



Six-month Consolidated Financial Report for the Fiscal Year ending October 31, 2016 [Japan GAAP]

June 10, 2016

Listed Company Name **Kanamoto Co., Ltd.**
 Company Code Number **9678**
 Listing Exchanges **Tokyo Stock Exchange, Sapporo Stock Exchange**
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Scheduled date for submission of Quarterly Report June 13, 2016
 Scheduled date for commencement of dividend payments July 5, 2016
 Preparation of Quarterly Settlement Supplementary Explanatory Materials Yes
 Quarterly Earnings Briefings Yes (For institutional investors and analysts)

1. Consolidated Operating Results for the Six-Month Period of the Fiscal Year Ending October 31, 2016 (November 1, 2015 – April 30, 2016)

(1) Consolidated operating results (Cumulative) (Numbers less than one million yen have been rounded down)
 (Percentages show the change from the prior year)

	Net Sales		Operating Income		Ordinary Income		Profit Attributable to Owners of Parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal Year ending October 31, 2016: Second quarter	68,642	0.5	8,605	-19.2	8,246	-22.6	4,967	-23.9
Fiscal Year ended October 31, 2015: Second quarter	68,307	6.4	10,652	5.8	10,655	8.1	6,528	15.5

(Note) Comprehensive income
 Fiscal Year Ending October 31, 2016, Second Quarter ¥5,178 million (-28.9%)
 Fiscal Year Ended October 31, 2015, Second Quarter ¥7,283 million (16.9%)

	Net Income per Share	Net Income per Share on a Fully Diluted Basis
	Yen	Yen
Fiscal Year ending October 31, 2016: Second quarter	140.57	—
Fiscal Year ended October 31, 2015: Second quarter	181.14	—

(2) Consolidated financial position

	Total Assets	Net Assets	Equity Ratio
	Millions of yen	Millions of yen	%
Fiscal Year ending October 31, 2016: Second quarter	222,821	78,313	33.1
Fiscal Year ended October 31, 2015	202,919	71,998	34.3

(Reference) Equity (millions of yen)
 Fiscal Year Ending October 31, 2016 Second Quarter: ¥73,788
 Fiscal Year Ended October 31, 2015: ¥69,588

2. Dividends

	Annual Dividends per Share				
	End of first quarter	End of second quarter	End of third quarter	Year-end	Full-year
Fiscal year ended October 31, 2015	Yen —	Yen 15.00	Yen —	Yen 20.00	Yen 35.00
Fiscal year ending October 31, 2016	—	15.00			
Fiscal Year ending October 31, 2016 (Projected)			—	30.00	45.00

(Note) Has the Company revised its most recently released dividend projection? No

3. Projected Consolidated Operating Results for the Fiscal year ending October 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
Full year	143,200	7.4	14,630	-10.1	14,100	-12.8	8,550	-10.5	241.94

(Note) Has the Company revised its most recently released projected consolidated operating results during the quarter?

Yes

4. 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 name) —

Company newly excluded (Company name) —

(2) Application of special accounting method in the preparation of quarterly consolidated financial statements: No

(3) Changes in accounting principles, changes in accounting estimates and retrospective restatements

(a) Changes in accounting policy in conjunction with revision of accounting standards: Yes

(b) Changes other than the above: No

(c) Changes in accounting estimates: No

(d) Retrospective restatements: No

(4) Number of shares issued (common shares)

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

Fiscal year ending October 31, 2016 Second Quarter: 36,092,241 shares

Fiscal year ended October 31, 2015: 36,092,241 shares

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

Fiscal year ending October 31, 2016 Second Quarter: 753,049 shares

Fiscal year ended October 31, 2015: 752,941 shares

(c) Average number of shares during the period (consolidated year-to-date)

Fiscal year ending October 31, 2016 Second Quarter: 35,339,270 shares

Fiscal year ended October 31, 2015 Second Quarter: 36,039,311 shares

Note: Disclosure concerning status of implementation of quarterly review procedure

This quarterly earnings report is exempt from the quarterly review procedure based on the Financial Instruments and Exchange Act. At the time of disclosure of this quarterly earnings report, the Company has not completed the quarterly review procedure for quarterly financial statements.

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

Note Concerning Forward-Looking Statements

The above projections were prepared based upon information available to the Company at the time the projections were announced as well as various assumptions concerning the future economic and business environment. Actual operating results may differ from the projected figures depending upon various factors in the future. Please refer to "1. Qualitative Information Concerning Quarterly Consolidated Operating Results (3) Qualitative Information Concerning Projected Consolidated Operating Results" on Page 7 of the Attachments for the conditions used as assumptions for the projected operating results and matters to note before using the projected operating results.

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1. Qualitative Information Concerning Quarterly Consolidated Operating Results

(1) Qualitative Information Concerning Consolidated Operating Results

Management environment (From November 1, 2015 to April 30, 2016)

During the first two quarters of Kanamoto's current consolidated fiscal year, the business environment maintained a modest recovery trend, supported by the continuation of the government's current economic and monetary policy measures. Conditions continued to warrant vigilance, however, in the wake of changes such as the economic slowdown in newly developing countries and resource-producing nations and a decline in corporate earnings at export-oriented manufacturers that was caused by appreciation of the yen.

< Second Quarter Operating Results > (From November 1, 2015 to April 30, 2016)

In the construction industry related to the Kanamoto Group, overall private sector construction investment remained brisk. Nevertheless, while ongoing construction demand can be anticipated for disaster restoration and projects such as the Tokyo Olympics, the management environment continues to be challenging, and on the whole the tendency to postpone public sector expenditures for activities such as regional infrastructure maintenance is projected to continue.

Given such circumstances, the Kanamoto Group continued to push ahead with key initiatives based on the various measures in its Medium-term Management Plan (fiscal 2014 - fiscal 2016). Together with expanding its base in the Tokyo metropolitan area and other locations where public sector demand is concentrated, the Company took steps to broaden and strengthen its domestic base of operations, including the conversion of Nishiken Co., Ltd. (Kurume City, Fukuoka Prefecture), the largest construction equipment rental firm in the Kyushu Region, into a subsidiary in March 2016.

As a result, consolidated net sales for the interim period were ¥68,642 million, up 0.5% compared with the same period of the previous consolidated fiscal year. From an earnings perspective, the Company is continuously undertaking investments in rental equipment to pursue its regional strategy aimed at expanding and strengthening its base of operations, and income reflected the impact of the increased burden for depreciation and amortization. As a result, operating income decreased 19.2% from the same period of the prior consolidated fiscal year to ¥8,605 million, ordinary income decreased 22.6% year-on-year to ¥8,246 million, and profit attributable to owners of the parent fell 23.9% from the same period one year earlier to ¥4,967 million.

To support disaster recovery activities following the earthquake that struck Kumamoto City and the surrounding area in Kumamoto Prefecture on April 16, 2016, the Kanamoto Group has established a Kyushu Regional Disaster Response Headquarters within the head office of Nishiken Co., Ltd., and will devote its full capabilities to support restoration in the region, including strengthening cooperation with Group firms and effective allocation of the management resources of each Group company.

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

< Business related to the Construction Equipment Rental Division >

In the construction-related business that is Kanamoto's core business, construction demand was brisk in regions such as Tohoku and the Tokyo metropolitan area, primarily for recovery and restoration in the Tohoku Region and infrastructure refurbishment ahead of the Tokyo Olympics. In other regions, however, the operating climate grew more severe. Public works were put off as execution of the third supplementary budget was delayed and because worksites continue to contend with a shortage of human resources, and demand for construction equipment rentals during the interim declined more than the Company's assumption.

Used construction equipment sales slipped 3.1% from the corresponding period of the prior consolidated fiscal year, as Kanamoto restricted sales in line with its initial period plan in order to maintain the proper composition of rental assets in the Company's portfolio.

As a result of the above factors, interim period net sales for Kanamoto's construction-related businesses rose 0.5% from the same period of the prior consolidated fiscal year to ¥64,311 million, and operating income fell 20.3% year-on-year to ¥8,249 million.

< Other businesses >

In the Company's other businesses, both steel products-related sales and sales in the information and

telecommunications-related division were steady. Net sales rose 0.8% from the same period of the prior consolidated fiscal year to ¥4,330 million, and operating income increased 28.7% year-on-year to ¥153 million.

< Business developments deserving special mention and change in number of branches >

The Company opened one new branch, the Okegawa-Kitamoto Branch (Kitamoto City, Saitama Prefecture) during its interim consolidated accounting period. The Company did not close any branches.

Beginning from the interim period of the current consolidated fiscal year, Kanamoto will include Nishiken Co., Ltd. in the scope of consolidation as announced on March 14, 2016.

(2) Qualitative Information Concerning Consolidated Financial Position

Assets, liabilities and net assets

Total assets at the end of the interim period under review increased by ¥19,901 million compared with the end of the prior consolidated fiscal year to ¥222,821 million. This was tempered by an increase of ¥17,093 million yen because of the inclusion of Nishiken Co., Ltd. in the scope of consolidation in the second quarter consolidated accounting period, and mainly reflected an increase in notes and accounts receivable-trade of ¥2,542 million and an increase in rental equipment of ¥9,093 million.

Total liabilities were ¥144,508 million, an increase of ¥13,586 million compared with the end of the prior consolidated fiscal year. This was tempered by an increase of ¥8,272 million that reflected the newly consolidated company, similar to the increase in total assets, and was mainly an increase of ¥4,657 million in long-term loans payable.

Total net assets were ¥78,313 million, ¥6,315 million higher than at the end of the prior consolidated fiscal year. This was mainly because of profit attributable to owners of the parent of ¥4,967 million, and an increase of ¥2,114 million in non-controlling interests.

(3) Qualitative Information Concerning Projected Consolidated Operating Results

For more details, please refer to the press release “Notification Concerning Revision of Projected Operating Results for the Business Period Ending October 2016” issued on June 10, 2016.

2. Matters Concerning Summary Information (Notes)

(1) Changes to Material Subsidiaries during the Consolidated Period under Review

The Company had no material items to report.

(2) Application of Special Accounting Method in the Preparation of Quarterly Consolidated Financial Statements

The Company had no material items to report.

(3) Changes in Accounting Principles, Changes in Accounting Estimates and Retrospective Restatement

Change in Accounting Policy

(Application of the Accounting Standard for Business Combinations and related standards)

Beginning from the first quarter of the current consolidated fiscal year, the Company will apply the *Accounting Standard for Business Combinations* (Accounting Standards Board of Japan Statement No. 21 dated September 13, 2013; “the Business Combinations Accounting Standard”), the *Accounting Standard for Consolidated Financial Statements* (Accounting Standards Board of Japan Statement No. 22 dated September 13, 2013; “the Consolidation Accounting Standard”), and the *Accounting Standard for Business Divestitures* (Accounting Standards Board of Japan Statement No. 7 dated September 13, 2013; “the Business Divestitures Accounting Standard”), and related standards, and together with reporting as capital surplus the difference that results from the change of Kanamoto’s equity interest in subsidiaries over which it will continue to exercise control, the Company will change to the method of reporting costs related to business combinations as an expense in the consolidated fiscal year in which they are incurred. Furthermore, for business combinations executed on or after the beginning of the first quarter of the current consolidated fiscal year, the Company has changed its reporting method to reflect adjustments to the allocated amounts of business combination costs resulting from the final determination of the provisional accounting treatment in the quarterly consolidated financial statements of the quarter in which the date of the business combination falls. In addition, the Company has revised its presentation of net income etc., and revised its presentation from minority interests to non-controlling interests. To reflect these changes in presentation, the quarterly consolidated financial statements for the second quarter of the fiscal year ended October 31, 2015 and the consolidated financial statements for the prior consolidated fiscal year have been restated to reflect a consistent presentation format.

In the quarterly consolidated statements of cash flows for the interim period of the current consolidated fiscal year, the cash flow for costs related to the acquisition of subsidiary shares in conjunction with a change of scope of consolidation are reported in net cash provided by (used in) operating activities.

Application of the accounting standards is subject to the transitional treatment set forth in Clause 58-2(4) of the Business Combinations Accounting Standard, Clause 44-5(4) of the Consolidation Accounting Standard, and Clause 57-4(4) of the Business Divestitures Accounting Standard, and the Company will apply these accounting standards in the future from the beginning of the first quarter of the current consolidated fiscal year.

The effect of this change on the quarterly consolidated financial statements for the interim period of the current

consolidated fiscal year is not material.

(4) Supplemental Information

(Effect of the change in the corporation tax rate etc.)

Under the Act for Partial Revision of the Income Tax Act Etc. (Act No. 15 of 2016) and the Act for Partial Revision of the Local Tax Act (Act No. 13 of 2016), which were promulgated on March 31, 2016, Japan's corporate tax rate and business tax rate will be reduced in the consolidated fiscal year beginning on or after April 1, 2016. In conjunction with this change, the statutory effective tax rate used to calculate deferred tax assets and deferred tax liabilities will be revised from 32.0% applied in the past to 30.6% for temporary differences expected to be eliminated in the consolidated fiscal years that begin on November 1, 2016 and November 1, 2017, and from 32.0% to 30.4% for temporary differences expected to be eliminated from the consolidated fiscal year that begins on November 1, 2018.

As a result of applying this statutory effective tax rate, the amount for deferred tax assets, (amount after deducting deferred tax liabilities) will decrease by ¥10 million, and the amount for income taxes-deferred and the amount for valuation difference on available-for-sale securities will increase by ¥52 million and ¥41 million, respectively.

3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Unit: Millions of yen)

	Prior Consolidated Fiscal Year (As of October 31, 2015)	Current Consolidated Fiscal Year Second Quarter (As of April 30, 2016)
Assets		
Current assets		
Cash and deposits	35,900	36,609
Notes and accounts receivable - trade	37,251	39,794
Securities	350	200
Merchandise and finished goods	672	912
Raw materials and supplies	272	387
Construction machine parts	8,214	9,424
Deferred tax assets	610	704
Other	623	778
Allowance for doubtful accounts	-701	-743
Total current assets	83,195	88,068
Non-current assets		
Property, plant and equipment		
Rental equipment	164,914	185,487
Accumulated depreciation	-97,573	-109,053
Rental equipment, net	67,341	76,434
Buildings and structures	25,840	30,579
Accumulated depreciation	-16,275	-18,393
Buildings and structures, net	9,564	12,185
Machinery, equipment and vehicles	5,714	6,888
Accumulated depreciation	-4,965	-5,853
Machinery, equipment and vehicles, net	749	1,035
Land	32,354	35,139
Other	2,539	1,960
Accumulated depreciation	-1,112	-1,296
Other, net	1,426	663
Total property, plant and equipment	111,436	125,459
Intangible assets		
Goodwill	—	711
Other	316	384
Total intangible assets	316	1,096
Investments and other assets		
Investment securities	6,317	6,236
Deferred tax assets	285	378
Other	2,008	2,379
Allowance for doubtful accounts	-528	-576
Allowance for investment loss	-110	-219
Total investments and other assets	7,972	8,197
Total non-current assets	119,724	134,753
Total assets	202,919	222,821

(Unit: Millions of yen)

	Prior Consolidated Fiscal Year (As of October 31, 2015)	Current Consolidated Fiscal Year Second Quarter (As of April 30, 2016)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	27,775	29,558
Short-term loans payable	727	2,209
Current portion of bonds	—	80
Current portion of long-term loans payable	12,550	14,041
Lease obligations	1,585	1,500
Income taxes payable	3,711	3,171
Provision for bonuses	856	1,118
Accounts payable - other	19,233	21,138
Other	3,093	2,474
Total current liabilities	69,534	75,292
Non-current liabilities		
Bonds payable	—	10
Long-term loans payable	19,614	24,271
Lease obligations	1,831	2,808
Long-term accounts payable - other	39,254	41,167
Provision for directors' retirement benefits	—	87
Net defined benefit liability	—	248
Asset retirement obligations	317	370
Other	368	250
Total non-current liabilities	61,387	69,215
Total liabilities	130,921	144,508
Net assets		
Shareholders' equity		
Capital stock	13,652	13,652
Capital surplus	14,916	14,916
Retained earnings	41,156	45,416
Treasury shares	-2,128	-2,129
Total shareholders' equity	67,597	71,857
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,948	1,818
Deferred gains or losses on hedges	-0	0
Foreign currency translation adjustment	43	112
Total accumulated other comprehensive income	1,991	1,930
Non-controlling interests	2,409	4,524
Total net assets	71,998	78,313
Total liabilities and net assets	202,919	222,821

(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income
(Quarterly Consolidated Statements of Income)
(Consolidated Interim Period Ended April 30)

(Unit: Millions of yen)

	Prior Consolidated Fiscal Year Interim Period (From November 1, 2014 to April 30, 2015)	Current Consolidated Fiscal Year Interim Period (From November 1, 2015 to April 30, 2016)
Net sales	68,307	68,642
Cost of sales	45,746	47,388
Gross profit	22,561	21,254
Selling, general and administrative expenses	11,908	12,649
Operating income	10,652	8,605
Non-operating income		
Interest income	4	4
Dividend income	27	68
Insurance income	16	15
Rent income	35	32
A receipt bonus	23	9
Foreign exchange gains	143	—
Other	106	103
Total non-operating income	357	234
Non-operating expenses		
Interest expenses	260	160
Loss on sales of notes payable	10	7
Foreign exchange losses	—	198
Provision of allowance for investment loss	—	109
Other	83	116
Total non-operating expenses	354	592
Ordinary income	10,655	8,246
Extraordinary income		
Gain on sales of non-current assets	7	8
Subsidy income	3	3
Compensation income for damage	118	—
Gain on step acquisitions	—	14
Total extraordinary income	128	26
Extraordinary losses		
Loss on sales and retirement of non-current assets	49	27
Loss on valuation of shares of subsidiaries and associates	—	49
Total extraordinary losses	49	77
Income before income taxes and minority interests	10,735	8,195
Income taxes - current	3,979	2,940
Income taxes - deferred	-34	15
Total income taxes	3,945	2,956
Profit	6,790	5,239
Profit attributable to non-controlling interests	262	271
Profit attributable to owners of parent	6,528	4,967

(Quarterly Consolidated Statements of Comprehensive Income)
(Consolidated Interim Period Ended April 30)

(Unit: Millions of yen)

	Prior Consolidated Fiscal Year Interim Period (From November 1, 2014 to April 30, 2015)	Current Consolidated Fiscal Year Interim Period (From November 1, 2015 to April 30, 2016)
Profit	6,790	5,239
Other comprehensive income		
Valuation difference on available-for-sale securities	467	-129
Deferred gains or losses on hedges	—	0
Foreign currency translation adjustment	25	68
Total other comprehensive income	493	-60
Comprehensive income	7,283	5,178
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	7,017	4,907
Comprehensive income attributable to non-controlling interests	266	271

(3) Quarterly Consolidated Statements of Cash Flows

(Unit: Millions of yen)

	Prior Consolidated Fiscal Year Interim Period (From November 1, 2014 to April 30, 2015)	Current Consolidated Fiscal Year Interim Period (From November 1, 2015 to April 30, 2016)
Cash flows from operating activities		
Income before income taxes and minority interests	10,735	8,195
Depreciation	10,172	10,221
Amortization of goodwill	7	—
Loss (gain) on sales and retirement of non-current assets	41	18
The amount of cost price transfer with the construction machine parts sale	3	7
The amount of cost price transfer with asset sell-off for rentals	616	483
Expenditure by the construction equipment and supplies	-78	-56
Expenditure by the assets acquisition for rentals	-418	-876
Increase (decrease) in allowance for doubtful accounts	17	51
Increase (decrease) in provision for bonuses	154	167
Increase (decrease) in allowance for investment loss	—	109
Increase (decrease) in net defined benefit liability	4	—
Interest and dividend income	-32	-73
Assets buy on the installment plan purchase payment interest for rentals	194	181
Interest expenses	260	160
Foreign exchange losses (gains)	-103	108
Loss (gain) on step acquisitions	—	-14
Compensation income for damage	-118	—
Loss on valuation of shares of subsidiaries and associates	—	49
Decrease (increase) in notes and accounts receivable - trade	-118	934
Decrease (increase) in inventories	-257	-295
Increase (decrease) in notes and accounts payable - trade	237	1,216
Increase (decrease) in accounts payable - other	900	1,057
Other, net	-668	-1,122
Subtotal	21,551	20,524
Interest and dividend income received	32	72
Compensation for damage income received	118	—
Interest expenses paid	-460	-349
Income taxes paid	-3,643	-3,582
Net cash provided by (used in) operating activities	17,596	16,666
Cash flows from investing activities		
Payments into time deposits	—	-0
Purchase of property, plant and equipment	-1,680	-1,235
Proceeds from sales of property, plant and equipment	15	10
Purchase of intangible assets	-15	-58
Purchase of investment securities	-28	-13
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	-5,806
Purchase of shares of subsidiaries	-72	—
Purchase of shares of subsidiaries and associates	-54	—
Payments of loans receivable	—	-37
Collection of loans receivable	1	10
Other, net	-8	-42
Net cash provided by (used in) investing activities	-1,842	-7,173

(Unit: Millions of yen)

	Prior Consolidated Fiscal Year Interim Period (From November 1, 2014 to April 30, 2015)	Current Consolidated Fiscal Year Interim Period (From November 1, 2015 to April 30, 2016)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	-1	97
Proceeds from long-term loans payable	5,432	10,110
Repayments of long-term loans payable	-6,448	-7,162
Repayments of installment payables	-9,806	-10,520
Repayments of lease obligations	-504	-1,018
Purchase of treasury shares	-	-0
Purchase of treasury shares of subsidiaries	-0	-
Cash dividends paid	-720	-706
Dividends paid to non-controlling interests	-3	-1
Net cash provided by (used in) financing activities	-12,051	-9,200
Effect of exchange rate change on cash and cash equivalents	9	27
Net increase (decrease) in cash and cash equivalents	3,712	319
Cash and cash equivalents at beginning of period	31,980	36,150
Cash and cash equivalents at end of period	35,692	36,469

(4) Notes Concerning Quarterly Consolidated Financial Statements

(Notes Relating to the Going Concern Assumption)

The Company had no material items to report.

(Note on Significant Changes to Shareholders' Equity)

The Company had no material items to report.

(Business Segment Information)

[Segment information]

I Interim period of the prior consolidated fiscal year (From November 1, 2014 to April 30, 2015)

1. Information concerning net sales and profit or loss of each reporting segment

(Unit: Millions of yen)

	Reporting segment	Other Businesses (See note)	Total
	Business related to the Construction Equipment Rental Division		
Net sales			
Net sales to outside customers	64,012	4,295	68,307
Net sales or transfers between related segments	-	-	-
Total	64,012	4,295	68,307
Segment income	10,344	119	10,463

(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.

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

(Unit: Millions of yen)

Income	Amount
Reporting segment total	10,344
Income for "Other businesses" classification	119
Other adjustments	188
Operating income reported on the Consolidated Quarterly Statements of Income	10,652

3. Information concerning fixed asset impairment loss and goodwill by reporting segment

The Company has omitted a discussion of this item because the amounts are not material.

II Interim period of the current consolidated fiscal year (From November 1, 2015 to April 30, 2016)

1. Information concerning net sales and profit or loss of each reporting segment

(Unit: Millions of yen)

	Reporting segment	Other Businesses (See note)	Total
	Business related to the Construction Equipment Rental Division		
Net sales			
Net sales to outside customers	64,311	4,330	68,642
Net sales or transfers between related segments	—	—	—
Total	64,311	4,330	68,642
Segment income	8,249	153	8,403

(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.

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

(Unit: Millions of yen)

Income	Amount
Reporting segment total	8,249
Income for “Other businesses” classification	153
Other adjustments	201
Operating income reported on the Consolidated Quarterly Statements of Income	8,605

3. Information concerning fixed asset impairment loss and goodwill by reporting segment

In the second quarter consolidated period under review, Nishiken Co., Ltd. has been included in the scope of consolidation.

The amount of the increases in goodwill for the interim period of the current consolidated fiscal year as a result of this event are ¥380 million for business related to the Construction Equipment Rental Division and ¥331 million for other businesses.

4. Information concerning changes in reporting segments etc.

(Application of the *Accounting Standard for Business Combinations* and related standards)

As described in Change in Accounting Policy, beginning from the first quarter of the current consolidated accounting year the Company will apply the *Accounting Standard for Business Combinations* and related standards, and together with reporting as capital surplus the difference that results from the change of Kanamoto’s equity interest in subsidiaries over which it will continue to exercise control, the Company has changed to the method of reporting costs related to business combinations as an expense in the consolidated fiscal year in which they are incurred. In addition, for business combinations executed on or after the beginning of the first quarter of the current consolidated fiscal year, the Company has changed its reporting method to reflect adjustments to the allocated amounts of business combination costs resulting from the final determination of the provisional accounting treatment in the quarterly consolidated financial statements of the quarter in which the date of the business combination falls.

The effect of this change in accounting policy on the Company’s income by segment for the interim period of the current consolidated fiscal year is not material.