Fiscal Year ended October 31, 2009
Financial Statements Bulletin

December 4, 2009

Listed Company Name **Kanamoto Company, Ltd.**
Company Code Number **9678**
Listing Exchanges **Tokyo Stock Exchange, Sapporo Stock Exchange**
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Date for Regular General Meeting of the Shareholders: January 28, 2010
Date for start of dividend payments: January 29, 2010
Date for submission of Annual Report: January 28, 2010

1. Consolidated Operating Results for the Fiscal year ended October 31, 2009

(Nov. 1, 2008 – Oct. 31, 2009)

(1) Consolidated Operating Results

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

	Revenues		Operating Income		Ordinary Income (Loss)	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended October 31, 2009	63,863	-8.0	137	-93.8	-222	—
Fiscal year ended October 31, 2008	69,411	1.1	2,227	-47.4	2,028	-54.1

	Net Income (Loss)		Net Income (Loss) per Share of Common Stock	Net Income per Share on a Fully Diluted Basis
	Millions of yen	%	Yen	Yen
Fiscal year ended October 31, 2009	-1,158	—	-35.28	—
Fiscal year ended October 31, 2008	644	-78.8	19.61	—

Notes 1. Investment profit or loss accounted for by the equity method
Fiscal year ended October 31, 2009 —
Fiscal year ended October 31, 2008 —

(2) Consolidated Financial Position

	Total Assets	Shareholders' Equity	Shareholders' Equity Ratio	Shareholders' Equity per Share
	Millions of yen	Millions of yen	%	Yen
Fiscal year ended October 31, 2009	96,435	36,541	37.5	1,102.51
Fiscal year ended October 31, 2008	91,741	38,202	41.4	1,155.47

Notes 1. Owners' equity and valuation and translation adjustments: (Millions of yen)
Fiscal year ended October 31, 2009 ¥36,203
Fiscal year ended October 31, 2008 ¥37,947

(3) Consolidated Cash Flows

	Cash Flow from Operating Activities	Cash Flow from Investing Activities	Cash Flow from Financing Activities	Balance of Cash and Equivalents at End of Period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal year ended October 31. 2009	2,076	-3,192	-2,439	14,086
Fiscal year ended October 31. 2008	3,456	-4,125	341	17,566

2. Dividends

	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, 2008		10.00		10.00	20.00	656	102.0	1.7
Fiscal year ended October 31, 2009		10.00		10.00	20.00	656	—	1.8
Fiscal year ending October 31, 2010 (projected)		10.00		10.00	20.00		597.0	

3. Projected Consolidated Operating Results for the Fiscal Year Ending October 31, 2010

(November 1, 2009 - October 31, 2010)

(Percentages show the change from the prior year)

	Revenues		Operating Income		Ordinary Income		Net Income		Net Income per Share of Common Stock
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Interim period	35,200	8.0	1,730	87.7	1,510	90.2	700	—	21.32
Full year	67,100	5.1	1,150	737.5	710	—	110	—	3.35

4. Other

(1) Changes to material subsidiaries during the period (transfer of specified subsidiaries in conjunction with revision to scope of consolidation)? No

(Note) For details, please refer to “Current Conditions of the Company’s Group” on page 11.

(2) Changes to accounting principles, procedures and reporting method pertaining to preparation of the consolidated financial statements (matters described in the Changes in Important Matters Used as the Basis for Preparation of the Consolidated Financial Statements)

(a) Changes accompanying revisions to accounting standards etc.? Yes

(b) Changes other than those in (a)? Yes

(3) Number of shares issued (common stock)

(a) Number of shares issued and outstanding at end of period (including treasury stock)

Fiscal year ended October 31, 2009 32,872,241 shares

Fiscal year ended October 31, 2008 32,872,241 shares

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

Fiscal year ended October 31, 2009 34,385 shares

Fiscal year ended October 31, 2008 30,848 shares

(Note) For the number of shares used as the basis for calculation of earnings per share (consolidated), please refer to “Per Share Information” on page 56.

(Reference) Summary of Company Operating Results

1. Operating Results for the Fiscal year ended October 31, 2009

(November 1, 2008–October 31, 2009)

(1) Operating Results

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

	Revenues		Operating Income		Ordinary Income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended October 31, 2009	54,447	-10.0	417	-83.1	172	-92.7
Fiscal year ended October 31, 2008	60,473	-1.8	2,461	-38.7	2,369	-45.8

	Net Income (Loss)		Net Income (Loss) per Share of Common Stock	Net Income per Share of Common Stock Fully Diluted
	Millions of yen	%	Yen	Yen
Fiscal year ended October 31, 2009	-1,080	—	-32.28	—
Fiscal year ended October 31, 2008	183	-94.7	5.59	—

(2) Financial Position

	Total Assets	Shareholders' Equity	Shareholders' Equity Ratio	Shareholders' Equity per Share
	Millions of yen	Millions of yen	%	Yen
Fiscal year ended October 31, 2009	88,539	36,794	41.6	1,120.50
Fiscal year ended October 31, 2008	85,400	38,442	45.0	1,170.56

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

Fiscal year ended October 31, 2009 ¥36,794

Fiscal year ended October 31, 2008 ¥38,442

2. Projected Operating Results for the Fiscal Year Ending October 31, 2010

(November 1, 2009 - October 31, 2010)

(Percentages show the change from prior year)

	Revenues		Operating Income		Ordinary Income		Net Income		Net Income per Share of common stock
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Interim period	28,500	4.1	1,500	135.2	1,340	147.9	710	—	21.62
Full year	55,100	1.2	880	110.9	550	219.7	260	—	7.92

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

The projected operating results were prepared based upon information available to the Company at the time the projections were announced as well as various assumptions concerning the future economic and business environment. Actual operating results may differ from the projected figures depending upon various factors in the future.

1. Operating results

(1) Analysis of operating results

a) Summary of consolidated fiscal year operating results

During the Kanamoto Group's Business Period ended October 2009, Japan's domestic economy slowed abruptly from the beginning of the period because of the global economic downturn. As individuals and firms curtailed spending and foreign demand declined, the operating results of export-oriented firms deteriorated and companies continued to postpone or cancel domestic capital investment. These conditions rippled through other industries, creating an unfavorable economic climate. For personal consumption as well, it was a year when deflation concerns grew darker day by day and talk remained focused only on low-price consumer goods, despite a temporary surge in demand centered on home electrical appliances and environmentally-friendly automobiles following the introduction of an “eco-point system” and a tax reduction, because of declining incomes.

In the construction industry, which is the main customer of the Kanamoto Group, construction demand in general fluctuated without any clear direction. In addition to the current downward trend in public works, all private sector works exhibited a broad plunge, beginning with the reduction of private sector capital investment in sectors such as electrical machinery and automobiles under the impact of the global recession. Markets such as residential construction, including condominiums, were affected as well. The result was an extremely severe operating environment, perhaps captured best by the conspicuous wave of bankruptcies that continued from the previous year among middle-market firms and large local companies.

For the Kanamoto Group, rental revenues as a whole did not grow. Although Kanamoto implemented steps to strengthen sales efforts, by working with affiliated companies and alliance firms in response to the severe environment caused by the slump in construction demand, and successfully maintained its market share in various regions, the industry saw order volume decline in absolute terms, and rental unit prices continued to drop as competition for a shrinking pie intensified.
Merchandise inventory sales, which expanded steadily in the previous consolidated fiscal year, were also weak and steel products sales, domestic sales of construction-related equipment and overseas sales of used construction equipment all fell below the level of the previous consolidated fiscal year as a result of the decline in domestic and foreign demand caused by the global economic downturn.

Earnings were affected by the large decline in rental revenues caused by intensive competition and lower unit prices in response to the shrinking volume of construction work. Operating income fell substantially below the results in the previous consolidated fiscal year, and as a result Kanamoto reported its first ordinary loss and net loss since the Company was established. With regard to net income in particular, stock prices that had recovered by the third quarter fell again because of concerns regarding the recovery of the U.S. economy and worries over deterioration of corporate performance in Japan as the yen continued to appreciate, and consequently the Company was compelled to book a valuation loss on investment securities. The Company also increased its respective reserves for shares of and loans to unconsolidated subsidiaries on the basis of more conservative judgments.

As a result of these factors, revenues for the consolidated fiscal year ended October 31, 2009 decreased 8.0% from the previous consolidated fiscal year to ¥63,863 million, and operating income fell 93.8% year-on-year to ¥137 million. The ordinary loss was ¥222 million, and for the period Kanamoto reported a net loss of ¥1,158 million. A summary of operating results for each of the Company's businesses, and business development issues deserving special mention, are described below.

[Operating Results for the Fiscal Year ended October 31, 2009]

(Million yen; % change from prior year)

		Revenues		Operating income		Ordinary income (loss)		Net income (loss)	
Consolidated	Year under review	63,863	-8.0%	137	-93.8%	-222	—	-1,158	—
	Prior year	69,411	1.1%	2,227	-47.4%	2,028	-54.1%	644	-78.8%
Non-consolidated	Year under review	54,447	-10.0%	417	-83.1%	172	-92.7%	-1,060	—
	Prior year	60,473	-1.8%	2,461	-38.7%	2,369	-45.8%	183	-94.7%

b) Summary of consolidated operating results by business segment

[Business related to the Construction Equipment Rental Division]

The economic measures implemented by the former ruling Liberal-Democratic Party to spur an economic recovery were partly suspended following the change in government as a result of the election in August 2009. Nevertheless, in the Hokkaido Region the effect of the stimulus measures was evident even after the third quarter, and the expansion of public works demand was sufficient to offset the weakness in demand during the first half of the consolidated fiscal year. In the Tohoku Region the private sector demand that had been expected, including construction of a new automobile-related plant, dried up entirely, and with orders for public works to compensate for this situation being weak as well, demand sank well below the level seen in the previous consolidated fiscal year.

In the Kanto Region as well, which benefited from the Haneda Airport Expansion Project and other large-scale works and enjoyed steady demand through the first quarter, general private sector construction works in the Tokyo metropolitan area contracted sharply in subsequent quarters, erasing the accumulated revenue growth from large-scale projects. In the Kinki & Chubu Region, both public and private sector demand was weak throughout the year in the Kansai and Tokai areas, a sharp contrast to the robust conditions in 2008. The situation was similar in the Kyushu & Okinawa Region.

Compared with the previous consolidated fiscal year, construction equipment rental revenues by region edged up 1.5% in the Hokkaido Region, decreased 7.6% in the Tohoku Region, slipped 0.9% in the Kanto Region and contracted 9.9% and 4.4% in the Kinki & Chubu Region and the Kyushu & Okinawa Region, respectively. As a result, rental revenues for Kanamoto's construction equipment rental division were off 3.6% from the previous fiscal year to ¥44,215 million. The percentage of revenues accounted for by Hokkaido and by Honshu and other regions was 32.5% and 67.5%, respectively.

Moreover, net sales for the Construction Equipment Rental Division from overseas sales of used construction equipment were sharply lower than in the previous consolidated fiscal year, declining 46.9% during the period as Kanamoto restricted sales in light of conditions in the used construction equipment market and the Company's rental asset strategy for the future. Domestic sales of used equipment were also weaker. As a result, total net sales for the Construction Equipment Rental Division were ¥13,556 million, 20.1% lower than in the previous consolidated fiscal year.

For the construction-related businesses of the entire Kanamoto Group, consolidated revenues decreased 8.0% from the previous consolidated fiscal year to ¥57,771 million, and operating income plunged 93.0% year-on-year to ¥151 million.

[Business related to the Steel Sales Division]

The Steel Sales Division generated revenues of ¥5,639 million. This was 7.5% lower than in the previous consolidated fiscal year. Operating income was ¥20 million, down 38.5% year-on-year. Despite a jump in steel products sales in Hokkaido, which greatly surpassed results in the previous consolidated fiscal year as orders related to public works rose in the fourth quarter, the effects of the slump in private sector demand were felt throughout the year.

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

Rental revenues for the Information Products Division were down 11.0% compared with the previous consolidated fiscal year. Overall replacement demand for new models contracted, as customers sought to reduce costs and extended their rental contract maturities. Sales of used devices also were lower, as used PC sales fell 14.6% year-on-year because the return cycle for rental assets lengthened. For the division as a whole, revenues decreased 11.4% year-on-year to ¥452 million, and operating income slumped 62.3% from the previous consolidated fiscal year to ¥22 million

[Change in number of branches]

During the consolidated fiscal year under review, Kanamoto newly opened or expanded 33 branches and closed 12 branches in its construction-related businesses. In operations other than its construction-related businesses, the Company did not add or close any branches.

(2) Analysis concerning financial position

a) Summary of consolidated fiscal year operating results

(Millions of yen)

	FY Ended October 2008 (Previous Consolidated Fiscal Year)	FY Ended October 2009 (Consolidated Fiscal Year Under Review)	Change from Prior Year
Cash flow from operating activities	3,456	2,076	–1,379
Cash flow from investing activities	–4,125	–3,192	933
Cash flow from financing activities	341	–2,439	–2,780
Decrease in cash and equivalents	–327	–3,554	–3,227
Balance of cash and equivalents at beginning of period	17,213	17,566	352
Balance of cash and equivalents at end of the period	17,566	14,086	–3,480

The balance of cash and cash equivalents (“cash”) on a consolidated basis at the end of the consolidated fiscal year under review decreased ¥3,480 million from the previous consolidated fiscal year to ¥14,086 million. Cash flows for the consolidated fiscal year under review are discussed below.

(Cash flow from operating activities)

Cash generated as a result of operating activities decreased 39.9% from the previous consolidated fiscal year to ¥2,076 million.

This mainly reflected the net loss before taxes and adjustments, an increase in expenditures for acquisition of rental assets and lower payments for items such as corporate and other taxes.

(Cash flow from investing activities)

Cash flow used in investing activities decreased 22.6% from the previous consolidated fiscal year to ¥3,192 million.

This mainly reflected a decrease in funds used for the purchase of tangible fixed assets and an increase in funds used for the purchase of investment securities.

(Cash flow from financing activities)

Cash flow used as a result of financing activities was ¥2,439 million, compared with cash flow provided as a result of financing activities of ¥341 million in the previous consolidated fiscal year.

This primarily reflected a decrease in funds provided by long-term bank loans and an increase in funds used to repay long-term bank loans, and an increase in funds used for repayment of installment obligations.

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

	FY Ended October 2006	FY Ended October 2007	FY Ended October 2008	FY Ended October 2009
Shareholders' equity ratio (%)	43.7	46.9	41.4	37.5
Shareholders' equity ratio on a market capitalization basis (%)	32.0	41.3	11.2	13.2
Years to repay debt	3.5	6.4	10.2	20.2
Interest coverage ratio (times)	21.0	11.9	7.1	3.3

(Notes) Shareholders' equity ratio: Shareholders' equity / Total assets
Shareholders' equity ratio on a market capitalization basis: Shareholders' equity on a market capital basis / Total assets
Years to repay debt: Interest-bearing liabilities / Cash flow from operating activities
Interest coverage ratio: Operating cash flow / Interest payments

*All indicators are calculated using financial values on a consolidated basis.

*Total market capitalization is calculated by multiplying the closing share price at the end of the term by the number of shares outstanding (after deducting treasury stock) at the end of the term.

*Cash flow from operating activities shown on the Consolidated Statements of Cash Flows is used as operating cash flow. Interest-bearing liabilities include all liabilities on which the Company pays interest that are accounted for on the Consolidated Balance Sheets. The amounts shown as interest expense on the Consolidated Statements of Cash Flows are used as interest payments.

(3) Outlook for the next fiscal year (Business Period ending October 2010)

Aspects of Japan and the Japanese economy experienced an extreme makeover in 2009, ranging from a transfer of power from the long-ruling Liberal-Democratic Party to the Democratic Party of Japan, to a full-fledged review during the process of formulating a budget draft for the new fiscal year. Yet as various countries that made public works the centerpiece of their economic stimulus measures noted signs of a recovery, Japan did not announce any specific policies for future economic growth and remained in limbo, and as a deflationary trend picked up steam a clear path to economic recovery remained to be found. Although the Bank of Japan embarked on quantitative easing to the tune of ¥10 trillion, the extent to which Japan will be able to avoid appreciation of the yen and sinking stock prices is uncertain. Kanamoto believes that overall, the business period ending in October 2010 will be an opaque, uncertain year, during which it will be difficult if not impossible to ascertain growth potential.

With regard to construction demand during the next consolidated fiscal year, during fiscal 2009 it was possible to anticipate public works as an economic stimulus measure by the previous administration. On the other hand a reduction of expenditures for public works by the current government beginning from fiscal 2010 appears to be inevitable. This includes calls to halt and review large-scale public works, best symbolized by dam construction of various regions, which are currently under construction. At the same time, as corporate profits have withered with deflation, firms have not regained their appetite for capital investments, and Kanamoto considers the probability of a substantial recovery in private sector construction demand to be low.

As a result of these factors, in the main business of the Kanamoto Group in construction equipment rentals firms will be hard pressed by the painful, severe management conditions to generate earnings, just as in other corporate services, despite growing reliance on equipment rentals, and because of the drop in construction demand and severe competition among firms, moves to lower prices without regard for costs will continue.

In the used construction equipment market, on the other hand, foreign demand could not be met in November 2009 because of short supplies of used construction equipment, and market prices have jumped as well. Yet despite the sense that used construction equipment demand worldwide is recovering and the market is moving upward after hitting bottom, unit selling prices can be expected to fall and put downward pressure on earnings if the yen's appreciation trend continues.

In response to this severe environment, Kanamoto has formulated a new five-year plan to transform itself into a new Kanamoto. During the Business Period ending October 2010, the first year of its plan, Kanamoto will continue its current business improvement measures, and position the fiscal year as the period for strengthening its business position and maintaining its capabilities, and will hold firm to its growth strategy by basically continuing its traditional strategy. Specifically, domestically the Company will strive to further develop wide-ranging businesses capable of generating positive results, while eliminating wasteful activities to the extent possible by controlling costs resulting from additions to assets and facilities, reviewing expenditures, and strengthening the Company's business and financial position. In addition, Kanamoto's Group of domestic and foreign firms has grown to 22 companies, and Kanamoto will redouble sales efforts as a unified group through greater information sharing.
In its steadily expanding overseas operations, Kanamoto established KANAMOTO (HK) CO., LTD. as its newest foreign entity after the Shanghai Jinheyuan Equipment Rental Co., Ltd. Group and SJ Rental, Inc. (Territory of Guam, United States), and will work to continuously expand its business with these and other companies as the foundation of the next-generation Kanamoto.
Beginning from the Business Period ending October 2010, the Shanghai Jinheyuan Equipment Rental Co., Ltd. Group will be a consolidated subsidiary.
The Company's earnings projection for the Business Period ending October 2010 is shown in the table below.

Fiscal year ending October 2010 Projected Operating Results (November 1, 2009-October 31, 2010)

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

		Revenues	Operating income	Ordinary income (loss)	Net income (loss)	Net income per share of common stock
Consolidated	Full-year projection	67,100	1,150	710	110	3.35
	Prior period (FY ended October 2009)	63,863	137	–222	–1,158	35.28
Non-consolidated	Full-year projection	55,100	880	550	260	7.92
	Prior period (FY ended October 2009)	54,447	417	172	–1,060	32.28

Fiscal year ending October 2010 Projected Financial Position (November 1, 2009 -October 31, 2010)

(Cash flow from operating activities)

Cash flow from operating activities is projected to be approximately identical to the amount in the consolidated fiscal year under review because there are no factors that will result in material changes.

(Cash flow from investing activities)

Cash flow from investing activities is projected to increase compared with the consolidated fiscal year under review because of an increase in funds used for the purchase of tangible fixed assets

(Cash flow from financing activities)

Cash flow from financing activities is projected to increase compared with the consolidated fiscal year under review because of an increase in funds provided by long-term bank loans.
As a result of the above, the balance of cash and cash equivalents at the end of the next consolidated fiscal

year is projected to approximately the same as the balance at the end of the consolidated fiscal year under review.

(4) Basic policies concerning distribution of earnings and current period dividends

As the basis of its earnings distribution policy, Kanamoto seeks to ensure a stable return of earnings to the maximum extent possible. Although in the past it set a dividend payout ratio objective of at least 30%, the Company's earnings level has fallen because of the recent deterioration of the operating environment, and the divergence of the substantive dividend payout ratio from this goal is growing. Nevertheless, the Company fundamentally will maintain its dividend payout ratio objective of at least 30%, and for the time being will strive to maintain and continue its present full-year dividend of ¥20 per share, consisting of an interim dividend of ¥10 and a year-end dividend of ¥10.

Furthermore, the Company will utilize its internal reserves by allocating funds for capital investment, including introduction of the rental equipment assets that will serve as the source of future earnings, and for enhancing shareholders' equity. To enable the Company to flexibly implement its capital policy, Kanamoto also has established a system for using internal reserves to make purchases of treasury stock.

For the Business Period ended October 2009, the Company plans to pay a regular dividend of ¥20 per share for the full year, consisting of an interim dividend of ¥10 per share and a year-end dividend of ¥10 per share (subject to approval of a resolution at the regular Board of Directors meeting on December 25, 2009).

(5) Special benefits plan for shareholders

Shareholders owning at least thousand shares who are described or recorded in the Register of Shareholders and List of Beneficial Shareholders as of October 31 (Date of Record) of each year will receive fresh products from Hokkaido, the birthplace of Kanamoto, with a value equivalent to ¥3,000 (selected from a specially mailed catalog).

(6) Business and other risks

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

a) Economic conditions

In the construction-related business that is the main business of Kanamoto Group, earnings are influenced significantly by the domestic construction investment trend whether it reflects public or private sector demand. Consequently there is a possibility future operating results will be negatively affected if further large reductions in public works or cutbacks in private sector demand occur in the future.

b) Seasonal variations in operating results

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

c) Interest rate fluctuations

The Kanamoto Group allocates internal capital and procures funding from outside sources to meet its need for funds to purchase rental equipment and other assets, make branch-related capital investments and provide working capital for business activities. Although the Company takes steps to mitigate the affect of interest rate fluctuations on its externally borrowed funds, including transactions to pay fixed interest rates on borrowed funds to the extent possible, there is a possibility the operating results and financial position of the Kanamoto Group will be affected by future large changes in short-term interest rates.

d) Projected benefit obligation

The projected employee benefit obligation and costs of the Kanamoto Group are calculated mainly based on basic rates such as a discount rate and expected rate of return on pension assets. Because these basic rates are determined in each annual review, they have a material effect on changes in the operating results and financial position of the Kanamoto Group. There is a possibility the operating results and financial position of the Kanamoto Group might be negatively affected if the discount rate declines further or the yield on investments deteriorates.

e) Asset impairment accounting for fixed assets

Beginning from the business period ended in October 2006, the Kanamoto Group has applied the *Accounting Standard for Impairment of Fixed Assets*. There is a possibility the operating results and financial position of the Kanamoto Group might be negatively affected if the profitability of fixed assets declines because of factors such as a marked deterioration in the Company’s business environment in the future.

2. Current Conditions of the Company's Group

The Kanamoto Company Group (Kanamoto and its affiliated companies) has organized its principal business activities around "Business related to the Construction Equipment Rental Division," which is engaged in the rental and sale of construction equipment and construction-related equipment parts, "Business related to the Steel Sales Division," which sells materials for construction such as steel products, and "Business related to the Information Products Division and Other Businesses," including the rental and sale of computers, including workstations and PC servers, and computer peripheral equipment.
The Group is comprised of the parent company, nine consolidated subsidiaries and twelve non-consolidated subsidiaries. There are no companies that apply equity method accounting to non-consolidated subsidiaries. An explanation of the business activities and position of each company in the Kanamoto Group, and the relationships to the Group's segments by business category is provided below.

[Business related to the Construction Equipment Rental Division]
The Company's Construction Equipment Rental Division, **Daiichi Kikai Co., Ltd.** (a consolidated subsidiary), **Kanki Corporation** (a consolidated subsidiary), **Toyo Industry Co., Ltd.** (a consolidated subsidiary) and newly-added **Narasaki Lease Co., Ltd.** (a consolidated subsidiary) and the non-consolidated subsidiaries **Tokyo Narasaki Rental Co., Ltd.**, **Akita Narasaki Rental Co., Ltd.** and **Aomori Narasaki Rental Co., Ltd.** are engaged in the rental and sale of construction equipment and machines used for construction. These companies borrow rental equipment assets from the Company as needed in order to meet customer demand. Furthermore, Kanamoto borrows rental equipment from Kanki Corporation, Narasaki Lease Co., Ltd., Tokyo Narasaki Rental Co., Ltd. Akita Narasaki Rental Co., Ltd. and Aomori Narasaki Rental Co., Ltd. as needed to rent to other companies. Kanamoto absorbed and merged with Kyokuto Lease Co., Ltd. (a non-consolidated subsidiary) on September 1, 2009.

Assist Co., Ltd. (a consolidated subsidiary) and **Comsupply Co., Ltd.** (a non-consolidated subsidiary) are engaged in the rental and sale of furniture and fixtures and safety products, and **SRG Kanamoto Co., Ltd.** (a consolidated subsidiary) rents and sells temporary materials for construction use. The Company borrows rental assets from these three companies as needed to rent to other companies.

Kanatech Co., Ltd. (a consolidated subsidiary) sells modular housing units for temporary use. **Flowtechno Corporation** (a non-consolidated subsidiary), is engaged in the technical development, manufacture and sale of construction equipment for ground improvement works. Kanamoto purchases modular housing units for temporary use and construction equipment for ground improvement from these two companies as needed to rent to its own customers.

The Kyushu Kensan Group is engaged in the rental and sale of construction equipment. **Kyushu Kensan Co., Ltd.** (a consolidated subsidiary) rents and sells mainly foundation equipment, **Kensan Techno Co., Ltd.** (a consolidated subsidiary) rents construction cranes and **Center Corporation** (a non-consolidated subsidiary) mainly rents and sells small machines. Kyushu Kensan borrows rental equipment assets from Kanamoto as needed in order to meet its customer demand. After completing its settlement of accounts in August, Kensan Techno Co., Ltd. absorbed and merged with Kyushu Kensan Co., Ltd. on September 1, 2009.

The Shanghai Jinheyuan Group (**Shanghai Jinheyuan Equipment Rental Co., Ltd.** and **Shanghai Jinheyuan Engineering Construction Co., Ltd.**; both companies, which are classified based on local government guidance because of differences in the equipment they rent, are non-consolidated subsidiaries; Shanghai, China) and **SJ Rental, Inc.** (a non-consolidated subsidiary; Territory of Guam, United States), are engaged in the rental and sale of construction equipment and tools and the import and export of construction materials.
KG Machinery Co., Ltd. (a non-consolidated subsidiary), a company with its head office in Tokyo, mainly

rents specialized large-scale construction equipment in foreign countries.

KANAMOTO (HK) CO., LTD. (a non-consolidated subsidiary; Hong Kong, People's Republic of China) was established in June 2009 to engage in the rental and sale of construction equipment and machinery and the import and export of construction materials.

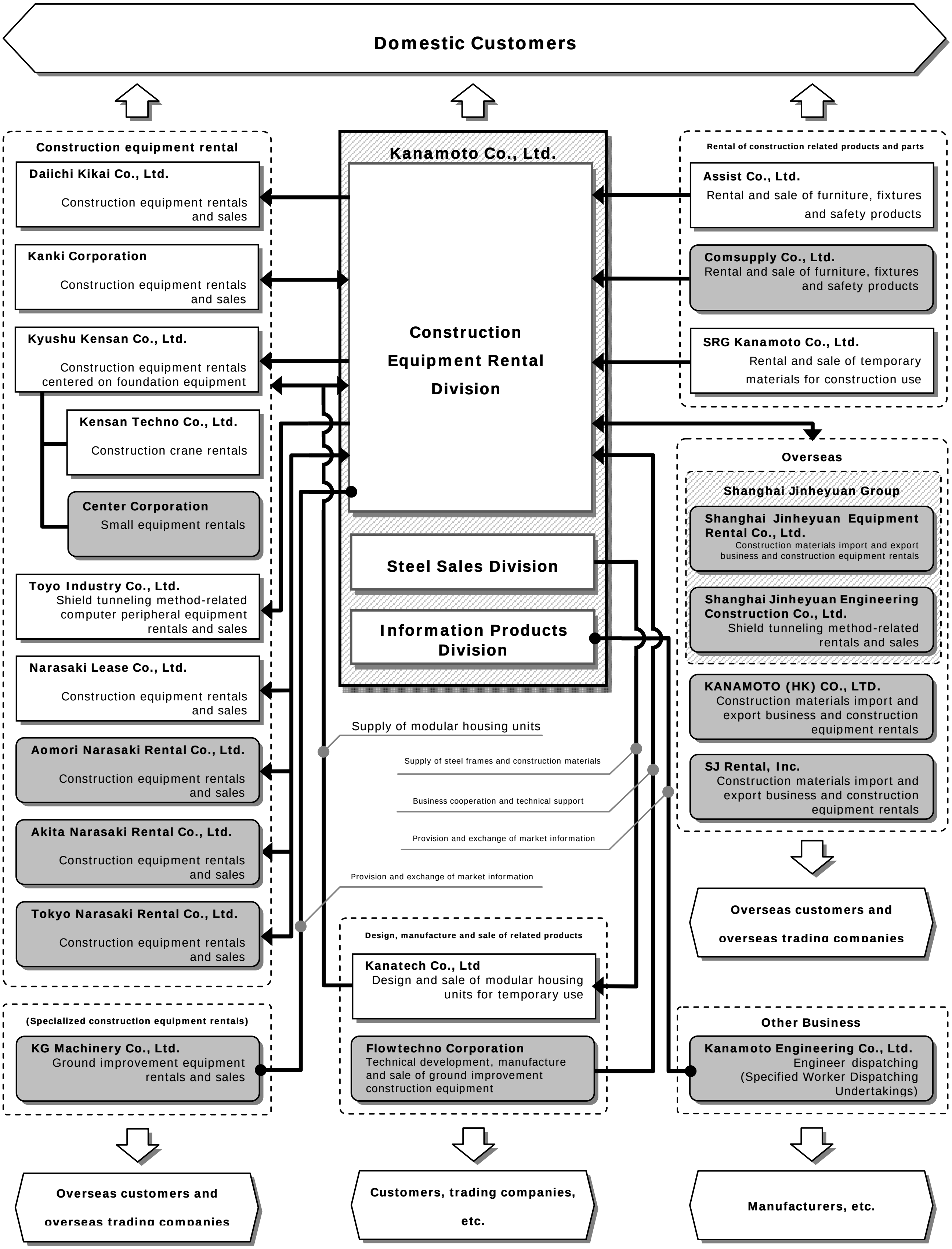
[Business related to the Steel Sales Division]

The Company's Steel Sales Division sells steel products and other construction-related manufactured products. The Company does not have any subsidiaries or affiliated companies related to this business.

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

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

The companies and activities described above are shown in the following diagram illustrating their operating businesses relationships.



(Notes)

(1) There are no non-consolidated subsidiaries to which equity method accounting is applied.

(2) Consolidated subsidiaries are indicated by white boxes, and non-consolidated subsidiaries are shown in grey boxes. Dotted lines indicate the companies that are grouped in the same business classification.

(3) Arrows indicate business transactions. For details please see the text on the previous page.

3. Management Policies

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

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

(2) Management indicators established as objectives

Because the construction equipment rental businesses managed by the Kanamoto Group require a substantial capital investment burden, which necessitates a profit and loss outlook extending over several years, the Kanamoto Group has always positioned growth in EBITDA^{+} (earnings before interest, taxes, depreciation and amortization) as its most important management indicator, while also taking into consideration ROI (return on investment). EBITDA^{+} in particular complements future earnings, and Kanamoto recognizes that maintaining and expanding EBITDA^{+} is absolutely critical to its future success.

Kanamoto began implementing its new long-term management plan in November 2009 (Business Period ending October 2010). The Company's revenues and earnings objectives for the Business Period ending October 2014, the final year of the plan, are provided below.

	Business Period ending October 2012 (Interim Objective)	Business Period ending October 2014 (Long-term Objective)
Consolidated revenues	¥69.0 billion	¥72.0 billion
Consolidated operating income	¥2.9 billion	¥4.3 billion

(3) Medium to long-term corporate management strategy

The Company began implementing its new long-term management plan in November 2009 (Business Period ending October 2010). Because the Kanamoto Group's extremely severe external environment appears likely to continue, including further cutbacks in the public works budget by the new administration under the Democratic Party of Japan and a projected slump in private sector capital investment, Kanamoto has responded to this adversity by viewing this period as an excellent time to improve the Company's business and financial position and will work to lower its break-even point by taking a sharp knife to all costs.

As the Kanamoto Group, we will continue efforts to increase the number of domestic alliance partners and raise the Group's market share, while working overseas to steadily boost demand in Shanghai and Hong Kong by sharpening our focus on business expansion in China in the first and subsequent fiscal years of the new long-term management plan. Lastly, we will pursue overseas base development, to enable Kanamoto to advance into newly developing countries other than China by the final year of the new long-term management plan.

a) Expand and enlarge Kanamoto's domestic base of operations

For Kanamoto's main business of construction equipment rental, domestically the Number One priority is to increase earnings. The Company will place its primary emphasis on new branches in major metropolitan areas and unserved markets and shift management resources accordingly. The Company will continue to position M&A as a growth engine for the Kanamoto Group, and pursue M&A proactively in the future while verifying the results comprehensively.

To expand coordinated marketing and sales efforts, Kanamoto will strengthen sales activities based on collaboration between regional branches and the Regional Special Procurement Sales Division, which has achieved positive results from a sales perspective, and further promote sharing of information contents within the Group.

In addition, Kanamoto established a New Products Office and event rental business as complementary divisions. The New Products Office has received numerous orders from general contractors for its new battery-powered LED floodlighting equipment, which has become a genuine hit product over the past several years. This office has also quickly begun LED lamp rentals to building tenants and factories, which has increased the volume of orders from different user groups and sectors as well. Although established later, the event rental business is gradually making headway as well. Kanamoto plans to undertake further development of both operations quickly.

b) Undertake overseas development

Kanamoto currently has set up overseas affiliates in Guam and China. Construction works in regions such as Southeast Asia, Oceania, the Middle East and North Africa also are performed using construction equipment procured from Kanamoto, although the Company has not developed branches in these areas. Kanamoto has positioned the expansion of profitable opportunities in rapidly growing newly developing countries as the largest measure that will determine the future of the Kanamoto Group, and will create a solid base for business in such regions while giving prudent consideration to the various risks to early recovery of the Company's invested capital, including latent country risk, exchange rate risk and capital recovery risk.

Moreover, because of the high quality of its equipment, Kanamoto has earned a strong brand reputation in various countries for used construction equipment sales. This brand awareness also makes a significant contribution to the Company's business development in foreign countries, and Kanamoto will strive to continue supplying high-quality used construction equipment for overseas sale.

c) Increase asset management and business support function efficiency

Kanamoto's construction equipment management system is the wellspring of the Kanamoto Group's domestic earnings. In particular, disposing of assets with low rental demand and achieving the most appropriate composition of models and ages of equipment in the rental portfolio are essential for further assuring earnings. To maximize earnings during the operating periods of its rental assets, the Company seeks to improve the accuracy of its rental asset structure and improve operating profitability based on models with high profit margins.

For its own branches, Kanamoto is maintaining its locally-based sales and marketing organization while consolidating business support functions in large-scale branches located in the biggest cities in each region, and improving the efficiency of local branches and small branches as delivery service and maintenance service line branches.

Kanamoto is also increasing the number of municipalities in each region with which it has concluded an agreement to respond to urgent requests following a disaster, and will create a regional network in the future to take maximum advantage of the Company's size.

(4) Issues to be addressed by the Company

As also described in Kanamoto's medium-term management strategy, the Company believes the Kanamoto Group cannot anticipate a significant expansion and recovery of domestic construction investment and will continue to face a severe external environment. The Company views this as an excellent time to improve the quality of its operations, however, and will build a strong sales and marketing organization by resolving the following issues.

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

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

b) Reinforce Kanamoto's financial strategy

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

c) Continuous cost reductions

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

d) Strengthen overseas branch management

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

(5) Compliance and internal controls

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

Other measures taken by the Company include the publication of Compliance Communications (22 issues from No. 12 to No. 33), which was sent from the Compliance Committee Secretariat to each company in the Kanamoto Group to enlighten employees concerning legal compliance, a guidance and training program conducted by the Internal Control Promotion Office at 40 offices, compliance audits performed by Safety and Health Office at 28 offices and a safety training program held in 14 regional blocks, representing roughly 80% of all the Company's management regions, in which Group companies also participated.
The Company plans to continue these fiscal 2009 enlightenment and training efforts during the Business Period ending October 2010, by convening each program in various locations.

5 Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Unit: Thousands of yen)

Classification	Notes	Prior Consolidated Accounting Fiscal Year (As of October 31, 2008) Amount	Current Consolidated Accounting Fiscal Year (As of October 31, 2009) Amount
(Assets)			
Current assets			
Cash and deposits	*2	14,070,345	12,345,028
Notes and accounts receivable, trade	*5,7	15,297,757	14,388,250
Negotiable securities		3,700,000	1,800,000
Inventory		956,322	—
Merchandise and finished goods		—	643,091
Raw materials and supplies		—	140,857
Construction equipment		874,680	1,011,437
Income taxes receivable		110,491	355,911
Consumption taxes receivable		282,196	71,661
Deferred tax assets		256,893	261,523
Other		534,758	822,031
Allowance for doubtful accounts		-526,414	-475,964
Total Current Assets		35,557,032	31,363,829
Fixed assets			
Tangible fixed assets			
Rental equipment assets		43,694,544	54,406,793
Accumulated depreciation		-31,437,026	-35,145,234
Net rental Equipment assets	*2	12,257,517	19,261,559
Buildings and structures		17,869,527	20,904,695
Accumulated depreciation		-10,968,596	-12,296,819
Net buildings and structures	*2	6,900,931	8,607,875
Machinery, equipment, vehicles and delivery equipment		4,622,991	5,206,308
Accumulated depreciation		-3,854,409	-4,316,731
Net machinery, equipment, vehicles and delivery equipment	*2	768,582	889,577
Land	*2	29,075,816	29,448,053
Construction in progress		683,294	—
Other		1,163,486	1,344,459

Accumulated depreciation		-930,597	-1,033,713
Net other		232,889	310,746
Total Tangible Fixed Assets		49,919,031	58,517,812
Intangible fixed assets			
Goodwill	*6	557,260	542,304
Other		170,056	323,684
Total Intangible Fixed Assets		727,316	865,989
Investments and other assets			
Investment securities	*1	2,847,982	3,218,486
Deferred tax receivable		1,054,883	1,286,857
Other		2,552,794	2,399,931
Allowance for doubtful accounts		-917,742	-929,977
Allowance for investment loss		—	-287,897
Total Investments and Other Assets		5,537,917	5,687,400
Total Fixed Assets		56,184,266	65,071,202
Total Assets		91,741,299	96,435,031

		Prior Consolidated Accounting Fiscal Year (As of October 31, 2008)	Current Consolidated Accounting Fiscal Year (As of October 31, 2009)
Classification	Notes	Amount	Amount
(Liabilities)			
Current liabilities			
Notes and accounts payable, trade	*7	12,878,993	13,150,825
Short-term bank loans		338,521	1,258,931
Long-term bank loans due within one year		9,599,494	10,537,364
Current portion of bonds		62,000	42,000
Corporate taxes payable		149,932	14,722
Accrued bonuses to employees		549,981	464,636
Accounts payable, other		3,325,933	4,293,687
Other	*7	1,490,017	856,711
Total Current Liabilities		28,394,874	30,618,878
Long-term liabilities			
Bonds		86,000	44,000
Long-term bank loans		19,379,661	20,987,266
Accrued employees retirement benefits		1,080,005	1,320,173

Retirement allowances to directors and auditors		174,824	226,356
Long-term accrued expenses		3,935,016	6,327,718
Other		488,612	368,783
Total Long-term Liabilities		25,144,119	29,274,298
Total Liabilities		53,538,994	59,893,177
(Net Assets)			
Shareholder's equity			
Capital stock		9,696,717	9,696,717
Capital surplus		10,960,869	10,960,869
Retained earnings		17,149,945	15,334,652
Treasury stock		-22,729	-23,917
Total Shareholders' Equity		37,784,803	35,968,321
Valuation and translation adjustments			
Valuation difference on other investment securities		162,358	235,603
Total Valuation and Translation Adjustments		162,358	235,603
Minority Interests		255,143	337,929
Total Net Assets		38,202,305	36,541,854
Total Liabilities and Net Assets		91,741,299	96,435,031

(2) Consolidated Statements of Income

(Unit: Thousands of yen)

Classification	Notes	Prior Consolidated Accounting Fiscal Year From November 1, 2007 to October 31, 2008 Amount	Current Consolidated Accounting Fiscal Year From November 1, 2008 to October 31, 2009 Amount
Revenues from operations			
Rental revenues		46,295,930	44,615,982
Sales		23,115,824	19,248,007
Total sales		69,441,755	63,863,989
Cost of revenues from operations			
Cost of rental revenues		33,158,452	31,089,862
Cost of goods sold		17,645,122	15,824,158
Total cost of revenues from operations		50,803,574	46,914,021
Gross profit		18,608,180	16,949,968
Selling, general and administrative expenses	*1	16,380,327	16,812,650
Operating income		2,227,853	137,317
Non-operating revenues			
Interest revenue		69,540	42,985
Dividend income		68,110	40,306
Insurance benefits		70,528	42,800
Rents received		71,105	52,436
Cash bonus received		7,204	5,621
Other		123,703	142,939
Total non-operating revenues		410,193	396,921
Non-operating expenses			
Interest expense		375,799	455,700
Loss on sale of notes receivable		80,074	57,012
Other		154,043	244,351
Total non-operating expenses		609,918	757,065
Ordinary income		2,028,128	-222,825
Extraordinary profits			
Gain on sale of fixed assets	*2	23,031	3,742
Management gain on investment partnership enterprise		1,927	5,366
Gain on reversal of allowance for doubtful accounts		44,384	32,606

Other		4,053	22,771
Total extraordinary profits		73,397	64,487
Extraordinary losses			
Loss on sale or retirement of fixed assets	*3	81,837	107,659
Impairment loss	*4	490	312
Valuation loss on investment securities		54,978	435,945
Provision of allowance for investment loss		—	287,897
Provision of allowance for doubtful accounts		—	46,714
Provision of allowance for doubtful accounts for subsidiaries and affiliates		—	27,094
Other		85,980	89,650
Total extraordinary losses		223,287	995,274
Income before taxes and adjustments		1,878,238	-1,153,612
Corporate, local and business taxes		1,159,368	223,620
Adjustment for corporate and other taxes		-7,858	-285,228
Income taxes-deferred		1,151,510	61,608
Minority interest in income		82,689	66,493
Net income (loss)		644,038	-1,158,497

(3) Consolidated Statement of Changes in Net Assets

	Prior Consolidated Accounting Fiscal Year From November 1, 2007 to October 31, 2008	Current Consolidated Accounting Fiscal Year From November 1, 2008 to October 31, 2009
Classification	Amount	Amount
Shareholders' equity		
Capital stock		
Balance at beginning of year	9,696,717	9,696,717
Changes of items during the year		
Total changes of items during the year	—	—
Balance at end of year	9,696,717	9,696,717
Capital surplus		
Balance at beginning of year	10,960,869	10,960,869
Changes of items during the year		
Total changes of items during the year	—	—
Balance at end of year	10,960,869	10,960,869
Capital surplus		
Balance at beginning of year	17,333,642	17,149,945
Changes of items during the year		
Dividends from surplus	-689,760	-656,796
Net income (loss)	644,038	-1,158,497
Decrease by change of scope of consolidation	-137,975	—
Total changes of items during the year	-183,696	-1,815,293
Balance at end of year	17,149,945	15,334,652
Treasury stock		
Balance at beginning of year	-19,784	-22,729
Changes of items during the year		
Purchase of treasury stock	-2,944	-1,188
Total changes of items during the year	-2,944	-1,188
Balance at end of year	-22,729	-23,917
Total shareholders' equity		
Balance at beginning of year	37,971,444	37,784,803
Changes of items during the year		
Dividends from surplus	-689,760	-656,796
Net income (loss)	644,038	-1,158,497
Decrease by change of scope of consolidation	-137,975	—

Purchase of treasury stock	-2,944	-1,188
Total changes of items during the year	-186,641	-1,816,481
Balance at end of year	37,784,803	35,968,321
Valuation and translation adjustments		
Valuation difference on available-for-sale securities		
Balance at beginning of year	2,002,072	162,358
Changes of items during the year		
Net changes of items other than shareholders' equity	-1,839,714	73,245
Total changes of items during the year	-1,839,714	73,245
Balance at end of year	162,358	235,603
Total valuation and translation adjustments		
Balance at beginning of year	2,002,072	162,358
Changes of items during the year		
Net changes of items other than shareholders' equity	-1,839,714	73,245
Total changes of items during the year	-1,839,714	73,245
Balance at end of year	162,358	235,603
Total net assets		
Balance at beginning of year	39,973,517	38,202,305
Changes of items during the year		
Dividends from surplus	-689,760	-656,796
Net income (loss)	644,038	-1,158,497
Decrease by change of scope of consolidation	-137,975	—
Purchase of treasury stock	-2,944	-1,188
Net changes of items other than shareholders' equity	-1,584,570	156,031
Total changes of items during the year	-1,771,212	-1,660,450
Balance at end of year	38,202,305	36,541,854

(4) Consolidated Statements of Cash Flows

(Unit: Thousands of yen)

Classification	Prior Consolidated Accounting Fiscal Year (From November 1, 2007 to October 31, 2008)	Current Consolidated Accounting Fiscal Year (From November 1, 2008 to October 31, 2009)
Cash flow from operating activities		
Income before taxes and adjustments	1,878,238	-1,153,612
Depreciation and amortization expense	5,573,783	5,093,229
Impairment loss	490	312
Amortization of goodwill	253,914	186,775
Gain on sale of fixed assets	-23,031	—
Loss on sale or retirement of fixed assets	81,837	107,659
Installment purchases of assets for small-value rentals	49,871	24,074
Reclassification of cost of sales associated with disposal of construction equipment	5,598	15,596
Reclassification of cost of sales associated with disposal of rental assets	662,011	710,602
Expenditures for acquisition of rental assets	-3,345,941	-4,113,072
Valuation loss on investment securities	54,978	
Loss on sales of investment securities	349	2,036
Increase in allowance for doubtful accounts	108,936	-98,502
Increase in allowance for investment loss	—	287,897
Decrease in accrued bonuses to employees	-18,277	-97,354
Increase in accrued employees retirement benefits	88,657	165,337
Increase in retirement allowances to directors and auditors	41,019	43,469
Interest revenue and dividend income	-137,650	-83,291
Interest expense on installment purchases of rental assets	99,494	160,584
Interest expense	375,799	455,700
Decrease in accounts receivable, trade	492,557	1,499,982
Increase in inventory	-162,961	166,504
Increase (decrease) in accounts payable, trade	991,555	-835,855
Increase (decrease) in accounts payable, other	25,604	463,799

Other	-723,791	-215,111
Subtotal	6,373,045	3,222,716
Interest and dividends received	138,787	86,232
Interest expense	-484,373	-623,498
Payment of corporate and other taxes	-2,571,015	-608,830
Cash flow from operating activities	3,456,444	2,076,620

	Prior Consolidated Accounting Fiscal Year (From November 1, 2007 to October 31, 2008)	Current Consolidated Accounting Fiscal Year (From November 1, 2008 to October 31, 2009)
Classification		
Cash flow from investing activities		
Disbursements for investments in term deposits	-148,877	-9,528
Revenue from redemption of term deposits	277,908	154,178
Funds used for the purchase of tangible fixed assets	-3,524,233	-2,286,995
Funds provided from the sale of tangible fixed assets	171,712	21,265
Funds used for the purchase of intangible fixed assets	-51,653	-164,426
Funds used for the purchase of investment securities	-223,395	-675,186
Funds provided from sale of investment securities	56,324	51,984
Funds used for the purchase of consolidated subsidiary stock	-62,714	—
Funds used for the purchase of non-consolidated subsidiary stock	-313,711	-46,000
Funds provided from non-consolidated subsidiary stock	5,000	15,000
Funds used for establishment of affiliated company	-100,000	-52,339
Funds used for the purchase of investments in subsidiaries resulting in change in scope of consolidation	-231,931	-199,304
Other	20,333	-780
Cash flow from investing activities	-4,125,236	-3,192,133
Cash flow from financing activities		
Decrease in short-term bank loans	-136,478	28,409
Funds provided by long-term bank loans	13,960,000	12,760,500
Funds used to repay long-term bank loans	-10,223,652	-11,119,275
Funds used to redeem corporate bonds	-40,000	-62,000

Funds used for repayment of installment obligations	-2,524,901	-3,388,942
Funds used for the purchase of treasury stock	-2,944	-1,188
Payment of dividends to parent company	-689,760	-655,981
Payment of dividends to minority shareholders	-1,006	-1,006
Cash flow from financing activities	341,257	-2,439,483
Decrease in cash and equivalents	-327,534	-3,554,996
Balance of cash and equivalents at beginning of period	17,213,890	17,566,695
Increase in cash and cash equivalents due to newly consolidated subsidiaries	680,339	—
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	—	74,329
Balance of cash and equivalents at end of the period	17,566,695	14,086,028

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

The Company had no material items to report.

Significant Accounting Policies for the Consolidated Financial Statements

	Prior Consolidated Accounting Fiscal Year (From November 1, 2007 to October 31, 2008)	Current Consolidated Accounting Fiscal Year (From November 1, 2008 to October 31, 2009)
1. Companies included in the consolidation	(1) Number of consolidated companies: 9 Assist Co., Ltd. SRG Kanamoto Co., Ltd. Kanatech Co., Ltd. Daiichi Kikai Co., Ltd. Kanki Corporation Kyushu Kensan Co., Ltd. Kensan Fukuoka Co., Ltd. Kensan Techno Co., Ltd. Toyo Industry Co., Ltd. Beginning from the interim consolidated accounting period, Kyushu Kensan Co., Ltd., Kensan Fukuoka Co., Ltd. and Kensan Techno Co., Ltd. are included in the scope of consolidation because the importance of these companies to Kanamoto's operations has increased. Beginning from the consolidated accounting fiscal year under review, Toyo Industry Co., Ltd. is included within the scope of consolidation because the Company acquired all of that company's stock. (2) Number of non-consolidated companies: 8 Non-consolidated subsidiary company name: Comsupply Co., Ltd. Flowtechno Corporation Center Corporation Shanghai Jinheyuan Equipment Rental Co., Ltd. Asahikawa Fujisho Co., Ltd. SJ Rental, Inc. Kanamoto Engineering Co., Ltd. Kyokuto Lease Co., Ltd. (Reason for exclusion from scope of consolidation)	(1) Number of consolidated companies: 9 Assist Co., Ltd. SRG Kanamoto Co., Ltd. Kanatech Co., Ltd. Daiichi Kikai Co., Ltd. Kanki Corporation Kyushu Kensan Co., Ltd. Kensan Techno Co., Ltd. Toyo Industry Co., Ltd. Narasaki Lease Co., Ltd. Narasaki Lease Co., Ltd. is included in the scope of consolidation because the Company acquired a majority of that company's stock during the consolidated accounting fiscal year under review. Kensan Fukuoka Co., Ltd. is excluded from the scope of consolidation because it merged with Kyushu Kensan Co., Ltd. on November 1, 2008. Kensan Techno Co., Ltd. merged with Kyushu Kensan Co., Ltd. on September 1, 2009. (2) Number of non-consolidated companies: 12 Non-consolidated subsidiary company name: Comsupply Co., Ltd. Flowtechno Corporation Center Corporation Shanghai Jinheyuan Equipment Rental Co., Ltd. Shanghai Jinheyuan Engineering Construction Co., Ltd. SJ Rental, Inc. Kanamoto Engineering Co., Ltd. KG Machinery Co., Ltd. Akita Narasaki Rental Co., Ltd Aomori Narasaki Rental Co., Ltd Tokyo Narasaki Rental Co., Ltd. KANAMOTO (HK) CO., LTD. (Reason for exclusion from scope of consolidation)

	The size of the non-consolidated subsidiaries is small and their total assets, sales and fiscal year profit or loss (amount corresponding to equity) and retained earnings (amount corresponding to equity) are small in size and do not have a material effect on the consolidated financial statements.	Same as at left
2. Matters pertaining to application of equity method accounting	Eight non-consolidated subsidiaries have been omitted from items to which equity method accounting is applied because their respective effect on consolidated net income or loss (amount corresponding to minority interest) and consolidated earned surplus (amount corresponding to minority interest) is immaterial and none of the companies is important to the Company's overall operations. Kanamoto transferred all of the stock held in Active Technology Corporation to a third party on December 10, 2007.	Twelve non-consolidated subsidiaries have been omitted from items to which equity method accounting is applied because their respective effect on consolidated net income or loss (amount corresponding to minority interest) and consolidated earned surplus (amount corresponding to minority interest) is immaterial and none of the companies is important to the Company's overall operations.
3. Matters pertaining to the fiscal year closing date for consolidated subsidiaries	The fiscal year closing date for all of the consolidated subsidiaries except Kanki Corporation is August 31. When preparing the consolidated financial statements the Company used the subsidiaries' financial statements as of August 31, adjusted for significant transactions that occurred between the subsidiaries' fiscal year-end and the consolidation date that have a material effect on the consolidated financial results.	The fiscal year closing date for all of the consolidated subsidiaries except Kanki Corporation is August 31. The fiscal year closing date for Narasaki Lease Co., Ltd. is September 30. When preparing the consolidated financial statements the Company used the subsidiaries' financial statements as of August 31, adjusted for significant transactions that occurred between the subsidiaries' fiscal year-end and the consolidation date that have a material effect on the consolidated financial results.
4. Accounting principles and standards used for normal accounting treatment (1) Appraisal standards and appraisal methods for principal assets	a. Negotiable securities Other negotiable securities Securities with a market price The Company has adopted the market value method (the full amount of the valuation difference is charged to net assets using the direct transfer to capital method, with the disposal cost determined by the moving average method) based on the market price on the consolidated accounting fiscal year closing date or similar prices. Securities without market prices	a. Negotiable securities Other negotiable securities Securities with a market price Same as at left Securities without market prices

	The Company has adopted the cost method, cost being determined by the moving average method b. Construction equipment Amount after deduction of depreciation expense calculated according to the declining-balance method from the original prices, by separate fiscal year of purchase.	Same as at left b. Construction equipment Amount after deduction of depreciation expense calculated according to the declining-balance method from the original prices, by separate fiscal year of purchase. (Change in accounting method) Traditionally, the Company and its domestic consolidated subsidiaries valued construction equipment using the amount after deduction of depreciation expense calculated according to the declining-balance method from the original prices, by separate fiscal year of purchase. Beginning from the consolidated accounting fiscal year under review, the Company will calculate the amount after deduction of depreciation expense according to the straight-line method from the original prices, by separate fiscal year of purchase. Because rental earnings obtained from construction equipment are generated on average over the period during which the construction equipment is used, the Company has made this change in conjunction with the change of depreciation method for rental equipment from the declining-balance method to the straight-line method from the consolidated accounting fiscal year under review to similarly recognize a fixed cost amount corresponding to earnings, achieve a correspondence between costs and earnings and calculate accounting period profits and losses more properly for construction equipment that contributes to the acquisition of rental earnings. As a result, for the consolidated accounting fiscal year under review the cost of revenues from operations decreased by ¥74,180,000 and gross profit and operating income increased and ordinary loss and loss before taxes and adjustments decreased by the same amount, respectively, compared to what they otherwise would have been had the accounting standards used in past periods been applied. The affect of this change on the Company's information by segment is described in the relevant section.

	c. Merchandise inventories and supplies (i) Merchandise inventories Lower of cost or market based on the Last-in, First-out method	c. Merchandise inventories and supplies (i) Merchandise inventories The Company has adopted the cost method, cost being determined based on the Last-in, First-out method (amounts shown on the balance sheet are calculated by determining write-downs of book value based on the decline in profitability) (Change in accounting method) Beginning from the consolidated accounting fiscal year under review, the Company has adopted the Accounting Standard for Measurement of Inventories (Accounting Standards Board of Japan Accounting Standard Statement No. 9 dated July 5, 2006). The affect of this change on earnings is not material.
	(ii) Work in process The Company has adopted the cost method, cost being determined by the specific identification method	(ii) Work in process Same as at left
	(iii) Supplies The Latest Purchase Cost method	(iii) Supplies Same as at left

(2) Depreciation methods for principal depreciable assets	a. Tangible fixed assets The Company has adopted the declining-balance method. Buildings on land that is leased under a fixed-term land lease agreement, however, are depreciated using the straight-line method using the remaining period of the fixed-term lease as the depreciable life and zero residual value. For certain consolidated subsidiaries, the Company have adopted the straight-line method for buildings and structures acquired on or after April 1, 2000 but excluding fixtures and equipment. The depreciable lives mainly used by the Company are as follows. Rental assets 5-10 years Buildings 10-34 years	a. Tangible fixed assets The Company has adopted the straight-line method for rental assets and the declining-balance method for other assets. Buildings on land that is leased under a fixed-term land lease agreement, however, are depreciated using the straight-line method using the remaining period of the fixed-term lease as the depreciable life and zero residual value. For certain consolidated subsidiaries, the Company has adopted the straight-line method for buildings and structures acquired on or after April 1, 2000, but excluding fixtures and equipment. The depreciable lives mainly used by the Company are as follows. Rental assets 2-16 years Buildings and structures 2-60 years (Change in accounting method) Traditionally, the Company and its domestic consolidated subsidiaries depreciated rental assets using the declining-balance method. Beginning from the consolidated accounting fiscal year under review, the Company has changed its depreciation method to the straight-line method. Because rental earnings obtained from rental equipment are generated on average over the period during which the rental equipment is used, the Company has made this change as a result of investing a more appropriate method for allocation of expenses following the increase in the scale of purchases, and increase in the monetary importance of rental equipment, as a result of changing its method for acquisition of rental equipment from leasing agreements to purchases, to recognize a fixed expense amount corresponding to earnings, achieve a correspondence between expenses and earnings and calculate accounting period profits and losses more properly.

		As a result, for the consolidated accounting fiscal year under review the cost of revenues from operations decreased by ¥2,760,115 thousand, and gross profit and operating income increased and ordinary loss and loss before taxes and adjustments decreased by the same amount, respectively, compared to what they otherwise would have been had the accounting standards used in past periods been applied. The affect of this change on the Company's information by segment is described in the relevant section. (Supplemental information) Beginning from the consolidated accounting fiscal year under review, the Company has revised the durable lives applied to machinery and equipment owned by the Company and its domestic consolidated subsidiaries (including assets accounted for as rental assets), following the revision of statutory useful lives based on amendment of the Corporation Tax Law in Fiscal 2008. As a result, operating income was ¥1,143,563 thousand higher and the ordinary loss and loss before taxes and adjustments were ¥1,143,563 thousand less than they otherwise would have been had the accounting standards used in past periods been applied. The affect of this change on the Company's information by segment is described in the relevant section.
	b. Intangible fixed assets The Company has adopted the straight-line method. Software for use within the Company is depreciated using the straight-line method based on the assumed useful life for internal use (5 years)	b. Intangible fixed assets (excluding lease assets) Same as at left

		c. Lease assets The Company has adopted the straight-line method 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. Reserve for doubtful accounts To provide for losses on doubtful accounts such as accounts receivable, the Company charges to income an amount based on actual loss experience for normal accounts, plus an amount for projected unrecoverable amounts based on assessments of individual accounts.	a. Reserve for doubtful accounts Same as at left
	b. Accrued bonuses to employees To fully provide for expenditures of bonuses the Company will pay to employees, an amount is appropriated to the reserve during the year based upon a salary estimate amount.	b. Accrued bonuses to employees Same as at left
	c. Accrued employees retirement benefit The Company provides for employees' accrued retirement benefits based upon the projected amounts of the liability for accrued employees retirement benefits and the value of pension assets at the end of the consolidated fiscal year. At the end of each consolidated accounting fiscal year, the Company appropriates an amount to the reserve to provide for the liability recognized during the period. The difference based on an actuarial calculation is charged to income beginning in the consolidated accounting fiscal year following the year in which incurred, with the amounts allocated proportionately using the straight-line method, based on a specified number of years (10 years) that is less than the average remaining period of employment for employees at the time the difference arises.	c. Accrued employees retirement benefit Same as at left

	d. Retirement allowances to directors and auditors The Company provides for retirement allowances to directors and auditors based upon pertinent rules and appropriated to the account proportionately at the end of the consolidated accounting fiscal year based upon length of service.	d. Retirement allowances to directors and auditors Same as at left
	――――――	e. Reserve for investment losses The Company provides for losses from the decline in real prices of assets such as the stock of subsidiary companies that are not subject to asset impairment accounting by applying internally established standards that take into consideration subsidiary company operating results and asset quality.
(4) Standard for conversion of foreign currency-denominated assets or liabilities into Japanese yen	The Company converts money claims and monetary liabilities denominated in foreign currencies into Japanese yen at the spot exchange market rate on the final day of the fiscal year, and charges the translation difference to income as a gain and loss.	Same as at left
(5) Lease transactions	For finance lease transactions except for leases that transfer ownership of the property to the lessee, rent expenses are charged to income as payments are made.	――――――
(6) Hedge accounting for principal hedging methods	a. Hedge transactions The Company accounts for hedge transactions using allocations based on accounting standards for foreign currency-denominated transactions, and special rule accounting based on accounting standards for financial products.	a. Hedge transactions Same as at left
	b. Hedge methods and hedged transactions The Company uses currency swaps and forward transactions in order to avoid the currency fluctuation risk related to the Company's foreign currency-denominated straight bonds and liabilities for import payments. The Company also uses interest swaps to avoid interest rate fluctuation risk related to interest on bank borrowing.	b. Hedge methods and hedged transactions Same as at left
	c. Hedging policies The Company's use of derivative transactions is limited to hedging risk within the scope of the Company's assets and liabilities subject to market fluctuation risk.	c. Hedging policies Same as at left

	d. Method for evaluating the effectiveness of hedges The Company does not evaluate the effectiveness of its hedge transactions because it can assume that its currency swap transactions and forward transactions will completely offset market fluctuations or changes in cash flow from the time hedge begins until it is terminated. In addition, the Company's interest swap transactions fulfill the requirements for special rule accounting, and the Company has elected to use this in place of an evaluation of effectiveness.	d. Method for evaluating the effectiveness of hedges Same as at left
(7) Accounting standards for consumption tax	Consumption tax is taken out of all Statement of Income items and Balance Sheet items, except mainly for receivables and payables.	Same as at left
5. Valuation of consolidated subsidiary assets and liabilities	The Company has adopted the market value appraisal method for the evaluation of assets and liabilities of consolidated subsidiaries.	Same as at left
6. Amortization of goodwill and negative goodwill	The remainder is amortized over five years using level amortization, except for extremely small amounts that are written off completely in the year in which they occur.	Same as at left
7. Items included in cash and equivalents on the Interim Consolidated Statements of Cash Flows (Consolidated Statements of Cash Flows)	Cash on hand, deposits that can be withdrawn on demand and highly liquid short-term investments that mature within three months of the date of acquisition and which can be easily converted into cash and that have minimal risk of a change in price.	Same as at left

Change in Presentation Method

Prior Consolidated Accounting Fiscal Year (From November 1, 2007 to October 31, 2008)	Current Consolidated Accounting Fiscal Year (From November 1, 2008 to October 31, 2009)
――――――	(Accounting Standard for Lease Transactions) Traditionally, the Company accounted for finance lease transactions except for leases that transfer ownership of the property by applying accounting treatment based on the method applied for ordinary rental transactions. Beginning from the consolidated accounting fiscal year under review, the Company has adopted the Accounting Standard for Lease Transactions (Accounting Standards Board of Japan Statement No. 13, June 17, 1993 (Business Accounting Council Subcommittee No. 1), revised March 30, 2007) and the Implementation Guidance on Accounting Standard for Lease Transactions (Guidance on Accounting Standard for Lease Transactions No. 16, January 18, 1994 (The Japanese Institute of Certified Public Accountants, Accounting System Committee), revised March 30, 2007), and will apply the standard for lease transactions based on the accounting treatment applied for ordinary purchase and sale transactions. The Company has adopted the straight-line method using the lease term as the depreciable life and zero residual value as the depreciation method for lease assets related to finance lease transactions except for leases that transfer ownership of the property. For finance lease transactions except for leases that transfer ownership of the property that began before the first year in which the lease accounting standard was applied, the Company will continue to apply accounting treatment based on the method applied for ordinary rental transactions. The affect of this change on earnings is not material.

Prior Consolidated Accounting Fiscal Year (From November 1, 2007 to October 31, 2008)	Current Consolidated Accounting Fiscal Year (From November 1, 2008 to October 31, 2009)
――――――	(Consolidated Balance Sheets) Beginning from consolidated accounting fiscal year under review the Company will classify items reported as “inventory” in the prior consolidated accounting fiscal year into “merchandise inventories and products” and “raw materials and supplies,” in conjunction with the requirement to apply the Cabinet Office Ordinance on Partial Revision of the Regulation for Terminology, Forms and Preparation of Financial Statements and Other Regulations (Cabinet Office Ordinance No. 50, August 7, 2008). The amounts of “merchandise inventories and products” and “raw materials and supplies" included in "inventory” in the prior consolidated accounting fiscal year were ¥662,924 thousand and ¥146,343 thousand, respectively.

Notes to the Financial Statements

(Notes to the Consolidated Balance Sheets)

(Unit: Thousands of yen)

Prior Consolidated Accounting Fiscal Year (As of October 31, 2008)		Current Consolidated Accounting Fiscal Year (As of October 31, 2009)	
1. Matters related to non-consolidated subsidiaries and affiliated companies are as follows.		1. Matters related to non-consolidated subsidiaries and affiliated companies are as follows.	
Investment securities (stocks)	519,966	Investment securities (stocks)	563,724
―――――		2. Assets provided for security	
		Cash and deposits	15,000
		Buildings and structures	113,548
		Rental assets	115,108
		Land	838,422
		The above assets have been pledged as security for short-term bank loans of ¥160,700 long-term bank loans due within one year of ¥329,266 and long-term bank loans of ¥544,128.	
3. Guarantees		3. Guarantees	
Joint and several guarantees of bank loans to employees (Bank of Tokyo-Mitsubishi UFJ, others)	32,145	Joint and several guarantees of bank loans to employees (Bank of Tokyo-Mitsubishi UFJ, others)	34,788
Guarantee of borrowing liabilities of Flowtechno Corporation, a non-consolidated subsidiary company	100,000	Guarantee of borrowing liabilities of Flowtechno Corporation, a non-consolidated subsidiary company	100,000
Guarantee of installment payment liabilities of SJ Rental, Inc., a non-consolidated subsidiary company	33,014	Guarantee of installment payment liabilities of SJ Rental, Inc., a non-consolidated subsidiary company	177,884
Guarantee of borrowing liabilities of Shanghai Jinheyuan Equipment Rental Co., Ltd., an non-consolidated subsidiary company	1,253,670	Guarantee of borrowing liabilities of Shanghai Jinheyuan Equipment Rental Co., Ltd., an non-consolidated subsidiary company	133,900
Guarantee of finance lease liabilities of Shanghai Jinheyuan Equipment Rental Co., Ltd., an non-consolidated subsidiary company	1,632,416	Guarantee of finance lease liabilities of Shanghai Jinheyuan Equipment Rental Co., Ltd., an non-consolidated subsidiary company	1,580,468
Total	3,051,246	Guarantee of borrowing liabilities of Shanghai Jinheyuan Engineering Construction Co., Ltd., an non-consolidated subsidiary company	773,942
		Guarantee of finance lease liabilities of Shanghai Jinheyuan Engineering Construction Co., Ltd., an non-consolidated subsidiary company	1,246,603
		Guarantee of borrowing liabilities of KG Machinery Co., Ltd., an non-consolidated subsidiary company	29,050
		Guarantee of installment payment liabilities of KG Machinery Co., Ltd., a non-consolidated subsidiary company	66,439
		Total	4,143,076

4. Discount on notes receivable, trade 185,756	4. Discount on notes receivable, trade 133,744
5. Liquidation of receivables based on receivables transfer facility Notes receivable, trade 5,135,881 Liquidated claims bearing a right of recourse to the Company and included in the balance of notes receivable, trade transferred total ¥1,164,588.	5. Liquidation of receivables based on receivables transfer facility Notes receivable, trade 5,126,484 Liquidated claims bearing a right of recourse to the Company and included in the balance of notes receivable, trade transferred total ¥1,321,551.
6. Intangible fixed assets and goodwill includes negative goodwill of ¥330,905 and goodwill of ¥58,266.	6. Intangible fixed assets and goodwill includes negative goodwill of ¥261,073 and goodwill of ¥31,066.
	7. Notes and bills maturing at the end of the consolidated accounting fiscal year Notes and bills maturing on the last day of the consolidated accounting fiscal year are settled and processed on the note and bill clearing date. Because the last day of the Company's consolidated fiscal year was a financial institution holiday, notes and bills maturing on the final day of the following consolidated fiscal year are included in the consolidated fiscal year balance. Notes receivable, trade 91,516 Notes payable, trade 1,477,524 Other 14,249

(Notes to the Consolidated Statements of Income)

(Unit: Thousands of yen)

Prior Consolidated Accounting Fiscal Year (From November 1, 2007 to October 31, 2008)		Current Consolidated Accounting Fiscal Year (From November 1, 2008 to October 31, 2009)	
1. Major expense categories and amounts included in selling, general and administrative expenses		1. Major expense categories and amounts included in selling, general and administrative expenses	
Employee salaries and wages	6,490,413	Employee salaries and wages	6,902,026
Depreciation expense	794,297	Depreciation expense	996,586
Rents	1,876,323	Rents	1,954,370
Transfer to allowance for doubtful accounts	335,618	Transfer to allowance for doubtful accounts	139,370
Transfer to accrued bonuses to employees	534,357	Transfer to accrued bonuses to employees	453,268
Employees retirement benefit expense	323,495	Employees retirement benefit expense	516,907
Transfer to retirement allowances to directors and auditors	28,043	Transfer to retirement allowances to directors and auditors	23,193
Amortization of goodwill	194,714	Amortization of goodwill	256,607
2. Gain on sale or retirement of fixed assets		2. Gain on sale or retirement of fixed assets	
Land	949	Buildings and structures	1,803
Buildings and structures	18,094	Machinery, equipment and delivery equipment	1,875
Machinery, equipment and delivery equipment	3,866	Other	64
Other	120	Total	3,742
Total	23,031		
3. Loss on sale or retirement of fixed assets		3. Loss on sale or retirement of fixed assets	
(Loss on sale of fixed assets)		(Loss on sale of fixed assets)	
Buildings and structures	701	Buildings and structures	3,643
(Loss on retirement of fixed assets)		Machinery, equipment and delivery equipment	39
Rental equipment	20,134	Land	40
Buildings and structures	38,751	(Loss on retirement of fixed assets)	
Machinery, equipment and delivery equipment	5,901	Rental equipment	36,401
Other	16,349	Buildings and structures	54,088
Total	81,836	Machinery, equipment and delivery equipment	4,068
		Other	9,378
		Total	107,659

<table>
<tr>
<th>Prior Consolidated Accounting Fiscal Year
(From November 1, 2007
to October 31, 2008)</th>
<th>Current Consolidated Accounting Fiscal Year
(From November 1, 2008
to October 31, 2009)</th>
</tr>
<tr>
<td>4. Impairment loss
During this consolidated accounting fiscal year the Kanamoto Group incurred an impairment loss on the following asset groups.
<table>
<tr><th>Location</th><th>Use</th><th>Asset</th></tr>
<tr><td>Tomakomai City, Hokkaido</td><td>Dormant assets</td><td>Land</td></tr>
</table>
Asset groupings used by the Kanamoto Group to apply asset impairment accounting are based on the block classified as the smallest segment for which profitability can be determined regularly by business. Specifically, dormant assets are grouped as units that generate independent cash flow.
For certain dormant assets for which the asset value was less than book value, the Company reduced book value to the recoverable value, and accounted for the reduction as an impairment loss (¥490 thousand) under extraordinary losses. This ¥490 thousand was for land.
The recoverable value for this asset group is measured according to net sales price, and the land is evaluated using the inheritance tax assessment value based on the land tax assessment value or other amount as a base.</td>
<td>4. Impairment loss
During this consolidated accounting fiscal year the Kanamoto Group incurred an impairment loss on the following asset groups.
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For certain dormant assets for which the asset value was less than book value, the Company reduced book value to the recoverable value, and accounted for the reduction as an impairment loss (¥312 thousand) under extraordinary losses. This ¥312 thousand was for land.
The recoverable value for this asset group is measured according to net sales price, and the land is evaluated using the inheritance tax assessment value based on the land tax assessment value or other amount as a base.</td>
</tr>
</table>

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

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

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

(Thousands of shares)

	Number of shares at the end of prior consolidated accounting fiscal year	Increase in number of shares during the current consolidated accounting fiscal year	Decrease in number of shares during the current consolidated accounting fiscal year	Number of shares at the end of the current consolidated accounting fiscal year
Number of shares issued				
Common stock (Note)	32,872	－	－	32,872
Total	32,872	－	－	32,872
Treasury stock				
Common stock (Note)	25	5	－	30
Total	25	5	－	30

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

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

The Company had no material items to report.

3. Dividends

(1) Dividends paid

Resolution	Class of stock	Total dividend (‘000 yen)	Dividend per share (yen)	Date of record	Payment date
January 29, 2008 Regular General Meeting of the Shareholders	Common stock	361,311	11.0	October 31, 2007	January 30, 2008
June 6, 2008 Board of Directors	Common stock	328,448	10.0	April 30, 2008	July 14, 2008

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

Resolution	Class of stock	Total dividend (‘000 yen)	Source of funds for dividend	Dividend per share (yen)	Date of record	Payment date
December 26, 2009 Board of Directors	Common stock	328,413	Earned surplus	10.0	October 31, 2008	January 30, 2009

Current consolidated accounting fiscal year (From November 1, 2008 to October 31, 2009)

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

(Thousands of shares)

	Number of shares at the end of prior consolidated accounting fiscal year	Increase in number of shares during the current consolidated accounting fiscal year	Decrease in number of shares during the current consolidated accounting fiscal year	Number of shares at the end of the current consolidated accounting fiscal year
Number of shares issued				
Common stock (Note)	32,872	–	–	32,872
Total	32,872	–	–	32,872
Treasury stock				
Common stock (Note)	30	3	–	34
Total	30	3	–	34

(Notes) The number of treasury stock shares of common stock increased by 3 thousand shares through purchases of shares comprising less than one investment unit.

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

The Company had no material items to report.

3. Dividends

(1) Dividends paid

Resolution	Class of stock	Total dividend ('000 yen)	Dividend per share (yen)	Date of record	Payment date
January 29, 2009 Board of Directors	Common stock	328,413	10.0	October 31, 2008	January 30, 2009
June 6, 2009 Board of Directors	Common stock	328,382	10.0	April 30, 2009	July 13, 2009

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

Resolution	Class of stock	Total dividend ('000 yen)	Source of funds for dividend	Dividend per share (yen)	Date of record	Payment date
December 29, 2009 Board of Directors	Common stock	328,378	Earned surplus	10.0	October 31, 2009	January 29, 2010

(Notes to the Consolidated Statements of Cash Flows)

(Unit: Thousands of yen)

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

1. Relationships between fiscal year-end balance for cash and equivalents and amounts for items shown on the consolidated accounting fiscal year balance sheet

Cash and deposits account	14,070,345
Time deposits with a maturity longer than 3 months	-203,650
Negotiable securities	3,700,000
Cash and cash equivalents	17,566,695

2. Main assets and liabilities of company converted to a new consolidated subsidiary through an acquisition of shares

Toyo Industry Co., Ltd.

Current assets	949,444
Fixed assets	732,930
Current liabilities	-661,600
Long-term liabilities	-363,623
Goodwill (negative goodwill)	-244,642
Toyo Industry Co., Ltd. acquisition price	412,510
Toyo Industry Co., Ltd. cash and cash equivalents	-180,578
Balance: Expenditure for acquisition of Toyo Industry Co., Ltd.	231,931

3. Details of major non-cash transactions

The amount of assets and liabilities related to installment transactions that are newly accounted for during this consolidated accounting fiscal year is ¥3,410,178 respectively.

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Current Consolidated Accounting Fiscal Year (From November 1, 2008 to October 31, 2009)

1. Relationships between fiscal year-end balance for cash and equivalents and amounts for items shown on the consolidated accounting fiscal year balance sheet

Cash and deposits account	12,345,028
Time deposits with a maturity longer than 3 months	-59,000
Negotiable securities	1,800,000
Cash and cash equivalents	14,086,028

2. Main assets and liabilities of company converted to a new consolidated subsidiary through an acquisition of shares

Narasaki Lease Co., Ltd.

Current assets	884,456
Fixed assets	2,028,399
Current liabilities	-2,009,070
Long-term liabilities	-696,805
Goodwill (negative goodwill)	171,819
Minority interests	-17,299
Narasaki Lease Co., Ltd. acquisition price	361,500
Narasaki Lease Co., Ltd. cash and cash equivalents	-162,195
Balance: Expenditure for acquisition of Narasaki Lease Co., Ltd.	199,304

3. Details of major non-cash transactions

The amount of assets and liabilities related to installment transactions that are newly accounted for during this consolidated accounting fiscal year is ¥6,107,959 respectively.

4. A breakdown of the main assets and liabilities succeeded to from the non-consolidated subsidiaries Asahikawa Fujisho Co., Ltd. and Kyokuto Lease Co., Ltd., which were merged into Kanamoto during the consolidated accounting fiscal year under review, is shown below:

Asahikawa Fujisho Co., Ltd.

Current assets	79,833
Fixed assets	163,284
Total assets	243,118
Current liabilities	155,207
Long-term liabilities	62,965
Total liabilities	218,713

	Kyokuto Lease Co., Ltd.
	Current assets	128,477
	Fixed assets	54,880
	Total assets	183,358
	Current liabilities	115,579
	Long-term liabilities	62,085
	Total liabilities	177,664

(Notes Related to Negotiable Securities)

Negotiable securities

1. Other negotiable securities with market prices

(Unit: Thousands of yen)

	Type	Prior consolidated accounting fiscal year (As of October 31, 2008)			Current consolidated fiscal year (As of October 31, 2009)		
		Acquisition price	Amount reported on the consolidated balance sheet	Valuation profit or loss	Acquisition price	Amount reported on the consolidated balance sheet	Valuation profit or loss
Negotiable securities whose balance on the consolidated balance sheet exceeds the acquisition price	(1) Stocks	1,160,156	1,485,642	325,485	1,484,799	1,919,137	434,337
	(2) Bonds						
	a. Government bonds	–	–	–	–	–	–
	b. Corporate bond	–	–	–	–	–	–
	c. Other	–	–	–	–	–	–
	(3) Other negotiable securities	–	–	–	–	–	–
	Subtotal	1,160,156	1,485,642	325,485	1,484,799	1,919,137	434,337
Negotiable securities whose balance on the consolidated balance sheet is less than the acquisition price	(1) Stocks	606,790	556,482	-50,307	216,486	177,685	-38,800
	(2) Bonds						
	a. Government bonds	–	–	–	–	–	–
	b. Corporate bond	–	–	–	–	–	–
	c. Other	–	–	–	–	–	–
	(3) Other negotiable securities	53,895	53,895	–	–	–	–
	Subtotal	660,685	610,377	-50,307	216,486	177,685	-38,800
Total		1,820,842	2,096,020	275,177	1,701,286	2,096,822	395,536

2. Other negotiable securities sold during the prior consolidated accounting fiscal year and the current consolidated accounting fiscal year

(Unit: Thousands of yen)

Prior Consolidated Accounting Fiscal Year (From November 1, 2007 to October 31, 2008)			Current Consolidated Accounting Fiscal Year (From November 1, 2008 to October 31, 2009)		
Selling amount	Total gain on sale	Total loss on sale	Selling amount	Total gain on sale	Total loss on sale
44,168	989	1,339	51,984	50	2,086

3. Details of other negotiable securities that do not have a market value

(Unit: Thousands of yen)

Type	Prior consolidated accounting fiscal year (As of October 31, 2008)	Current consolidated fiscal year (As of October 31, 2009)
	Amount shown on the consolidated balance sheet	Amount shown on the consolidated balance sheet
Other negotiable securities		
Unlisted stocks	211,400	537,400
Negotiable certificates of deposit	3,700,000	1,800,000
Other	20,595	20,539

4. Planned future redemption amounts of other securities that have a maturity date

(Unit: Thousands of yen)

Type	Prior consolidated accounting fiscal year (As of October 31, 2008)				Current consolidated fiscal year (As of October 31, 2009)			
	Within one year	After one year and within five years	After five years within ten years	After ten years	Within one year	After one year and within five years	After five years within ten years	After ten years
(1) Bonds								
a. Government bonds	–	–	–	–	–	–	–	–
b. Corporate bonds	–	–	–	–	–	–	–	–
c. Other	–	–	–	–	–	–	–	–
(2) Other negotiable securities	–	–	–	53,895	–	–	–	–
Total	–	–	–	53,895	–	–	–	–

(Notes related to Derivative Transactions)

1. Notes related to transaction conditions

Prior Consolidated Accounting Fiscal Year (From November 1, 2007 to October 31, 2008)	Current Consolidated Accounting Fiscal Year (From November 1, 2008 to October 31, 2009)
a. Contents and purpose of derivative transactions The Kanamoto Group uses forward exchange agreements and currency swap transactions for specified foreign currency-denominated assets and liabilities to avoid the risk of future exchange rate fluctuations in currency markets related to its foreign currency-denominated assets and liabilities. The Company also uses interest swaps to limit within a specific range the affect any future increase in market interest rates will have on payments of interest on the Company's floating rate loans. The Company accounts for derivative transactions using hedge accounting principles. Hedge accounting methods The Company accounts for hedge transactions using allocations based on accounting standards for foreign currency-denominated transactions, and special rule accounting based on accounting standards for financial products. Hedge methods and hedged transactions Hedge methods Currency swaps, forward exchange agreements and interest swaps Hedged transactions Foreign currency-denominated straight bonds, import payment liabilities and loans Hedging policy The Company's use of derivative transactions is limited to hedging risk within the scope of the Company's assets and liabilities subject to market fluctuation risk. Method for evaluating the effectiveness of hedges The Company does not evaluate the effectiveness of its hedge transactions because it can assume its currency swap transactions and forward transactions will completely offset market fluctuations or changes in cash flow from the time the hedge begins until it is terminated. In addition, the Company's interest swap transactions fulfill the requirements for special rule accounting, and the Company has elected to use this in place of an evaluation of effectiveness.	a. Contents and purpose of derivative transactions Same as at left
b. Transaction matching policy The Kanamoto Group has adopted a policy of using derivative transactions only to avoid the risks to its assets and liabilities exposed to market fluctuation risk. The Company's policy is to not use derivative transactions to earn short-term trading gains or for speculative purposes.	b. Transaction matching policy Same as at left

Prior Consolidated Accounting Fiscal Year (From November 1, 2007 to October 31, 2008)	Current Consolidated Accounting Fiscal Year (From November 1, 2008 to October 31, 2009)
c. Transaction-related risks Derivative transactions present market risk related to fluctuations in the market prices of the commodity subject to the transactions and credit risk related to non-performances of the agreements by customers. The foreign currency-related forward agreements used by the Kanamoto Group present risk from currency market fluctuations, and the interest swaps used by the Kanamoto Group present risk from changes in market interest rates. The Company believes it faces minimal credit risk because the counterparties to the Kanamoto Group's derivative transactions are always domestic banks or securities firms with excellent creditworthiness.	c. Transaction-related risks Same as at left
d. Transaction risk management system The Company's basic policy concerning derivative transactions is determined by the Board of Directors, and the manager responsible for the finance section in the Accounting Division executes and manages the transactions based on internal management guidelines. The chief financial officer reports on the Company's financial affairs, including all derivative transactions, at the regular meetings of the Board of Directors.	d. Transaction risk management system Same as at left
e. Supplemental explanation of matters related to transaction market prices Forward agreements and currency swap transactions accounted for on the Company's financial statements through conversion of the relevant foreign currency-denominated money claims and money liabilities by being appropriated to foreign currency-denominated claims or liabilities or other accounts at the end of the consolidated fiscal year are excluded from transactions for which market prices are disclosed.	e. Supplemental explanation of matters related to transaction market prices Same as at left

2. Notes related to transaction market prices etc.

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

The Company had no material items to report.

Current consolidated accounting fiscal year (As of October 31, 2009)

The Company had no material items to report.

(**Notes related to accrued employees retirement benefit**)

1. Summary of the employees retirement benefit system adopted by the Company

The Company and certain consolidated subsidiaries have established a defined-benefit pension system (cash balance system) and defined contribution pension system. In addition, when an employee retires or leaves the Company, in some cases the Company pays an additional retirement amount that is not covered by the reserve for accrued employees retirement benefit when using actuarial accounting based on retirement benefit accounting. Certain consolidated subsidiaries have adopted a termination allowance plan and tax qualified pension plan system, or have joined the Kobe Machinery and Metal Firms Employees Pension Fund as a welfare pension fund system.

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

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

Pension assets	¥22,237,642 thousand
Benefit obligations under pension funding calculation	¥37,788,872 thousand
Difference	-¥15,551,229 thousand

(2) Ratio of consolidated subsidiary contributions to total contributions to the plans (From April 1, 2007 to March 31, 2008) 1.469%

2. Details of the Company's liability for accrued employees retirement benefit

(Unit: Thousands of yen)

	Prior consolidated accounting fiscal year (As of October 31, 2008)	Current consolidated accounting fiscal year (As of October 31, 2009)
(1) Liability for accrued employees retirement benefit	-4,519,281	-4,777,321
(2) Pension assets	2,317,053	2,559,803
(3) Liability for unreserved accrued employees retirement benefit (1) ＋(2)	-2,202,227	-2,217,518
(4) Unrecognized transitional obligation	―	―
(5) Unrecognized actuarial differences	-1,122,221	897,344
(6) Unrecognized past years' service obligation (change in liability)	―	―
(7) Net liability shown on the consolidated balance sheets (3) + (4) + (5) +(6)	-1,080,005	-1,320,173
(8) Prepaid pension expense	―	―
(9) Accrued employees retirement benefits (7) -(8)	-1,080,005	-1,320,173

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

3. Details of accrued employees retirement benefit expense

(Unit: Thousands of yen)

	Prior Consolidated Accounting Fiscal Year (From November 1, 2007 to October 31, 2008)	Current Consolidated Accounting Fiscal Year (From November 1, 2008 to October 31, 2009)
(1) Service costs (Note 1)	309,788	339,169
(2) Interest costs	82,065	86,989
(3) Expected return on plan investments（reduction）	128,218	90,087
(4) Amortization of prior service cost (Note 2)	—	—
(5) Write-off of expense for actuarial based difference	39,828	146,127
(6) Amortization of net transition obligation	—	—
(7) Amortization of transitional obligation	20,031	20,962
(8) Employees retirement benefit expense	323,495	503,161

(Notes) 1. The employees retirement benefit expenses at consolidated subsidiary companies that have adopted the simple method are included in service costs.

4. Matters related to the basis for accounting for the accrued employees retirement benefit and other items

	Prior consolidated accounting fiscal year (As of October 31, 2008)	Current consolidated accounting fiscal year (As of October 31, 2009)
(1) Discount rate (%)	2.00	2.00
(2) Expected rate of return on plan investments (%)	4.00	4.00
(3) Method of allocating projected benefits to periods of service	Service period fixed benefit basis	Service period fixed benefit basis
(4) Amortization period of past years' service liability	—	—
(5) Amortization period for actuarial differences	10 years beginning from the next consolidated accounting fiscal year	10 years beginning from the next consolidated accounting fiscal year
(6) Number of years for amortization of one-time valuation difference for change in accounting standards	—	—

(Notes Related to Tax Effect Accounting)

(Unit: Thousands of yen)

Prior consolidated accounting fiscal year (As of October 31, 2008)	Current consolidated accounting fiscal year (As of October 31, 2009)
1. Principal items accounted for as deferred tax assets and deferred tax liabilities	1. Principal items accounted for as deferred tax assets and deferred tax liabilities

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

Deferred tax assets	
Amount in excess of limit for inclusion in allowance for doubtful accounts	276,183
Disallowance of deferred business taxes	13,105
Excess accrued employees retirement benefit	436,265
Amount in excess of limit for retirement benefit	70,628
Amount in excess of limit for accrued bonuses to employees	222,192
Disallowance of excess depreciation	286,162
Impairment loss	240,572
Amount of loss carried forward	1,660,294
Others	348,746
Deferred tax assets subtotal	3,554,152
Valuation reserve	-2,110,879
Total deferred tax assets	1,443,272
Deferred tax liability	
Valuation difference on other investment securities	131,496
Net deferred tax assets	1,311,776

Disclosure item:

Current assets - Deferred tax assets	256,893
Fixed assets - Deferred tax assets	1,054,883

2. Causes of principal differences between the statutory tax rate and burden ratio for corporate and other taxes following application of tax effect accounting by major category.

Statutory corporate tax rate	40.4 %
(Adjustment)	
Local tax equalization	5.3 %
Items not included permanently in losses such as expense account	2.3 %
Affect from application of asset impairment accounting for fixed assets	0.0 %
Goodwill amortization amount excluded from expenses	4.1 %
Consolidated subsidiary losses	8.1 %
Other	1.1 %
Burden ratio for corporate and other taxes after application of tax effect accounting	61.3 %

Current consolidated accounting fiscal year (As of October 31, 2009)

Deferred tax assets	
Amount in excess of limit for inclusion in allowance for doubtful accounts	815,357
Disallowance of deferred business taxes	689
Excess accrued employees retirement benefit	531,611
Amount in excess of limit for retirement benefit	89,181
Amount in excess of limit for accrued bonuses to employees	187,712
Amount in excess of limit for allowance for investment loss	263,870
Loss on valuation of investment securities	246,863
Disallowance of excess depreciation	367,734
Impairment loss	264,452
Amount of loss carried forward	1,441,113
Others	315,959
Deferred tax assets subtotal	4,524,548
Valuation reserve	-2,816,371
Total deferred tax assets	1,708,177
Deferred tax liability	
Valuation difference on other investment securities	159,796
Net deferred tax assets	1,548,380

Disclosure item:

Current assets - Deferred tax assets	261,523
Fixed assets - Deferred tax assets	1,548,380

2. Causes of principal differences between the statutory tax rate and burden ratio for corporate and other taxes following application of tax effect accounting by major category.

The Company has omitted the description of these items because it reported a net loss before taxes and adjustments.

(Business Segment Information)

1. Segment Information by Type of Business

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

(Unit: Thousands of yen)

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

(Notes) 1. Method of business classification

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

2. Principal products, by business

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

3. The total amount for assets that were eliminated or included in the categories for all companies was ¥25,601,341 thousand and represents primarily idle working capital (cash, deposits and negotiable securities) long-term investment funds (investment securities) and assets used in administrative departments at the parent company.

Consolidated fiscal year under review (From November 1, 2008 to October 31, 2009)

(Unit: Thousands of yen)

	Construction equipment rental business	Steel sales business	Information products business and other businesses	Total	Eliminations or entire company	Consolidated
I. Revenues and operating income						
Revenues						
(1) Sales to outside customers	57,771,178	5,639,820	452,991	63,863,989	—	63,863,989
(2) Sales or transfers between related segments	—	—	—	—	—	—
Total	57,771,178	5,639,820	452,991	63,863,989	—	63,863,989
Operating expenses	57,619,403	5,619,174	430,170	63,668,748	57,923	63,726,672
Operating income	151,774	20,646	22,820	195,241	-57,923	137,317
II. Assets, depreciation expense and capital disbursements						
Assets	71,553,415	1,612,011	192,966	73,358,393	23,076,638	96,435,031
Depreciation expense	4,815,790	3,356	224	4,819,371	273,858	5,093,229
Capital disbursements	312	—	—	312	—	312
Operating expenses	11,266,098	469	—	11,266,567	1,038,184	12,304,751

(Notes) 1. Method of business classification

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

2. Principal products, by business

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

3. The total amount for assets that were eliminated or included in the categories for all companies was ¥23,076,638 thousand and represents primarily idle working capital (cash, deposits and negotiable securities) long-term investment funds (investment securities) and assets used in administrative departments at the parent company.

4. Changes in accounting methods

(Change in depreciation method for construction equipment)

Beginning from the consolidated accounting fiscal year under review, the Company has changed the method of depreciation for construction equipment from the declining-balance method to the straight-line method as described in 4. (1) b. in "Important Matters Used as the Basis for Preparation of the Consolidated Financial Statements." In conjunction with this change, the operating income of the Company's construction-related business increased by ¥74,180 thousand compared with what it otherwise would have been had the accounting standard used in prior fiscal years been applied.

(Change in depreciation method for tangible fixed assets and rental assets)

Beginning from the consolidated accounting fiscal year under review, the Company has changed the method of depreciation for rental assets included in tangible fixed assets from the declining-balance method to the straight-line method as described in 4. (2) in "Important Matters Used as the Basis for Preparation of the Consolidated Financial Statements." In conjunction with this change, the operating income of the Company's construction-related business increased by ¥2,760,115 thousand compared with what it otherwise would have been had the accounting standard used in prior fiscal years been applied.

5. Supplemental information

Beginning from the consolidated accounting fiscal year under review, the Company has revised the durable lives applied to machinery and equipment (including assets accounted for as rental assets) as described in 4. (2) b in "Important Matters Used as the Basis for Preparation of the Consolidated Financial Statements."

In conjunction with this change, the operating income of the Company's construction-related business increased by ¥1,143,563 thousand compared with what it otherwise would have been had the accounting standard used in prior fiscal years been applied.

2. Segment information by location

The Company does not report segment information by location because the Company did not have any consolidated subsidiaries or important offices located in countries or regions outside of Japan during the prior consolidated fiscal year and the current consolidated fiscal year.

3. Foreign sales

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

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

Current consolidated accounting fiscal year (From November 1, 2008 to October 31, 2009)

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

(Per Share Information)

Prior Consolidated Accounting Fiscal Year (From November 1, 2007 to October 31, 2008)		Current Consolidated Accounting Fiscal Year (From November 1, 2008 to October 31, 2009)	
Net assets per share	¥1,155.47	Net assets per share	¥1102.51
Net income (loss) per share of common stock	¥19.61	Net income (loss) per share of common stock	-¥35.28
Net income per share of common stock after adjustment for potential ordinary shares	—	Net income per share of common stock after adjustment for potential ordinary shares	—
The Company has not reported net income per share of common stock after adjustment for potential ordinary shares because it does not have any potential shares that would have a dilution effect.		The Company has not reported net income per share of common stock after adjustment for potential ordinary shares because it does not have any potential shares that would have a dilution effect.	

(Note) The basis for calculating consolidated fiscal year earnings per share and earnings per share after adjustment for potential ordinary shares is as follows.

(Unit: Thousands of yen)

	Prior Consolidated Accounting Fiscal Year (From November 1, 2007 to October 31, 2008)	Current Consolidated Accounting Fiscal Year (From November 1, 2008 to October 31, 2009)
Net income (loss)	644,038	-1,158,497
Amount not attributed to common stock shareholders	—	—
Net income related to common stock	644,038	-1,158,497
Average number of outstanding shares during the fiscal year	32,844,319	32,838,970

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

The Company had no material items to report.

5 Company Financial Statements

1. Comparative Balance Sheets

(Unit: Thousands of yen)

Classification	Notes	Prior Fiscal Year (As of October 31, 2008) Amount	Current Fiscal Year (As of October 31, 2009) Amount
(Assets)			
Current assets			
Cash and deposits		12,189,646	10,728,117
Notes receivable, trade	*4	2,106,194	2,273,263
Accounts receivable, trade		10,537,290	9,771,824
Negotiable securities		3,700,000	1,800,000
Merchandise inventory		259,968	—
Merchandise and finished goods		—	248,457
Work in process		147,054	38,326
Construction equipment		616,935	753,499
Supplies		72,526	—
Prepaid expenses		221,130	251,002
Deferred tax assets		235,290	199,932
Income taxes receivable		94,272	337,075
Consumption taxes receivable		267,463	29,786
Short-term loans receivable		—	306,390
Other		85,219	85,952
Allowance for doubtful accounts		-411,379	-350,548
Total Current Assets		30,121,614	26,551,740
Fixed assets			
Tangible fixed assets			
Rental equipment		36,099,146	41,046,227
Accumulated depreciation		-25,160,882	-24,953,646
Net rental equipment		10,938,263	16,092,580
Buildings		12,425,311	14,078,535
Accumulated depreciation		-6,998,151	-7,426,988
Net buildings		5,427,160	6,651,547
Structures		4,338,834	4,749,778
Accumulated depreciation		-3,321,397	-3,507,956
Net structures		1,017,436	1,241,822
Machinery and equipment	*1	4,299,801	4,523,311
Accumulated depreciation		-3,574,404	-3,703,999
Net machinery and equipment		725,396	819,311

Vehicles and delivery equipment		30,916	56,686
Accumulated depreciation		-29,165	-50,108
Net vehicles and delivery equipment		1,750	6,578
Tools, furnishings and fixtures		1,046,723	1,164,366
Accumulated depreciation		-837,986	-883,803
Net tools, furnishings and fixtures		208,736	280,562
Land	*1	27,999,448	28,041,096
Construction in progress		683,294	—
Total Tangible Fixed Assets		47,001,488	53,133,499
Intangible fixed assets			
Goodwill		21,600	14,400
Software		80,714	205,131
Telephone subscription rights		40,431	42,469
Total Intangible Fixed Assets		142,746	262,000
Investments and other assets			
Investment securities		2,272,537	2,568,472
Stock of affiliated companies		3,510,688	3,945,528
Advances		8,107	8,107
Long-term loan to affiliated company		1,386,742	1,941,287
Claims in bankruptcy, claims in reorganization and other similar claims		326,114	233,866
Long-term prepaid expenses		67,129	53,850
Deferred tax assets		1,233,325	1,236,636
Insurance reserve		32,496	17,528
Long-term guaranty money deposited		971,125	877,818
Other		18,538	18,178
Allowance for doubtful accounts		-1,285,210	-1,656,326
Reserve for investment losses		-406,663	-653,144
Total investments and other assets		8,134,931	8,591,802
Total Fixed Assets		55,279,166	61,987,302
Total Assets		85,400,780	88,539,042

		Prior Fiscal Year (As of October 31, 2008)	Current Fiscal Year (As of October 31, 2009)
Classification	Notes	Amount	Amount
(Liabilities)			
Current liabilities			
Notes payable, trade	*5	8,492,680	8,926,198
Accounts payable, trade		2,298,699	2,440,169
Long-term bank loans due within one year		9,251,000	9,930,000
Accounts payable, other		2,684,135	3,384,855
Accrued expenses		256,870	258,538
Deposits		39,448	41,069
Accrued bonuses to employees		487,359	192,468
Equipment notes payable	*5	619,130	192,468
Other		123,738	75,569
Total Current Liabilities		24,253,064	25,639,004
Long-term liabilities			
Long-term bank loans		18,334,000	19,686,000
Long-term accrued expenses		2,891,152	4,861,786
Accrued employees retirement benefits		1,001,191	1,209,868
Retirement allowances to directors and auditors		101,376	140,833
Provision for loss on guarantees		377,216	206,622
Total long-term liabilities		22,704,937	26,105,111
Total Liabilities		46,958,001	51,744,115
(Net Assets)			
Shareholders' equity			
Capital stock		9,696,717	9,696,717
Capital surplus			
Capital legal reserve		10,817,389	10,817,389
Other capital surplus		143,480	143,480
Total capital surplus		10,960,869	10,960,869
Earned surplus			
Earned legal reserve		1,375,287	1,375,287
Other earned surplus			
Reserve for advanced depreciation of fixed assets		19,601	19,601
General reserve		15,631,684	15,631,684
Earned surplus brought forward		617,502	-1,099,417
Total earned surplus		17,644,075	15,927,156

Treasury stock		-22,729	-23,917
Total Shareholders' Equity		38,278,933	36,560,825
Valuation and translation adjustments			
Valuation difference on other investment securities		163,845	234,101
Total valuation and translation adjustments		163,845	234,101
Total Net Assets		38,442,779	36,794,927
Total Liabilities and Net Assets		85,400,780	88,539,042

2. Comparative Statements of Income

(Unit: Thousands of yen)

Classification	Notes	Prior fiscal year (From November 1, 2007 to October 31, 2008) Amount	Current fiscal year (From November 1, 2008 to October 31, 2009) Amount
Operating revenues			
Rental revenues		40,519,332	38,260,952
Sales		19,954,648	16,186,922
Total sales		60,473,981	54,447,875
Cost of revenues			
Cost of rental revenues		30,373,396	28,233,776
Cost of goods sold			
Balance of merchandise inventory at beginning of period		227,690	259,968
Merchandise inventory purchases		14,015,942	12,131,319
Merchandise received from other accounts	*2	514,766	648,395
Total		14,758,399	13,039,683
Balance of merchandise at end of period		259,968	248,457
Valuation loss on goods		—	1,528
Total goods sold		14,498,430	12,792,754
Total cost of revenues		44,871,826	41,026,530
Gross profit		15,602,154	13,421,344
Selling, general and administrative expenses			
Freight-out		64,868	69,622
Vehicle fuel expense		188,473	141,389
Advertising and public relations expense		169,514	137,223
Transfer to allowance for doubtful accounts		271,120	89,608
Director compensation		83,197	69,833
Salary allowance		5,261,471	5,366,895
Bonuses		730,245	628,172
Transfer to accrued bonuses to employees		487,359	390,137
Transfer to retirement allowances to directors and auditors		11,990	13,643
Employees retirement benefit expense		257,289	433,747

Travel and transportation expenses		313,275	261,481
Entertainment expenses		85,279	73,244
Insurance premiums		107,957	136,987
Communications expense		332,083	320,706
Maintenance and repairs		97,513	94,637
Consumables expense		324,138	286,214
Utilities		257,618	243,725
Taxes and public charge		381,818	396,045
Welfare expenses		884,300	884,513
Depreciation expense		729,513	874,939
Rent		1,552,391	1,561,583
Other expenses		549,358	529,824
Total selling, general and administrative expenses		13,140,777	13,004,176
Operating income		2,461,376	417,168
Non-operating revenues			
Interest revenue		38,513	28,513
Interest revenue on negotiable securities		31,369	19,852
Dividend income		68,573	40,852
Gain on sale of investment securities		967	—
Rents received	*1	182,396	156,811
Insurance benefits		25,544	35,700
Cash bonus received		4,462	5,372
Other	*1	104,995	138,128
Total non-operating revenues		456,810	425,231
Non-operating expenses			
Interest expense		347,058	403,314
Loss on sale of notes receivable		74,968	53,098
Other		126,964	213,924
Total non-operating expense		548,991	670,337
Ordinary income		2,369,196	172,062
Extraordinary profits			
Gain on disposal of fixed assets	*3	5,354	89
Reversal of provision for loss on guarantees		—	170,594
Reversal of allowance for doubtful accounts		19,258	360
Reversal of allowance for investment loss		158,757	41,416

Other		3,602	10,806
Total extraordinary income		186,973	223,265
Extraordinary losses			
Loss on sale or disposal fixed assets	*4	60,103	73,668
Impairment loss	*5	490	312
Valuation loss on investment securities		54,978	435,945
Management loss on investment partnership enterprise		21,221	4,215
Reversal of provision for loss on guarantees of subsidiaries and affiliates		377,216	—
Reversal of allowance for investment loss		—	287,897
Transfer to reserve for doubtful accounts for affiliated company stock		761,175	478,631
Other		40,812	47,111
Total extraordinary losses		1,315,999	1,327,782
Income before taxes		1,240,170	-932,454
Corporate, local and business taxes		983,680	143,244
Adjustment for corporate and other taxes		73,021	-15,575
Total income taxes		1,056,702	127,668
Net income (loss)		183,467	-1,060,122

Detailed Statement of Cost of Rental Revenues

(Unit: Thousands of yen)

		Prior Fiscal Year From November 1, 2007 to October 31, 2008		Current Fiscal Year From November 1, 2008 to October 31, 2009	
Classification	Notes	Amount	Percent	Amount	Percent
Rent		16,748,491	55.1	15,089,135	53.4
Repair expense		2,927,336	9.6	2,790,681	9.9
Freight charges		5,044,634	16.6	4,728,983	16.8
Depreciation expense	*2	3,908,613	12.9	3,409,168	12.1
Consumables expense		685,457	2.3	945,496	3.3
Other costs	*3	1,058,863	3.5	1,270,311	4.5
Total		30,373,396	100.0	28,233,776	100.0

Note *1	Cost of rental revenues is the direct cost incurred to receive revenues from the rental of construction equipment and other goods.	Same as at left
Note *2	The Company posted rental equipment asset depreciation expense of ¥3,755,059 thousand and construction equipment depreciation expense of ¥153,553 thousand.	The Company posted rental equipment asset depreciation expense of ¥3,326,471 thousand and construction equipment depreciation expense of ¥82,696 thousand.
Note *3	Other costs consisted mainly of taxes and public charges of ¥429,888 thousand, insurance premiums of ¥528,654 thousand and interest of ¥45,711 thousand related to installment payment purchases of rental equipment assets.	Other costs consisted mainly of taxes and public charges of ¥529,530 thousand, insurance premiums of ¥518,979 thousand and interest of ¥95,964 thousand related to installment payment purchases of rental equipment assets.

3. Statement of Changes in Net Assets

(Unit: Thousands of yen)

Classification	Prior Fiscal Year From November 1, 2007 to October 31, 2008 Amount	Current Fiscal Year From November 1, 2008 to October 31, 2009 Amount
Shareholders' equity		
Capital stocks		
Balance at beginning of year	9,696,717	9,696,717
Changes of items during the year		
Total changes of items during the year	—	—
Balance at end of year	9,696,717	9,696,717
Capital surplus		
Legal capital surplus		
Balance at beginning of year	10,817,389	10,817,389
Changes of items during the year		
Total changes of items during the year	—	—
Balance at end of year	10,817,389	10,817,389
Other capital surplus		
Balance at beginning of year	143,480	143,480
Changes of items during the year		
Total changes of items during the year	—	—
Balance at end of year	143,480	143,480
Total capital surplus		
Balance at beginning of year	10,960,869	10,960,869
Changes of items during the year		
Total changes of items during the year	—	—
Balance at end of year	10,960,869	10,960,869
Retained earnings		
Legal retained earnings		
Balance at beginning of year	1,375,287	1,375,287
Changes of items during the year		
Total changes of items during the year	—	—
Balance at end of year	1,375,287	1,375,287
Other retained earnings		

Reserve for advanced depreciation of noncurrent assets		
Balance at beginning of year	19,601	19,601
Changes of items during the year		
Total changes of items during the year	—	—
Balance at end of year	19,601	19,601
General reserve		
Balance at beginning of year	12,931,684	15,631,684
Changes of items during the year		
Provision of general reserve	2,700,000	—
Total changes of items during the year	2,700,000	—
Balance at end of year	15,631,684	15,631,684
Retained earnings brought forward		
Balance at beginning of year	3,823,794	617,502
Total changes of items during the year		
Provision of general reserve	-2,700,000	—
Dividends from surplus	-689,760	-656,796
Net income (loss)	183,467	-1,060,122
Changes of items during the year	-3,206,292	-1,716,919
Balance at end of year	617,502	-1,099,417
Total retained earnings		
Balance at beginning of year	18,150,368	17,644,075
Changes of items during the year		
Provision of general reserve	—	—
Dividends from surplus	-689,760	-656,796
Net income (loss)	183,467	-1,060,122
Total changes of items during the year	-506,292	-1,716,919.
Balance at end of year	17,644,075	15,927,156
Treasury stock		
Balance at beginning of year	-19,784	-22,729
Changes of items during the year		
Purchase of treasury stock	-2,944	-1,188
Total changes of items during the year	-2,944	-1,188
Balance at end of year	-22,729	-23,917

Total shareholders' capital		
Balance at beginning of year	36,788,170	38,278,933
Changes of items during the year		
Dividends from surplus	-689,760	-656,796
Net income (loss)	183,467	-1,060,122
Purchase of treasury stock	-2,944	-1,188
Total changes of items during the year	-509,237	-1,718,107
Balance at end of year	38,278,933	36,560,825
Valuation and translation adjustments		
Valuation difference on available-for-sale securities		
Balance at beginning of year	1,999,735	163,845
Changes of items during the year		
Net changes of items other than shareholders' equity	-1,835,889	70,255
Total changes of items during the year	-1,835,889	70,255
Balance at end of year	163,845	234,101
Total valuation and translation adjustments		
Balance at beginning of year	1,999,735	163,845
Changes of items during the year		
Net changes of items other than shareholders' equity	-1,835,889	70,255
Total changes of items during the year	-1,835,889	70,255
Balance at end of year	163,845	234,101
Total net assets		
Balance at beginning of year	40,787,905	38,442,779
Changes of items during the year		
Dividends from surplus	-689,760	-656,796
Net income (loss)	183,467	-1,060,122
Purchase of treasury stock	-2,944	-1,188
Net changes of items other than shareholders' equity	-1,835,889	70,255
Total changes of items during the year	-2,345,126	-1,647,852
Balance at end of year	38,442,779	36,794,927

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

The Company had no material items to report.

Significant accounting policies

Item	Prior fiscal year From November 1, 2007 to October 31, 2008	Current fiscal year From November 1, 2008 to October 31, 2009
1. Valuation standards and valuation methods for negotiable securities	Common stock of subsidiaries and affiliated companies The Company has adopted the cost method based upon the moving average method Other negotiable securities Negotiable securities with a market on a securities exchange The Company has adopted the market value method (the full amount of the valuation difference is charged to net assets using the direct transfer to capital method, with the disposal cost determined by the moving average method) based on the market price on the fiscal year closing date or similar prices Other negotiable securities without a market price The Company has adopted the cost method based upon the moving average method	Common stock of subsidiaries and affiliated companies Same as at left Other negotiable securities Negotiable securities with a market on a securities exchange Same as at left Other negotiable securities without a market price Same as at left

2. Appraisal standards and appraisal method for construction equipment	Amount after deduction of depreciation expense calculated according to the declining-balance method from the original prices, by separate fiscal year of purchase	Amount after deduction of depreciation expense calculated according to the straight-line method from the original prices, by separate fiscal year of purchase (Change in accounting method) Traditionally, the Company valued construction equipment using the amount after deduction of depreciation expense calculated according to the declining-balance method from the original prices, by separate fiscal year of purchase. Beginning from the fiscal year under review, the Company will calculate the amount after deduction of depreciation expense according to the straight-line method from the original prices, by separate fiscal year of purchase. Because rental earnings obtained from construction equipment are generated on average over the period during which the construction equipment is used, the Company has made this change in conjunction with the change of depreciation method for rental equipment from the declining balance method to the straight-line method from the fiscal year under review to similarly recognize a fixed cost amount corresponding to earnings, achieve a correspondence between costs and earnings and calculate accounting period profits and losses more properly for construction equipment that contributes to the acquisition of rental earnings. As a result, for the fiscal year under review the cost of revenues from operations decreased by ¥54,258 thousand, and gross profit and operating income and ordinary income increased by the same amount, respectively, and loss before taxes and adjustments decreased by the same amount, compared to what they otherwise would have been had the accounting standards used in past periods been applied.

3. Appraisal standards and appraisal method for merchandise inventories and supplies	(1) Merchandise inventories Lower of cost or market based on the last-in, first-out method (2) Work in process The Company has adopted the cost method, cost being determined by the specific identification method (3) Supplies The Latest purchase cost method	(1) Merchandise inventories The Company has adopted the cost method, cost being determined based on the Last-in, First-out method (amounts shown on the balance sheet are calculated by determining write-downs of book value based on the decline in profitability). (Change in accounting method) Beginning from the fiscal year under review, the Company has adopted the Accounting Standard for Measurement of Inventories (Accounting Standards Board of Japan Accounting Standard Statement No. 9 dated July 5, 2006). The affect of this change on earnings is not material. (2) Work in process Same as at left (3) Supplies Same as at left

4. Depreciation method for fixed assets	(1) Tangible fixed assets The Company has adopted the declining-balance method. Buildings on land that is leased under a fixed-term land lease agreement, however, are depreciated using the straight-line method using the remaining period of the fixed-term lease as the depreciable life and zero residual value. The depreciable lives mainly used by the Company are as follows. Rental assets 5-10 years Buildings 31-34 years	(1) Tangible fixed assets (excluding lease assets) The Company has adopted the straight-line method for rental assets 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. The depreciable lives mainly used by the Company are as follows. Rental assets 2-16 years Buildings 2-60 years (Change in accounting method) Traditionally, the Company depreciated rental assets using the declining-balance method. Beginning from the fiscal year under review, the Company has changed its depreciation method to the straight-line method. Because rental earnings obtained from rental equipment are generated on average over the period during which the rental equipment is used, the Company has made this change as a result of investing a more appropriate method for allocation of expenses following the increase in the scale of purchases, and increase in the monetary importance of rental equipment, as a result of changing its method for acquisition of rental equipment from leasing agreements to purchases, to recognize a fixed expense amount corresponding to earnings, achieve a correspondence between expenses and earnings and calculate accounting period profits and losses more properly. As a result, for the fiscal year under review the cost of revenues from operations decreased by ¥2,442,469 thousand, and gross profit, operating income and ordinary income increased by the same amount and loss before taxes and adjustments decreased by the same amount, respectively, compared to what they otherwise would have been had the accounting standards used in past periods been applied.

		(Supplemental information) Beginning from the fiscal year under review, the Company has revised the useful lives for the Company's machinery and equipment (including equipment accounted for as rental assets) following the changes to statutory useful lives based on the amendment of the Corporation Tax Law in fiscal 2008. As a result, operating income and ordinary income were ¥1,118,961 thousand higher, and the loss before taxes was ¥1,118,961 thousand lower, than they otherwise would have been had the accounting standards used in past periods been applied.
	(2) Intangible fixed assets Software for use within the Company is depreciated using the straight-line method based on the assumed useful life for internal use (5 years).	(2) Intangible fixed assets (excluding lease assets) Same as at left
	―――――	(3) Lease assets The Company has adopted the straight-line method 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.
	(4) Long-term prepaid expenses The Company has adopted straight-line depreciation.	(4) Long-term prepaid expenses Same as at left
5. Standard for conversion of foreign currency-denominated assets or liabilities into Japanese yen	The Company converts monetary claims and monetary liabilities denominated in foreign currencies into Japanese yen at the exchange market spot rate on the fiscal year settlement date, and charges the translation difference to income as a gain or loss.	Same as at left
6. Accounting standards for allowances and reserves	(1) Allowance for doubtful accounts To provide for losses on doubtful accounts such as accounts receivable, the Company charges to income an amount based on actual loss experience for normal accounts, plus an amount for projected unrecoverable amounts based on assessments of individual accounts.	(1) Allowance for doubtful accounts Same as at left

	(2) Accrued bonuses to employees To fully provide for expenditures of bonuses the Company will pay to employees, an amount is appropriated to the reserve during the fiscal year based upon a salary estimate amount.	(2) Accrued bonuses to employees Same as at left
	(3) Accrued employees retirement benefits The Company provides for accrued employees retirement benefits based upon the projected amounts of the liability for accrued employees retirement benefits and the value of pension assets at the end of the fiscal year. At the end of each fiscal year, the Company appropriates an amount to the reserve to provide for the liability recognized during the period. Past years' service liabilities are fully written off in the year incurred. The difference based on an actuarial calculation is charged to income beginning in the fiscal year following the year in which incurred, with the amounts allocated proportionately using the straight-line method, based on a specified number of years (10 years) that is less than the average remaining period of employment for employees at the time the difference arises.	(3) Accrued employees retirement benefits ————
	(4) Retirement allowances to directors and auditors The Company provides for retirement allowances to directors and auditors based upon pertinent rules and appropriated to the account at the end of the fiscal year proportionately based upon length of service.	(4) Retirement allowances to directors and auditors Same as at left
	(5) Reserve for investment losses The Company provides for losses from the decline in real prices of assets such as the stock of subsidiary companies that are subject to asset impairment accounting by applying internally established standards that take into consideration subsidiary company operating results and asset quality.	(5) Reserve for investment losses Same as at left
	(6) Provision for loss on guarantees To provide for losses resulting from the future execution of liability guarantees, the Company charges to income a reasonably estimated loss amount based on the outstanding amount of guarantees.	(6) Provision for loss on guarantees To provide for losses resulting from the future execution of liability guarantees, the Company charges to income a reasonably estimated loss amount based on the outstanding amount of guarantees.

	(Supplemental information) Because the probability of incurring a loss on guarantees of affiliated company bank loans increased, during the fiscal year under review the Company charged ¥377,216 thousand to the provision for loss on guarantees for subsidiaries and affiliates in extraordinary losses and posted an identical amount to the provision for loss on guarantees reported under long-term liabilities. As a result, income before taxes and adjustments decreased by ¥377,216 thousand.	――――――
7. Lease transactions	For finance lease transactions except for leases that transfer ownership of the property to the lessee, rent expenses are charged to income as payments are made.	――――――
8. Hedge transactions	(1) Hedge transactions The Company accounts for hedge transactions using allocations based on accounting standards for foreign currency-denominated transactions, and special rule accounting based on accounting standards for financial products. (2) Hedge methods and hedged transactions The Company uses currency swaps and forward transactions in order to avoid the currency fluctuation risk related to the Company's foreign currency-denominated straight bonds and liabilities for import payments. The Company also uses interest swaps to avoid interest rate fluctuation risk related to interest on bank borrowing. (3) Hedging policies The Company's use of derivative transactions is limited to hedging risk within the scope of the Company's assets and liabilities subject to market fluctuation risk. (4) Method for evaluating the effectiveness of hedges The Company does not evaluate the effectiveness of its hedge transactions because it can assume that its currency swap transactions and forward transactions will completely offset market fluctuations or changes in cash flow from the time the hedge begins until it is terminated. In addition, the Company's interest swap transactions fulfill the requirements for special rule accounting, and the Company has elected to use this in place of an evaluation of effectiveness.	(1) Hedge transactions Same as at left (2) Hedge methods and hedged transactions Same as at left (3) Hedging policies Same as at left (4) Method for evaluating the effectiveness of hedges Same as at left

9. Other significant matters for preparation of the fiscal year financial statements	Accounting treatment of consumption tax Consumption tax is taken out of all Statement of Income items and Balance Sheet items, except mainly for receivables and payables.	Accounting treatment of consumption tax Same as at left

Change in Presentation Method

Prior fiscal year From November 1, 2007 to October 31, 2008	Current fiscal year From November 1, 2008 to October 31, 2009
――――――	(Accounting Standard for Lease Transactions) Traditionally, the Company accounted for finance lease transactions except for leases that transfer ownership of the property by applying accounting treatment based on the method applied for ordinary rental transactions. Beginning from the fiscal year under review, the Company has adopted the Accounting Standard for Lease Transactions (Accounting Standards Board of Japan Statement No. 13, June 17, 1993 (Business Accounting Council Subcommittee No. 1), revised March 30, 2007) and the Implementation Guidance on Accounting Standard for Lease Transactions (Guidance on Accounting Standard for Lease Transactions No. 16, January 18, 1994 (The Japanese Institute of Certified Public Accountants, Accounting System Committee), revised March 30, 2007), and will apply the standard for lease transactions based on the accounting treatment applied for ordinary purchase and sale transactions. In addition, the Company has adopted the straight-line method using the lease term as the depreciable life and zero residual value as the depreciation method for lease assets related to finance lease transactions except for leases that transfer ownership of the property. For finance lease transactions except for leases that transfer ownership of the property that began before the first year in which the lease accounting standard was applied, the Company will continue to apply accounting treatment based on the method applied for ordinary rental transactions. The affect of this change on earnings is not material.

Prior fiscal year From November 1, 2007 to October 31, 2008	Current fiscal year From November 1, 2008 to October 31, 2009
――――――	(Balance sheet) Beginning from fiscal year under review the Company will classify items reported as “inventories” and “supplies” in the prior fiscal year into “merchandise inventories and products” and “raw materials and supplies” in conjunction with the requirement to apply the Cabinet Office Ordinance on Partial Revision of the Regulation for Terminology, Forms and Preparation of Financial Statements and Other Regulations (Cabinet Office Ordinance No. 50, August 7, 2008). The amounts of “inventories" and “supplies” included in “inventory” in the prior fiscal year were ¥259,968 thousand and ¥72,526 thousand, respectively.

Notes to the Financial Statements

(Notes to the Balance Sheets)

(Unit: Thousands of yen)

Prior Fiscal Year (As of October 31, 2008)	Current Fiscal Year (As of October 31, 2009)
*1. Reduction to book value Amounts for assets acquired for which accumulated book values were reduced by government subsidies Machinery and equipment 5,044 Land 3,569 Total 8,613	*1. Reduction to book value Amounts for assets acquired for which accumulated book values were reduced by government subsidies Machinery and equipment 5,044 Land 3,569 Total 8,613
――――	*2. Affiliated companies Amounts classified as liabilities owed to affiliates Current assets 494,482 Current liabilities 661,222
3. Contingent liabilities Joint and several guarantees of bank loans to employees (Bank of Tokyo-Mitsubishi UFJ Limited, other) 32,145 Guarantee of consolidated subsidiary debt (Kanatech Co., Ltd.) 150,000 Guarantee of consolidated subsidiary debt (Kanki Corporation) 756,000 Guarantee of non-consolidated subsidiary debt (Flowtechno Corporation) 100,000 Guarantee of non-consolidated subsidiary installment payments (SJ Rental, Inc.) 33,014 Guarantee of non-consolidated subsidiary debt (Shanghai Jinheyuan Equipment Rental Co., Ltd.) 1,253,670 Guarantee of non-consolidated subsidiary finance lease liabilities (Shanghai Jinheyuan Equipment Rental Co., Ltd.) 1,632,416	3. Contingent liabilities Joint and several guarantees of bank loans to employees (Bank of Tokyo-Mitsubishi UFJ, others) 34,788 Guarantee of consolidated subsidiary debt (Kanki Corporation) 433,877 Guarantee of borrowing liabilities of Flowtechno Corporation, a non-consolidated subsidiary company 100,000 Guarantee of installment payment liabilities of SJ Rental, Inc., a non-consolidated subsidiary company 177,884 Guarantee of borrowing liabilities of Shanghai Jinheyuan Equipment Rental Co., Ltd., an non-consolidated subsidiary company 133,900 Guarantee of finance lease liabilities of Shanghai Jinheyuan Equipment Rental Co., Ltd., an non-consolidated subsidiary company 1,580,468 Guarantee of borrowing liabilities of Shanghai Jinheyuan Engineering Construction Co., Ltd., an non-consolidated subsidiary company 773,942 Guarantee of finance lease liabilities of Shanghai Jinheyuan Engineering Construction Co., Ltd., an non-consolidated subsidiary company 1,246,603 Guarantee of borrowing liabilities of KG Machinery Co., Ltd., an non-consolidated subsidiary company 29,050 Guarantee of installment payment liabilities of KG Machinery Co., Ltd., a non-consolidated subsidiary company 66,439

*4. Liquidation of receivables based on receivables transfer facility The Company liquidates receivables based on a receivables transfer facility. Notes receivable, trade 5,135,881 Liquidated claims bearing a right of recourse to the Company and included in the balance of notes receivable, trade transferred total ¥1,164,588. ——————	*4. Liquidation of receivables based on receivables transfer facility The Company liquidates receivables based on a receivables transfer facility. Notes receivable, trade 5,126,484 Liquidated claims bearing a right of recourse to the Company and included in the balance of notes receivable, trade transferred total ¥1,321,551. *5. Notes and bills maturing at the end of the fiscal year Notes and bills maturing on the last day of the fiscal year are settled and processed on the note and bill clearing date. Because the last day of the Company's current fiscal year was a financial institution holiday, notes and bills maturing on the final day of the following fiscal year are included in the fiscal year interim accounting period balance. Notes receivable, trade 26,162 Notes payable, trade 1,410,626 Equipment notes payable 11,658

(Notes to the Statements of Income)

(Unit: Thousands of yen)

Prior fiscal year (From November 1, 2007 to October 31, 2008)		Current fiscal year (From November 1, 2008 to October 31, 2009)	
*1. Transactions with affiliates		*1. Transactions with affiliates	
Seconded employees' salaries	22,446	Seconded employees' salaries	46,301
Rents received	118,681	Rents received	123,441
*2. Balance in other accounts transferred to cost of rental equipment assets and construction equipment sold		*2. Balance in other accounts transferred to cost of rental equipment assets and construction equipment sold	
Rental equipment assets	513,791	Rental equipment assets	648,082
Construction equipment	975	Construction equipment	312
Total	514,766	Total	648,395
*3. Gain on sale or retirement of fixed assets		*3. Gain on sale or retirement of fixed assets	
Land	949	Building	25
Building	926	Tools, furniture and fixtures	64
Machinery and equipment	3,478	Total	89
Total	5,354		
*4. Loss on sale or retirement of fixed assets		*4. Loss on sale or retirement of fixed assets	
(Loss on sale of fixed assets)		(Loss on sale of fixed assets)	
Buildings	312	Machinery and equipment	39
Other	75	Land	40
(Loss on retirement of fixed assets)		(Loss on retirement of fixed assets)	
Rental equipment assets	15,914	Rental equipment assets	11,246
Buildings	25,268	Buildings	43,232
Structures	9,597	Structures	5,714
Machinery and equipment	5,056	Machinery and equipment	3,692
Vehicles and delivery equipment	403	Vehicles and delivery equipment	339
Tools, furnishings and fixtures	3,194	Tools, furnishings and fixtures	1,603
Other	279	Other	7,759
Total	60,103	Total	73,668

Prior fiscal year (From November 1, 2007 to October 31, 2008)	Current fiscal year (From November 1, 2008 to October 31, 2009)
*5. Impairment loss During this fiscal year the Kanamoto Group incurred an impairment loss on the following asset groups.	*5. Impairment loss During this fiscal year the Kanamoto Group incurred an impairment loss on the following asset groups.

Prior fiscal year:

Location	Use	Asset
Tomakomai City, Hokkaido	Dormant assets	Land

Current fiscal year:

Location	Use	Asset
Tomakomai City, Hokkaido	Dormant assets	Land

Prior fiscal year	Current fiscal year
Asset groupings used by the Kanamoto Group to apply asset impairment accounting are based on the block classified as the smallest segment for which profitability can be determined regularly by business. Specifically, dormant assets are grouped as units that generate independent cash flow. For certain dormant assets for which the asset value was less than book value, the Company reduced book value to the recoverable value, and accounted for the reduction as an impairment loss (¥490 thousand) under extraordinary losses. This ¥490 thousand was for land. The recoverable value for this asset group is measured according to net sales price, and the land is evaluated using the inheritance tax assessment value based on the land tax assessment value or other amount as a base.	Asset groupings used by the Kanamoto Group to apply asset impairment accounting are based on the block classified as the smallest segment for which profitability can be determined regularly by business. Specifically, dormant assets are grouped as units that generate independent cash flow. For certain dormant assets for which the asset value was less than book value, the Company reduced book value to the recoverable value, and accounted for the reduction as an impairment loss (¥312 thousand) under extraordinary losses. This ¥312 thousand was for land. The recoverable value for this asset group is measured according to net sales price, and the land is evaluated using the inheritance tax assessment value based on the land tax assessment value or other amount as a base.

(Statements of Changes in Net Assets)

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

Class of treasury stock and number of shares

(Thousands of shares)

	Number of shares at end of prior fiscal year	Increase in number of shares during the current fiscal year	Decrease in number of shares during the current fiscal year	Number of shares at end of the current fiscal year
Treasury stock				
Common stock (Note)	25	5	−	30
Total	25	5	−	30

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

Current fiscal year (From November 1, 2008 to October 31, 2009)

Class of treasury stock and number of shares

(Thousands of shares)

	Number of shares at end of prior fiscal year	Increase in number of shares during the current fiscal year	Decrease in number of shares during the current fiscal year	Number of shares at end of the current fiscal year
Treasury stock				
Common stock (Note)	30	3	−	34
Total	30	3	−	34

(Note) The number of treasury stock shares of common stock increased by 3 thousand shares through purchases of shares comprising less than one investment unit.

(**Negotiable Securities**)

For the prior fiscal year (as of October 31, 2008) and this fiscal year (as of October 31, 2009), the stock of the Company's subsidiary companies and affiliated companies did not have a market price.

(Notes Related to Tax Effect Accounting)

(Unit: Thousands of yen)

Prior fiscal year (As of October 31, 2008)		Current fiscal year (As of October 31, 2009)	
1. Major factors creating deferred tax assets and deferred tax liabilities		1. Major factors creating deferred tax assets and deferred tax liabilities	
Deferred tax assets		Deferred tax assets	
Amount in excess of limit for inclusion in allowance for doubtful accounts	527,840	Amount in excess of limit for inclusion in allowance for doubtful accounts	681,423
Excess accrued employees retirement benefit	404,481	Excess accrued employees retirement benefit	488,786
Disallowance of retirement benefit directors and auditors	40,955	Disallowance of retirement benefit directors and auditors	56,896
Disallowance of accrued bonuses to employees	196,893	Disallowance of accrued bonuses to employees	157,615
Disallowance of excess depreciation	270,488	Disallowance of excess depreciation	322,524
Impairment loss	240,572	Impairment loss	240,698
Disallowance of reserve for investment losses	164,292	Disallowance of reserve for investment losses	263,870
Disallowance of provision for loss on guarantees	152,395	Disallowance of provision for loss on guarantees	83,475
Other	271,260	Loss on valuation of investment securities	228,039
		Other	158,354
Deferred tax assets subtotal	2,269,180	Deferred tax assets subtotal	2,681,685
Valuation difference on negotiable securities	-670,830	Valuation difference on negotiable securities	-1,086,430
Total deferred tax assets	1,598,350	Total deferred tax assets	1,595,255
Deferred tax liability		Deferred tax liability	
Valuation difference on other investment securities	129,733	Valuation difference on other investment securities	158,685
Net deferred tax assets	1,468,616	Net deferred tax assets	1,436,569
Disclosure classifications:		Disclosure classifications:	
Current assets	235,290	Current assets	199,932
Fixed assets	1,233,325	Fixed assets	1,236,636
2. Causes of principal differences between the statutory tax rate and burden ratio for corporate and other taxes following application of tax effect accounting by major category.		2. Causes of principal differences between the statutory tax rate and burden ratio for corporate and other taxes following application of tax effect accounting by major category.	
Statutory corporate tax rate	40.4 %	The Company has omitted the description of these items because it reported a net loss before taxes and adjustments.	
(Adjustment)			
Local tax equalization	7.6 %		
Items not included permanently in losses such as expense account	3.3 %		
Affect from application of asset impairment accounting for fixed assets	0.0 %		
Affect from application of allowance for investment loss	11.9 %		
Affect from application of allowance for doubtful accounts	22.8 %		
Other	-0.8 %		
Burden ratio for corporate and other taxes after application of tax effect accounting	85.2 %		

(Per Share Information)

Prior fiscal year (From November 1, 2007 to October 31, 2008)	Current fiscal year (From November 1, 2008 to October 31, 2009)
Net assets per share 1,170.56 Yen Net income per share of common stock 5.59 Yen Net income per share of common stock after adjustment for potential ordinary shares — The Company has not reported net income per share of common stock after adjustment for potential ordinary shares because it does not have any potential shares that would have a dilution effect.	Net assets per share 1,120.50 Yen Net loss per share of common stock -32.28 Yen Net income per share of common stock after adjustment for potential ordinary shares — The Company has not reported net income per share of common stock after adjustment for potential ordinary shares because it does not have any potential shares that would have a dilution effect.

Note: The basis for calculating net income per share and net income per share on a fully diluted basis is provided below.

(Unit: Thousands of yen)

	Prior fiscal year (From November 1, 2007 to October 31, 2008)	Current fiscal year (From November 1, 2008 to October 31, 2009)
Fiscal year net income (loss)	183,467	-1,060,122
Amount not attributable to major shareholders	—	—
Fiscal year net income (loss) related to common stock	183,467	-1,060,122
Average number of shares outstanding during the fiscal year	32,844,319	32,838,970

(Material Events after the Close of the Fiscal Year)

The Company had no material items to report.

6. Others

(1) Changes to Directors

There are no pertinent items.

(2) Other

There are no pertinent items.