6.2	16,270	-1.1	16,164	0.5	9,557	2.8
	Prior year	125,555	13.3	16,454	44.4	16,078	45.2	9,299	60.1
Non-consolidated	Year under review	102,029	8.2	14,108	5.0	13,948	2.9	8,344	2.0
	Prior year	94,301	15.9	13,433	50.5	13,550	52.9	8,181	66.4

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 core construction-related business, construction equipment rental demand trended briskly. This partly reflects a pickup in certain redevelopment projects in the Tokyo metropolitan area and private-sector capital investments. Also, demand is brisk for construction equipment rental owing to full-fledged quake-reconstruction projects and decontamination-related work. However, the business environment was weak as there was not construction work in some regions related to the government's supplementary budget, as was the case in the previous fiscal year.

By region, sales in this business fluctuated as follows: down 9.5% in the Hokkaido Region, up 19.7% in the Tohoku Region, up 4.8% in the Kanto & Shinetsu Region, up 2.0% in the Kansai & Chubu Region, and down 1.5% in the Kyushu & Okinawa Region. The sales growth reflects the quake-restoration demand in the Tohoku region and the substantial redevelopment in the Kanto & Shinetsu Region.

Sales of used construction equipment rose 26.6% versus the previous fiscal year, reflecting the systematic sale of equipment that had been in service for a certain number of years to ensure a reasonable asset composition.

Reflecting these factors, the Kanamoto Group posted net sales in the construction-related businesses of ¥123,572 million, an increase of 6.0% year-on-year, and operating income of ¥15,592 million, a decrease of 2.0%.

[Other Businesses]

In Other Businesses, net sales increased 8.2% from the prior consolidated fiscal year to ¥9,719 million, while operating income also increased 39.4% year-on-year to ¥301 million, reflecting steady sales at businesses related to the Steel Sales Division and the Information Products Division.

< Change in number of branches >

During the consolidated fiscal year under review, Kanamoto newly opened 8 branches and closed 1 branch.

New branches: Sendai-Kita Branch (Kurokawa-gun, Miyagi Prefecture), Hitachi Branch (Hitachi, Ibaraki Prefecture), Tohoku Machinery Maintenance Center (Miyagino-ku, Sendai), Hokkaido Region National Sales Division (Chuo-ku, Sapporo), Biratori Machinery Center (Saru-gun, Hokkaido), Tsuruga Branch (Tsuruga, Fukui Prefecture), Tokyo Small Machinery Center and Misato Branch (Misato, Saitama Prefecture)

Closed branches: Oda Branch (Nyu-gun, Fukui Prefecture)

c) Outlook for the Next Fiscal Year (Fiscal year ending October 2016)

In the fiscal year ending October 2016, Kanamoto anticipates firm construction demand in the Tohoku and Tokyo metropolitan areas, including quake-restoration demand in three prefectures hardest hit in Tohoku, the start of large-scale redevelopment projects in the Tokyo metropolitan area, and acceleration of Olympic-related construction and refurbishment of infrastructures. However, public works in some regions are likely to be weak, as they were in the previous fiscal year. In light of this, the business environment is expected to remain harsh.

The Kanamoto Group aims to continue to assist in the quick restoration of disaster-stricken areas as it moves forward. Concurrently, as the first step of the new Medium-term Management Plan, the Company plans to accelerate branch openings in the metropolitan areas of Kanto and Kansai, and other uncharted areas, and ultimately build a base for operations to achieve the goals in the final year of the Medium-term Management Plan two years from now. In addition, to continuing to build corporate value, the Company plans to concentrate management resources in construction-related fields in which it can leverage the Group's comprehensive capabilities. The Company aims to build a structure to facilitate the fortification of its financial position and earnings strength.

That said, regarding overseas business expansion, the Company aims to aggressively move forward by developing partnerships with strong local companies, mainly in Asia where there is future growth potential.

In light of the aforementioned measures, the Kanamoto Group aims for net sales of ¥133,900 million, a growth of 0.5% year-on-year, operating income of ¥16,340 million, an increase of 0.4%, ordinary income of ¥16,270 million, a rise of 0.7%, and profit attributable to owners of parent of ¥10,230 million, an improvement of 7.0%.

(2) Analysis of Financial Position

a) Financial position

Total assets at the end of the consolidated fiscal year under review stood at ¥202,919 million, an increase of ¥14,428 million compared with the end of the prior consolidated fiscal year. The primary catalysts were an increase in cash and deposits of ¥4,249 million and in notes and accounts receivable - trade of ¥3,600 million. In addition, rental equipment in conjunction with sales activities increased ¥1,696 million, construction machine parts increased ¥1,648 million, buildings and structures increased ¥1,536 million owing to an expansion in sales bases.

Total liabilities were ¥130,921 million, an increase of ¥7,943 million compared with the end of the prior consolidated fiscal year. This is primarily attributable to an increase of ¥4,640 million in notes and accounts payable - trade, an increase of ¥2,772 million in accounts payable - other, and an increase of ¥1,400 million in long-term accounts payable - other. Meanwhile, long-term loans payable decreased ¥2,083 million.

Total net assets totaled ¥71,998 million, ¥6,484 million higher than at the end of the prior consolidated fiscal year. This is chiefly reflects net income of ¥9,577 million. Meanwhile, the Company posted ¥1,261 million in cash dividends and used ¥2,072 million for the share buybacks.

b) Consolidated cash flows

(Unit: Millions of yen)

	FY Ended October 2014 (Prior consolidated fiscal year)	FY Ended October 2015 (Consolidated fiscal year under review)	Change from prior year
Net cash provided by (used in) operating activities	24,782	33,509	8,726
Net cash provided by (used in) investing activities	-3,374	-4,488	-1,113
Net cash provided by (used in) financing activities	-22,405	-24,857	-2,451
Net increase (decrease) in cash and cash equivalents	-976	4,169	5,146
Cash and cash equivalents at beginning of period	32,957	31,980	-976
Cash and cash equivalents at end of period	31,980	36,150	4,169

The balance of cash and cash equivalents ("cash") on a consolidated basis at the end of the consolidated fiscal year under review was ¥36,150 million, an increase of ¥4,169 million compared with the end of the prior consolidated fiscal year. Cash flows for the consolidated fiscal year under review are discussed below.

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

Cash generated from operating activities stood at ¥33,509 million, an increase of 35.2% from the prior consolidated fiscal year.

This was primarily attributable to the following: income before income taxes and minority interests of ¥16,266 million, depreciation of ¥20,273 million, an increase in notes and accounts payable - trade of ¥4,486 million, and an increase in accounts payable - other of ¥2,101 million, as well as expenditure by the assets acquisition for rentals of ¥1,198 million, a decrease in notes and accounts receivable - trade of ¥3,613 million and income taxes paid of ¥6,320 million.

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

Cash flow utilized in investing activities was ¥4,488 million, compared with ¥3,374 million in the prior consolidated fiscal year.

This mainly reflected the purchase of property, plant and equipment of ¥4,113 million.

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

Cash flow used for financing activities was ¥24,857 million, compared with cash flow used in financing activities in the prior consolidated fiscal year of ¥22,405 million.

This mainly reflected ¥18,913 million for repayments of installment payables, ¥1,188 million for repayments of lease obligations, ¥2,072 million for the purchase of treasury shares, and ¥1,259 million in cash dividends paid.

The following are cash flow indicator trends for the Kanamoto Group.

	FY ended October 2012	FY ended October 2013	FY ended October 2014	FY ended October 2015
Equity ratio (%)	29.2	32.2	33.6	34.3
Equity ratio on a market capitalization basis (%)	23.3	56.4	76.3	42.7
Ratio of interest-bearing liabilities to operating cash flow	4.9	3.9	3.5	2.7
Interest coverage ratio (times)	13.4	19.1	25.6	40.4

(Notes) Equity ratio: $\text{Equity} / \text{Total assets}$

Equity ratio on a market capitalization basis:

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

Ratio of interest-bearing liabilities to operating cash flow:

$\text{Interest-bearing liabilities} / \text{Cash flows from operating activities}$

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

* 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 fiscal year by the number of shares outstanding (after deducting treasury shares) at the end of the fiscal year.

* Cash flows from operating activities in the consolidated statements of cash flows are used for operating cash flow in the table above. Interest-bearing liabilities include all liabilities posted to the consolidated balance sheets that incur interest. Interest expenses in the consolidated statements of cash flows are used for interest payments in the table above.

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

Distribution of earnings to shareholders is a key management issue.

The dividend policy of Kanamoto is to provide shareholders with a consistent and stable dividend regardless of the business environment. Furthermore, the Company aims to implement additional profit distribution in line with earnings performance. Moreover, it is the basic policy of Kanamoto to sufficiently build up its retained earnings, which is essential for strengthening financial position and to implement aggressive business expansion.

For the fiscal year ended October 2015, the Company plans an annual dividend of ¥35 per share (including an interim dividend of ¥15 per share). Meanwhile, the Company plans an annual dividend payout for the fiscal year ending October 2016 of ¥45 per share (which includes an interim dividend of ¥15).

Furthermore, the Company aims to allocate retained earnings to capital investments, including facilities investment for rental equipment and other assets. Note that the company is putting a share buyback program into place to facilitate the flexible implementation of capital policies.

(4) Business Risks and Other Risks

This section has been omitted as there were no significant changes from the Business Risks and Other Risks section of the annual securities report filed with the MOF on January 29, 2015.

The annual securities report can be viewed by visiting the following URL.

<https://www.kanamoto.ne.jp/report/index.html>

2. Current Conditions of the Company's Group

The Kanamoto Group is comprised of a total of 19 companies—Kanamoto, 8 consolidated subsidiaries, 7 non-consolidated subsidiaries, and 3 affiliates.

Explanation of main business activities and positioning of each group company is as follows.

< Business related to the Construction Equipment Rental Division >

Kanamoto, Daiichi Kikaisangyo Co., Ltd., and Kanki Corporation are engaged in the rental and sales of construction equipment. Assist Co., Ltd. and its affiliate Asahi Rentax Co., Ltd. deal in the rental and sales of furniture, fixtures and safety products. Kanatech Co., Ltd. engages in the design and sales of modular housing units for temporary use. Kyushu Kensan Co., Ltd. deals in rental and sales of construction equipment centered on foundation equipment. Toyo Industry Co., Ltd. handles the rental and sales of equipment related to shield tunneling. Unite Co., Ltd. handles the rental and sales of road construction equipment and the carries out road construction. KG Flowtechno Co., Ltd. engages in the rental, design, manufacturing, and sales of specialty equipment that is used mainly for ground improvement and the construction of underground structures. Eiwashoukai Co., Ltd. handles the rental of general-purpose small construction machinery.

In China, Shanghai Jinheyuan Engineering Construction Co., Ltd., KANAMOTO (HK) CO., LTD., and Shanghai KG Machinery Co., Ltd., a subsidiary of KG Flowtechno Co., Ltd., carry out construction equipment rental and sales. Kanamoto & JP Nelson Equipment (S) PTE. Ltd. (Singapore; hereinafter "KNE") also handles construction equipment rental and sales. In addition, in the fiscal year under review, Kanamoto established several sites in Southeast Asia, including PT Kanamoto Indonesia (Indonesia), SIAM KANAMOTO CO., LTD. (Thailand), KANAMOTO FECON HASSYU CONSTRUCTION EQUIPMENT RENTAL JSC (Vietnam; hereinafter "KANAMOTO FECON HASSYU JSC"), and KNK MACHINERY & EQUIPMENT CORPORATION (the Philippines).

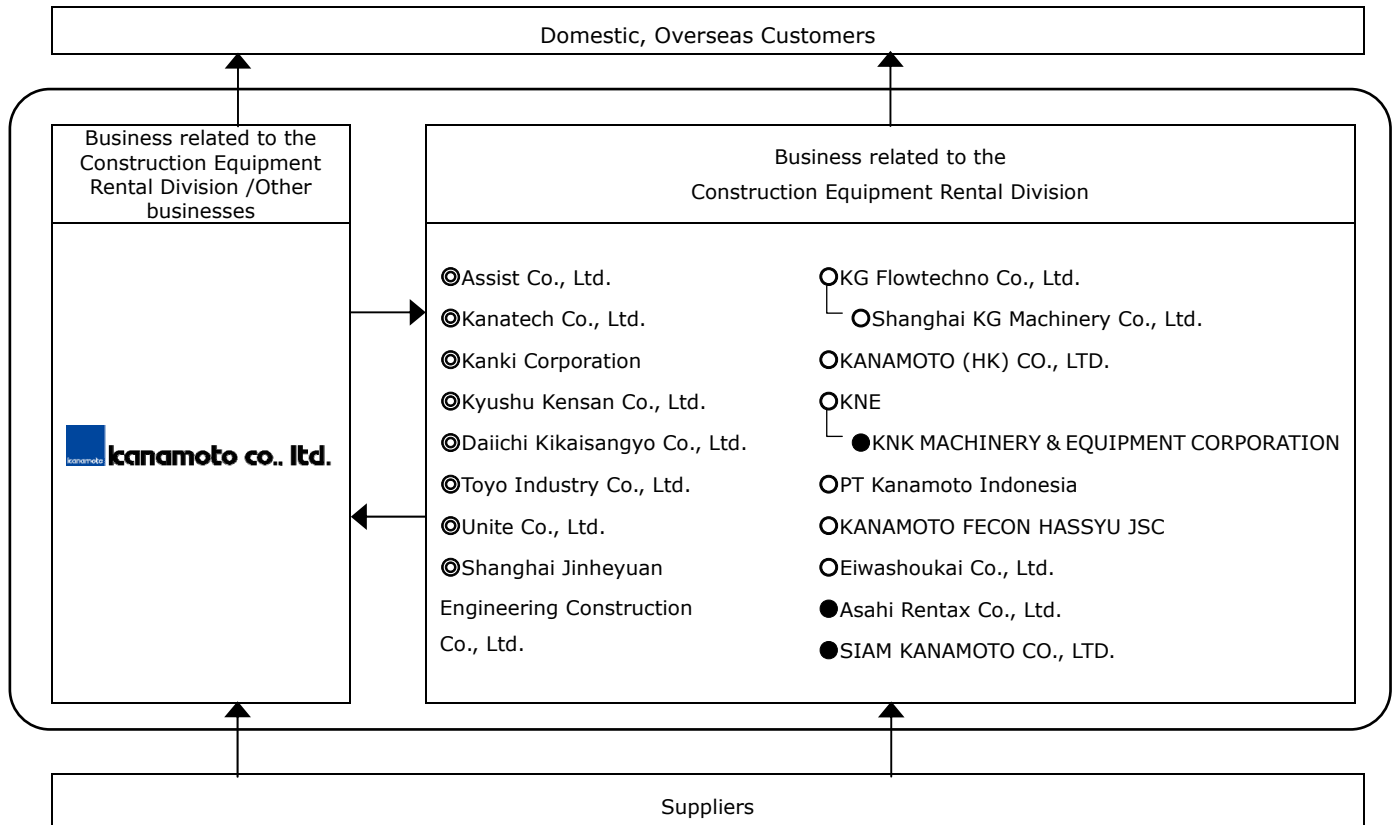
These group companies also lease rental equipment from Kanamoto when necessary. In the same fashion, Kanamoto leases rental equipment from these companies, which it in turns leases to other users in Japan and abroad. Kanamoto purchases modular housing units for temporary use from Kanatech Co., Ltd.

< Other businesses >

This segment mainly consists of the Business related to the Steel Sales Division, and Business related to the Information Products Division and Other Businesses.

In the Business related to the Steel Sales Division, Kanamoto sells construction materials, including steel products. In addition, in the Business related to the Information Products Division and Other Businesses, the Company handles the rental and sales of computers and peripherals, including workstations and servers. Note that Kanamoto sold all of its shares in Kanamoto Engineering Co., Ltd. on October 1, 2015.

The following diagram outlines our operating companies and relationships.



Notes:

- (1) The equity method is not applied to non-consolidated subsidiaries and affiliates.
- (2) → indicates the flow of rental services and products provided
- (3) ◎ indicates consolidated subsidiaries, ○ indicates non-consolidated subsidiaries, ● indicates affiliates.

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

To improve the value of its shares in the medium and long term, the Group targets an ROE (return on equity) of more than 10% by improving earnings in each business segment, and by enhancing its capital efficiency. Moreover, in the mainstay construction equipment rental business, given the high weighting of fixed assets, the Company aims to further improve its shareholders’ equity ratio by setting its target at 45% and above.

The Company is also employing ROI (return on investment) and EBITDA+ (earnings before interest, taxes, depreciation and administration) which is a key indicator Kanamoto has been employing for some time to measure asset efficiency, as a key indicator to determine whether to make new capital investments, including those for rental equipment.

Meanwhile, heavy emphasis is being placed on consolidated net sales and operating income, which yardsticks for corporate size and earnings strength, as the smooth growth of net sales and operating income is an indicator of corporate growth potential.

(3) Medium- to Long-term Corporate Management Strategy

The Company’s medium-term corporate management strategy is included in BULL 53, the medium-term corporate management plan. In accordance with this plan, Kanamoto plans to aggressively expand its operations base in the Kanto & Shinetsu region, the home to major projects such as infrastructure development and redevelopment projects related to the Tokyo 2020 Summer Olympic/Paralympic Games, and also aims to build a structure that will enable the Company to bolster earnings in the Tokyo metropolitan area, in line with medium- to long-term demand forecasts. In addition, as a long-term growth engine, Kanamoto aims to strategically move forward with the development of an overseas base for operations, mainly in the ASEAN nations, where strong underlying demand is potential long-term growth engine.

Meanwhile, to enhance risk resilience to adapt to changes in the business environment, Kanamoto aims to build a management system that will facilitate sustainable growth in the long term by improving its earnings management and strengthening its corporate governance system.

(4) Issues to be Addressed by the Company

The core business of the Kanamoto Group is construction equipment rental. Accordingly, the Company must build a strong earnings structure and a detailed operating structure by pursuing business domains, asset-ownership scale, and an asset portfolio structure, in which earnings are not substantially impacted by the size of domestic construction investments.

a) Strengthen human resources training, the group, and its alliances

In the construction equipment rental industry, during the next few years, intensified competition among companies in the industry is likely to reveal a clear distinction among companies and result in poor performers falling to the wayside. Kanamoto plans to train its employees so that they will possess the knowledge and skills suitable for people working at a leading company in the construction equipment rental industry. The Company also plans to train human resources that can immediately respond to business expansion in Japan and abroad. Moreover, to expand business domains and areas, it is essential that Kanamoto fortify Group company alliances and the relationships with alliance companies, based on which Kanamoto will fully exert its comprehensive 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 aims to focus on improving its financial position, and reducing interest-bearing debt and improving capital efficiency as much as possible, by incorporating measures, including the liquidation of assets.

c) Continuous cost reductions

When introducing assets the Company utilizes a full-fledged 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

In line with the promotion of its overseas development, Kanamoto aims to enhance its marketing and sales strategies and also plans to strengthen its management systems in areas such as asset management and operations management. The Company also plans to quickly prepare a system for the positioning and training of human resources.

4. Basic Policy Regarding Selection of Accounting Standards

The Kanamoto Group plans to prepare its consolidated financial statements in accordance with generally accepted accounting practices in Japan, taking into account comparability of consolidated financial statements between different accounting periods and against different companies.

Note that it is the policy of the Kanamoto Group to adopt IFRS standards depending on conditions and trends in Japan and abroad.

5. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Unit: Millions of yen)

	Prior consolidated fiscal year (As of October 31, 2014)	Current consolidated fiscal year (As of October 31, 2015)
Assets		
Current assets		
Cash and deposits	31,650	35,900
Notes and accounts receivable - trade	*4 33,651	*4, *5 37,251
Securities	350	350
Merchandise and finished goods	595	672
Costs on uncompleted construction contracts	50	39
Raw materials and supplies	227	272
Construction machine parts	6,566	8,214
Income taxes receivable	0	-
Consumption taxes receivable	43	23
Deferred tax assets	656	610
Other	515	561
Allowance for doubtful accounts	-227	-701
Total current assets	74,080	83,195
Non-current assets		
Property, plant and equipment		
Rental equipment	150,727	164,914
Accumulated depreciation	-85,083	-97,573
Rental equipment, net	65,644	67,341
Buildings and structures	23,691	25,840
Accumulated depreciation	-15,663	-16,275
Buildings and structures, net	8,027	9,564
Machinery, equipment and vehicles	5,541	5,714
Accumulated depreciation	-4,882	-4,965
Machinery, equipment and vehicles, net	659	749
Land	31,459	32,354
Other	1,563	2,539
Accumulated depreciation	-1,013	-1,112
Other, net	549	1,426
Total property, plant and equipment	106,341	111,436
Intangible assets		
Goodwill	57	-
Other	208	316
Total intangible assets	266	316
Investments and other assets		
Investment securities	*1 6,286	*1 6,317
Deferred tax assets	265	285
Other	1,854	2,008
Allowance for doubtful accounts	-491	-528
Allowance for investment loss	-110	-110
Total investments and other assets	7,804	7,972
Total non-current assets	114,411	119,724
Total assets	188,491	202,919

(Unit: Millions of yen)

	Prior consolidated fiscal year (As of October 31, 2014)	Current consolidated fiscal year (As of October 31, 2015)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	23,134	27,775
Short-term loans payable	612	727
Current portion of long-term loans payable	11,883	12,550
Lease obligations	995	1,585
Income taxes payable	3,729	3,711
Provision for bonuses	850	856
Accounts payable - other	16,460	19,233
Other	2,988	3,093
Total current liabilities	60,655	69,534
Non-current liabilities		
Long-term loans payable	21,698	19,614
Lease obligations	2,082	1,831
Long-term accounts payable - other	37,853	39,254
Net defined benefit liability	16	-
Asset retirement obligations	231	317
Other	440	368
Total non-current liabilities	62,322	61,387
Total liabilities	122,978	130,921
Net assets		
Shareholders' equity		
Capital stock	13,652	13,652
Capital surplus	14,916	14,916
Retained earnings	32,860	41,156
Treasury shares	-56	-2,128
Total shareholders' equity	61,373	67,597
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,977	1,948
Deferred gains or losses on hedges	-	-0
Foreign currency translation adjustment	14	43
Total accumulated other comprehensive income	1,992	1,991
Minority interests	2,147	2,409
Total net assets	65,513	71,998
Total liabilities and net assets	188,491	202,919

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

(Unit: Millions of yen)

	Prior consolidated fiscal year (From November 1, 2013 to October 31, 2014)	Current consolidated fiscal year (From November 1, 2014 to October 31, 2015)
Net sales	125,555	133,292
Cost of sales	85,334	91,886
Gross profit	40,220	41,405
Selling, general and administrative expenses	*1 23,766	*1 25,134
Operating income	16,454	16,270
Non-operating income		
Interest income	9	8
Dividend income	90	111
Insurance income	33	42
Rent income	57	65
A receipt bonus	42	26
Foreign exchange gains	183	96
Reversal of allowance for doubtful accounts	79	4
Other	218	225
Total non-operating income	714	581
Non-operating expenses		
Interest expenses	609	461
Loss on sales of notes payable	34	18
Other	445	208
Total non-operating expenses	1,090	688
Ordinary income	16,078	16,164
Extraordinary income		
Gain on sales of non-current assets	*2 37	*2 12
Subsidy income	12	12
Gain on sales of investment securities	–	307
Gain on sales of shares of subsidiaries and associates	–	68
Compensation income for damage	–	118
Other	0	–
Total extraordinary income	49	519
Extraordinary losses		
Impairment loss	–	*4 171
Loss on sales and retirement of non-current assets	*3 215	*3 157
Loss on valuation of investment securities	–	87
Loss on revision of retirement benefit plan	43	–
Total extraordinary losses	258	416
Income before income taxes and minority interests	15,869	16,266
Income taxes - current	5,849	6,318
Income taxes - deferred	284	98
Total income taxes	6,134	6,416
Income before minority interests	9,734	9,850
Minority interests in income	435	292
Net income	9,299	9,557

(Consolidated Statements of Comprehensive Income)

(Unit: Millions of yen)

	Prior consolidated fiscal year (From November 1, 2013 to October 31, 2014)	Current consolidated fiscal year (From November 1, 2014 to October 31, 2015)
Income before minority interests	9,734	9,850
Other comprehensive income		
Valuation difference on available-for-sale securities	409	-29
Foreign currency translation adjustment	19	25
Deferred gains or losses on hedges	-	-0
Total other comprehensive income	* 429	* -4
Comprehensive income	10,164	9,845
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	9,725	9,556
Comprehensive income attributable to minority interests	439	289

(3) Consolidated Statements of Changes in Equity

Prior consolidated fiscal year (From November 1, 2013 to October 31, 2014)

(Unit: Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	13,652	14,916	24,462	-48	52,983
Changes of items during period					
Dividends of surplus			-901		-901
Net income			9,299		9,299
Purchase of treasury shares				-8	-8
Net changes of items other than shareholders' equity					
Total changes of items during period	-	-	8,397	-8	8,389
Balance at end of current period	13,652	14,916	32,860	-56	61,373

	Accumulated other comprehensive income				Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of current period	1,567	-	-1	1,566	1,643	56,192
Changes of items during period						
Dividends of surplus						-901
Net income						9,299
Purchase of treasury shares						-8
Net changes of items other than shareholders' equity	409		16	426	504	930
Total changes of items during period	409	-	16	426	504	9,320
Balance at end of current period	1,977	-	14	1,992	2,147	65,513

Current consolidated fiscal year (From November 1, 2014 to October 31, 2015)

(Unit: Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	13,652	14,916	32,860	-56	61,373
Changes of items during period					
Dividends of surplus			-1,261		-1,261
Net income			9,557		9,557
Purchase of treasury shares				-2,072	-2,072
Net changes of items other than shareholders' equity					
Total changes of items during period	-	-	8,296	-2,072	6,223
Balance at end of current period	13,652	14,916	41,156	-2,128	67,597

	Accumulated other comprehensive income				Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of current period	1,977	-	14	1,992	2,147	65,513
Changes of items during period						
Dividends of surplus				-		-1,261
Net income				-		9,557
Purchase of treasury shares				-		-2,072
Net changes of items other than shareholders' equity	-29	-0	28	-0	261	260
Total changes of items during period	-29	-0	28	-0	261	6,484
Balance at end of current period	1,948	-0	43	1,991	2,409	71,998

(4) Consolidated Statements of Cash Flows

(Unit: Millions of yen)

	Prior consolidated fiscal year (From November 1, 2013 to October 31, 2014)	Current consolidated fiscal year (From November 1, 2014 to October 31, 2015)
Cash flows from operating activities		
Income before income taxes and minority interests	15,869	16,266
Depreciation	17,950	20,273
Impairment loss	–	171
Amortization of goodwill	26	10
Loss (gain) on sales and retirement of non-current assets	178	145
The amount of assets buy on the installment plan purchase for small rentals	0	–
The amount of cost price transfer with the construction machine parts sale	8	7
The amount of cost price transfer with asset sell-off for rentals	684	944
Expenditure by the construction equipment and supplies	-124	-132
Expenditure by the assets acquisition for rentals	-2,633	-1,198
Loss (gain) on valuation of investment securities	–	87
Loss (gain) on sales of investment securities	–	-307
Loss (gain) on sales of shares of subsidiaries and associates	–	-68
Increase (decrease) in allowance for doubtful accounts	-183	498
Increase (decrease) in allowance for investment loss	42	–
Increase (decrease) in provision for bonuses	26	17
Increase (decrease) in allowance for losses on employee pension fund withdrawal	-200	–
Increase (decrease) in net defined benefit liability	8	6
Interest and dividend income	-99	-120
Assets buy on the installment plan purchase payment interest for rentals	347	380
Interest expenses	609	461
Foreign exchange losses (gains)	-138	-64
Compensation income for damage	–	-118
Loss on revision of retirement benefit plan	43	–
Decrease (increase) in notes and accounts receivable - trade	-5,833	-3,613
Decrease (increase) in inventories	-6	-109
Increase (decrease) in notes and accounts payable - trade	2,029	4,486
Increase (decrease) in accounts payable - other	1,728	2,101
Other, net	941	295
Subtotal	31,275	40,420
Interest and dividend income received	99	120
Compensation for damage income received	–	118
Interest expenses paid	-969	-828
Income taxes paid	-5,622	-6,320
Net cash provided by (used in) operating activities	24,782	33,509

(Unit: Millions of yen)

	Prior consolidated fiscal year (From November 1, 2013 to October 31, 2014)	Current consolidated fiscal year (From November 1, 2014 to October 31, 2015)
Cash flows from investing activities		
Payments into time deposits	-340	-80
Proceeds from withdrawal of time deposits	340	-
Purchase of property, plant and equipment	-3,102	-4,113
Proceeds from sales of property, plant and equipment	40	34
Purchase of intangible assets	-84	-160
Purchase of investment securities	-311	-72
Proceeds from sales of investment securities	0	330
Purchase of shares of subsidiaries	-27	-213
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	-	*2 51
Purchase of shares of subsidiaries and associates	-66	-54
Payments of loans receivable	-5	-98
Collection of loans receivable	165	4
Other, net	17	-115
Net cash provided by (used in) investing activities	-3,374	-4,488
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	3	102
Proceeds from long-term loans payable	8,700	11,462
Repayments of long-term loans payable	-13,726	-12,984
Repayments of installment payables	-15,132	-18,913
Repayments of lease obligations	-1,347	-1,188
Purchase of treasury shares	-8	-2,072
Purchase of treasury shares of subsidiaries	-0	-0
Cash dividends paid	-899	-1,259
Proceeds from share issuance to minority shareholders	8	-
Cash dividends paid to minority shareholders	-3	-3
Net cash provided by (used in) financing activities	-22,405	-24,857
Effect of exchange rate change on cash and cash equivalents	21	5
Net increase (decrease) in cash and cash equivalents	-976	4,169
Cash and cash equivalents at beginning of period	32,957	31,980
Cash and cash equivalents at end of period	*1 31,980	*1 36,150

(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 subsidiaries: 8 companies

Name of consolidated subsidiaries

Assist Co., Ltd.
Kanatech Co., Ltd.
Kanki Corporation
Kyushu Kensan Co., Ltd.
Shanghai Jinheyuan Engineering Construction Co., Ltd.
Daiichi Kikaisangyo Co., Ltd.
Toyo Industry Co., Ltd.
Unite Co., Ltd.

Note: Kanamoto sold all of its shareholdings in Kanamoto Engineering Co., Ltd. on October 1, 2015 and was removed from the scope of consolidation.

(2) Names of non-consolidated subsidiaries

KG Flowtechno Co., Ltd.
KANAMOTO (HK) CO., LTD.
Kanamoto & JP Nelson Equipment (S) PTE. Ltd.
Shanghai KG Machinery Co., Ltd.
PT Kanamoto Indonesia
KANAMOTO FECON HASSYU CONSTRUCTION EQUIPMENT RENTAL JSC
Eiwashoukai Co., Ltd.

(Reason for exclusion from consolidation)

The size of each of the non-consolidated subsidiaries is small, and each company's total assets, net sales and net income or loss (amount corresponding to equity) and retained earnings (amount corresponding to equity) do not have a material effect on the consolidated financial statements.

2. Matters pertaining to application of equity method accounting

(1) Equity-method affiliates

There are no equity-method affiliates

(2) Non-consolidated subsidiaries and affiliates not accounted for under the equity method

Number of affiliates: 3 companies

Names of affiliates

Asahi Rentax Co., Ltd.
SIAM KANAMOTO CO., LTD.
KNK MACHINERY & EQUIPMENT CORPORATION

(Reasons for not accounting for the companies under the equity method)

Given the level of net income (commensurate with equity) and retained earnings (commensurate with equity), the equity method was not applied to these 7 non-consolidated subsidiaries and 3 affiliates given the minimal degree of impact to consolidated financial statements. In addition, these companies were excluded from the scope of equity-method accounting given their lack of overall significance.

3. Matters pertaining to the fiscal years for consolidated subsidiaries

The closing date for Shanghai Jinheyuan Engineering Construction Co., Ltd. is December 31, and the closing date for all other consolidated subsidiaries matches the closing date for consolidated accounts settlement.

When preparing the consolidated financial statements, the Company uses financial statements for Shanghai Jinheyuan Engineering Construction Co., Ltd. that are based on a provisional accounts settlement as of September 30. The data is adjusted to reflect significant transactions that occurred between the subsidiary's fiscal year-end and the consolidated accounts settlement date that are believed to have a significant effect on 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 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 adopted the cost method, cost being determined by the moving average method.

b. Construction machine parts

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

c. Inventories

(i) Merchandise and finished goods

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

(iii) Raw materials and supplies

The Last 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 leased assets)

The Company 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 adopted the straight-line method for buildings and structures acquired on or after April 1, 1998, but excluding fixtures and equipment.

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

Rental equipment: 2-15 years

Buildings and structures: 2-60 years

b. Intangible assets (excluding leased assets)

The Company 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. Leased assets
 - The Company 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 specific credits such as credits at risk 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. Allowance for investment loss
 - The Company builds up provisions to cover losses from declines in real prices of assets such as the stock of subsidiary companies that are not subject to asset impairment accounting by applying internally established standards that take into consideration subsidiary operating results and asset quality.
- (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 (cost-to-cost method is used to estimate the rate of progress for construction)
 - Percentage-of-completion method (progress in construction work is estimated using the cost-to-cost 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 liabilities that are denominated in foreign currencies into Japanese yen based on the spot rate for the consolidated fiscal year settlement date, and posts the translation difference to income as a gain or loss. The assets and liabilities of controlled foreign corporations are converted into Japanese yen based on the spot rate for 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 employs the deferral accounting method of hedges. Also, allocation treatment is applied when foreign exchange rate risk hedging meets necessary requirements. Also, special accounting treatment is employed for interest rate swap transactions that meet special rule accounting.
 - b. Hedge methods and hedged transactions
 - Hedge accounting is applied to the following hedge methods and hedged transactions.
 - (i) Hedge method: foreign exchange forward contracts
 - Hedged transactions: foreign currency denominated financial obligations and scheduled transactions owing to the import of raw materials
 - (ii) Hedge method: Interest rate swaps
 - Hedged transactions: Debt
 - c. Hedging policies
 - The Company's use of derivative transactions is limited to hedging risk within the scope of the Company's assets and liabilities subject to market fluctuation risk.

d. Method for evaluating the effectiveness of hedging

The effectiveness of hedging is measured from the time a transaction is first hedged to the point effectiveness can be determined. Effectiveness is determined based on a comparison of the cumulative market fluctuations for hedged transaction based on a single hedge method. In addition, the Company's interest swap transactions fulfill the requirements for special rule accounting. The results of this are used to evaluate the effectiveness of interest swap hedges.

(7) Amortization method and amortization period for goodwill

Goodwill amortization is done using the straight-line method over a five-year period. However, extremely small amounts are written off completely in the year in which they occur.

(8) Scope of capital in the consolidated statements of cash flows

Capital includes cash on hand, deposits that can be withdrawn on demand and highly liquidable short-term investments that mature within three months from the date of acquisition and have a low risk of a fluctuation in value.

(9) Other important matters for preparing consolidated financial statements

Accounting standards for consumption taxes

The tax-exclusion method is employed as the accounting standard for national and local consumption taxes. Non-deductible national and local consumption taxes are treated as an expense in the fiscal year under review.

(Supplemental Information)

Impact from change to corporate tax rate

The "Act for Partial Amendment of the Income Tax Act, etc." (Act No.9 of 2015) and the "Act for Partial Revision of Local Tax Act, etc." (Act No. 2 of 2015) were enacted on March 31, 2015. Accordingly, the income tax rate was reduced for consolidated fiscal years in and after April 1, 2015. Henceforth the effective income tax rate applied to the calculation of deferred tax assets and liabilities will be lowered to 32.8%, from the previous 35.3%. Meanwhile, an income tax rate of 32.8% is to be applied to one-off items expected to be written off in the consolidated fiscal year beginning November 1, 2015. Ultimately both income tax rates will be lowered to 32.0% for one-off and other items expected to be written off in the fiscal years in and after the consolidated fiscal year beginning November 1, 2016.

In light of this revision, deferred tax assets at the end of the fiscal year under review declined ¥9 million while income taxes - deferred rose ¥101 million and the valuation difference on available-for-sale securities increased ¥92 million.

(Notes to the Consolidated Balance Sheets)

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

(Unit: Millions of yen)

	Prior consolidated fiscal year (As of October 31, 2014)	Current consolidated fiscal year (As of October 31, 2015)
Investment securities (shares)	360	617

2 Guarantees

(Unit: Millions of yen)

	Prior consolidated fiscal year (As of October 31, 2014)	Current consolidated fiscal year (As of October 31, 2015)
Joint and several guarantees of employee bank loans (North Pacific Bank, Ltd., others)	30	29
Guarantee of borrowing liabilities of KG Flowtechno Co., Ltd., a non-consolidated subsidiary company	160	150
Guarantee of borrowing liabilities of KANAMOTO (HK) CO., LTD., a non-consolidated subsidiary company	HK\$13,930 thousand (196)	HK\$16,695 thousand (260)
Guarantee of borrowing liabilities of KANAMOTO (HK) CO., LTD., a non-consolidated subsidiary company	US\$53 thousand (5)	US\$18 thousand (2)
Guarantee of financing and leasing liabilities of KANAMOTO (HK) CO., LTD., a non-consolidated subsidiary company	– (–)	HK\$6,067 thousand (94)
Guarantee of installment payment liabilities of Kanamoto & JP Nelson, a non-consolidated subsidiary company	SG\$2,434 thousand (208)	SG\$1,887 thousand (163)
Guarantee of financing and leasing liabilities of Kanamoto & JP Nelson, a non-consolidated subsidiary company	– (–)	SG\$38 thousand (3)
Guarantee of borrowing liabilities of SIAM KANAMOTO CO., LTD., an affiliate	– (–)	THB70,000 thousand (238)
Guarantee of borrowing liabilities of PT KANAMOTO INDONESIA, a non-consolidated subsidiary company	– (–)	IDR7,000,000 thousand (62)
Guarantee of borrowing liabilities of PT KANAMOTO INDONESIA, a non-consolidated subsidiary company	– (–)	US\$250 thousand (30)
Guarantee of borrowing liabilities of KANAMOTO FECON HASSYU JSC, a non-consolidated subsidiary company	– (–)	US\$1,650 thousand (199)
Total	601	1,233

(HKD: Hong Kong dollars, USD: US dollars, SGD: Singapore dollars, THB: Thai baths, and IDR: Indonesia rupiah)

3 Discount on notes receivable - trade and notes receivable - trade transferred by endorsement

(Unit: Millions of yen)

	Prior consolidated fiscal year (As of October 31, 2014)	Current consolidated fiscal year (As of October 31, 2015)
Discount on notes receivable - trade	83	149
Notes receivable - trade transferred by endorsement	5	–

*4 Liquidation of receivables based on receivables transfer facility

(Unit: Millions of yen)

	Prior consolidated fiscal year (As of October 31, 2014)	Current consolidated fiscal year (As of October 31, 2015)
Notes receivable - trade	3,906	3,628

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

(Unit: Millions of yen)

	Prior consolidated fiscal year (As of October 31, 2014)	Current consolidated fiscal year (As of October 31, 2015)
Notes receivable - trade	707	927

*5 Notes set to mature at the end of the fiscal year

Regarding the accounting for notes that are set to mature at the end of the fiscal year, settlement of these notes are carried out on the clearance date. Note that when the last day of the consolidated fiscal year is on a weekend or holiday when the banks are not open, the notes set to mature at the end of the fiscal year are included in the outstanding balance for the said consolidated fiscal year.

(Unit: Millions of yen)

	Prior consolidated fiscal year (As of October 31, 2014)	Current consolidated fiscal year (As of October 31, 2015)
Notes receivable - trade	-	412
Notes payable - trade	-	2,900
Current liabilities - other	-	32

(Notes to the Consolidated Statements of Income)

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

(Unit: Millions of yen)

	Prior consolidated fiscal year (From November 1, 2013 to October 31, 2014)	Current consolidated fiscal year (From November 1, 2014 to October 31, 2015)
Employees' salaries and allowances	9,580	10,179
Depreciation	932	1,046
Rent expenses	2,604	2,744
Provision of allowance for doubtful accounts	23	537
Provision for bonuses	824	854
Retirement benefit expenses	389	393
Amortization of goodwill	26	10

*2 The breakdown of gain on sales of non-current assets is as follows.

(Unit: Millions of yen)

	Prior consolidated fiscal year (From November 1, 2013 to October 31, 2014)	Current consolidated fiscal year (From November 1, 2014 to October 31, 2015)
Buildings and structures	2	3
Machinery, equipment and vehicles	5	9
Land	18	0
Other	11	-
Total	37	12

*3 The breakdown of loss on sales and retirement of non-current assets is as follows.

(Unit: Millions of yen)

	Prior consolidated fiscal year (From November 1, 2013 to October 31, 2014)	Current consolidated fiscal year (From November 1, 2014 to October 31, 2015)
(Loss on sales of non-current assets)		
Machinery, equipment and vehicles	–	0
Land	0	–
Other	0	–
(Loss on retirement of non-current assets)		
Rental equipment	42	40
Buildings and structures	44	107
Machinery, equipment and vehicles	4	3
Land	0	0
Other (property, plant and equipment)	4	2
Other (software)	118	2
Other (Intangible fixed assets)	–	0
Total	215	157

*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, 2013 to October 31, 2014)

The Company had no material items to report.

Current consolidated fiscal year (From November 1, 2014 to October 31, 2015)

Location	Use	Asset
Shanghai, China	Business assets	Rental equipment
	–	Goodwill

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.

In the consolidated fiscal year under review, the asset value of assets pledged for business undershot their book value. In light of this, the book value was lowered to the recoverable amount of the assets and the decrease in value was posted as an impairment loss (¥129 million) under extraordinary losses. Rental equipment accounts for the total ¥129 million.

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 goodwill, total book value of ¥42 million, incurred owing to the investment in the consolidated subsidiary Shanghai Jinheyuan Engineering Construction Co., Ltd. was recorded as an impairment loss, given that the Company does not expect to see the earnings it forecast at the time of investment.

(Notes to the Consolidated Statements of Comprehensive Income)

* Reclassification adjustments and the related tax effects concerning other comprehensive income

(Unit: Millions of yen)

	Prior consolidated fiscal year (From November 1, 2013 to October 31, 2014)	Current consolidated fiscal year (From November 1, 2014 to October 31, 2015)
Valuation difference on available-for-sale securities:		
Amount occurring during the current period	633	59
Reclassification adjustments	-	-248
Before adjustment for tax effects	633	-188
Tax effects	-223	158
Valuation difference on available-for-sale securities	409	-29
Deferred gains/losses on hedges:		
Amount occurring during the current period	-	-0
Reclassification adjustments	-	-
Before adjustment for tax effects	-	-0
Tax effects	-	-
Deferred gains/losses on hedges	-	-0
Amount occurring during the current period:		
Amount occurring during the current period	19	25
Total other comprehensive income	429	-4

(Notes to the Consolidated Statements of Changes in Equity)

Prior consolidated fiscal year (From November 1, 2013 to October 31, 2014)

1. Class of shares issued and number of shares, treasury shares 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 shares	36,092	-	-	36,092
Total	36,092	-	-	36,092
Treasury shares				
Common shares (Note)	50	2	-	52
Total	50	2	-	52

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

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

The Company had no material items to report.

3. Dividends

(1) Dividends paid

Resolution	Class of shares	Total dividend (Millions of yen)	Dividend per share (yen)	Date of record	Payment date
December 27, 2013 Board of Directors	Common shares	360	10.00	October 31, 2013	January 30, 2014
June 6, 2014 Board of Directors (Note)	Common shares	540	15.00	April 30, 2014	July 7, 2014

(Note) The dividend per share includes a commemorative dividend of ¥5.00 to celebrate the 50th anniversary of the company's founding.

(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 shares	Total dividend (Millions of yen)	Source of funds for dividend	Dividend per share (yen)	Date of record	Payment date
December 26, 2014 Board of Directors	Common shares	720	Retained earnings	20.00	October 31, 2014	January 30, 2015

(Note) The dividend per share includes a commemorative dividend of ¥10.00 to celebrate the 50th anniversary of the company's founding.

Current consolidated fiscal year (From November 1, 2014 to October 31, 2015)

1. Class of shares issued and number of shares, treasury shares 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 shares	36,092	-	-	36,092
Total	36,092	-	-	36,092
Treasury shares				
Common shares (Note)	52	700	-	752
Total	52	700	-	752

(Note) The increase in treasury stock (common shares) of 700,000 reflects the buyback of shares in accordance with a resolution passed by the Board of Directors. Repurchase of shares less than the set trading unit is indicated an increase of 0 shares.

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

The Company had no material items to report.

3. Dividends

(1) Dividends paid

Resolution	Class of shares	Total dividend (Millions of yen)	Dividend per share (yen)	Date of record	Payment date
December 26, 2014 Board of Directors (Note)	Common shares	720	20.00	October 31, 2014	January 30, 2015
June 5, 2015 Board of Directors	Common shares	540	15.00	April 30, 2015	July 7, 2015

(Note) The dividend per share includes a commemorative dividend of ¥10.00 to celebrate the 50th anniversary of the company's founding.

(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 shares	Total dividend (Millions of yen)	Source of funds for dividend	Dividend per share (yen)	Date of record	Payment date
December 25, 2015 Board of Directors (Planned)	Common shares	706	Retained earnings	20.00	October 31, 2015	January 29, 2016

(Notes to the Consolidated Statements of Cash Flows)

*1. Relationship between cash and equivalents at end of period and amounts for items shown on the consolidated balance sheets

(Unit: Millions of yen)

	Prior consolidated fiscal year (From November 1, 2013 to October 31, 2014)	Current consolidated fiscal year (From November 1, 2014 to October 31, 2015)
Cash and deposits account	31,650	35,900
Time deposits with a maturity longer than 3 months	-20	-100
Securities	350	350
Cash and cash equivalents	31,980	36,150

*2. Breakdown of assets and liabilities belonging to a former consolidated subsidiary

The following is a breakdown of assets and liabilities belonging to Kanamoto Engineering Co., Ltd at the time of its sale. The company is no longer a consolidated subsidiary as Kanamoto sold all of the shares it held in this former consolidated subsidiary. The table also shows the income from the sale of Kanamoto Engineering and the sale price.

(Unit: Millions of yen)

Current assets	228
Non-current assets	22
Current liabilities	-94
Non-current liabilities	-22
Minority interests	-13
Gain on sales of shares	68
Sales price of Kanamoto Engineering shares	189
Cash and cash equivalents belonging to Kanamoto Engineering	-137
Deduction: proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	51

3. Details of major non-cash transactions

(1) Amount of assets and liabilities related to installment transactions and amount of assets and liabilities related to lease transactions that are newly accounted for

(Unit: Millions of yen)

	Prior consolidated fiscal year (From November 1, 2013 to October 31, 2014)	Current consolidated fiscal year (From November 1, 2014 to October 31, 2015)
Amount of assets and liabilities related to installment transactions	25,588	21,146
Amount of assets and liabilities related to lease transactions	474	1,408

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

(Unit: Millions of yen)

	Prior consolidated fiscal year (From November 1, 2013 to October 31, 2014)	Current consolidated fiscal year (From November 1, 2014 to October 31, 2015)
Amount related to asset retirement obligations	30	86

(Notes to Leasing Transactions)

(Lessee)

1. Finance lease transactions

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

(1) Leased assets

Property, plant and equipment

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

(2) Method of depreciation for leased assets

Leased 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.

It should be noted for those finance lease transactions except for leases that transfer ownership of the property that have a start date prior to October 31, 2008 the Company uses accounting methods that conform to methods used for ordinary rental transactions.

2. Operating lease transactions

Prepaid lease payments pertaining to non-cancellable operating lease transactions

(Unit: Millions of yen)

	Prior consolidated fiscal year (As of October 31, 2014)	Current consolidated fiscal year (As of October 31, 2015)
Within one year	2,750	2,686
After one year	7,658	6,895
Total	10,408	9,581

(Business Segment Information)

[Segment information]

1. Summary of reporting 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 conducts business operations by product and service. The "business related to the Construction Equipment Rental Division" is the 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 "Important Matters Used as Basis for Preparation of 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, 2013 to October 31, 2014)

(Unit: Millions of yen)

	Reporting segment	Other businesses (Note)	Total
	Business related to the Construction Equipment Rental Division		
Net sales			
Net sales to outside customers	116,572	8,982	125,555
Net sales or transfers between related segments	-	1	1
Total	116,572	8,983	125,556
Segment income	15,910	216	16,126
Segment assets	143,420	3,404	146,825
Other items			
Depreciation	17,713	4	17,717
Amortization of goodwill	26	-	26
Amount of increase of property, plant and equipment and intangible assets	28,937	16	28,954

(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, 2014 to October 31, 2015)

(Unit: Millions of yen)

	Reporting segment	Other businesses (Note)	Total
	Business related to the Construction Equipment Rental Division		
Net sales			
Net sales to outside customers	123,572	9,719	133,292
Net sales or transfers between related segments	-	-	-
Total	123,572	9,719	133,292
Segment income	15,592	301	15,894
Segment assets	153,908	3,034	156,943
Other items			
Depreciation	20,044	4	20,048
Amortization of goodwill	10	-	10
Amount of increase of property, plant and equipment and intangible assets	25,997	3	26,001

(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 financial statements, and the main reasons for the difference (Matters Pertaining to Reconciliation of Difference)

(Unit: Millions of yen)

Net sales	Prior consolidated fiscal year	Current consolidated fiscal year
Reporting segment total	116,572	123,572
Net sales for "Other businesses" classification	8,983	9,719
Intersegment eliminations	-1	-
Net sales reported in the consolidated financial statements	125,555	133,292

(Unit: Millions of yen)

Income	Prior consolidated fiscal year	Current consolidated fiscal year
Reporting segment total	15,910	15,592
Income for "Other businesses" classification	216	301
Other adjustments	327	375
Operating income reported in the consolidated financial statements	16,454	16,270

(Unit: Millions of yen)

Assets	Prior consolidated fiscal year	Current consolidated fiscal year
Reporting segment total	143,420	153,908
Assets of "Other businesses" classification	3,404	3,034
Company assets (Note)	41,666	45,976
Total assets reported in the consolidated financial statements	188,491	202,919

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

(Unit: Millions 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	17,713	20,044	4	4	233	225	17,950	20,273
Amount of increase of property, plant and equipment and intangible assets	28,937	25,997	16	3	170	202	29,125	26,203

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

[Related information]

Prior consolidated fiscal year (From November 1, 2013 to October 31, 2014)

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, 2014 to October 31, 2015)

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.

[Information concerning impairment loss on property, plant and equipment by reporting segment]

Prior consolidated fiscal year (From November 1, 2013 to October 31, 2014)

The Company had no material items to report.

Current consolidated fiscal year (From November 1, 2014 to October 31, 2015)

(Unit: Millions of yen)

	Business related to the Construction Equipment Rental Division	Other businesses	Corporate and eliminations	Total
Impairment loss	171	-	-	171

[Information concerning amortization of goodwill and unamortized balances by reporting segment]

Prior consolidated fiscal year (From November 1, 2013 to October 31, 2014)

(Unit: Millions of yen)

	Business related to the Construction Equipment Rental Division	Other businesses	Corporate and eliminations	Total
Amortization in the current period (Goodwill)	26	-	-	26
Balance at the end of the period	57	-	-	57

Current consolidated fiscal year (From November 1, 2014 to October 31, 2015)

(Unit: Millions of yen)

	Business related to the Construction Equipment Rental Division	Other businesses	Corporate and eliminations	Total
Amortization in the current period (Goodwill)	10	-	-	10
Balance at the end of the period	-	-	-	-

(Note) In the fiscal year under review, the Company posted a loss on goodwill impairment of ¥42 million.

[Information regarding gain on negative goodwill by reporting segment]

Prior consolidated fiscal year (From November 1, 2013 to October 31, 2014)

The Company had no material items to report.

Current consolidated fiscal year (From November 1, 2014 to October 31, 2015)

In the other businesses segment, gain on bargain purchase of ¥0 million was posted. This reflects the additional purchase of shares in former consolidated subsidiary Kanamoto Engineering Co., Ltd. However, all shares in this consolidated subsidiary were sold during the fiscal year under review.

(Per Share Information)

Prior consolidated fiscal year (From November 1, 2013 to October 31, 2014)		Current consolidated fiscal year (From November 1, 2014 to October 31, 2015)	
Net assets per share	¥1,758.24	Net assets per share	¥1,969.16
Net income per share	¥258.02	Net income per share	¥266.27
Net income per share on a fully diluted basis	–	Net income per share on a fully diluted basis	–
The Company has not reported net income per share on a fully diluted basis because it does not have any potential shares that would have a dilution effect.		Same as at left	

(Note) The basis for calculating net income per share is as follows.

(Unit: Millions of yen)

	Prior consolidated fiscal year (From November 1, 2013 to October 31, 2014)	Current consolidated fiscal year (From November 1, 2014 to October 31, 2015)
Net Income amount	9,299	9,557
Amount not attributed to common share shareholders	–	–
Net income related to common shares	9,299	9,557
Average number of shares outstanding during the fiscal year	36,039,719	35,894,640

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

The Company had no material items to report.

6. Non-Consolidated Financial Statements

(1) Balance Sheets

(Unit: Millions of yen)

	Prior fiscal year (As of October 31, 2014)	Current fiscal year (As of October 31, 2015)
Assets		
Current assets		
Cash and deposits	25,752	29,250
Notes receivable - trade	6,401	8,274
Accounts receivable - trade	18,329	19,522
Securities	350	350
Merchandise and finished goods	327	279
Costs on uncompleted construction contracts	50	39
Construction machine parts	6,566	8,214
Raw materials and supplies	130	139
Prepaid expenses	258	301
Deferred tax assets	469	472
Short-term loans receivable	240	242
Other	240	98
Allowance for doubtful accounts	-124	-101
Total current assets	58,992	67,084
Non-current assets		
Property, plant and equipment		
Rental equipment	49,391	51,165
Buildings	5,594	6,504
Structures	1,134	1,577
Machinery and equipment	576	666
Vehicles	8	10
Tools, furniture and fixtures	227	246
Land	30,534	31,423
Construction in progress	254	1,081
Total property, plant and equipment	87,719	92,676
Intangible assets		
Software	77	63
Goodwill	0	-
Telephone subscription right	52	52
Software in progress	-	108
Total intangible assets	129	224

(Unit: Millions of yen)

	Prior fiscal year (As of October 31, 2014)	Current fiscal year (As of October 31, 2015)
Investments and other assets		
Investment securities	5,766	5,507
Shares of subsidiaries and associates	4,864	4,221
Investments in capital	12	12
Long-term loans receivable from subsidiaries and associates	2,401	2,267
Claims provable in bankruptcy, claims provable in rehabilitation and other	45	44
Long-term prepaid expenses	25	26
Insurance funds	25	32
Guarantee deposits	869	865
Other	57	60
Allowance for doubtful accounts	-1,094	-1,691
Allowance for investment loss	-1,031	-438
Total investments and other assets	11,941	10,908
Total non-current assets	99,791	103,809
Total assets	158,784	170,894
Liabilities		
Current liabilities		
Notes payable - trade	14,114	17,522
Accounts payable - trade	4,443	4,866
Current portion of long-term loans payable	10,103	10,814
Accounts payable - other	13,265	15,643
Accrued expenses	474	467
Income taxes payable	3,244	3,347
Accrued consumption taxes	616	1,026
Deposits received	223	195
Provision for bonuses	544	576
Notes payable - facilities	748	605
Other	128	149
Total current liabilities	47,906	55,213
Non-current liabilities		
Long-term loans payable	17,684	16,551
Long-term accounts payable - other	31,672	32,637
Deferred tax liabilities	407	341
Asset retirement obligations	145	202
Total non-current liabilities	49,909	49,732
Total liabilities	97,816	104,946

(Unit: Millions of yen)

	Prior fiscal year (As of October 31, 2014)	Current fiscal year (As of October 31, 2015)
Net assets		
Shareholders' equity		
Capital stock	13,652	13,652
Capital surplus		
Legal capital surplus	14,773	14,773
Other capital surplus	143	143
Total capital surplus	14,916	14,916
Retained earnings		
Legal retained earnings	1,375	1,375
Other retained earnings		
Reserve for advanced depreciation of non-current assets	19	22
General reserve	19,731	26,731
Retained earnings brought forward	9,399	9,479
Total retained earnings	30,526	37,609
Treasury shares	-56	-2,128
Total shareholders' equity	59,039	64,050
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	1,928	1,897
Total valuation and translation adjustments	1,928	1,897
Total net assets	60,968	65,948
Total liabilities and net assets	158,784	170,894

(2) Statements of Income

(Unit: Millions of yen)

	Prior fiscal year (From November 1, 2013 to October 31, 2014)	Current fiscal year (From November 1, 2014 to October 31, 2015)
Net sales	94,301	102,029
Cost of sales	64,117	70,510
Gross profit	30,183	31,518
Selling, general and administrative expenses	16,749	17,410
Operating income	13,433	14,108
Non-operating income		
Interest income	42	18
Interest on securities	0	2
Dividend income	97	118
Rent income	288	292
Insurance income	32	29
A receipt bonus	41	25
Temporary transfer charges income	93	170
Reversal of allowance for investment loss	65	-
Reversal of allowance for doubtful accounts	528	103
Other	212	159
Total non-operating income	1,403	919
Non-operating expenses		
Interest expenses	264	191
Loss on sales of notes payable	32	15
Provision of allowance for doubtful accounts	5	706
Provision of allowance for investment loss	634	-
Other	349	166
Total non-operating expenses	1,286	1,079
Ordinary income	13,550	13,948
Extraordinary income		
Gain on sales of non-current assets	4	8
Subsidy income	0	-
Gain on sales of investment securities	-	307
Gain on sales of shares of subsidiaries and associates	-	99
Compensation income for damage	-	118
Other	0	-
Total extraordinary income	4	532
Extraordinary losses		
Loss on sales and retirement of non-current assets	187	144
Loss on valuation of investment securities	-	87
Loss on valuation of shares of subsidiaries and associates	-	228
Bad debts written off of subsidiaries and associates	-	104
Total extraordinary losses	187	565
Income before income taxes	13,368	13,915
Income taxes - current	4,859	5,482
Income taxes - deferred	327	88
Total income taxes	5,187	5,571
Net income	8,181	8,344

(3) Statements of Changes in Equity

Prior fiscal year (From November 1, 2013 to October 31, 2014)

(Unit: Millions of yen)

	Shareholders' equity								
	Capital stock	Capital surplus			Retained earnings				
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings			Total retained earnings
						Reserve for advanced depreciation of non-current assets	General reserve	Retained earnings brought forward	
Balance at beginning of current period	13,652	14,773	143	14,916	1,375	19	15,731	6,119	23,246
Changes of items during period									
Provision of general reserve				-			4,000	-4,000	-
Dividends of surplus				-				-901	-901
Net income				-				8,181	8,181
Purchase of treasury shares				-					-
Adjustment to reserve due to change in tax rate				-					-
Net changes of items other than shareholders' equity									
Total changes of items during period	-	-	-	-	-	-	4,000	3,280	7,280
Balance at end of current period	13,652	14,773	143	14,916	1,375	19	19,731	9,399	30,526

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at beginning of current period	-48	51,767	1,539	1,539	53,307
Changes of items during period					
Provision of general reserve		-			-
Dividends of surplus		-901			-901
Net income		8,181			8,181
Purchase of treasury shares	-8	-8			-8
Adjustment to reserve due to change in tax rate		-			-
Net changes of items other than shareholders' equity			389	389	389
Total changes of items during period	-8	7,272	389	389	7,661
Balance at end of current period	-56	59,039	1,928	1,928	60,968

Current fiscal year (From November 1, 2014 to October 31, 2015)

(Unit: Millions of yen)

	Shareholders' equity								
	Capital stock	Capital surplus			Retained earnings				
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings			Total retained earnings
						Reserve for advanced depreciation of non-current assets	General reserve	Retained earnings brought forward	
Balance at beginning of current period	13,652	14,773	143	14,916	1,375	19	19,731	9,399	30,526
Changes of items during period									
Provision of general reserve				-			7,000	-7,000	-
Dividends of surplus				-				-1,261	-1,261
Net income				-				8,344	8,344
Purchase of treasury shares				-					-
Adjustment to reserve due to change in tax rate				-		2		-2	-
Net changes of items other than shareholders' equity									-
Total changes of items during period	-	-	-	-	-	2	7,000	80	7,082
Balance at end of current period	13,652	14,773	143	14,916	1,375	22	26,731	9,479	37,609

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at beginning of current period	-56	59,039	1,928	1,928	60,968
Changes of items during period					
Provision of general reserve		-			-
Dividends of surplus		-1,261			-1,261
Net income		8,344			8,344
Purchase of treasury shares	-2,072	-2,072			-2,072
Adjustment to reserve due to change in tax rate		-			-
Net changes of items other than shareholders' equity		-	-30	-30	-30
Total changes of items during period	-2,072	5,010	-30	-30	4,980
Balance at end of current period	-2,128	64,050	1,897	1,897	65,948